RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR THEIR DESIGNEE, TO NEGOTIATE AND ENTER INTO LOANS AND RELATED DOCUMENTS WITH THE CITY OF LOS ANGELES FOR THE ACQUISITION, PERMANENT FINANCING, OR REFINANCING OF THE FOLLOWING FOUR REAL PROPERTY ASSETS LIMITED TO THE FOLLOWING AMOUNTS: UP TO $4,525,000 FOR THE REAL PROPERTY ASSET AT 5050 W. PICO BOULEVARD, LOS ANGELES, CALIFORNIA 90019, UP TO $2,725,000 FOR THE REAL PROPERTY ASSET AT 740 S. ALVARADO STREET, LOS ANGELES, CALIFORNIA 90057, UP TO $4,625,000 FOR THE REAL PROPERTY ASSET AT 1044 N. SOTO STREET, LOS ANGELES, CALIFORNIA 90033, AND UP TO $3,125,000 FOR THE REAL PROPERTY ASSET AT 10150 HILLHAVEN AVENUE, LOS ANGELES, CALIFORNIA 91042; AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

Douglas Guthrie  
President & Chief Executive Officer

Geoffrey Moen  
Director of Development

Purpose: The purpose of these resolutions is to authorize the Housing Authority of the City of Los Angeles (“HACLA”) to enter into one or more subordinate loans with the Los Angeles Housing Department (“LAHD”) to support the acquisition or refinancing of four properties (“Properties”) that have been or will be acquired by HACLA through the State of California’s Homekey Round 2 program (“Homekey”), in response to changing market conditions and public funding commitments since the Board of Commissioners (“BOC” or “Board”) initially authorized the purchase of the Properties.

Regarding: Resolution No. 9756, adopted by the BOC on October 28, 2021, authorized HACLA to acquire the property located at 5050 W. Pico Boulevard (“5050 W Pico”) through Homekey, and to execute related documents, including a California Department of Housing and Community Development (“HCD”) Standard Agreement, and found that the acquisition would be exempt from the California Environmental Quality Act (“CEQA”). The resolution did not authorize HACLA to enter into a loan with the City of Los Angeles (“City”) through the Los Angeles Housing Department (“LAHD”). Resolution No. 9788, adopted by the BOC on January 11, 2022, amended Resolution No. 9756 to authorize the designated officers of HACLA to expend HACLA funds, including from HACLA’s line of credit and from non-federal funds from the non-public housing portfolio to finance the acquisition of 5050 W Pico.
Resolution No. 9787, adopted by the BOC on January 11, 2022, authorized HACLA to acquire the property located at 740 S. Alvarado Street ("740 S Alvarado") through Homekey, and to execute related documents, including an HCD Standard Agreement, and found that the acquisition would be exempt from CEQA. The resolution did not authorize HACLA to enter into a loan with the City.

Resolution No. 9794, adopted by the BOC on January 27, 2022, authorized HACLA to acquire the property located at 10150 Hillhaven Avenue ("10150 Hillhaven") through Homekey, and to execute related documents, including an HCD Standard Agreement, and found that the acquisition would be exempt from CEQA. The resolution authorized HACLA to enter into a loan with the City in an amount not to exceed $2,500,000.

Resolution No. 9793, adopted by the BOC on January 27, 2022, authorized HACLA to acquire the property located at 1044 N. Soto Street ("1044 N Soto") through Homekey, and to execute related documents, including an HCD Standard Agreement, and found that the acquisition would be exempt from CEQA. The resolution authorized HACLA to enter into a loan with the City in an amount not to exceed $4,200,000.

**Issues:**

**Background:** In November of 2021, the City authorized LAHD to loan $15 million to HACLA (cumulatively, the “City Loan”) to assist HACLA in acquiring housing units through Homekey. The purpose of the City Loan was to increase the pool of properties available to HACLA by leveraging HACLA’s ability to obtain senior debt through the dedication of project-based Section 8 vouchers ("PBVs"). The City Loans are structured to be subordinate to senior debt arranged by HACLA, paid out of cash flow, and bear interest at zero percent (0%). In essence, the City Loans provide gap financing that allows HACLA to acquire higher cost properties, including newer construction developments in higher amenity areas, than could be supported by senior debt alone based on projected operating costs and the PBV Voucher Payment Standards.

Prior to the City’s action in November 2021, HACLA placed 5050 W Pico under contract for purchase through Homekey. Following the City’s action, in January 2022, the BOC approved the purchase of 740 S Alvarado, 1044 N Soto, and 10150 Hillhaven (together with 5050 W Pico, the “Properties” or the “Projects”) through Homekey. Based on cost estimates and market conditions in January 2022, it was anticipated that no loan from the City would be necessary to purchase 740 S Alvarado. The Board authorized City Loans of $4,200,000 and $2,500,000, for the purchase of 1044 N Soto and 10150 Hillhaven, respectively.
Based on conversations with lenders and an analysis of changing market conditions, including rising interest rates and inflation, staff has revised the underwriting of the Properties and anticipates that each Property will now be able to support less senior debt than was initially underwritten. The proposed City Loan allocations are sized to offset the anticipated reduction in senior debt proceeds and rising costs.

LAHD submitted a report that was adopted by the Los Angeles City Council in March 2022 that authorized City Loan amounts of $4,381,606 and $1,620,000 for 5050 W Pico and 10150 Hillhaven, respectively. LAHD is preparing a report for the Council’s consideration with revised City Loan amounts consistent with the amounts set forth in the attached proposed HACLA resolutions.

The maximum allocations of the City Loans that were initially underwritten and adopted by the BOC are presented in the table below, along with the revised allocations that are now proposed.

<table>
<thead>
<tr>
<th>Property</th>
<th>Prior Individual Amounts</th>
<th>Revised Individual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>5050 W Pico</td>
<td>-</td>
<td>$4,525,000</td>
</tr>
<tr>
<td>740 S Alvarado</td>
<td>-</td>
<td>2,725,000</td>
</tr>
<tr>
<td>1044 N Soto</td>
<td>4,200,000</td>
<td>4,625,000</td>
</tr>
<tr>
<td>10150 Hillhaven</td>
<td>2,500,000</td>
<td>3,125,000</td>
</tr>
<tr>
<td>Total</td>
<td>$6,700,000</td>
<td>$15,000,000</td>
</tr>
</tbody>
</table>

Disbursement & Terms

HACLA has closed on the purchase of two of the Properties, 5050 W Pico and 740 S Alvarado. The purchases of those properties were funded by draws on HACLA’s line of credit with City National Bank (“Line of Credit”) and unrestricted non-federal portfolio funds. The City Loans for these Properties will be disbursed by the City following the execution of the loan documents and the funds will be delivered directly to HACLA. HACLA will use the City Loan funds for these Properties: 1) to pay down a portion of the balances drawn from the Line of Credit or 2) to repay the loans from HACLA and funds invested by HACLA for each Property.

It is anticipated that the City will disburse the City Loan amounts for 1044 N Soto and 10150 Hillhaven into escrow for the purchase of those Properties, which will reduce the draw on the Line of Credit that will be required by HACLA. In order to ensure maximum flexibility and guarantee HACLA’s ability to close on the Properties in accordance with the dates set forth in the respective Purchase and Sale Agreements, the attached resolutions provide that HACLA may close on the purchase of these Properties prior to receipt of the City Loan proceeds and use the subsequent receipt of the loan proceeds to refinance the Properties by paying
down a portion of the balances drawn from the Line of Credit or loans and other funds invested by HACLA for the acquisition of those Properties.

The City Loan will be subject to terms that have been negotiated with the City, including but not be limited to the following terms:

- Interest rate of zero percent (0%);
- Repayment of principal from 50% split of residual receipts, with required repayment upon sale, in the event of default, or upon refinancing unless City provides consent;
- 55-year term mirroring Homekey requirement;
- No lockout period of City not to be unreasonably withheld;
- Release of all obligations to City upon full repayment of outstanding balance;
- Execution of deed of trust, loan agreement, one or more notes, and 55-year regulatory agreement that survives payoff and is not subordinated to future encumbrances;
- Compliance with terms required by City’s funding sources

Template draft loan documents are attached for review. Certain non-key terms may be negotiated and altered from the attached draft templates, subject to the review and approval of HACLA legal counsel.

City Loan Properties

Characteristics of the Properties that will be financed with the City Loan are presented in the table below and in the attached Property Acquisition Summaries. Each of the Properties will be required to provide housing to individuals or families who are experiencing or at risk of homelessness and with incomes at or below thirty percent (30%) of the Area Median Income for Los Angeles County. Each unit will be subsidized by a project-based Section 8 voucher and will be furnished. All residents will be provided with access to services.

Closing dates for 1044 N Soto and 10150 Hillhaven are projected based on the respective Purchase and Sale Agreements. Homekey funding amounts are for capital awards only and are estimated for each Property (other than for 5050 W Pico, which has already received a funding commitment). HACLA has submitted applications for 740 S Alvarado, 1044 N Soto, and 10150 Hillhaven, and is awaiting awards from HCD, at which time HACLA will waive contingencies and proceed to closing. City Loan amounts are as proposed in the resolutions and represent the maximum amounts that may be borrowed. 5050 W Pico will also utilize funding from a philanthropic grant in the amount of $350,000.
<table>
<thead>
<tr>
<th>Property</th>
<th>5050 W Pico</th>
<th>740 S Alvarado</th>
<th>1044 N Soto</th>
<th>10150 Hillhaven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>79</td>
<td>80</td>
<td>84</td>
<td>34</td>
</tr>
<tr>
<td>Parking</td>
<td>67</td>
<td>4</td>
<td>61</td>
<td>55</td>
</tr>
<tr>
<td>Council Dist.</td>
<td>10</td>
<td>1</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Closing Date</td>
<td>1/28/2022</td>
<td>1/21/2022</td>
<td>9/1/2022</td>
<td>5/30/2022</td>
</tr>
<tr>
<td>Price</td>
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<td>$30,750,100</td>
<td>$35,785,000</td>
<td>$17,750,000</td>
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<tr>
<td>Per Unit</td>
<td>$462,025</td>
<td>$384,376</td>
<td>$421,000</td>
<td>$522,059</td>
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<tr>
<td>Homekey Funding</td>
<td>$20,447,579</td>
<td>$20,665,000</td>
<td>$21,830,000</td>
<td>$9,255,000</td>
</tr>
<tr>
<td>Status</td>
<td>Preparing for lease up</td>
<td>Preparing for lease up</td>
<td>Preparing for closing</td>
<td>Preparing for closing</td>
</tr>
</tbody>
</table>

**Vision Plan:** **Place Strategy #4: Steward efforts to reduce and alleviate homelessness.**

In furtherance of the second round of the State’s Homekey Program, HACLA has expended money and staff time to identify and secure agreements to purchase vacant properties within the City which will provide decent, safe, and sanitary housing for individuals and families experiencing homelessness or at risk of homelessness, including the four Properties discussed in this report.

**Place Strategy #5: Expand HACLA’s role in the broader communities it serves to improve neighborhood-wide health and well-being.**

Acquiring vacant properties to provide decent, safe, and sanitary housing for individuals and families experiencing homelessness or at risk of homelessness will reduce the number of Angelenos exposed to adverse health outcomes in neighborhoods throughout the City of Los Angeles.

**Funding:** The Chief Administrative Officer confirms the following:

**Source of Funds:**

The loans will be funded by the City through a mixture of one or more of the following sources: proceeds from the sale of General Obligation Bonds under Proposition HHH, approved by the voters of the City of Los Angeles in 2016 and subsequently authorized by the Los Angeles City Council (“HHH”); federal Community Development Block Grant Recovery funds granted to the City (“CDBG-R”); federal Community Development Block Grant CARES Act funds granted to the City (“CDBG-CV”); federal HOME Investment Partnership American Rescue Plan funds granted to the City (“HOME ARP”); and State Homeless Housing, Assistance and Prevention funds granted to the City (“HHAP”). None of the City loans will use HACLA funds or grant money as a funding source.
Budget and Program Impact:

The City Loan will allow HACLA to: 1) repay borrowings obtained through its Line of Credit for the Properties, 2) repay loans and funds advanced by HACLA using non-federal funds for the acquisition of the Properties, and 3) to limit HACLA’s exposure to any gap between the sum of senior debt proceeds plus Homekey equity, less total project costs for the Properties. The City Loan will be repaid only through residual receipts generated by the operations of the Properties or through proceeds from the sale or refinancing of the Properties. HACLA will have no obligation to make any payment from other sources, including HACLA’s operating budget. There will be no impact on HACLA programs.

HACLA has engaged outside legal counsel to assist in reviewing and negotiating the loan documents with the City. The costs of the outside counsel will be apportioned to the Properties and paid from senior and subordinate loan proceeds or non-federal HACLA funds.

Environmental Review:

NEPA: The City of Los Angeles has issued an Environmental Review for Activity/Project that is Categorically Excluded Subject to Section 58.5 (the “CEST Statement”) for each of the Properties, executed by the Director of Finance and Development of LAHD (the “Responsible Entity Agency Official”). The dates of each executed CEST are provided in the table below:

<table>
<thead>
<tr>
<th>Property</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>5050 W Pico</td>
<td>October 22, 2021</td>
</tr>
<tr>
<td>10150 Hillhaven</td>
<td>February 24, 2022</td>
</tr>
<tr>
<td>1044 N Soto</td>
<td>February 24, 2022</td>
</tr>
<tr>
<td>740 S Alvarado</td>
<td>February 25, 2022</td>
</tr>
</tbody>
</table>

The CEST Statements found that the Properties were categorically excluded from NEPA pursuant to 24 CFR 58.35(a) and subject to laws and authorities at Section 58.5. The proposed modification to the financing structure of the purchases does not trigger the need for additional NEPA review.

CEQA: The BOC previously found that the acquisition of each property was categorically exempt from CEQA, and a Notice of Exemption (“NOE”) was filed for each with the Los Angeles County Registrar-Recorder/County Clerk (“LA RR/CC”) and the California Office of Planning and Research, pursuant to Public Resources Code section 21152(b). The proposed modifications to the financing structure of the purchases does not trigger the need for additional CEQA review.

Section 3: Not Applicable.
Attachments:

1. Resolution
2. Attachment – Property Acquisition Summaries for the Properties
3. Attachment – Draft Form of Loan Agreement
4. Attachment – Draft Form of Note
5. Attachment – Draft Form of Deed of Trust
6. Attachment – Draft Form of Regulatory Agreement
7. Attachment – Draft Form of Exhibits to Loan Agreement
ATTACHMENT 1

Resolution
RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR THEIR DESIGNEE, TO NEGOTIATE AND ENTER INTO LOANS AND RELATED DOCUMENTS WITH THE CITY OF LOS ANGELES FOR THE ACQUISITION, PERMANENT FINANCING, OR REFINANCING OF THE FOLLOWING FOUR REAL PROPERTY ASSETS LIMITED TO THE FOLLOWING AMOUNTS: UP TO $4,525,000 FOR THE REAL PROPERTY ASSET AT 5050 W. PICO BOULEVARD, LOS ANGELES, CALIFORNIA 90019, UP TO $2,725,000 FOR THE REAL PROPERTY ASSET AT 740 S. ALVARADO STREET, LOS ANGELES, CALIFORNIA 90057, UP TO $4,625,000 FOR THE REAL PROPERTY ASSET AT 1044 N. SOTO STREET, LOS ANGELES, CALIFORNIA 90033, AND UP TO $3,125,000 FOR THE REAL PROPERTY ASSET AT 10150 HILLHAVEN AVENUE, LOS ANGELES, CALIFORNIA 91042; AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Housing Authority of the City of Los Angeles (“HACLA” or the “Authority”) is a public body, corporate and politic, duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Housing Authorities Law, consisting of Part 2 of Division 24 of the California Health and Safety Code (the “Act”), including the power to finance, acquire and manage property in the furtherance of providing affordable housing;

WHEREAS, the Authority is authorized to acquire and dispose of real property and enter into contracts and agreements related thereto pursuant to the California Health and Safety Code Section 34200 et seq. and particularly with respect to Section 34315;

WHEREAS, the Authority’s Board of Commissioners (“BOC” or “Board”) adopted by Resolution 9587, on April 23, 2020, an Acquisition and Disposition of Real Property Policy (the “Policy”) to institute a revised and updated real property acquisition program (“Acquisition Program”) and to revise and restate its prior Policy to reflect the Authority’s Build HOPE Vision Plan goals to acquire additional real property and to provide for the disposition of real property;

WHEREAS, the California (“State”) Department of Housing and Community Development (“HCD”), using Federal Coronavirus Relief Funds and State general funds, created the Project Homekey Program (“Homekey”) in 2020 to rapidly create deeply affordable housing for individuals and families experiencing or at risk of homelessness, who were disproportionately impacted by the COVID-19 pandemic;

WHEREAS, following successful 2020 Homekey applications, Resolution No. 9710, adopted by the Board on May 27, 2021, authorized HACLA to submit multiple applications on its own behalf and in collaboration with the City of Los Angeles (“City”) in response to an anticipated 2021 Notice of Funding Availability for the Project Homekey Program (“2021 NOFA”), to apply for a second round of Homekey grant funds in a total amount not to exceed $250,000,000, including $220,000,000 for capital expenditures and $30,000,000 for capitalized operating subsidy, to enter into one or more Standard Agreements with HCD, to enter into a Memorandum of Understanding with the City, and to execute any related agreements, documents and contracts;
WHEREAS, Resolution No. 9792, adopted by the BOC on January 27, 2022, authorized an increase in the maximum amount of funding for which HACLA may apply in connection with the Homekey NOFA to $425,000,000, including $385,000,000 for capital expenditures and $40,000,000 for operating subsidy, which increased authorization also contemplated the submission of funding application for the real properties located at 5050 W. Pico Boulevard (the “5050 W Pico Property”), 740 S. Alvarado Street (the “740 S Alvarado Property”), 10150 Hillhaven Avenue (“10150 Hillhaven Property”), and 1044 N Soto Street (“1044 N Soto Property”), all within Los Angeles, California (collectively, the “Properties”);

WHEREAS, the State has adopted a 2021-2022 Budget with additional funding for Homekey, which included funding for a second round of Homekey;

WHEREAS, HCD has issued a Notice of Funding Availability, dated September 9, 2021 (“NOFA”), for the Homekey Program (“Homekey Round 2” or “Program”) for grant funds pursuant to Health and Safety Code section 50675.1.3 (Assembly Bill No. 140 (2021-2022 Reg. Sess.), § 20);

WHEREAS, HCD is authorized to administer Homekey Round 2 pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code) and all other legal requirements of Homekey Round 2, including the terms, conditions, regulations, and agreements that HCD may adopt through the NOFA and application for Homekey Round 2;

WHEREAS, Resolution No. 9756, adopted by the BOC on October 28, 2021, authorized the acquisition of the 5050 W Pico Property by HACLA, but did not authorize HACLA to enter into loans with the City of Los Angeles (“City”) to finance the acquisition;

WHEREAS, Resolution No. 9788, adopted by the BOC on January 11, 2022, authorized HACLA to use the HACLA line of credit and non-federal non-public housing portfolio funds to finance the acquisition of the 5050 W Pico Property;

WHEREAS, Resolution No. 9787, adopted by the BOC on October 28, 2021, authorized the acquisition of the 740 S Alvarado Property by HACLA, but did not authorize HACLA to enter into loans with the City to finance the acquisition;

WHEREAS, Resolution No. 9793, adopted by the BOC on January 27, 2022, authorized the acquisition of the 1044 N Soto Property by HACLA and authorized HACLA to enter into loans with the City for up to $4,200,000 to finance the acquisition;

WHEREAS, Resolution No. 9794, adopted by the BOC on January 27, 2022, authorized the acquisition of the 10150 Hillhaven Property by HACLA and authorized HACLA to enter into loans with the City to finance the acquisition;
WHEREAS, HACLA received an award letter from HCD for the 5050 W Pico Property on January 18, 2022, for a total award amount of $21,227,579;

WHEREAS, the Los Angeles City Council adopted the recommendation of the Los Angeles Housing Department (“LAHD”) on November 5, 2021, to authorize lending up to $15 million to HACLA to assist HACLA in acquiring units through the purchase of multiple properties through Homekey (“City Loan”);

WHEREAS, the Properties are located wholly within the City of Los Angeles;

WHEREAS, HACLA closed escrow on the purchase of the 740 S Alvarado Property on January 21, 2022, and on the purchase of the 5050 W Pico Property on January 28, 2022, and is under contract to close escrow on the purchase of the 10150 Hillhaven Property in May of 2022 and on the purchase of the 1044 N Soto Property in September 2022, in each case using funding sources including draws on HACLA’s line of credit, which draws were intended to be temporary funding to be paid off with permanent financing that will be secured by the net income from the Property’s operations;

WHEREAS, changing market conditions since the initial underwriting have reduced the anticipated amounts of senior permanent debt that may be supported by the Properties;

WHEREAS, a portion of the proceeds of the City Loan will fill the gap between the total costs of the Property acquisition and the sum of the Homekey Round 2 capital award and the currently projected permanent debt proceeds; and

WHEREAS, in review of the California Public Resources Code and exemption criteria therein and the information available at the time of the report, the Board has determined that entering into loan documents with the City for the Property does not alter the Board’s finding that the purchase of the Property is categorically exempt from the California Environmental Quality Act (“CEQA”).

NOW, THEREFORE, BE IT RESOLVED, the Board of Commissioners of the Housing Authority of the City of Los Angeles does hereby authorize and approve as follows:

Section 1. The recitals hereinafore set forth are true and correct, and this Board of Commissioners so finds. This Resolution is being adopted pursuant to the powers granted the Authority by Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code.

Section 2. The Board of Commissioners of the Housing Authority of the City of Los Angeles (“Authority”) hereby authorizes the President & CEO, or the Designated Officers at the direction of the President & CEO, to negotiate and enter into one or more loans (cumulatively, the “City Loan”) and related loan documents with the City of Los Angeles (“City”) for the acquisition, permanent financing, or refinancing of the four real property assets set forth in the table below (each a “Property” and together the “Properties”), in each case in amounts not to
exceed the amounts set forth in that table, provided that the loan documents for each Property shall include one or more loan agreements, one or more notes, a deed of trust that may be subordinated to future encumbrances with the City's consent, a regulatory agreement with a term of 55 years that may not be subordinated to future encumbrances and that will remain in effect if the loan is repaid, and any other documents or certificates related thereto as may be approved by legal counsel in order to effectuate the purchase, escrow closing, operation, and reimbursement of costs related to that property (collectively the “City Loan Documents”).

<table>
<thead>
<tr>
<th>Real Property Address</th>
<th>Amount of City Loans Not to Exceed</th>
</tr>
</thead>
<tbody>
<tr>
<td>5050 W. Pico Blvd, Los Angeles, CA 90019</td>
<td>$4,525,000</td>
</tr>
<tr>
<td>740 S. Alvarado St., Los Angeles, CA 90057</td>
<td>$2,725,000</td>
</tr>
<tr>
<td>1044 N. Soto St., Los Angeles, CA 90033</td>
<td>$4,625,000</td>
</tr>
<tr>
<td>10150 Hillhaven Avenue, Los Angeles, CA 91042</td>
<td>$3,125,000</td>
</tr>
<tr>
<td>Total for all four properties</td>
<td>$15,000,000</td>
</tr>
</tbody>
</table>

**Section 3.** The City Loan Documents shall provide that the City Loan allocation for each Property shall have the following terms: a) shall be used only for the acquisition, permanent financing, or refinancing of the Property and not to fund construction or rehabilitation work; b) shall have an interest rate of zero percent (0%) per annum; c) shall be subordinate to one or more senior loans to be arranged by HACLA; d) shall be paid only from residual receipts from the Property, following the payment of operating expenses, senior loan debt service, and an asset management fee to the borrower, or from proceeds from the sale or refinancing of the Property; e) shall allow for prepayment at any time without penalty; f) shall be due and payable upon sale or refinancing of the Property or upon default of the loan agreement, unless the City provides consent; g) shall have a term of 55 years; h) shall be secured only by the Property and the net revenues therefrom, and shall provide no recourse to HACLA or any of its instrumentalities; and i) shall provide that all obligations of HACLA associated with this allocation of the City Loan shall be terminated and forever released by the City upon the full repayment of the City Loan amount associated with the Property, with the exception that the regulatory agreement shall remain in place for 55 years.

**Section 4.** The President & CEO, or the Designated Officers at the direction of the President & CEO, are hereby authorized to negotiate such other terms of the City Loan Documents with LAHD not stated in Section 3 herein, as may be necessary to effectuate the execution, subject to the review and approval of HACLA legal counsel, of the City Loan Documents, including but not limited to compliance with terms of the funding sources of the City, notice provisions, and other terms or conditions that are not in conflict with the terms set forth above.
Section 5. The Designated Officers of the Authority referred to above are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Douglas Guthrie</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Marlene Garza</td>
<td>Chief Administrative Officer</td>
</tr>
<tr>
<td>Jenny Scanlin</td>
<td>Chief Development Officer</td>
</tr>
<tr>
<td>Margarita Lares</td>
<td>Chief Programs Officer</td>
</tr>
</tbody>
</table>

Section 6. BE IT FURTHER RESOLVED that this Resolution shall be effective upon its adoption.

PASSED AND ADOPTED by the Housing Authority of the City of Los Angeles this 28th day of April, 2022.

APPROVED AS TO FORM: HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By: __________________________   By: ___________________________
    James Johnson, General Counsel          Cielo Castro, Chairperson

DATE ADOPTED: __________________________
ATTACHMENT 2

Acquisition Property Summaries
Acquisition Property Profile: 5050 W. Pico Blvd
BOC Meeting Date: 10.28.2021

PROPERTY LOCATION
This property is located at 5050 W. Pico Blvd, Los Angeles, CA 90019 in the Mid-City neighborhood. The property is located in Council District 10 (CD 10). According to the 2020 Homeless Count Report, CD10 reported 1,930 individuals in need of shelter. The zip code area currently has a median household income of $56,389.

PROPERTY DESCRIPTION
5050 W. Pico is a new 79-unit multifamily property currently completing construction, with a projected completion date in November 2021. The property features 2,120 square feet of commercial space which will be used for tenant services.

Assessor's Parcel Number: 5070-017-039
Land Area: 18,548
Building Square Footage: 60,110
Parking: 67
Amenities: Elevator, lobby, courtyard, rooftop deck, services space (2,120 sq ft)

PROPERTY CONDITION
The property is newly constructed and has fourteen (14) units leased at market rate prior to acquisition. HACLA is monitoring construction completion and will obtain a full Property Condition Report the week of 10/25/21.

PROPERTY PICTURES

COMMUNITY AMENITIES

<table>
<thead>
<tr>
<th>Type</th>
<th>Distance</th>
<th>Type</th>
<th>Distance</th>
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</thead>
<tbody>
<tr>
<td>Pharmacy</td>
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<td>School</td>
<td>0.6 miles</td>
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<tr>
<td>CVS Pharmacy</td>
<td></td>
<td>Saturn Street Elementary</td>
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<tr>
<td>1302 S. La Brea Ave</td>
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<td>5360 Saturn Street</td>
<td></td>
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<td>Transportation</td>
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<td>Metro Bus</td>
<td></td>
<td>Ralph's</td>
<td></td>
</tr>
<tr>
<td>Pico &amp; Redondo</td>
<td></td>
<td>4760 W. Pico Blvd</td>
<td></td>
</tr>
<tr>
<td>Health Facility</td>
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<tr>
<td>Carbon Health Urgent Care</td>
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UNIT MIX

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Number</th>
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<tbody>
<tr>
<td>Studio/1BA</td>
<td>6 units</td>
<td>500 sq. ft.</td>
</tr>
<tr>
<td>1BR/1BA</td>
<td>73 units</td>
<td>630 sq. ft.</td>
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ZONING AND PERMITTING
LA City Planning Entitlements: density bonus with 8 units under ELI covenant for 55 years.
Building Permit received: 6.14.19
Temporary Certificate of Occupancy issued: August 13, 2021
Acquisition Property Profile: 740 Alvarado
BOC Meeting Date: 1.11.21

PROPERTY LOCATION
This property is located at 740 S. Alvarado St, Los Angeles, CA 90057 in the Westlake neighborhood. The property is located in Council District 1 (CD 1). According to the 2020 Homeless Count Report CD1 reported 2,374 individuals in need of shelter. The zip code area currently has a median household income of $37,700.

PROPERTY DESCRIPTION
740 S. Alvarado is a new construction 80-unit multifamily property completed in Fall 2021. The property includes one structure with a height of six stories that was constructed using a modular approach.

Assessor's Parcel Number: 5141-019-007
Land Area: 16,553 sf
Building Square Footage: 41,098 sf
Parking: 4 Parking Spaces
Amenities: 3,187 sf first floor comm. space; interior courtyard; roof deck

PROPERTY CONDITION
The property is newly constructed and has had no occupancy prior to acquisition. Property is located in a Tier 4 Transit Oriented Communities district.

COMMUNITY AMENITIES

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<tr>
<th>Type</th>
<th>Distance</th>
<th>Type</th>
<th>Distance</th>
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<td>School</td>
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<tr>
<td>Rite Aid Pharmacy</td>
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<td>Esperanza Elementary</td>
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<td>1744 W 6th Street</td>
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<td>680 Little Street</td>
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<td>Transportation</td>
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<td>2323 W Olympic Blvd</td>
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<td>Health Facility</td>
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<tr>
<td>Los Angeles Medical Center</td>
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<td>MacArthur Park</td>
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UNIT MIX

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<td>Studio</td>
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<td>1BR</td>
<td>33 units</td>
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<tr>
<td>2BR</td>
<td>5 units</td>
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ZONING AND PERMITTING
LA City Planning Entitlements: 11/1/2019
Building Permit received: 1/19/2020
Certificate of Occupancy issued: Pending

PROPERTY PICTURES
1) Building exterior
2) Interior courtyard
3) Unit interior
4) Unit kitchen
**PROPERTY LOCATION**
This property is located at 1044 N Soto Street, Los Angeles, CA 90033. The property is located in Council District 14 (CD 14). According to the 2020 Homeless Count Report CD14 reported 7,617 individuals in need of shelter. The zip code area currently has a median household income of $40,377.

**PROPERTY DESCRIPTION**
1044 N Soto Street is a new construction 85-unit property. The property is four stories and will include at least 10 units accessible for mobility impaired persons, and a minimum of 4 units accessible for visual and hearing impaired persons upon completion. The property is expected to be completed by September 2022.

Assessor’s Parcel Number: 5177-006-036
Land Area: 21,766 sq. ft.
Building Square Footage: 40,000 sq. ft.
Parking: 61 Parking Spaces; 4 Bike Spaces
Amenities:
- 745 SqFt Fitness Room; 10,000 SqFt Rooftop Deck; 3,500 SqFt Lobby with Food Prep Kitchen; 3 Storage Rooms Totaling 1,350 SqFt

**PROPERTY CONDITION**
The property is newly constructed and had no occupancy prior to acquisition.

**COMMUNITY AMENITIES**

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<tr>
<td>Soto St / Marengo St</td>
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<tr>
<td>Health Facility</td>
<td>0.4 miles</td>
<td>Park</td>
<td>0.5 miles</td>
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<tr>
<td>LAC + USC Medical Center 2051 Marengo St</td>
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<td>Malabar Branch Library 2801 Wabash Ave</td>
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**UNIT MIX**

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**ZONING AND PERMITTING**

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### Acquisition Property Profile: 10150 Hillhaven

**BOC Meeting Date:** 12.16.2021

#### PROPERTY LOCATION
This property is located at 10150 Hillhaven Ave, Tujunga, CA 91042. The property is located in Council District 7 (CD 7). According to the 2020 Homeless Count Report CD7 reported 1,440 individuals in need of shelter. The zip code area currently has a median household income of $45,796.

#### PROPERTY DESCRIPTION
10150 Hillhaven is a new construction 34-unit multifamily property. The property is three stories and will include 6 accessible units upon completion. The property is expected to be completed in mid-February 2022.

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<td>Building Square Footage:</td>
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<td>Parking:</td>
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<td>Amenities:</td>
<td>612 sq Rec Room; Rooftop Deck; Interior Courtyard</td>
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#### PROPERTY CONDITION
The property is newly constructed and has had no occupancy prior to acquisition.

#### COMMUNITY AMENITIES

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<td>7341 Foothill Blvd #101</td>
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<td>10111 Silverton Ave</td>
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<td>Transportation</td>
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<tr>
<td>Bus Stop</td>
<td></td>
<td>Commerce Market</td>
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<tr>
<td>Foothill / Fernglen</td>
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<td>10049 Commerce Ave</td>
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<td>Health Facility</td>
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<td>Sunland Medical Center</td>
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#### UNIT MIX

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<td>3BR</td>
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#### ZONING AND PERMITTING

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ATTACHMENT 3

Form of Loan Agreement
LOAN AGREEMENT

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

(PERMANENT LOAN)

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

Project: [Name of Project to be inserted]

Loan Amount: $ [to be inserted for each Property]

Funding Source: [to be inserted by City]

Los Angeles City Council File Number: [to be inserted by city]

Said Agreement is Number [to be inserted by City] of City Contracts
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<td>2.18 ADDITIONS OR CHANGES IN WORK</td>
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<td>2.19 CLAIMS FOR LABOR AND MATERIALS</td>
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<td>3.2 OBLIGATION TO REFRAIN FROM DISCRIMINATION</td>
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LOAN AGREEMENT
(5050 PICO PROJECT)

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EXHIBIT LIST (CONT.)
LOAN AGREEMENT  
(Project Name to be inserted)  
($ loan amount to be inserted)  

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

RECITALS

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

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

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

D. WHEREAS, on November 5, 2021, the City Council approved, by Council File No. 21-0112, the issuance of property acquisition loans for a total amount not to exceed $15 million, to be used as Homekey local match requirements for HACLA property acquisitions only on HACLA’s own account and Homekey applications requirements (collectively, the “Loans” or “City Loans,” and each individually, the “Loan” or the “City Loan”); and

E. WHEREAS, the City found that the Loans are in the City’s interests and that the acquired properties would meet the housing goals of the City and the Homekey Program; and
F. WHEREAS, the Loans are to be repaid annually from 50% of cash flow from the Projects located on the properties, calculated after all asset management and cost recovery fees are paid to HACLA, as further provided in Section 1.6 herein (the “Residual Receipts”), and the Loans are to be secured by HACLA-acquired Homekey properties; and

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

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

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

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

ARTICLE 1. TERMS OF LOAN

1.1 LOS ANGELES CITY BUSINESS TAX REGISTRATION CERTIFICATE. (RESERVED) HACLA is exempt from this provision pursuant to PSA Section 12.2

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

1.3 AMOUNT OF LOAN. On and subject to the terms and conditions of the Loan Documents, Lender agrees to make and Borrower agrees to accept a loan in an amount not to exceed Three Million, Three Hundred Twenty-Five Thousand Dollars ($3,325,000), evidenced by a promissory note in this amount, (the “City Note”), and secured by the City Deed of Trust recorded against the Property. The City Note is attached as Exhibit C. The City Deed of Trust is attached as Exhibit D. The terms of Exhibit C and Exhibit D are hereby incorporated into this City Loan Agreement by this reference. The Property is further described in Exhibit A, which is hereby incorporated into this City Loan Agreement by this reference.

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

1.4 INTEREST. The City Note shall bear simple interest at the rate of zero percent (0%) per annum on the principal amount outstanding from the date of the execution of the City
Note, until paid.

1.5 TERM OF LOAN. This City Loan Agreement shall commence on the date of execution and remain in full force and effect throughout the term of this Loan.

Unless sooner due pursuant to the City Note, the outstanding principal of the Loan shall be due and payable in one balloon payment on the earliest of (a) fifty-five (55) years from the date of execution of the City Note, (b) the date the Property is sold, assigned, transferred, or refinanced other than to a HACLA Instrumentality or (c) an Event of Default by Borrower which has not been cured as provided for in this City Loan Agreement.

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

LENDER: City of Los Angeles
Los Angeles Housing Department
P.O. Box # 532729
Los Angeles, CA 90053-2729
Attention: Portfolio Management Unit (HIMS# 18-125504)

Copy to:
Director of Finance and Development Division

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

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

-and-

Burke, Williams & Sorensen, LLP
1 California Street, Suite 3050
San Francisco, CA 94111
Attention: Laurie N. Gustafson, Esq.
1.7 SOURCES OF FUNDS AND COMPLIANCE WITH FUNDING REQUIREMENTS. The funds issued under this City Loan Agreement are from the City’s issuance of FY 2018-19 Prop HHH general obligation bonds, HOME-American Rescue Plan, CDBG-CV and CDBG reprogramming funds. On November 5, 2021, the City Council approved, by Council File No. 21-0112, the issuance of Loans for a total amount not to exceed $15 million, to be used as Homekey local match requirements for HACLA property acquisitions only on its own account and Homekey applications requirements. Borrower must comply with all requirements imposed on properties assisted under the applicable sources of funds and any other implementing rules and regulations are incorporated by this reference. In the event of any conflict between this City Loan Agreement and the regulations of the applicable sources of funds, the most restrictive requirements shall govern.[Note: LAHD to add any necessary requirements for discussion]

1.8 USE OF FUNDS. Borrower shall use the Loan proceeds only for the acquisition of the Property. [The Method of Financing is specified in Exhibit F, which is hereby incorporated into this City Loan Agreement by this reference.

1.9 LOAN DISBURSEMENT. Lender shall not be obligated to disburse any of the Loan proceeds or take any other action under the Loan Documents unless all of the conditions precedent contained in Exhibit G, are satisfied. Notwithstanding the foregoing or anything to the contrary in this Agreement, Borrower and Lender hereby agree that Lender shall deposit the full amount of the loan proceeds in escrow one day prior to the date identified as the Close of Escrow in the Purchase and Sale Agreement for the Property between HACLA and 5050 Pico LLC executed on September 23rd, 2021, as such may be amended. Exhibit G is hereby incorporated into this City Loan Agreement by this reference.

1.10 Intentionally Omitted.

1.11 COLLATERAL. As collateral for the Loan, the Borrower shall provide the Lender an executed City Deed of Trust in the form attached as Exhibit D giving the Lender a security interest on fee parcel(s) on the Property owned by Borrower. The City Deed of Trust shall be subordinate to any first lien mortgage to be arranged by HACLA, with terms of such to be approved by HACLA in its sole discretion. The Borrower shall deliver concurrently with the execution of the City Deed of Trust, the original executed City Note in the form attached as Exhibit C, which Lender shall hold until the City Note is paid in full.

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

1.12 PREPAYMENT OF LOAN. No prepayment penalty will be charged to Borrower for payment of all or any portion of the Loan amount prior to the end of the Loan term described herein, except in the event of a prepayment due to Borrower’s default. Notwithstanding anything to the contrary within this Agreement, City shall immediately terminate and forever
unconditionally release Borrower from all obligations associated with or resulting from this Loan Agreement upon receipt of Buyer’s full repayment of the balance of the Loan, provided, however, that such prepayment of the Loan shall not affect Borrower's obligations under the Regulatory Agreement, all of which shall remain in full force and effect for the entire term of that Regulatory Agreement.

1.13 REPAYMENT OF LOAN.

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

1.14 MAINTENANCE OF RECORDS, RIGHT TO INSPECT AND COPY.

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

B. Borrower’s duty to keep and maintain documents include the following forms and reports:

1. Property Management Plan
2. Affirmative Marketing Documentation
3. Vacancy Notifications Log
4. Lease Rental Agreement Addendum
5. Lease/Rental Agreement
6. Management Company Agreement
7. House Rules
8. Tenant Income  
9. Rent Certifications  
10. Tenant Income Source Documents  
11. Occupancy Summary (including the race, national origin or ethnicity and disability status of applicants, households on a project waiting list and occupants)  
12. Log of Reasonable Accommodation/Modification Requests  
13. Accessible Unit Transfer List  
14. Accessible Unit Waiting List  
15. Log of Grievances and Resolution  

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

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

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

1.15 AUDITS & INSPECTIONS.

A. Following reasonable written notice, Borrower shall make available for examination at intervals and during normal business hours to Lender all books, accounts, reports, files, and other papers or property with respect to all matters covered by these Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to this Loan.

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

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

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

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

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

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

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

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

Borrower shall cause, within ninety (90) days of disbursement of the City Loan funds or as soon thereafter as is practicable provided that Buyer has undertaken commercially reasonable efforts, 11% units to be provided within the Project that are accessible to persons with mobility disabilities and 4% units to be provided within the
Project that are accessible to persons with hearing and vision disabilities (the “Accessibility Requirements”). To ensure full compliance with the Accessibility Requirements, LAHD will monitor the initial production by applying the updated Alternative Accessibility Standard for new construction per HUD’s Notice at 79 Fed. Reg. 29,671 (May 23, 2014), when used in conjunction with the new construction requirements of 24 C.F.R. pt. 8, 24 C.F.R. § 8.22, and the new construction requirements of 28 C.F.R. pt. 35, including the 2010 Standards for Accessible Design as defined in 28 C.F.R. § 35.104 and as applied to public entities (excluding any elevator exceptions). In order to determine compliance with the Accessibility Requirements, Borrower shall submit for LAHD’s review and approval a report prepared by a Certified Access Specialist (“CASp”) for the Project. The CASp shall conduct final inspection(s) and issue a set of findings that identifies all compliance issues and a final Accessibility Report when the Project is in compliance.

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

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

1.16 RESIDUAL RECEIPTS.

A. Residual Receipts shall be distributed as follows:

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

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

B. Residual Receipts calculations shall be on an accrual basis accounting, and shall be paid to the City on an annual basis. Residual Receipts is defined in Exhibit B as all Revenue from the Project reduced by the following: (1) Operating Expenses calculated on an accrual basis; (2) debt service on senior project debt secured by the senior position deed of trust paid to the senior lender to be selected in Borrower’s sole discretion; (3) deposits to the
Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to any other reserve accounts as may be required by HCD or any future senior lender; and (6) all asset management and cost recovery fees paid to Borrower. Borrower’s asset management fees and cost recovery fees are calculated as the sum of (1) $1,067 per unit and (2) five percent (5%) of the Project’s net revenue, provided that the fees shall escalate at a rate of three percent (3%) annually from the date of execution of the City Note, with any unpaid fees to accrue without interest.

C. The City’s Share shall be applied to reduce the principal amount of the Loan. Upon payment in full of the Loan, City shall have no further right to payment of any portion of Residual Receipts.

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

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

1.17 ANNUAL OPERATING EXPENSES.

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

1.18 OPERATING RESERVE FUND.

A. On or before the first payment date, Borrower shall establish an interest bearing account (i.e. Treasuries, Government-insured investments, or similar, or a combination thereof) designated as a reserve fund to be known as the Operating Reserve Fund for the 5050 Pico Project and Borrower shall deposit into the account not less than [amount to be inserted consistent with amount indicated on application approved by California Department of Housing & Community Development].

1.19 REPLACEMENT RESERVE FUND.

A. On or before the first Payment Date, Borrower shall establish an interest-bearing account (i.e. Treasuries, Government-insured investments, or similar, or a combination thereof) designated as a reserve fund to be known as the Replacement Reserve Fund for the Project. On or before the first Payment Date the Borrower shall deposit not less than [amount to be inserted consistent with amount indicated on application approved by California Department of Housing & Community Development] into the Replacement Reserve Fund. Annually thereafter on the Payment Date, the Borrower shall deposit not
less than [amount to be inserted consistent with amount indicated on application approved by California Department of Housing & Community Development] into the Replacement Reserve Fund. Notwithstanding the previous sentence, LAHD’s written approval is required prior to making any modifications to the reserve, and LAHD reserves the right to deny any request if LAHD deems the amount is unreasonable or inconsistent with the industry standards in place at the time of the request. Borrower shall only be required to fund the Replacement Reserve Fund to the extent that there are sufficient funds available after the payment of all Operating Expenses. Borrower shall be under no obligation to fund the Replacement Reserve Fund from other sources if funds are not available after the payment of all Operating Expenses.

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

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

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

1.20 TITLE AND TITLE INSURANCE. Borrower warrants that it shall obtain and maintain good and marketable title to the Property. As a condition for closing the Loan, Borrower shall obtain an ALTA lender's policy of title insurance naming Lender as the insured with liability not less than the principal amount of the Loan, issued by an insurer satisfactory to Lender, excepting only such defects, liens, encumbrances, and exceptions as are approved by Lender, and containing such endorsements as Lender may reasonably require, provided that, notwithstanding the foregoing or anything to the contrary in this Agreement, the City shall be deemed to have accepted the title company set forth in the Purchase and Sale Agreement (the “Title Company”) as satisfactory for the issuance of title insurance, and shall further be deemed to have accepted without exception or endorsement that title policy issued by the Title Company on September 9, 2021.

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

1.22 TRANSFER OF PROPERTY. During the term of this City Loan Agreement,
Borrower has not made or created, and shall not make or permit refinancing of a loan on the Project, any sale, assignment, conveyance, lease, or other transfer of this City Loan Agreement, the Project, or the Property, or any part thereof, including the sale of any general or limited partnership interests, without the prior written consent of Lender. Notwithstanding the foregoing or anything to the contrary in this Agreement, the City agrees to permit HACLA, at such times and upon such terms as HACLA, in its sole discretion, deems appropriate, to transfer the Property to a HACLA Instrumentality and likewise to arrange, obtain, and execute any senior debt financing for the Property subject to the consent of the City, provided that such consent shall not be unreasonably withheld and shall in all cases be deemed granted if City fails to respond to request for such consent from Borrower within three (3) business days of receipt.

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

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

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

A. The following liens and encumbrances, subject to Lender's conditions for subordination of the City Deed of Trust and/or Regulatory Agreement, have been approved by Lender as allowable encumbrances to the City Deed of Trust and/or Regulatory Agreement.
Agreement:

1. General ad valorem real property taxes not yet due and payable.

2. Easements, Special Assessments, etc.

3. Deeds of Trust in the amounts and priority, as specified in Exhibit E, Method of Financing.

If Lender is requested to subordinate the City Deed of Trust and/or Regulatory Agreement, any request shall be subject to a commercially reasonable subordination agreement that (1) requires that the senior lender provide the City with copies of any notices of default issued by the senior lender to Borrower at the same time and in the same manner as provided to Borrower; and provides the City with a cure period to cure any default of Borrower that is the same as or longer than the cure period given to Borrower; and (2) requires that senior lender will not modify the senior loan so as to: a) increase the principal amount of the loan, b) increase the interest rate, c) decrease the term, or d) permit substitution of the security collateral, without the prior written consent of Lender.

ARTICLE 2. DEVELOPMENT OF PROJECT

2.1 LOCAL, STATE AND FEDERAL LAWS.

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


3. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 C.F.R. Part 1; and its implementing regulations and as applied through Executive Order No. 13166, entitled “Improving Access to Services for Persons
with Limited English Proficiency” (“LEP”), which requires recipients of federal funds, including Borrower, to take reasonable steps to insure meaningful access to its programs and activities by persons with LEP as more fully described in HUD’s final guidance contained in Federal Register, Volume 72, No. 13.


5. Title IX of the Education Amendments of 1972, as amended (20 USC §1681-§1683, and §1685-§1686).


7. Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970, P.L. 91-616 as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism.

8. Public Health Service Act of 1912, 42 USC 290 dd-3 and 290 ee-3, as amended, relating to confidentiality of alcohol and drug abuse patient records.


14. The Unruh Civil Rights Act, California Civil Code § 51.


16. California’s non-discrimination provision for government funded programs and activities, California Government Code § 11135, et seq.


24. Office of Management and Budget ("OMB") Circulars: OMB Circular A-21 (Cost Principles for Educational Institutions); OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments); OMB Circular A-110 (Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations); OMB Circular A-122 (Cost Principles for Non-Profit Organizations); OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations), and as codified in 2 CFR part 200 and 2 CFR part 2400.


29. The California Labor Code, including but not limited to Sections 1720, 1771, 1774-76, 1777.5, 1813, and 1815.

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

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

33. Project requirements in 92 C.F.R. Part 92, Subpart F, as applicable in accordance with the type of project assisted under HOME Funds.

34. The Housing and Community Development Act of 1974, 42 U.S.C. 5301, et seq.

35. Uniform Administrative requirements in 24 C.F.R. Part 84 and as described in OMB Circular A-122.

36. Community Housing Development Organization requirements in 24 C.F.R. Sections 92.300, 92.301 and 92.303.

37. Eligible Community Development Block Grant Program activities under 24 C.F.R. Sections 570.200-570.207.

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

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

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

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

2.3 RELOCATION. If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. If applicable, Borrower shall submit to Lender the relocation plan for review and approval, which approval shall not be unreasonably withheld, and provided further that Lender hereby agrees to rely on and accept the approval of any such plan by the California Department of Housing and Community Development. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws, as applicable, including but not limited to the Uniform Relocation Assistance and Real Properties Acquisition Policies Act of 1970 (URA), 42 U.S.C. 4601-4655, as contained in 49 CFR Part 42; Section 104(d) of the Housing and Community Development Act of 1974 as contained in 24 CFR Part 42; HOME Funds relocation requirements as contained in 24 CFR 92.353; and CDBG Funds relocation requirements as contained in 42 U.S.C. 5304(d), 24 CFR 570.606, and 24 CFR 570.457.

2.4 Intentionally Omitted.

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

2.6 Intentionally Omitted.
2.7 Intentionally Omitted.

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

All costs incurred in the construction and operation of the Project shall be the responsibility and obligation solely of Borrower.

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

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

2.10 DAVIS-BACON ACT. Borrower shall and shall cause the contractor and subcontractors to comply with the requirements of the Davis-Bacon Act pursuant to 40 U.S.C.S. 3141-3148 and implementing regulations, if applicable. All workers performing construction work for the Project employed by Borrower or by any contractor or subcontractor, if any, shall be compensated in an amount no less than the wage rate determined by the U.S. Labor Department pursuant to the federal Davis-Bacon Act and implementing rules and regulations. Borrower shall comply with all reporting and recordkeeping requirements of the applicable statutes and regulations.

During the any construction at the Project, if any,, Borrower shall or shall cause the contractor to post at the Property the applicable prevailing rates of per diem wages. Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to 40 U.S.C.S. 3141-3148 and implementing regulations or comply with the other applicable provisions of 40 U.S.C.S. 3141-3148 and implementing regulations in connection with any other construction work undertaken or in connection with the Property.
The Borrower shall and shall cause the contractors and subcontractors, if any, to submit data and documents related to Prevailing Wage and Davis Bacon by using the LCP Tracker or comparable LAHD-approved program.

**2.11 CONSTRUCTION BONDS. (INTENTIONALLY OMITTED)**

**2.12 CITY AND OTHER GOVERNMENTAL AGENCY PERMITS.**

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

**2.13 Intentionally Omitted.**

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

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

A qualified contractor certified by the State of California and properly licensed will be hired to do the assessment. If lead-based paint and/or asbestos is found, the contractor will prepare an abatement plan. Said plan, upon review and approval, shall be implemented. The hazardous material testing process, test results and the abatement plan will be monitored and enforced through LAHD inspection during the course of work. The actual rehabilitation activity (Improvements) regarding hazardous materials may only be done by State of California certified supervisors and workers. All such work must be completed, required documentation provided, and pass clearance testing before any progress payments can be released.

**2.15 Intentionally Omitted.**
2.16 **FAITH-BASED ORGANIZATIONS. (INTENTIONALLY OMITTED)**

2.17 Intentionally Omitted.

2.18 **ADDITIONS OR CHANGES IN WORK. (INTENTIONALLY OMITTED)**

2.19 Intentionally Omitted.

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

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

2.21 Intentionally Omitted.

2.22 Intentionally Omitted.

2.23 Intentionally Omitted.

2.24 Intentionally Omitted.

2.25 **QUALITY OF WORK. (INTENTIONALLY OMITTED)**

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

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

**ARTICLE 3. PROJECT OPERATION**

3.1 **FEES, TAXES, AND OTHER LEVIES.** Borrower shall be responsible for
payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Project, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful.

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

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

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

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

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

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

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

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

3. Maintain annual compliance with this City Loan Agreement; and
4. Upon request by City, immediately produce current tenant information for compliance with Exhibit N, which is hereby incorporated into this City Loan Agreement by this reference.

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

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

Borrower shall agree to: (1) maintain and operate the Assisted Units (as defined in Exhibit B) so as to provide decent, safe, and sanitary housing; and (2) provide the Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to other dwelling units on the Project, if any. Optional services provided must be available to all residents under the same terms and conditions. Borrower must ensure that any fee charged to a tenant or prospective tenant is reasonable, customary, and complies with 24 CFR 92.504(c)(3)(xi). [Note: no unassisted units the property]

Borrower agrees that during the term of the Regulatory Agreement, LAHD shall have the right to review, approve and request changes to the Property Management Plan, operation of the building and Property management entity, in order to preserve the affordability, accessibility, physical appearance and condition of the Project, provided that LAHD’s approval of any Property Management Plan that complies with the provisions of the Loan Agreement and the Regulatory Agreement shall not be unreasonably withheld, and provided further that LAHD’s approval of any Property Management Plan shall be presumed in the event that LAHD elects not to respond with requested changes within thirty (30) days of receipt of such plan from Borrower.

Borrower shall also comply with the Accessibility Requirements.

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

3.5 DESIGNATED ASSISTED UNITS. Borrower must comply with all rules and regulations of each funding source.

3.6 TENANT SELECTION. Before leasing the Project, Borrower shall provide Lender Borrower's written tenant selection plan which shall be consistent with the rules and regulations of each funding source, including Project-Based Voucher Section 8 rules and regulations. Prior to leasing any unit, Borrower’s tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto and the City’s Fair Housing Policy in Regard to Disability.
Borrower shall rent the Assisted Units to any Eligible Household according to the tenant selection plan. Borrower shall verify the prospective tenant's eligibility and shall require from each tenant documentation that such household's income from all sources does not exceed allowable limits as described in Exhibit B.

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

Notwithstanding the foregoing, the City acknowledges and agrees that the Tenant Selection shall abide by Project-Based Voucher Section 8 rules and regulations.

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

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

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

Notwithstanding the foregoing or anything to the contrary in this Agreement, the Income Certification shall comply with the Project-Based Voucher Section 8 rules and regulations and the Homekey covenants.
3.8 **PROJECT RENTS.** Rents for Restricted Units shall be limited to Qualifying Rents as set forth in Exhibit N. Qualifying Households shall be given at least thirty (30) days written notice prior to any rent increase.

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

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

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

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

Notwithstanding the foregoing or anything to the contrary in this Agreement, any unit which has been dedicated a Project-Based Section 8 voucher by HACLA shall be permitted to receive rent in the amount set forth in that contract. The City acknowledges and agrees that Borrower may receive, increase or change rent in compliance with the Project-Based Section 8 Voucher rules and regulations.
3.9 FORM OF NONDISCRIMINATION AND NONSEGREGATION CLAUSES. The Borrower shall refrain from restricting the rental, sale or lease of the Property on the basis of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency (AIDS), acquired or perceived, citizenship, and political affiliation or belief. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses, subject to any deviations from the following language that may be required by Borrower’s Administrative Plan, as approved by HUD, and/or by the Project-Based Section 8 Voucher Program rules and regulations:

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

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

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

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

A. Units

1. All Assisted Units shall be leased and shall not be withdrawn from the market. Assisted Units shall be rented in a manner consistent with the Space and Occupancy Standards set forth in Chapter 5, of the Uniform Housing Code (1997) and any subsequent amendments, and in such a manner that there is no under-utilization of the floor space of Assisted Units.

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

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

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

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

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

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

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

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

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

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

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

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

3.14 **CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY.** Any conflicts between the restrictive provisions contained in this City Loan Agreement, City Note, City Deed of Trust, and Regulatory Agreement, and any other agreements in connection with the Loan or any other loan which affect the Property, are to be resolved by applying the more restrictive covenants or restrictions which affect the Property.

**ARTICLE 4. EMPLOYMENT**

4.1 **NONDISCRIMINATION.**

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

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

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

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

D. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Agreement by reference and will be known as the “Affirmative Action Program” provisions of this City Loan Agreement.
E. Any subcontract entered into by Borrower for work to be performed under this City Loan Agreement must include an identical provision.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. As part of the City’s supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, Borrower shall certify in the specified format that he or she has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis of compensation or because of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner status, marital status, pregnancy, childbirth and related medical conditions, citizenship, and political affiliation or belief.
4. Borrower shall permit access to and may be required to provide certified copies of all of his or her records pertaining to employment and to employment practices by the awarding authority or the Office of Contract Compliance for the purpose of investigation to ascertain compliance with the Equal Employment practices provisions of City contracts. Borrower shall, upon request, provide evidence that it has or will comply therewith.

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

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

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

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

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

10. Equal Employment Practices shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:
   a. Hiring practices;
   b. Compensation;
c. Apprenticeships where such approved programs are functioning and other on-the-job training for non-apprenticeable occupations;
d. Training and promotional opportunities; and
e. Reasonable accommodations for persons with disabilities.

11. Any contract or subcontract entered into by Borrower, to the extent allowed hereunder, shall include a like provision for work to be performed under this Contract. Failure of Borrower to comply with this requirement or to obtain the compliance of its contractors or subcontractors with all such obligations shall subject Borrower to the imposition of any and all sanctions allowed by law, including but not limited to termination of the Borrower’s Contract with the City.

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

4.4 PARTICIPATION OF SMALL, MINORITY AND WOMEN’S BUSINESSES (MBE/WBE). (INTENTIONALLY OMITTED)

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

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

1. This provision applies to work or services performed or materials manufactured or assembled in the United States.
2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.

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

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

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

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

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

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

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

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

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

J. If the Borrower is not otherwise exempt, Borrower shall submit an Affirmative Action Plan which shall meet the requirements of the Los Angeles Administrative Code at the time it submits its bid or proposal or at the time it registers to do business with the City. The Plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require Borrower’s contractors, subcontractors, and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a Plan, Borrower may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, Borrower must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.

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

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

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

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

1. Apprenticeship where approved programs are functioning and other on-the-job training for non-apprenticeable occupations;

2. Classroom preparation for the job when not apprenticeable;

3. Pre-apprenticeship education and preparation;

4. Upgrading training and opportunities;

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

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

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

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

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

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

4.6 LIVING WAGE ORDINANCE AND SERVICE CONTRACTOR WORKER RETENTION ORDINANCE. (INTENTIONALLY OMITTED.)

4.7 AMERICANS WITH DISABILITIES ACT, ACCESS AND ACCOMMODATIONS.

Borrower represents and certifies that:


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

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

D. Intentionally Omitted.

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

Borrower understands that the City is relying upon these certifications and representations as a condition to funding this Loan Agreement. Any subcontract entered into by Borrower for work to be performed under this Loan Agreement must include an identical provision.

4.8 EQUAL BENEFITS ORDINANCE. Unless Borrower is otherwise exempt, this City Loan Agreement is subject to the provisions of the Equal Benefits Ordinance (EBO), Section 10.8.2.1 of the Los Angeles Administrative Code, as amended from time to time.

A. During the performance of the project, the Borrower certifies and represents
that the Borrower and any contractor and subcontractor will comply with the EBO.

B. The failure of the Borrower to comply or to ensure that any contractor or subcontractor comply with the EBO will be deemed by the City to be a material breach of the City Loan Agreement.

C. If the Borrower and any contractor and subcontractor fails to comply with the EBO, the City may cancel, terminate or suspend the City Loan Agreement, in whole or in part, and all monies due or to become due under the City Loan Agreement may be retained by the City. The City may also pursue any and all other remedies at law or in equity for any breach.

D. Failure to comply with the EBO may be used as evidence against the Borrower in actions taken pursuant to the provisions of Los Angeles Administrative Code Section 10.40 et seq., Contractor Responsibility Ordinance.

E. If the City’s designated Administrative Agency determines that a Borrower has set up or used its contracting entity for the purpose of evading the intent of the EBO, the City may terminate the City Loan Agreement. Violation of this provision may be used as evidence against the Borrower in actions taken pursuant to the provisions of the Los Angeles Administrative Code Section 10.40 et seq., Contractor Responsibility Ordinance.

F. The Borrower shall post and shall ensure posting the following statement in conspicuous places at its place of business and the project available to employees and applicants for employment:

"During the performance of this project with the City of Los Angeles, the Borrower and any contractor or subcontractor will provide equal benefits to its employees with spouses and its employees with domestic partners. Additional information about the City of Los Angeles’ Equal Benefits Ordinance may be obtained from the Department of Public Works, Office of contract Compliance at (213) 847-1922".

4.9 CONTRACTOR RESPONSIBILITY ORDINANCE.

4.10 SLAVERY DISCLOSURE ORDINANCE (INTENTIONALLY OMITTED.)

4.11 DISCLOSURE OF BORDER WALL CONTRACTING ORDINANCE. Unless Borrower is otherwise exempt, Borrower shall comply with the Border Wall Contracting Ordinance, LAAC Section 10.50, et seq., as amended from time to time. Any subcontract entered into by Borrower for work to be performed under this City Loan Agreement must include an identical provision.

4.12 BORROWER’S USE OF CRIMINAL HISTORY FOR CONSIDERATION OF EMPLOYMENT APPLICATIONS. (INTENTIONALLY OMITTED).

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

4.15 ENFORCEMENT OF EMPLOYMENT REQUIREMENTS. (INTENTIONALLY OMITTED.) By executing this City Loan Agreement, Borrower acknowledges that the Project is a “public works” project pursuant to California Labor Code, Section 1720, thereby subjecting Borrower and the Project to the further requirements of California Labor Code sections 1771, 1774-76, 1777.5, 1813, and 1815.

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

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

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

4.16 LABOR COMPLIANCE MEETING. (INTENTIONALLY OMITTED.)

4.17 LOCAL BUSINESS PREFERENCE ORDINANCE. (INTENTIONALLY OMITTED.)

ARTICLE 5. INDEMNITY AND INSURANCE

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

5.2 INSURANCE COVERAGE.

A. General Conditions. During the term of this City Loan Agreement and Regulatory Agreement and without limiting Borrower's obligation to indemnify, hold harmless and defend City, Borrower shall provide and maintain at its own expense a program of insurance having the coverages and limits not less than the required amounts and types as determined by the Office of the City Administrative Officer of Los Angeles, Risk Management (Form General 146 in Exhibit Q). The insurance must (1) conform to City’s requirements; (2) comply with the Insurance Contractual Requirements (Form General 133 which is included in Exhibit Q); and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management. Borrower shall comply with all Insurance Contractual Requirements shown in Exhibit Q, which is hereby incorporated by reference and made a part of this City Loan Agreement.
B. Modification of Coverage. City reserves the right at any time during the term of this City Loan Agreement and Regulatory Agreement to change the amounts and types of insurance required hereunder by giving Borrower and any contractor and subcontractor ninety (90) days advance written notice of such change. If such change should result in substantial additional cost to the Borrower and any contractor and subcontractor, City agrees to negotiate additional compensation proportional to the increased benefit to City.

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

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

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

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

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

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

5.3 INSURANCE POLICY REQUIREMENTS DURING ACQUISITION AND DEVELOPMENT. (INTENTIONALLY OMITTED.)

5.4 INSURANCE POLICY REQUIREMENTS AT ACQUISITION. At close of escrow, the Borrower must provide the City with a one (1) year prepaid Certificate of Insurance policy (or binder followed by a certificate within thirty (30) days of loan closing) evidencing the required coverage stated below. The term of the insurance policy must not be less than one year, whichever is greater or Borrower may add the property to an existing insurance policy program placement which maintains an annual anniversary date.

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

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

C. Mechanical Breakdown (Boiler and Machinery). For properties with a replacement cost value greater than $5,000,000, Borrower shall provide and maintain protection against the perils of mechanical breakdown in amounts not less than the building limit.

D. Flood insurance. If the project is located in a Special Flood Hazard Area
(SFHA), Borrower shall provide and maintain flood insurance in the maximum amount provided by the National Flood Insurance Program space (NFIP) or 100% of the replacement cost value of the property subject to this agreement, whichever is less.

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

1. **Minimum Amount:**

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>Liability Ins. Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 10</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>11 - 30</td>
<td>2,000,000</td>
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<tr>
<td>31 - 60</td>
<td>3,000,000</td>
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<tr>
<td>61 - 80</td>
<td>4,000,000</td>
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<tr>
<td>81 - 100</td>
<td>5,000,000</td>
</tr>
<tr>
<td>101 +</td>
<td>7,000,000</td>
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</table>

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

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

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

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

Borrower is required to submit evidence of insurance to the City of Los Angeles pursuant to Form Gen. 133 which includes but is not limited to submitting insurance documents through the City of Los Angeles’ online insurance compliance system,
H. All policies must include the following:

1. Name Insured: Borrower

2. Additional Insured: City of Los Angeles, its officers, agencies and employees shall be included as additional insureds.

3. Cancellation Clause: The City must be notified 30 days prior to insurance company’s cancellation of policy by certified mail.

4. The City should be identified and/or named on all insurance documents as follows, including the project name, street name, street address, city and county:

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

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

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

5.6 BONDS. (INTENTIONALLY OMITTED.)

5.7 INDEMNIFICATION.

A. Government Code Section 895.2 imposes joint civil liability upon public entities solely by reason of such entities being parties to an agreement, as defined by Government Code Section 895. Pursuant to Government Code Section 895.4 and 895.6, Lender and Borrower shall each assume the full liability imposed upon it, or any of its officers, agents or employees, by law for injury caused by any negligent or wrongful act or omission occurring during the term of this City Loan Agreement. Lender and Borrower each indemnify and hold harmless each other for any loss, costs, or expenses that may be
imposed upon such other party by virtue of Government Code Section 895.2.

B. In the event of third party loss caused by negligence, wrongful act or omission of both Lender and Borrower, Lender and Borrower shall each bear financial responsibility in proportion to its percentage of fault as may be mutually agreed or judicially determined. The provisions of Civil Code Section 2778 regarding interpretation of indemnity agreements are hereby incorporated.

C. Lender and Borrower shall each obtain and keep in force at their own mutual expense and for the term of this City Loan Agreement adequate self- or independent insurance against claims for injuries to persons or damages to property which may arise from activities hereunder, such that it adequately covers their mutual obligations under this provision.

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

ARTICLE 6. ENVIRONMENTAL COMPLIANCE

6.1 REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to the best of its actual knowledge without having conducted any investigation or inquiry, as of the date of this City Loan Agreement and except as previously disclosed and acknowledged in writing by Lender or as disclosed by the reports based on environmental audit(s) performed on the Property and submitted to Lender, that (a) the Property is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials in violation of Federal or State law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including those relating to federal lead-based paint regulations, and soil and groundwater conditions ("Hazardous Materials Laws"); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental entity or agency or any other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous
Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith. Notwithstanding the foregoing and anything to the contrary in this Agreement, the City has reviewed the Phase I and, if applicable, Phase II environmental site assessment(s) performed for and on behalf of the Borrower (the “Environmental Reports”), and the City deems the Environmental Reports to be in compliance with the provisions of this section of the Agreement.

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

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

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

6.5 REMEDIAL ACTIONS. If Borrower has actual knowledge of the presence of any Hazardous Materials on or under the Property, Borrower shall take or cause its tenant to take, at no cost or expense to Lender, all handling, treatment, removal, storage, decontamination, cleanup, transport, disposal or other remedial action, if any, required by any Hazardous Materials Laws or by any orders or requests of any governmental entity or agency or any judgment, consent decree, settlement or compromise with respect to any Hazardous Materials claims. The foregoing,
however, shall be subject to Borrower's right of contest below.

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

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

**ARTICLE 7. DEFAULT AND REMEDIES**

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

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

B. **Construction.** (1) Borrower's substantial deviation in the work of construction specified in the Plans and Specifications submitted to Lender, without Lender's prior written consent; (2) Borrower's use of defective or unauthorized materials or defective workmanship in constructing the Project; (3) Borrower's failure to commence or complete construction, without proper justification under the unavoidable delay provision of this City Loan Agreement, according to the construction schedule specified in this City Loan Agreement; (4) the cessation of construction prior to completion of the Project for a period of more than fifteen (15) continuous calendar days without proper justification; (5) any material adverse change in the condition of Borrower or the Project or any other event that gives Lender reasonable cause to believe that the Project cannot be constructed by the scheduled completion date according to the terms of this City Loan Agreement.
Agreement; (6) the filing of any claim of lien against the Property or service on Lender of any stop notice relating to the Loan and the continuance of the claim of lien or stop notice for thirty (30) days after such filing or service without payment, discharge, or satisfaction as provided for in this City Loan Agreement; (7) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's or HUD's request; (8) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this City Loan Agreement pertaining to prevailing wages, affirmative action and equal employment opportunity, minority and women-owned business enterprises, lead paint, and Hazardous Materials; (9) Borrower’s failure to design and construct the Project in compliance with all applicable Accessibility Standards, as defined in the Regulatory Agreement.

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

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

E. **General Performance of Other Obligations.** (1) Any breach by Borrower of any obligations on Borrower imposed by this City Loan Agreement.

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

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

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

7.2 CROSS DEFAULT. (INTENTIONALLY OMITTED.)

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

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

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

7.4 LENDER'S REMEDIES.

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

1. Terminate this City Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the City Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents including administrative costs, shall immediately become due and payable at the option of Lender;
2. Bring an action in equitable relief (1) seeking the specific performance by Borrower of the terms and conditions of the Loan Documents, and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief;

3. Accelerate the Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the City Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents;

Enter the Property and take any actions necessary in its judgment to complete construction of the Project, including without limitation (1) making changes in the Plans and Specifications or other work or materials with respect to the Project, (2) entering into, modifying, or terminating any contractual arrangements (subject to Lender's right at any time to discontinue work without liability), and (3) taking any remedial actions with respect to Hazardous Materials that Lender deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy;

4. );

5. Disburse from Loan proceeds any amount necessary to cure any Monetary Default;

6. Enter upon, take possession of, and manage the Property, either in person, or by agent, or by a receiver appointed by a court, and collect rents and other amounts specified in the assignment of rents in the City Deed of Trust and apply them to operate the Property or to pay off the Loan or any advances made under the Loan Documents, as provided for by the City Deed of Trust;

7. Initiate and pursue any private and/or judicial foreclosure action allowed under applicable law and the power of sale provision in the City Deed of Trust;

8. With respect to defaults under Hazardous Materials provisions herein, pursue the rights and remedies permitted under California Civil Code Section 2929.5, and California Code of Civil Procedure Sections 564, 726.5, and 736; or

9. Pursue any other remedy allowed at law or in equity. Nothing in this section is intended or shall be construed as precluding Lender from proceeding with a non-judicial foreclosure under the power of sale contained in the City Deed of Trust in the Event of Default by Borrower.

10. Demand Borrower to pay all fines, penalties, and fees levied against the City, including any enforcement, repayment of funds to HUD and legal costs.

11. Require Borrower to utilize Residual Receipts otherwise payable to Borrower and require Borrower to disburse funds from the Operating Reserve
and/or the Replacement Reserve, if either of both reserves exist, to make repairs to the Project to correct any default hereunder, or, in Lender’s sole discretion, take possession of any such Residual Receipts, the Operating Reserve and/or the Replacement Reserve, if either or both reserves exist, and carry out such repairs.

B. Upon an Event of Default, the outstanding principal and interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate of fifteen percent (15%) (or any lesser maximum rate permitted by law), payable from the date of such written declaration until paid in full.

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

A. Demand payment or a reduction of the City Note from Lender of any sums due Borrower; and/or

B. Bring an action in equitable relief seeking the specific performance by Lender of the terms and conditions of the Loan Documents; and/or

C. Pursue any other remedy allowed at law or in equity.

ARTICLE 8. GENERAL PROVISIONS

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

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

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

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

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

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

1. A member of such person's immediate family or domestic partner, or organization has a financial interest in the subcontract;

2. The subcontractor is someone with whom such person has or is negotiating any prospective employment; or

3. The participation of such persons would be prohibited by the California Political Reform Act, California Government Code Section 87100, et seq., if such person were a public officer, because such person would have a "financial or other interest" in the subcontract.

4. No members of the Board of Directors may be employed by the Contractor if this Contractor is a corporation.

A. Definitions

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

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

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

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

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

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

E. Prior to obtaining the Lender's approval or any subcontract, the Borrower shall disclose to the Lender any relationship, financial or otherwise, direct or indirect, of the Borrower or any of its officers, directors or employees or their immediate family with the proposed subcontractor and its officers, directors or employees. In the event that such a relationship exists, Borrower shall obtain prior approval from Lender for any such subcontract.

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

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

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

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

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

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

L. Borrower covenants that it will comply with the HOME conflict of interest provisions contained within 24 CFR 92.356 and the code of conduct provisions contained within 24 CFR 84.42.

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

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

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

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

8.11 CONSENTS AND APPROVALS. Any consent or approval of Lender or Borrower required under the Loan Documents shall not be unreasonably withheld. Any approval required under the Loan Documents shall be in writing and executed by an authorized representative of the party granting the approval.
8.12 **WAIVER.** A waiver of a default of any part, term or provision of this Agreement must be in writing and shall not be construed as a waiver of any succeeding default or as a waiver of the part, term or provision itself. A party’s performance after the other party’s default shall not be construed as a waiver of that default.

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

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

A. This Loan Agreement has been signed on behalf of Borrower by the person or persons authorized to bind Borrower hereto;

B. This Loan Agreement has been approved by the City Council or by the board, officer or employee authorized to give such approval;

C. The Office of the City Attorney has indicated in writing its approval of this Loan Agreement as to form; and

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

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

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

In any action arising out of this City Loan Agreement, Borrower consents to personal jurisdiction, and agrees to bring all such actions, exclusively in state or federal courts located in Los Angeles County, California.
If any part, term or provision of this City Loan Agreement is held void, illegal, unenforceable, or in conflict with any federal, state or local law or regulation, the validity of the remaining parts, terms or provisions of this City Loan Agreement shall not be affected.

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

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

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

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

8.21 POLITICAL AND SECTARIAN ACTIVITY PROHIBITED. None of the funds, materials, property or services provided directly or indirectly under this City Loan Agreement shall be used for any partisan political activity, or to further the election or defeat of any candidate for public office. Neither shall any funds provided under this agreement be used for any purpose designed to support or defeat any pending legislation or administrative regulation. None of the funds provided pursuant to this agreement shall be used for any sectarian purpose or to support or benefit any sectarian activity.
8.22 PUBLICITY. Any publicity generated by Borrower for the Project during the term of this Loan and for one (1) year thereafter shall make reference to the contribution of Lender in making the Project possible. The words "The City of Los Angeles" will be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews, and newspaper articles. Borrower further agrees to cooperate with authorized staff and officials of Lender in any Lender-generated publicity or promotional activities undertaken with respect to the Project.

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

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

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

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

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

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

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

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

8.29 DATA PROTECTION.

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

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

8.30 LIMITATION OF CITY’S OBLIGATION TO MAKE PAYMENT TO
8.31 COMPLIANCE WITH IDENTITY THEFT LAWS AND PAYMENT CARD DATA SECURITY STANDARDS. (INTENTIONALLY OMITTED.)

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

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

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

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

8.35 PET OWNERSHIP IN PUBLICLY-FINANCED HOUSING DEVELOPMENTS. (INTENTIONALLY OMITTED.)

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

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

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

[Remainer of page intentionally left blank.]

[Signatures begin on next page]
IN WITNESS WHEREOF, the Lender and the Borrower have caused this City Loan Agreement to be executed by their duly authorized representatives.

**Lender:**
Executed this _____ day of ______________, 2021

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

By: ____________________________________________
______________________________
Its ______________________

APPROVED AS TO FORM:
MICHAEL N. FEUER, City Attorney

By: ____________________________________________
Deputy/Assistant City Attorney

Date: ______________________________

ATTEST:
HOLLY WOLCOTT, City Clerk
By:                                             
Deputy City Clerk

Date:                                            

Borrower:
THE HOUSING AUTHORITY OF THE
   CITY OF LOS ANGELES, a public body, corporate and politic,
   i
   
   By: _________________________________
   Douglas Guthrie
   Its: President and CEO
ATTACHMENT 4

Form of Note
CITY PROMISSORY NOTE

PROJECT HOMEKEY

(Project name to be inserted)

[$ amount to be inserted]

RECITALS

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

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

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

WHEREAS, on November 5, 2021, the City Council approved, by Council File No 21-0112, the issuance of property acquisition loans to HACLA for a total amount not to exceed $15 million, to be used as Homekey local match requirements for HACLA property acquisitions only on its own account and Homekey application requirements (collectively, the “Loans” or “City Loans” and each individually the “Loan” or the “City Loan”); and

WHEREAS, the City found that the Loans were in the City’s interests and that the acquired properties would meet the housing goals of the City and the Homekey Program; and

WHEREAS, as a condition to providing this funding to HACLA (or one of its instrumentalities), the City required that HACLA agree to execute the following documents as part of the transfer of title to these properties: (1) a Promissory Note in favor of the City for the amount of the City Loan for each property, with 0% interest accruing during the term of the Note, with the Note payable from residual receipts revenues ; and (2) a Deed of Trust securing amounts due under the Note, and authorizing the exercise of remedies against the applicable property upon a breach of

(Please continue on next page)
WHEREAS, HACLA now wishes to borrow Three Million, Three Hundred Twenty-Five Thousand Dollars ($3,325,000) from the City for the property located at 5050 Pico Blvd., Los Angeles CA 90019 (the “Property” or the “Project”); and

WHEREAS, the Property has appraised for [value to be inserted]; and

WHEREAS, part of the consideration for the City’s agreement to loan the full amount of the appraised value of the Property to Borrower so that Borrower can acquire fee title in the Property shall be (1) this Note in the amount of [amount to be inserted]; and (2) the Regulatory Agreement executed by Borrower (as Owner) and the City; and (3)the City Deed of Trust executed by Borrower in favor of the City, which secures Borrower’s obligation to comply with this Note and the Regulatory Agreement.

1. NOW, THEREFORE, FOR VALUE RECEIVED, HACLA, a public body, corporate and politic (the "Borrower"), promises to pay to the order of City of Los Angeles, a municipal corporation ("Lender"), a total principal amount of [amount to be inserted] as further set forth in this Note.

2. The obligation of the Borrower is subject to the terms of the City Deed of Trust, the Regulatory Agreement, and this Note, executed by the Borrower for the purpose of securing this Note. Said documents are public records on file in the office of the City Clerk, and the provisions of said documents are incorporated herein by this reference.

3. All initially capitalized terms in this Note shall have the definition ascribed to such term in the Loan Agreement.

4. This Note evidences the obligation of the Borrower to Lender to repay funds loaned to the Borrower to finance acquisition of the Property.

5. This Note is payable in lawful money of the United States at the office of City of Los Angeles, Office of the City Administrative Officer, 200 North Main Street, 15th Floor, Los Angeles, California 90012, or at such other place as the holder hereof may inform the Borrower in writing.

6. This Note shall bear simple interest at the rate of zero percent (0%) per annum on the principal amount outstanding from the date of the execution of this Note, until paid.

7. For purposes of this Note:

   a. "Payment Date" shall mean the date that is one year after the date of the execution of
this Note, and annually thereafter until the City Loan is paid in full or otherwise terminated.

b. Lender shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project, as further defined below (the “Lender’s Share”). Residual Receipts calculations shall be made based on an accrual basis accounting, and Lender’s Share shall be paid to Lender on an annual basis.

c. “Residual Receipts” is defined in Exhibit B to the Loan Agreement as all Revenues from the Project reduced by the following: (1) Operating Expenses calculated on an accrual basis; (2) debt service on senior project debt secured by the senior position deed of trust paid to the senior lender to be selected in Borrower’s sole discretion; (3) deposits to the Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to any other reserve accounts as may be required by HCD or any future senior lender; and (6) all of Borrower’s “Asset Management and Cost Recovery Fees”, as defined below.

d. Borrower’s Asset Management and Cost Recovery Fees are calculated as the sum of (1) $1,067 per unit and (2) five percent (5%) of the Project’s Net Revenue, which shall be defined as the sum of all accrued rental payments and other revenues, less all expenses for loss to lease, vacancy, and bad debt, but not including any Operating Expenses, debt service, or deposits to reserve accounts, or other expenses or distributions. Borrower’s Asset Management and Cost Recovery Fees shall escalate three percent (3%) annually, with any unpaid fees to accrue without interest.

e. “Event of Default” shall mean any of the Events of Default set forth in Section 7 of the Loan Agreement between Borrower and Lender dated ______________, 2021 (the “Loan Agreement”).

8. Upon an Event of Default, the outstanding principal shall thereafter bear interest at the rate of zero percent (0%) per annum, payable from the date of such declaration until paid in full.

9. The balance due under this Note shall be due and payable immediately if the Project, or any portion thereof, is sold, transferred, assigned otherwise than in accordance with the Loan Agreement, provided that Borrower shall be permitted, without first seeking or obtaining approval from the Lender, to sell, transfer, or assign the Project, or any portion thereof, to a HACLA Instrumentality, and that such action by Borrower shall not cause the balance due under this Note to become due and payable.

10. Upon an Event of Default, Lender shall give written notice thereof to Borrower by specifying: (a) the nature of the event or deficiency giving rise to the Default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days (or ten (10) calendar days if the Event of Default is monetary) from the date of receipt of the notice or the date the notice was refused, by which such action to cure must be taken.
Notwithstanding anything to the contrary set forth herein, any act or omission stated as a default shall not constitute an "Event of Default" for the purposes of the City’s further exercise of remedies if the defaulting party cures, corrects or remedies the act or omission within (a) thirty (30) calendar days (or ten (10) calendar days if the Event of Default is monetary) from receipt from the non-defaulting party of the aforementioned notice (or refusal thereof), or (b) solely in the event of a non-monetary default, if such non-monetary default cannot be reasonably cured within thirty (30) days, such longer period as is necessary to cure such default, provided the defaulting party commences the cure within the thirty (30) day period from receipt (or refusal) of the aforementioned notice and diligently prosecutes such cure to completion.

11. Upon an Event of Default by Borrower and a failure to cure said Event of Default within the time specified in Section 9 above, Lender may, in addition to other rights and remedies permitted by the Loan Agreement, the City Deed of Trust or applicable law, proceed with any or all of the following remedies in any order or combination Lender may choose in its sole discretion: (1) accelerate all balances due under this Note and demand immediate full payment of the principal amount outstanding and all accrued interest; (2) bring an action in equitable relief (i) seeking the specific performance by Borrower of the terms and conditions of this Note, the Regulatory Agreement or the City Deed of Trust, and/or (ii) enjoining, abating, or preventing any violation of said terms and conditions, and/or (iii) seeking declaratory relief; (3) initiate and pursue any private and/or judicial foreclosure action allowed under applicable law and the power of sale provision in the City Deed of Trust; or (4) pursue any other remedy allowed at law or in equity.

Nothing in this section is intended or shall be construed as precluding Lender from proceeding with a non-judicial foreclosure under the power of sale contained in the City Deed of Trust in the Event of Default by Borrower.

12. The City Loan is a non-recourse obligation of Borrower. Except for misappropriation of funds, neither the Borrower nor any other party shall have any personal liability for repayment of the City Loan. The sole recourse of Lender under this Note for repayment of the City Loan shall be the exercise of its rights against the Project and related security thereunder. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Lender against all such security for the Notes, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the Notes as demand for money within the meaning of the California Code of Civil Procedure.

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

13. The Borrower shall have the right to prepay without penalty the obligation evidenced by this Note, or any part thereof, at any time and from time to time. Upon full repayment of the obligation evidenced by this Note, the borrower shall immediately be unconditionally released forever from all obligations associated with this Note, with the exception of the obligation to comply with the provisions of the Regulatory Agreement for the full term thereof.

14. Lender, at its option, may declare the balance due under this Note immediately due and payable, together with any accrued interest thereon, if the Borrower fails to fulfill its obligations to Lender under this Note, the City Deed of Trust, the Regulatory Agreement, or any agreement or instrument executed in connection therewith.

15. All covenants, conditions and agreements contained in the City Deed of Trust and the Regulatory Agreement are hereby made a part of this Note. Upon any Event of Default, as defined in the Note or the Regulatory Agreement, Lender may exercise any other right or remedy permitted under this Note, the Regulatory Agreement, or the City Deed of Trust.

16. In the event that any monetary provisions of the Regulatory Agreement, City Deed of Trust, and/or this Note conflict, the terms of the Note and the City Deed of Trust shall control. In the event that any monetary provisions of this Note or City Deed of Trust conflict, or in the event that any non-monetary provisions of the Regulatory Agreement, City Deed of Trust, and/or this Note conflict, the strictest provision shall control.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]
IN WITNESS WHEREOF, the Lender and the Borrower have caused this Promissory Note to be executed by their duly authorized representatives.

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

By: ________________________________

Name: ______________________________

Its: ________________________________

Date: ________________________________
ATTACHMENT 5

Form of Deed of Trust
CITY DEED OF TRUST
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT

(Securing loan of $ to be inserted)

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("City Deed of Trust") is made this ___ day of ____________, 2020, by the Housing Authority of the City of Los Angeles, a public body, corporate and politic, located at 2600 Wilshire Blvd., 3rd floor, Los Angeles CA 90057 ("Trustor"), to Commonwealth Land Title Company, a California corporation, as trustee ("Trustee"), for the benefit of the City of Los Angeles, a municipal corporation ("Beneficiary"). This City Deed of Trust is being executed in order to secure Beneficiary's interest as a governmental agency in ensuring both that public funds loaned for project development are repaid, and that housing projects assisted by public funds are developed and operated in a manner that is consistent with the public interest.

GRANT IN TRUST

1. GRANT. Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor's right, title, and interest in that certain real property located at [address to be inserted], and described in the attached Exhibit A, incorporated herein by this reference (the "Property" or the “Project”);

1. TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property; all buildings, structures, fixtures, improvements, signs, and landscaping now or hereafter erected or located on the Property, including all equipment and machinery used for supplying or distributing heating, cooling, electricity, gas, water, air, and light, all kitchen and laundry appliances such as washers, dryers, refrigerators, garbage disposals, ovens, ranges, dishwashers, all plumbing and bathroom fixtures, all security and access control equipment, fire prevention and extinguishment equipment, elevators, floor coverings, window coverings, paneling, cabinets, (provided, however, that Trustor shall have the right to remove, if necessary, such fixtures, furnishings, and equipment
for the purpose of replacement with similar items of the same quality performing the same functions, which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased with Loan proceeds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all rents and income generated by the Property or improvements thereon (subject however to the assignment of rents to Lender contained herein); all leases, subleases and rental agreements covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, or payments of similar nature with respect to such leases, subleases, or rental agreements; all easements and rights-of-way appurtenant to the Property, including parking and recreational easements, and all interests of Trustor in any land lying within the right-of-way of any street, sidewalks, and areas of land adjacent to or used in connection with the Property; all development rights and credits, air rights, water rights, and oil, gas or mineral rights with respect to the Property; all claims or demands with respect to insurance proceeds, and all awards made for a taking by eminent domain; all interests and rights in any private or government grants, subsidies, loans, or other financing with respect to development on the Property; all interests in personal property used in and about the Property (except furniture and other personal property of occupants of dwelling units on the Property); all intangible property and rights relating to the Property or operations on the Property, including trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction on the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction of improvements on the Property; all environmental tests, studies and reports with respect to the Property; all current and future claims and rights of action of Trustor against prior owners and operators of the Property, neighboring property owners and operators, tenants and former tenants, consultants, advisors, and other third parties with respect to environmental or Hazardous Materials contamination and cleanup of the Property under any federal, state, or local ordinances, statutes, regulations, or administrative decisions or common law.

Notwithstanding anything set forth hereinabove to the contrary, the following shall be specifically excluded therefrom: any and all inventory, equipment and articles of personal property or trade fixtures used by Trustor specifically in the operation of Trustor's business, whether or not attached to or installed on the Property, and which may be removed without material injury to the buildings or structures to which they are attached.

All of the foregoing, together with the Property, is herein referred to as the "Security."

**OBLIGATIONS SECURED**

2. **OBLIGATIONS.** Trustor makes this grant for the purpose of securing the following obligations:
A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of [amount to be inserted] with interest thereon (the "Loan") evidenced by a promissory note executed by Trustor as Borrower (the "Note," on file at the offices of Beneficiary, which is hereby incorporated into this City Deed of Trust by this reference) or as much as has been disbursed to Trustor therewith, along with any extensions, amendments, modifications, or renewals to the Note; and

B. Payment of any sums advanced by Beneficiary to protect the security and priority of this City Deed of Trust; and

C. Payment of any sums advanced by Beneficiary following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein; and

D. Performance of every obligation, covenant or agreement of Trustor contained in this City Deed of Trust, the Note, and the Regulatory Agreement, on file at the offices of Beneficiary (the Note and Regulatory Agreement which are hereby incorporated into this City Deed of Trust by this reference), including all modifications, extensions and renewals of these obligations; and

E. Performance of any other obligation or repayment of any other indebtedness of Trustor to Beneficiary, where such evidence of obligation or indebtedness specifically recites that it is secured by this City Deed of Trust; and

F. Performance of any obligations of Trustor in any other agreements with respect to financing of the Project or the Security the absence of which should adversely affect Beneficiary, whether or not Beneficiary is a party to such agreements.

ABSOLUTE ASSIGNMENT OF RENTS AND RIGHT TO POSSESSION

3. ASSIGNMENT. As additional security, Trustor hereby assigns to Beneficiary: (a) all of the rents, revenues, profits, and income from the Security, any deposits now or hereafter in Trustor's possession which have been collected with respect to the Security, and any reserve or capital funds now or hereafter held by Trustor with respect to construction or operation of the Security (collectively, the "Rents"); and (b) the right to enter, take possession of, and manage the Security; provided however that Trustor shall have, before an Event of Default, the exclusive right to possess the Security and to collect Rents and use them in accordance with the Note and Regulatory Agreement. This assignment is intended to be an absolute and present transfer of Trustor's interest in existing and future Rents, effective as of the date of this City Deed of Trust.

4. ENFORCEMENT. Any default by Borrower under the Note or the Regulatory Agreement which constitutes an Event of Default thereunder shall also constitute an Event of Default by Trustor for purposes of enforcement of this Deed of Trust. Upon the happening of an Event of Default which remains uncured after expiration of the applicable cure period pursuant to the terms of the Note or Regulatory Agreement, and written notice to Trustor, Beneficiary may, in addition to other rights and remedies permitted by the Note, the Regulatory Agreement, this City Deed of Trust, or applicable law, (a) enter upon, take possession of, and manage the Security, either in person as a
mortgagee-in-possession, by agent, or by a receiver appointed by a court, and do any acts which it
deems necessary or desirable to preserve the value, marketability or rentability of the Security, (b)
collect all Rents, including those past due and unpaid, and apply the same to pay for the costs and
expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured
by this City Deed of Trust, all in such order as Beneficiary may determine, (c) enter upon and take
possession of the Security, and complete construction of any improvements on the Security as
provided for in the plans and specifications approved by Beneficiary or any modifications to the
plans and specifications or the Project that Beneficiary in its sole discretion believes is appropriate,
and/or (d) Beneficiary may make, cancel, enforce, and modify leases and rental agreements, obtain
and evict tenants, set and modify rent terms, sue for rents due, enter into, modify, or terminate any
contracts or agreements, or take any legal action, as it deems necessary with respect to the Rents or to
development or operation of the Security.

5. **APPOINTMENT OF A RECEIVER.** In any action to enforce this assignment,
Beneficiary may apply for the appointment of a receiver to take possession of the Security and take
whatever measures are necessary to preserve and manage the Security for the benefit of Beneficiary
and the public interest. Trustor hereby consents to the appointment of a receiver. The receiver shall
have all of the authority over the Security that Beneficiary would have if Beneficiary took possession
of the Security under this assignment as a mortgagee-in-possession, including the right to collect and
apply Rents and the right to complete construction of improvements.

6. **NO WAIVER OF POWER OF SALE.** The entering upon and taking possession
of the Security and the collection of Rents shall not cure or waive any default or notice of default
hereunder or invalidate any act done in response to such default or notice of default and,
notwithstanding the continuance in possession of the Security or the collection and application of
Rents, Beneficiary shall be entitled to exercise every right provided for in this City Deed of Trust or
by law upon occurrence of any Event of Default, including the right to exercise the power of sale.

**COMMERCIAL CODE SECURITY AGREEMENT**

7. **GRANT.** This City Deed of Trust is intended to be a security agreement and
financing statement pursuant to the California Commercial Code for any of the items specified above
as part of the Security which under applicable law may be subject to a security interest pursuant to
the Commercial Code, and Trustor hereby grants Beneficiary a security interest in said items.
Beneficiary may file a copy of this City Deed of Trust in the real estate records or other appropriate
index as a financing statement for any of the items specified as part of the Security. Trustor shall
execute and deliver to Beneficiary at Beneficiary's request any financing statements, as well as
extensions, renewals, and amendments thereof, and copies of this instrument in such form as
Beneficiary may require to perfect a security interest with respect to said items. Trustor shall pay all
costs of filing such financing statements and shall pay all reasonable costs of any record searches for
financing statements and releases. Without the prior written consent of Beneficiary, Trustor shall not
create or permit any other security interest in said items.

8. **REMEDIES.** Upon occurrence of an Event of Default by Trustor on any obligation
or agreement in the Note or Regulatory Agreement, Beneficiary shall have the remedies of a secured
party under the Commercial Code and at Beneficiary's option may also invoke the remedies provided
for elsewhere in this City Deed of Trust with respect to said items. Beneficiary may proceed against
the items of real property and personal property specified above separately or together and in any order whatsoever.

**RIGHTS AND OBLIGATIONS OF TRUSTOR**

9. **PERFORMANCE OF SECURED OBLIGATION.** Trustor shall promptly perform each obligation secured by this City Deed of Trust.

10. **PAYMENT OF PRINCIPAL.** Trustor shall promptly pay when due the principal evidenced by the Note.

11. **MAINTENANCE OF THE SECURITY.** Trustor shall, at the Trustor's own expense, maintain and preserve the Security or cause the Security to be maintained and preserved in good condition, in good repair, and in a decent, safe, sanitary, habitable and tenantable condition. Trustor shall not cause or permit any violations of any laws, ordinances, regulations, covenants, conditions, restrictions, or equitable servitudes as they pertain to improvements, alterations, maintenance or demolition on the Security. Trustor shall not commit or permit waste on or to the Security. Trustor shall not abandon the Security. Beneficiary shall have no responsibility over maintenance of the Security. In the event Trustor fails to maintain the Security in accordance with the standards in this City Deed of Trust, the Note, or the Regulatory Agreement, Beneficiary, after at least seven (7) calendar days prior written notice to Trustor and after any applicable cure periods, may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof. Any amount so advanced by Beneficiary, from the date of such advance at the same rate of indebtedness as specified in the Note, shall become an additional obligation of Trustor to Beneficiary and shall be secured by this City Deed of Trust.

12. **INSPECTION OF THE SECURITY.** Trustor shall permit Beneficiary to enter and inspect the Security for compliance with these obligations upon forty-eight (48) hours advance notice of such visit by Beneficiary to Trustor or Trustor's management agent.

13. **LIENS, ENCUMBRANCES, AND CHARGES.** Trustor shall discharge any lien or encumbrance not approved by Beneficiary in writing that may attain priority over this City Deed of Trust, as provided for in the Note.

14. **DEFENSE AND NOTICE OF CLAIMS AND ACTIONS.** Trustor shall appear in and defend, at its own expense, any action or proceeding purporting to affect the Security and/or the rights of Beneficiary. Trustor shall give Beneficiary and Trustee prompt notice in writing of the assertion of any claim, of the filing of any action or proceeding and of any condemnation offer or action with respect to the Security.

15. **SUITS TO PROTECT THE SECURITY.** Following reasonable notice to Trustor, Beneficiary shall have power to institute and maintain such suits and proceedings as it may deem expedient (a) to prevent any impairment of the Security or the rights of Beneficiary, (b) to preserve or protect its interest in the Security and in the Rents, and (c) to restrain the enforcement of or compliance with any governmental legislation, regulation, or order, if the enforcement of or compliance with such legislation, regulation, or order would impair the Security or be prejudicial to the interest of Beneficiary.
16. **DAMAGE TO SECURITY.** Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to the Security. If any building or improvements erected on the Property is damaged or destroyed by an insurable cause, Trustor shall, at its cost and expense, repair or restore said buildings and improvements consistent with the original plans and specifications. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be complete within eighteen (18) months thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Trustor shall make up the deficiency.

17. **TITLE.** Trustor warrants that Trustor lawfully has legal title to the Security without any limitation on the right to encumber.

18. **GRANTING OF EASEMENTS.** Trustor may not grant easements, licenses, rights-of-way or other rights or privileges in the nature of easements with respect to the Security except those required or desirable for installation and maintenance of public utilities including water, gas, electricity, sewer, cable television, telephone, or those required by law.

19. **TAXES AND LEVIES.** Trustor shall pay prior to delinquency, all taxes, fees, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security. However, Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any contested liabilities. In the event that Trustor fails to pay any of the foregoing items, Beneficiary may, but shall be under no obligation to, pay the same, after Beneficiary has given written notice to Trustor of such failure to pay and Trustor fails to fully pay such items within seven (7) business days after receipt of such notice. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this City Deed of Trust.

20. **INSURANCE.** Trustor shall provide such insurance as required under the Loan Agreement between the Trustor and the Beneficiary. In the event Trustor fails to maintain the full insurance coverage required by this City Deed of Trust, Beneficiary, after at least seven (7) business days’ prior written notice to Trustor, may, but shall be under no obligation to, take out the required policies of insurance and pay the premiums on such policies. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this City Deed of Trust.

21. **CONDEMNATION.** All judgments, awards of damages, settlements and compensation made in connection with or in lieu of taking all or any part of or interest in the Security under assertion of the power of eminent domain, up to the amount of the balance then due under the
Note ("Funds") are hereby assigned to and shall be paid to Beneficiary. Beneficiary is authorized (but not required) to collect and receive any Funds and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Beneficiary shall determine at its sole option. All or any part of the amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this City Deed of Trust.

Notwithstanding anything to the contrary set forth herein, Beneficiary shall, prior to the application of the Funds or any portion thereof to the indebtedness or other obligations, apply such portion of the Funds as is reasonable and necessary to repair and preserve the value, marketability and rentability of the Security.

22. ACCELERATION ON TRANSFER OF SECURITY; ASSUMPTION. In the event that Trustor, without the prior written consent of the Beneficiary, sells, agrees to sell, transfers, or conveys its interest in the Security or any part thereof or interest therein other than to an entity owned by Trustor or in which Trustor has a controlling interest, Beneficiary may at its option declare all sums secured by this City Deed of Trust to be immediately due and payable. This option shall not apply in case of a sale or transfer of fixtures or personal property pursuant to the grant provisions in this City Deed of Trust or in the case where Trustor assigns or transfers the Property to an entity owned by Trustor or in which Trustor has a controlling interest to accommodate a long-term bond transaction or for any other reason. Consent to one (1) sale or transfer shall not be deemed to be a waiver of the right to require such consent to future or successive transactions.

23. RECONVEYANCE BY TRUSTEE. This trust is intended to continue for the entire term of the Note and Regulatory Agreement (whichever term is longer). Upon written request of Beneficiary stating that all obligations secured by this City Deed of Trust have been paid and performed, and upon surrender of this City Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

DEFAULT AND REMEDIES

24. EVENTS OF DEFAULT. Any of the events listed in the Note or Regulatory Agreement as an Event of Default by Borrower shall also constitute an Event of Default by Trustor under this City Deed of Trust, including, but not limited to, (1) Trustor’s failure to pay when due any sums payable under this City Deed of Trust, or such failure by Borrower under the Note; (2) Trustor’s failure to observe or to perform any of its other covenants, agreements or obligations under this City Deed of Trust, or such failure by Borrower under the Note or the Regulatory Agreement; or (3) Trustor’s or Borrower’s failure to make any payment or perform any of its other covenants, agreements, or obligations under any other agreement with respect to financing for the Project or the Security, whether or not Beneficiary is a party to such agreement.

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

25. **ACCELERATION OF MATURITY.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the Note or the Regulatory Agreement, Beneficiary may declare all sums advanced to Trustor under the Note and this City Deed of Trust immediately due and payable.

26. **BENEFICIARY’S REMEDIES.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the Note or Regulatory Agreement, Beneficiary may, in addition to other rights and remedies permitted by the Note, the Regulatory Agreement, or applicable law, proceed with any or all of the following remedies:

A. Enforce the assignment of rents and right to possession as provided for in this City Deed of Trust, and/or seek appointment of a receiver to take over possession of the Security and collect Rents;

B. Enter the Security and take any actions necessary in its judgment to complete construction on the Security as permitted under the Assignment of Development Rights executed by Trustor (on file with Beneficiary) and the assignment of rents and right to possession in this City Deed of Trust, either in person or through a receiver appointed by a court;

C. Commence an action to foreclose this City Deed of Trust pursuant to California Code of Civil Procedure Sections 725a, et seq., and/or seek appointment of a receiver from a court of competent jurisdiction with the authority to protect Beneficiary's interests in the Security, including the authority to complete construction of any improvements;

D. Deliver to Trustee a written declaration of Default and demand for sale, and a written Notice of Default and election to cause Trustor's interest in the Security to be sold, which notice Trustee or Beneficiary shall duly file for record in the Official Records of Los Angeles County, and exercise its power of sale as provided for below; or

E. Pursue any other rights and remedies allowed at law or in equity.

27. **FORECLOSURE BY POWER OF SALE.** Should Beneficiary elect to foreclose by exercise of the power of sale contained in this City Deed of Trust, Beneficiary shall notify Trustee and shall deposit with Trustee this City Deed of Trust (the deposit of which shall be deemed to constitute evidence that the unpaid sums disbursed under the Note are immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.
Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this City Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to the purchaser its deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee, or Beneficiary, may purchase at the sale.

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

After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale as follows: (i) first, to the payment of all sums then secured by this City Deed of Trust, in such order and amounts as Beneficiary in its sole discretion determines, and (ii) the remainder, if any, to the person or persons legally entitled thereto.

28. **REMEDIES CUMULATIVE.** No right, power or remedy conferred upon or reserved to Beneficiary by this City Deed of Trust is intended to be exclusive of any other rights, powers or remedies, but each such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

**GENERAL PROVISIONS**

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

28. **CONSENTS AND APPROVALS.** Any consent or approval of Beneficiary required under this City Deed of Trust shall not be unreasonably withheld.

29. **TIME.** Time is of the essence in this City Deed of Trust.

30. **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Trustor and Beneficiary shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Trustor and Beneficiary as follows:
**Beneficiary:**
City of Los Angeles
Office of the City Administrative Officer
200 North Main Street, 15th Floor
Los Angeles, CA 90012
Attn: Meg Barclay

**Trustor:**
Housing Authority of the City of Los Angeles
2600 Wilshire Blvd, 3rd floor
Los Angeles, CA 90057
Attn: Douglas Guthrie

31. **BINDING UPON SUCCESSORS.** All provisions of this City Deed of Trust shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Trustor, Trustee, and Beneficiary.

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

33. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this City Deed of Trust must be in writing, and shall be made only if mutually agreed upon by Beneficiary and Trustor.

34. **CONFLICTS BETWEEN CITY DOCUMENTS.** In the event that any monetary provisions of the City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the terms of the City Note and City Deed of Trust shall control. In the event that any monetary provisions of the City Note and City Deed of Trust conflict or in the event that any non-monetary provisions of the City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the strictest provision shall control, except that Trustor shall have no defense or claim that this instrument does not establish a valid lien on the Property or Security.

35. **DEFINITIONS.** Capitalized terms not otherwise defined in this City Deed of Trust shall have the same meaning as defined terms in the Loan Agreement.

36. **PROOFS OF CLAIM.** In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, recomposition or other proceedings affecting Trustor, its creditors or its property, Trustee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by Trustor hereunder after such date.
37. **SEVERABILITY.** Every provision of this City Deed of Trust is intended to be severable. If any term or provision of this City Deed of Trust is declared to be illegal, invalid, or unenforceable by a court of competent jurisdiction, the legality, validity, and enforceability of the remaining provisions shall not be affected. If the lien of this City Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt and all payments made on the debt (whether voluntary or under foreclosure or other enforcement action or procedure) shall be considered to have been first paid or applied to the payment of that portion of the debt which is not secured or partially secured by the lien of this City Deed of Trust.

38. **SUBSTITUTION OF TRUSTEES.** Beneficiary may from time to time appoint another trustee to act in the place and stead of Trustee or any successor. Upon such appointment and without conveyance, the successor trustee shall be vested with all title, powers, and duties conferred upon Trustee. Each such appointment and substitution shall be made by a written instrument executed by Beneficiary containing reference to this City Deed of Trust and its place of record, which when duly recorded in the Los Angeles County Office of the Recorder shall be conclusive proof of proper appointment of the successor trustee.

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

40. **NONRECOARSE.** The loan secured by this City Deed of Trust is a non-recourse obligation of Trustor. Neither Trustor nor any other party shall have any personal liability for repayment of the Loan. The sole recourse of Beneficiary for repayment of the Principal shall be the exercise of Beneficiary's rights against the Property. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Beneficiary against all such security for the City Note, or (b) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the City Note as demand for money within the meaning of the California Code of Civil Procedure.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Note; except nothing contained in the foregoing is intended to relieve the Trustor of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Trustor in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the City Deed of Trust (to the full extent of such taxes, assessments or other charges); (3) the Trustor’s indemnification obligations under the Regulatory Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) failure to pay to the Beneficiary any rental income or other income arising with respect to the Property received by the Trustor after the Beneficiary has given notice to the Trustor of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Beneficiary has subordinated the City Deed of Trust.
41. **COUNTERPART SIGNATURES.** This City Deed of Trust may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

[Signatures Begin on Next Page]
IN WITNESS WHEREOF, Trustor and Beneficiary has caused this City Deed of Trust to be executed by their duly authorized representatives.

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

By: ________________________________

Name: Douglas Guthrie______________________________

Its: President and CEO______________________________

Date: ________________________________
Beneficiary:
Executed this _____ day of _________________, 2020

THE CITY OF LOS ANGELES
Office of the City Administrative Officer

By: ____________________________________________
    RICHARD H. LLEWELLYN, JR.
    City Administrative Officer

APPROVED AS TO FORM:
MICHAEL N. FEUER, City Attorney

By: ____________________________________________
    Deputy/Assistant City Attorney

Date: ____________________________________________

ATTEST:
HOLLY WOLCOTT, City Clerk

By: ____________________________________________
    Deputy City Clerk

Date: ____________________________________________

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING
EXHIBIT A
CITY DEED OF TRUST
(PROJECT NAME)

LEGAL DESCRIPTION

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

[ADD LEGAL DESCRIPTION PER PRELIMINARY TITLE REPORT OR OTHER RECENT CONVEYANCE DOCUMENTS]

ASSESSOR’S IDENTIFICATION NUMBER: [ADD]

COMMON ADDRESSES: [ADD]

BORROWER: The Housing Authority of the City of Los Angeles, a public body, corporate and politic
ATTACHMENT 6

Form of Regulatory Agreement
PROJECT HOMEKEY REGULATORY AGREEMENT
(5050 W. PICO)

This Regulatory Agreement ("Regulatory Agreement" or "Agreement") is made this day of __________, 2020 by and between the City of Los Angeles, a municipal corporation (the "City"), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic ("Owner" or "Borrower").

RECITALS

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

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

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

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

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

F. WHEREAS, as a condition to providing this funding to HACLA, the City required that HACLA agree to execute the following documents as part of the transfer of title to these properties: (1) a Promissory Note in favor of the City for the amount of the City Loan for each property, with 0% interest accruing during the term of the Note, with the Note payable from residual receipts revenues; (2) a Deed of Trust securing amounts due under the Note, and authorizing the exercise of remedies against the applicable property upon a breach of the Owner’s obligations to the City; and (3) a Regulatory Agreement, with the City named as beneficiary, restricting the use of the Property to permanent supportive/affordable housing for fifty-five (55) years of project operations and

G. WHEREAS, HACLA now wishes to borrow Three Million, Two Hundred Thousand Dollars ($3,200,000) from the City for the property located at 5050 Pico Blvd., Los Angeles CA 90019 (the “Property” or the “Project”); and

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

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

I. DEFINITIONS

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

1.1 “Affordable Unit” shall be a dwelling unit at the Project rented to an Eligible Household, and wherein the maximum monthly Rent to be paid by an Eligible Household per Affordable Unit is as set forth in Article 3 and Section 4.3 herein.

1.2 “Affordability Requirements” refer to the affordable Rent and Household Income limitations as forth in Section 4.3, which is updated from time to time to reflect HUD updates of Median Income estimates.
1.3 "Area Median Income" or "AMI" means the most recent applicable county median family income set by HUD and published by HCD.

1.4 "Assisted Unit" means a residential housing unit that is subject to rent, occupancy or other restrictions associated with a Homekey Program site.

1.5 "At Risk of Homelessness" has the same meaning as defined in Section 578.3 of Title 24 of the Code of Federal Regulations ("CFR").

1.6 "Eligible Household” is defined in Exhibit B of the Loan Agreement.

1.7 “HCD” refers to the State of California Department of Housing and Community Development.

1.8 “Homekey Program” refers to HCD’s Homekey Program.

1.9 "Homeless" has the same meaning as defined in 24 CFR Section 578.3.

1.10 "Household Income" means the current gross amount of income of all adult household members that is anticipated to be received during the coming twelve (12)-month period, including the income of temporarily absentee family members, welfare assistance payments, and other such criteria determined in accordance with the definition of Annual Income found in 24 CFR Section 5.609.

1.11 “HUD” refers to the U.S. Department of Housing and Urban Development.

1.12 “Median Income” is based on the County of Los Angeles Median Income, as determined by HUD and published periodically, and adjusted by household size.

1.13 “Owner” refers to the Housing Authority of the City of Los Angeles, a California public body, corporate and politic and its authorized representatives, assigns, transferees, or successors-in-interest in ownership of the Property, including one of its wholly-owned instrumentalities. Owner shall not include persons or entities who/which hold an interest merely as security for the performance of an obligation. Owner shall not include persons or entities after they have ceased to hold a record ownership interest in the Property.

1.14 “Project” refers to the seventy-nine (79) unit multifamily residential project situated on the Property, which includes one (1) unrestricted manager’s unit, as determined by the Owner.

1.15 “Project Based Voucher Regulations” means the Project Based Vouchers regulations set forth in 24 CFR Part 983.

1.16 “Property” means that certain real property as described in the definition of Property in Exhibit B of the Loan Agreement and whose legal description is set forth in Exhibit “A.”
1.17 “Rent” means the consideration, including any bonus, benefits, or gratuity, demanded by or received by the Owner for, or in connection with: (1) the use or occupancy of a housing unit and land and facilities associated therewith, (2) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, (3) a reasonable Utility Allowance, and (4) possessory interest, taxes, or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the Owner. (1), (2), (3) and (4) shall be an average of estimated costs for the next twelve (12) months.

1.18 “Term” shall mean term of this Declaration, which shall commence on the date that this Declaration is recorded in the Official Records of the County of Los Angeles and shall continue in effect for fifty-five (55) years following the date of recording.

1.19 "Unit" means a residential unit that is used as a primary residence by its occupants, including individual units within the Project.

1.20 “CHRONICALLY HOMELESS” shall have the meaning set forth in Exhibit B to the Loan Agreement.

1.21 "CITY DEED OF TRUST" shall have the meaning set forth in Exhibit B to the Loan Agreement.

1.22 "CITY NOTE" shall have the meaning set forth in Exhibit B to the Loan Agreement.

1.23 “HOMELESS” shall have the meaning set forth in Exhibit B to the Loan Agreement.

1.24 "IMPROVEMENTS" shall have the meaning set forth in Exhibit B to the Loan Agreement.

1.25 “LAHSA" means the Los Angeles Homeless Services Authority, an independent, Joint Powers Authority established by the City and the County of Los Angeles.

1.26 “NOFA2" has the meaning set forth in Recital A to this Regulatory Agreement.

1.27 "PROJECT" shall have the meaning set forth in Exhibit B to the Loan Agreement.
II. OWNER'S OBLIGATIONS

2.1 COMPLIANCE WITH CITY NOTE AND CITY DEED OF TRUST. Owner's actions with respect to the Property and the use of funds loaned to Owner pursuant to the City Note shall at all times be in full conformity with all of the requirements of the City Note and the City Deed of Trust.

2.2 TERM OF AGREEMENT. This Regulatory Agreement shall be in effect for the Term, as defined above. The Owner shall expressly make the conditions and covenants in this Agreement a part of any deed or other instrument conveying any interest in the Property. Note: Full compliance with all applicable state law notice requirements (as set forth in California Government Code Sections 65863.10, 65863.41 and 65863.13) is required in order for this Declaration to be terminated. The entire term of the Regulatory Agreement shall be in full force and effect, regardless of any expiration of the term of the City Note, any payment or prepayment of the City Note, any assignment of the City Note, any reconveyance of the City Deed of Trust, or any sale, assignment, transfer, or conveyance of the Property, unless terminated earlier by the City in writing or extended by mutual consent of the parties. Failure to record this Regulatory Agreement or the certificate by the City shall not relieve Owner of any of the obligations specified herein.

III. REPRESENTATIONS, COVENANTS AND WARRANTIES OF OWNER

3.1 Owner, on behalf of itself and its successors, assigns, and each successor in interest to Owner's interest in the Property or any part thereof, hereby covenants and agrees to use the Property during the Term only for the uses permitted in this Agreement, specifically including the following:

(a) Use. The Property shall be used for multi-family residential rental uses, consisting of seventy-nine (79) Units. With the exception of one (1) one-bedroom Unit which may be used as a manager’s Unit, all of the Affordable Units shall be rented according to the Income and Rent Restrictions (as set forth in paragraphs (b) and (c) of this Section, below), in accordance with this Agreement. All Affordable Units shall be leased, occupied and not withdrawn from the market. Owner shall not convert the Affordable Units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Affordable Units during the Term of this Agreement.

(b) Income Restrictions. All of the Affordable Units shall at all times be rented to or made available for rental to Eligible Households whose incomes do not exceed thirty percent (30%) of the AMI. For purposes of this Agreement, the income of a household shall be determined at initial occupancy of a Unit by that household. Owner shall determine the income eligibility of each tenant household pursuant to HUD’s approved tenant certification procedures within ninety (90) calendar days of the household's expected occupancy of one of the Affordable Units. Owner shall certify each tenant household's income on an annual basis. Once qualified and occupying an Affordable Unit with possessory rights through a lease agreement, the maximum
incomes of residential tenants eligible to rent the Affordable Units shall be determined on the basis of the AMI for Los Angeles, determined annually by HUD and shall not exceed 30% AMI. Owner shall verify that occupants are within these established income limits.

(c) Rent Restrictions. Owner shall not charge Rents, including a reasonable utility allowance as determined by HACLA for the Section 8 Rental Assistance Program, in excess of the Affordability Requirements, adjusted by the percent change in the AMI figure for Los Angeles County.

IV. PROJECT OPERATIONS AND OCCUPANCY

4.1 Operation of Property. Owner and its agents shall lease, operate and manage the Property in full conformance with the terms of the Regulatory Agreement. Owner further agrees to: (1) maintain and operate all units and beds that the Property so as to provide decent, safe, and sanitary housing; and (2) manage the Property in a manner that creates a friendly, welcoming and respectful community according to LAHSA’s Facilities and Operating Standards (which are hereby incorporated into this Regulatory Agreement by reference). Optional services provided must be available to all residents under the same terms and conditions.

4.2 Tenant Qualification. Each Affordable Unit within the Project shall be reserved and rented for the purposes set forth in this Agreement to Eligible Households. The Owner will obtain, complete, and maintain on file, immediately prior to initial occupancy and annually thereafter, income certifications from each tenant renting any of the Units.

4.3 Conflict of Interest Self-Certification. Before approving a tenant for tenancy in any Affordable Unit(s), Owner shall require each prospective tenant to certify under penalty of perjury that they are not: (a) an Owner, developer, or sponsor of the Property, (b) an officer, employee, agent or consultant, or elected or appointed official of an Owner, developer or sponsor of the Property; or (c) a member of the immediate family of any such person described in subsections (a) or (b). Owner shall not rent any Affordable Unit(s) to any said individuals.

4.3 Affordability Requirements.

(a) Each Affordable Unit shall only be rented to Eligible Households. The maximum monthly Rent to be paid by an Eligible Household per Affordable Unit, may not exceed thirty percent (30%) of the Household’s Adjusted Income, established in accordance with the definition of Annual Income found in 24 CFR section 5.609 and by HUD updates of Median Income estimates, divided by twelve (12).

(b) The maximum monthly Rent to be paid by an Eligible Household per Affordable Unit may be adjusted in accordance with the HUD, the Housing Choice Voucher Program and the Project Based Voucher Program Regulations.

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(c) The Owner shall verify the prospective Eligible Households’ eligibility using the Eligible Households’ income tax records, employment records, paystubs, bank statements and benefit statements or other records deemed appropriate by the Owner, and shall require from each Eligible Household, a statement that such Eligible Household’s projected future income from all sources does not exceed allowable limits. This statement shall be signed by the Eligible Household under penalty of perjury. In the event that the prospective Eligible Household may be claimed as a dependent for purposes of another party’s (such as parents) income taxes, in addition to the items mentioned above for the prospective Eligible Household, the same items must be produced for any party who may claim the prospective Eligible Household as a dependent.

(d) On an annual basis, Owner shall prepare an occupancy summary report showing the present occupants, Rent and size of each Affordable Unit(s) at the Project, and any other information which the Owner deems necessary and which relates to the eligibility of these households. No Eligible Household qualifying for an Affordable Unit shall be denied continued occupancy of a Unit in the Project because, after admission, such household’s Annual Income increases unless the Household Income exceeds the Income Restrictions. If a once Eligible Household is later determined to no longer qualify as an “Eligible Household,” the following applies:

If Eviction is Not Prohibited by Applicable Law: Owner may raise the rent for the no-longer Eligible Household to market rate as long as market rent does not exceed 35% of the Household Income, after providing any required notice. If the no-longer Eligible Household continues to fall outside the definition of an Eligible Household for six (6) consecutive months, said household, with Owners assistance, will develop a transition plan to move out of the Project and into other unrestricted permanent housing ("Transition Plan"). The no-longer Eligible Household will have two (2) years from execution of the Transition Plan to locate alternative unrestricted permanent housing, at which time the no-longer Eligible Household shall voluntarily vacate the unit or Owner shall have the right to evict the no-longer Eligible Household pursuant to the terms of its lease agreement (see Section 4.4, “Required Provisions for Rental or Lease Agreements for Affordable Unit(s)”) and immediately re-rent the Affordable Unit(s) to an Eligible Household.

If within the Transition Plan period, the household income decreases to a level acceptable as an Eligible Household, the household must request an interim recertification of income. Any period that household requalifies as an Eligible Household the Transition Plan period is suspended and neither the Owner nor the Eligible Household are considered out of compliance under this Agreement.

If Eviction is Prohibited by Applicable Law: Such Affordable Unit(s) will continue to be treated as an Affordable Unit(s) although no-longer Eligible Household shall pay market rent as long as such rent does not exceed 35% of the Household Income but upon its next immediate vacancy must be re-rented to an Eligible Household. As long as Owner follows this Section 4.3(d) of this Agreement, Owner shall be considered temporarily out of compliance with the terms of this Agreement until the no longer Eligible Household vacates the Affordable Unit and it is re-rented.
to an Eligible Household. However, such non-compliance cannot be penalized and does not extend the term of covenants set forth in this Agreement.

(e) If the Property is transferred in any manner or is acquired at a foreclosure sale under any deed of trust or mortgage encumbering the Property and/or improvements thereon or by deed in lieu of foreclosure, title to the Property shall be taken subject to the limitations provided for herein.

(f) If the Affordable Unit(s) are transferred in any manner or are acquired at a foreclosure sale under any deed of trust or mortgage encumbering the Affordable Unit(s) or by a deed in lieu of foreclosure, then the transferee, as Owner, shall be subject to all the conditions, limitations and restrictions provided for herein.

4.4 Required Provisions for Rental or Lease Agreements for Affordable Unit(s).

For Affordable Unit(s), Owner shall use a form of rental or lease agreement which includes the following:

(a) Provide for termination of the rental or lease agreement and consent by a tenant to immediate eviction: (1) for failure to provide any information required by this Agreement or reasonably requested by the Owner to establish or re-certify the tenant's income qualification or the income qualification of the tenant's household for occupancy of an Affordable Unit in accordance with the standards set forth in this Agreement, or (2) for failure to qualify as an Eligible Household as applicable, as the result of any material misrepresentation made by such tenant(s) with respect to their income computation or certification; or (3) if not prohibited by applicable law, in the event tenant no longer qualifies as an Eligible Household as defined herein; and

(b) Prohibit the subleasing of any Affordable Unit (this includes listing any Affordable Unit(s) for vacation/short-term rental on Airbnb or like websites); and

(c) Permit the termination of an existing tenancy or an eviction only upon good cause. Good cause includes the non-payment of Rent, any of the events in Section 4.4(a) above, repeated violation of the terms or conditions of the rental agreement or lease agreement, or violations of applicable federal, state or local law.

4.5 Utilization of Affordable Unit(s).

(a) Full Utilization. Each Affordable Unit required to be provided by this Declaration shall be leased or rented (i.e., the Affordable Unit(s) shall not be withdrawn from the market) and fully utilized in a manner consistent with the Space and Occupancy Standards set forth in LAMC, Chapter IX, Article 1, and the Uniform Housing Code, Chapter V.

(b) The Owner agrees to: (1) maintain and operate each Affordable Unit so as to provide decent, safe, and sanitary housing; and (2) provide each Affordable Unit with the same level of services (including security), amenities, and maintenance as is provided to the market rate unit(s),
if any, on the Property. Such amenities that may be provided to tenants of market rate unit(s) include, but are not limited to access to recreational facilities, parking, cable TV, and interior amenities such as dishwashers and microwave ovens. Optional services provided must also be optional for tenants of both Affordable Unit(s) and market rate unit(s) and available to all under the same terms and conditions. At the commencement of each Eligible Household's respective lease for an Affordable Unit, all non-purchased incentives being offered to tenants of market rate unit(s), such as free parking (if applicable), must be equally offered to each Eligible Household. However, any promotional non-purchased incentives offered to new tenants after commencement of an existing lease need not be offered to existing tenants, but must be equally offered to new tenants of both Affordable Unit(s) and market rate unit(s).

4.6 Annual Determinations.

Upon initial occupancy of each Affordable Unit, and at least annually thereafter, the Owner shall determine and certify the Household Income of each Eligible Household. If a once Eligible Household is later determined to no longer qualify as an “Eligible Household” as defined herein Section 4.3(d) shall apply.

4.7 Federal and State Laws.

Notwithstanding the above provisions, nothing contained herein shall require the Owner to do anything contrary to or refrain from doing anything required by Federal and State laws and regulations promulgated thereunder applicable to the construction, management, maintenance, and rental of the Affordable Unit(s). Owner further expressly agrees to obey all applicable laws as to the Property, including, but not limited to the California Building Code, the Americans with Disabilities Act, and Title VIII of the Civil Rights Act as amended in 1988 by the Fair Housing Amendments Act.

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

V. PROPERTY MANAGEMENT

5.1 MANAGEMENT RESPONSIBILITIES. Owner is specifically responsible, subject to its obligations herein, for all management functions with respect to the Property, including without limitation any maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. Owner is responsible for maintaining the property in decent, safe and sanitary conditions and in good repair. The City shall have no responsibility over management of the Property.

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

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

In the event that Owner fails to maintain the Property in accordance with these standards and after at least ten (10) business days prior written notice to Owner, the City or the City's contractor or agent may, but shall be under no obligation to, enter upon the Property, make such repairs or replacements as are deemed necessary in the City's discretion, and provide for payment thereof. Any amount advanced by the City to make such repairs shall become an additional obligation of Owner to the City and shall be secured by any City Deed of Trust, if not previously reconveyed.

5.4 INSPECTION AND RECORDS. Owner shall maintain records which clearly document Owner's performance of its obligations to operate the Property under the terms of this Regulatory Agreement. Said records and documents shall include records pertaining to race, color, creed, sex and national origin of residents; and books of original entry, source documents supporting accounting transactions, service records, general ledger, and any other documents which the City may reasonably request regarding the operation of the Property or Owner’s performance under this Regulatory Agreement. Owner shall maintain copies of such books and records in a location that is within twenty-five (25) miles of the Property. Owner shall submit any records to the City within ten (10) business days of the City's request. Owner shall permit the City or any other applicable regulatory body to enter and inspect the Property for compliance with obligations under this
Regulatory Agreement upon 24 hours advance notice of such visit by the City to Owner or Owner's management agent and to residents of any inspected Project units.

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

A. Client Masterfile
B. Housing Stability Plan
C. HMIS Data Collection and Participation Requirements
D. Facility maintenance log
E. Bed bug mitigation plan, if applicable
F. Incident reports
G. Grievance and termination documentation
H. Program performance reports, to the extent required by the California Department of Housing and Community Development for participation in Round 2 of Homekey.

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

5.7 INSURANCE COVERAGE. Owner shall cause to have in full force and effect during the term of this Regulatory Agreement insurance coverage as required under the Loan Agreement.

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

VI. GENERAL PROVISIONS

6.1 MONITORING. During the term of this regulatory agreement, the City and/or its agents will monitor the Owner’s compliance with this Regulatory Agreement and the requirements of the source of funds loaned to Owner pursuant to the City Note. Violations of the Regulatory Agreement and funding requirements may result in penalties, fees and expenses being levied against the City. The Owner will be responsible for any costs, penalties, fees and expenses levied against the City and will be responsible to pay any expenses incurred by the City to enforce this Agreement.

6.2 SUBORDINATION. This Regulatory Agreement shall not be subordinated in priority to any liens or encumbrances on the Property.
6.3 TRANSFER AND ENCUMBRANCE OF PROPERTY. During the term of this Regulatory Agreement, Owner shall not make or permit any sale, assignment, conveyance, or transfer of this Regulatory Agreement, or the Property or any part thereof, including the sale of any general or limited partnership interests, without the prior written consent of the City, except, however, Owner may transfer the Property to an entity owned by Owner or in which Owner has a controlling interest. In considering whether to give such consent, the City may take into account any factors or circumstances which may increase the City’s risk that any future owner will fail to comply with Owner’s obligations hereunder, including but not limited to: (a) Owner’s own compliance with this Regulatory Agreement, the City Note, or other contractual obligations to the City; (b) whether any sale, transfer, or conveyance will result in the cure of any existing violations of this Regulatory Agreement; (c) whether the transferee agrees to assume all obligations of Owner imposed by this Regulatory Agreement and enters into a written agreement providing for the assumption of these obligations ("Assumption Agreement"); (d) whether the transferee demonstrates to the City's satisfaction that it is capable of owning and operating the Property in full compliance with this Regulatory Agreement; (e) whether the terms of the sale, transfer, or conveyance jeopardize the City's security interest in the Property and is in full compliance with all standards, including eligibility requirements and other conditions imposed by any funding sources for the Property and any loan; and (f) whether the transferee is in default of any other obligations.

During the term of this Regulatory Agreement, Owner shall not engage in any financing or other transaction creating any mortgage or other encumbrance or lien upon the Property (except for any financing provided by the City), without the prior written consent of the City; except, however, Owner may place a senior debt and/or deed of trust on the Property in Owner’s sole discretion. The City may give its consent to such financing if and to the extent necessary to maintain or improve the affordability or condition of the Property.

6.4 DEFAULT AND REMEDIES. In the event of any breach or violation of any agreement or obligation under this Regulatory Agreement, or of any breach of a material condition of this Regulatory Agreement or the City Note which in any way pertains to or affects the continuing operation of the Property, and after the City has given at least thirty (30) days’ written notice to Owner of the default(s) and an opportunity to cure in the same time and manner provided, the City may proceed with any or all of the following remedies:

A. Bring an action in equitable relief seeking the specific performance by Owner of the terms and conditions of this Regulatory Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;

B. Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect any rents, income, deposits, or reserves and apply them to operate the Property;

C. After notice provided for herein, make such repairs or replacements to the Property as are necessary and provide for payment thereof;
D. Require Borrower to pay all fines, penalties, and fees levied against the City, including any enforcement, repayment of funds to the State and legal costs thereof, and place a lien on the property for any and all remedial costs; or

E. Pursue any other remedy allowed at law or in equity, including but not limited to a judicial or nonjudicial foreclosure pursuant to the City Deed of Trust.

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

6.6 INDEMNIFICATION. Except for the active negligence or willful misconduct of City, or any of its Boards, Officers, Agents, Employees, Assigns and Successors in Interest, Borrower undertakes and agrees to defend, indemnify and hold harmless the City and any of its Boards, Officers, Agents, Employees, Assigns, and Successors in Interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including Borrower’s and any contractor’s and subcontractor’s employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this Regulatory Agreement as a result (directly or indirectly) of or in connection with this Regulatory Agreement or the use of the Property by Owner, its agents, employees, contractor or subcontractor of any tier, including suits, causes of action, claims, losses, demands and expenses relating to the condition of the Property. Rights and remedies available to the City under this provision are cumulative of those provided for elsewhere in this Regulatory Agreement and those allowed under the laws of the United States, the State of California, and the City. The provisions of this paragraph shall survive expiration or termination of this Regulatory Agreement.

6.7 ACCESSIBILITY. The Owner hereby certifies that it (and any contractor and subcontractor working on behalf of Owner) shall comply with all applicable legal requirements for accessibility at the Property.

Owner shall ensure that the Project is maintained and operated in compliance with all applicable federal, state and local rules, laws, and regulations related to accessibility and reasonable accommodations and modifications for persons with disabilities, including but not limited to the Americans with Disabilities Act, as amended, 42 U.S.C. 12101 et seq., and its implementing regulations at 28 CFR Parts 35 and 36 (ADA), Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. 701, and implementing regulations at 24 CFR Part 8, the Fair Housing Act, as amended, 42 U.S.C. 3601, et seq., and its implementing regulations at 24 CFR Part 100, and any further requirements of the City. Owner and any contractor and subcontractor
will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in programs, services, and activities in accordance with the applicable provisions of the ADA, Section 504, the FHA, and all subsequent amendments. Owner and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into by the Owner, relating to this Regulatory Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

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

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

6.10 TIME. Time is of the essence in this Regulatory Agreement.

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

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

City: City of Los Angeles
Office of the City Administrative Officer
200 North Main Street, 15th Floor
Los Angeles, CA 90012
Attn: Meg Barclay

Owner:
Housing Authority of the City of Los Angeles
2600 Wilshire Blvd. 4th Floor
Los Angeles, CA 90057
Attn: Douglas Guthrie

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

6.14 COVENANT TO RUN WITH THE LAND. The Owner hereby subjects the Project covenants, reservations and restrictions set forth in this Regulatory Agreement. The City and Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner’s successors in title to the Project, provided, however, that on the termination of this Agreement, said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof, shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

6.15 RELATIONSHIP OF PARTIES. The relationship of Owner and the City for this Project during the term of this Regulatory Agreement shall not be construed as a joint venture, equity venture, or partnership. The City neither undertakes nor assumes any responsibility or duty to Owner or any third party with respect to the operation of the Property or the actions of Owner. Except as the City may specify in writing, Owner shall have no authority to act as an agent of the City or to bind the City to any obligation.

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

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

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

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

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

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

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

[Signatures Begin on Next Page]
IN WITNESS WHEREOF, the City of Los Angeles and the Owner have caused this Regulatory Agreement to be executed by their duly authorized representatives.

Executed this ______ day of ____________, 2020
THE CITY OF LOS ANGELES
Office of the City Administrative Officer

By: ________________________________
    RICHARD H. LLEWELLYN, JR.
    City Administrative Officer

APPROVED AS TO FORM:
MICHAEL N. FEUER, City Attorney

By: ________________________________
    Deputy/Assistant City Attorney

Date: ________________________________

ATTEST:
HOLLY WOLCOTT, City Clerk

By: ________________________________
    Deputy City Clerk

Date: ________________________________
“Owner”:
The Housing Authority of the City of Los Angeles,
A public body, corporate and politic

By: ________________________________

Name: ________________________________

Its: ________________________________

Date: ________________________________

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING
EXHIBIT A
PROJECT HOMEKEY REGULATORY AGREEMENT
(Project Name)

LEGAL DESCRIPTION

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

[to be inserted]

ASSESSOR’S IDENTIFICATION NUMBER: [to be inserted]

COMMON ADDRESSES: [to be inserted]

BORROWER: The Housing Authority of the City of Los Angeles, a public body, corporate and politic
ATTACHMENT 7

Form of Exhibits to Loan Agreement
EXHIBIT A
CITY/HACLA HOMEKEY LOAN AGREEMENT
(PROJECT NAME)

LEGAL DESCRIPTION

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

[to be inserted]

Assessor’s Parcel Number: [to be inserted]

COMMON ADDRESS: [to be inserted]
EXHIBIT B
PROP HHH LOAN AGREEMENT
(POINTE ON LA BREA PROJECT)

DEFINITIONS

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

1. Intentionally omitted.

2. “ACCESSIBILITY REQUIREMENTS” shall mean: a) the number of dwelling units within the Project that are accessible to persons with mobility, hearing, and vision disabilities, as set forth in the City Loan Agreement; and b) such other physical characteristics as are necessary to comply with the accessibility requirements as defined in 24 C.F.R. Section 8.22 and the parallel ADAAG 2010 and CBC Chapter 11 provisions.

3. "ANNUAL FINANCIAL STATEMENT" means the audited financial statement of Operating Expenses and Revenues, prepared at Borrower's expense by an independent certified public accountant acceptable to Lender. All audited annual financial statements submitted by Borrower for the purpose of Residual Receipts calculation are to be presented in the standardized format proscribed in LAHD’s Residual Receipts Loan Reporting Requirements and shall form the basis for determining the Residual Receipts. [Note: HACLA does not have these requirements and needs to review.]

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

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

6. "BORROWER" is the Housing Authority of the City of Los Angeles, a public body, corporate and politicand its authorized representatives, assigns, transferees, or successors-in-interest thereto.

7. “BORROWER’S ASSET MANAGEMENT FEES AND COST RECOVERY FEES” means the sum of (1) $1,067 per unit and (2) five percent (5%) of the Project’s net revenue, provided that the fees shall escalate at a rate of three percent (3%) annually from the date of execution of the City Note, with any unpaid fees to accrue without interest.
8. "CERTIFICATE OF OCCUPANCY" shall mean such certificate as shall be issued to the Borrower by the City following completion of the Improvements pursuant to Section 91.109 of the Los Angeles Municipal Code.

9. "CHRONICALLY HOMELESS" shall mean a person who is chronically homeless, as defined in Title 24 CFR Part 578.3.

10. "CITY" means the City of Los Angeles, a municipal corporation.

11. "CITY DEED OF TRUST" or “DEED OF TRUST” is that deed of trust, assignment of rents, and security agreement placed on the Borrower’s fee interest on the Property as security for the Loan by Borrower as trustor with City as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust, attached hereto as Exhibit D. The terms of the City Deed of Trust have been incorporated into this City Loan Agreement.

12. "CITY LOAN" or “LOAN” means the loan of Three Million, Three Hundred Twenty-Five Thousand Dollars ($3,325,000) from the City to Borrower, as provided in the City Loan Agreement.

13. "CITY LOAN AGREEMENT" means the loan agreement entered into between City and Borrower whereby the City made the City Loan to Borrower.

14. "CITY NOTE" or “NOTE” is that promissory note executed by Borrower in favor of Lender evidencing the Loan in the amount of Three Million Three Hundred Twenty-Five Thousand ($3,325,000), which is secured by the City Deed of Trust, as well as any amendments to, modifications of, or restatements of said promissory note, in the form attached hereto as Exhibit C. The terms of the City Note are hereby incorporated into this City Loan Agreement by this reference.

15. "CITY'S SHARE" shall mean 50.00% of Residual Receipts of the Project.

16. "ELIGIBLE HOUSEHOLD" means a household that qualifies to rent and occupy a unit at the Project based on the eligibility and income requirements specified in Exhibit N.

17. "ESCROW HOLDER" means the person or entity designated by the Borrower and approved by the Lender to hold all Loan proceeds and documents until receiving written instructions to record the documents and disburse the funds.

18. "FAMILY INCOME" means the gross amount of income of all family members that is anticipated to be received during the coming 12-month period determined in accordance with the definition of Annual Income contained in 24 C.F.R. 5.609.
19. **"FULL OCCUPANCY"** means the initial point at which all units are rented to eligible tenants, provided that an allowance shall be made for a vacancy rate of up to ten percent (10%) of the units at any given time.

20. **“HACLA”** means the Housing Authority of the City of Los Angeles, a public body, corporate and political entity.

21. **“HACLA INSTRUMENTALITY”** means an entity related to HACLA and as further defined in 24 CFR §905.604(b)(3).

22. **"HAZARDOUS MATERIALS"** means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants which are defined, regulated, or listed as "hazardous substances," "hazardous wastes," "hazardous materials," "pollutants," "contaminants," or "toxic substances," under federal or state environmental and health and safety laws and regulations, including without limitation petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating, or occupying a housing project, to the extent and degree that such substances are stored, used, and disposed of in the manner and in amounts that are consistent with normal practice and legal standards.

23. **“HOMELESS”** has the same meaning as defined in 24 CFR Part 578.3.

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

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

26. **"HOUSING UNIT WITH HEARING/VISION FEATURES"** means a Housing Unit that complies with 24 C.F.R. §8.22 and the parallel ADAAG 2010 and CBC Chapter 11B provisions.

27. **"HOUSING UNIT WITH MOBILITY FEATURES"** means a Housing Unit that complies with 24 C.F.R. §8.22 and the parallel ADAAG 2010 and CBC provisions.

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

29. **"IMPROVEMENTS"** means an apartment building constructed on the Property with seventy-eight (78) rental dwelling units, and one (1) manager’s unit, together with the associated parking, nonresidential floor area, and other common areas and appurtenances contained in the Housing Development or the Project.
30. "LAHD" shall mean the Los Angeles Housing Department of the City of Los Angeles, California.

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

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

33. "LOAN" means the City Loan.

34. "LOAN AGREEMENT" and "CITY LOAN AGREEMENT" means the loan agreement entered into between Lender and Borrower.

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

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


38. "OPERATING EXPENSES" shall mean actual, approved reasonable and customary costs, fees and expenses directly attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including but not limited to a commercially reasonable property management fee; taxes and assessments; payroll and payroll taxes for property employees; insurance; security, painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishing; fire alarm monitoring; and fees and expenses of accountants, attorneys, consultants and other professionals. Also included in Operating Expenses are those costs incurred by the transfer of households, within the development, that are not appropriately housed in regards to accessibility. Specifically, the cost of transferring a household from an accessible unit, who does not need the accessibility features of that unit, to a comparable, conventional unit and the costs of transferring a household in a non-accessible conventional unit to an accessible unit so that the household with a person who has a disability that requires the accessible features of that unit can be appropriately housed. The transfer costs of moving these households, any utility transfer costs, if applicable, and unit preparation costs for occupancy are eligible Operating Expenses. The cost of making unit modifications requested by tenants in order to make a conventional unit more accessible for their use, and any costs associated with providing effective communications (including interpreters) with limited English speaking
persons are also eligible Operating Expenses and reasonable accommodations to make housing and housing-related services accessible to individuals with disabilities in accordance with Section 504/ADA regulations and the Accessibility Covenants contained in the Regulatory Agreement. All development expenses will be excluded. Operating Expenses do not include: depreciation, amortization, depletion or other non-cash expenses, nor any capital costs associated with the development. The Operating Expenses shall be reported in the Annual Financial Statement. Expenses for the purpose of calculating Residual Receipts are subject to LAHD approval, which approval shall not be unreasonably withheld, and shall be calculated on an accrual basis.

39. "OPERATING RESERVE FUND" means the fund established pursuant to Section 1.18 of this City Loan Agreement.

40. "PAYMENT DATE" shall mean the date that is one year after the closing date of the Property for the first payment, and annually thereafter until the City Loan is paid in full or otherwise terminated.

41. Intentionally omitted.

42. "PROJECT" means the seventy-nine (79) unit multi-family residential project, constructed on the Property, as described in Exhibit A(1), Project Description, which includes one (1) unrestricted manager's unit, as determined by the Owner.

43. "PROPERTY" consists of the real property located at 5050 W Pico Blvd, Los Angeles, CA 90019, and more particularly described in the attached Exhibit A, which is incorporated into this City Loan Agreement by this reference, and any buildings or Improvements now or hereafter situated on said real properties.

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

45. "QUALIFYING RENT" means the maximum rent for an Assisted Unit allowed under this City Loan Agreement and the Regulatory Agreement, less an allowance for tenant-paid Utilities as calculated by the City of Los Angeles subject to HUD rules and regulations, and is the consideration, including any bonus, benefits or gratuity, demanded or received by Borrower for or in connection with the use or occupancy of a rental unit, including parking, laundry facilities, and other housing services and amenities of any kind that are reasonably deemed as part of rent by the City. The following is not permissible: (a) additional service charges resulting in a rent amount above the maximum allowable rent set by this Regulatory Agreement and the Loan Documents; and (b) contracts with other agencies resulting in rent payments on behalf of the tenant for more than the regulatory agreement’s qualifying rent, unless the project is designated as a HUD project based rental assisted building. Notwithstanding the foregoing, nothing in this definition or the Loan Documents shall limit the Qualifying Rent to any amount less than may be collected in accordance with any contracted Section 8 rental payment and any associated tenant rent.
46. "REGULATORY AGREEMENT" means the agreement executed by Borrower and City, attached as Exhibit K, and recorded against the Property prior to or contemporaneously with the Loan and City Deed of Trust, which regulates the use of the Project and stipulates, among other things, that the Project shall remain affordable for a minimum of fifty-five (55) years from the date of the recordation of the Regulatory Agreement in the Official Records of Los Angeles County.

47. "REPLACEMENT RESERVE FUND" means the fund established pursuant to Section 1.19 of this City Loan Agreement.

48. "RESIDUAL RECEIPTS" shall mean all Revenues from the Project reduced by the following: (1) Operating Expenses calculated on an accrual basis; (2) debt service on senior project debt secured by the senior position deed of trust paid to the senior lender to be selected in Borrower’s sole discretion; (3) deposits to the Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to any other reserve accounts as may be required by HCD or any future senior lender; and (6) all of Borrower’s Asset Management and Cost Recovery Fees, as defined in this Exhibit B, paid to Borrower.

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

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

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

52. "30% INCOME HOUSEHOLD" means a household with an annual Family Income not exceeding thirty percent (30%) of the median income for Los Angeles County, as determined by the California Tax Credit Allocation Committee or the California Department of Housing and Community Development, with adjustments for family size.
EXHIBIT F
CITY/HACLA HOMEKEY LOAN AGREEMENT
(PROJECT NAME)

METHOD OF FINANCING AND 15 YEAR CASH FLOW

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

A 15-Year Cash Flow is attached hereto as Exhibit F(b).
LOAN DISBURSEMENT

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

1. The financial condition of the Borrower has not materially and adversely changed since the application for the Loan.

2. Borrower shall execute and deliver to Lender all documents, instruments, and policies required under the Loan Documents, including but not limited to the City Note, City Deed of Trust, and the Regulatory Agreement.

3. Borrower shall comply with all reporting requirements set forth in this Loan Agreement.

4. There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default.

5. Intentionally omitted.

6. Borrower shall take and maintain ownership of the property with free and clear title except for LAHD approved encumbrances, provided that Borrower may at Closing and at any other point during the Term of the Loan, encumber the Property with debt senior to the City Loan as Borrower may, in its sole discretion, deem appropriate, and provided further that Lender acknowledges receipt and approval of the encumbrances set forth in the title report prepared by Old Republic Title Company on September 9, 2021.

7. Borrower shall deliver to Lender an ALTA lender's policy of title insurance, ensuring the Lender's interest in the Project, from a title insurance company approved by the Lender in a form acceptable to Lender, provided that Lender acknowledges receipt and approval of the title report prepared by Old Republic Title Company on September 9, 2021, which report reflects the encumbrances which shall appear on Lender’s title insurance policy.
8. Borrower shall provide, maintain and, upon request, deliver to the City a certificate of insurance or copy of the insurance policy, which policy shall be satisfactory to the City, with loss payable to the City in addition to the Borrower, provided that the City shall not unreasonably withhold its satisfaction from any policy that conforms to the liability and hazard insurance requirements in the Loan Agreement. Failure to maintain the required liability and hazard insurance shall be considered a default under the City Loan Agreement.

9. Borrower shall submit evidence that the Project conforms to City zoning requirements, or evidence that the Project will comply with the City zoning requirements within Two Hundred Seventy (270) days of the award of tax credits. Notwithstanding the foregoing, delivery of a final Certificate of Occupancy for the Project executed by the Los Angeles Department of Building and Safety shall be deemed to satisfy the provisions of this section without exception.

10. Borrower shall, not less than ninety (90) days following the Loan closing, deliver and shall approve a preliminary Management Plan in a form complying with Lender’s requirements.

C. DISBURSEMENT OF ACQUISITION LOAN PROCEEDS. Disbursement of Loan proceeds for the acquisition of the Property shall be made through the Escrow Holder pursuant to the Lender's escrow instructions.
EXHIBIT N
CITY/HACLA HOMEKEY LOAN AGREEMENT
(PROJECT NAME)

AFFORDABILITY RESTRICTIONS AND MAXIMUM RENTS

The affordability of the Project shall be maintained as follows:

A. Of the seventy-nine (79) total units in the Project, seventy-eight (78) units in the Project shall at all times be occupied or held vacant and available for rental by 30% Income Households (composed of forty-nine (49) studio units). In addition to the Restricted Units, there shall also be one (1) one-bedroom unrestricted manager’s unit.

B. In addition, at all times the Restricted Units are to be occupied or held vacant and available for use as permanent supportive housing for persons who are experiencing homelessness or who are at risk of homelessness.

C. Notwithstanding the foregoing or anything to the contrary within this Exhibit, the fourteen (14) units that are occupied by unrestricted tenants as of the date of closing on the acquisition of the Property by Borrower may remain so occupied, without limitation as to income or status as to experience or risk of homelessness, for as long as may be permitted by the provisions of the Homekey funding, as may be determined by the California Department of Housing and Community Development, provided, however, that any such unit shall, upon turnover, thereafter be occupied in accordance with the provisions of this Exhibit N, for the Term of the Regulatory Agreement.

D. Income determination shall be made at the time of initial occupancy of a unit by a tenant.

E. All units are described and limited as set forth in this Exhibit N.
SECTION 3 CLAUSE

A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number of job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include the Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
G. With respect to work performed in connection with Section 3 covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment subcontracts shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian Organizations and Indian-Owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7(b).

The Contractor/Subcontractor/Service Provider by this signature affixed hereto declares under penalty of perjury: Contractor/Subcontractor/Service Provider has read City requirements contained within the City Loan Documents and Exhibits and accepts all its requirements contained therein for all of his/her operations within the City of Los Angeles.

________________________________________  ________________________________
Signature                                      Print Name and Title

________________________________________  ________________________________
Signature                                      Print Name and Title

________________________________________  ________________________________
Signature                                      Print Name and Title

Date: ________________________________
EXHIBIT Q
PROP HHH LOAN AGREEMENT
(PROJECT NAME)

INSURANCE CONTRACTUAL REQUIREMENTS
AND MINIMUM LIMITS

The Instructions and Information on Complying with City Insurance Requirements (Form General 133) and the Required Insurance and Minimum Limits Sheet (Form General 146) are attached hereto to this Exhibit Q. [to be inserted consistent with amounts in body of Loan Agreement]