

**CITY OF SOUTH GATE  
SERVING AS THE SUCCESSOR AGENCY TO THE COMMUNITY  
DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE**

**REGULAR MEETING AGENDA**

**Tuesday, June 14, 2022 at 5:00 p.m.**

**IN-PERSON MEETING**

**DIAL-IN-NUMBER: 1 (669) 900-6833**

**MEETING ID: 851 6874 4319**

**<https://us02web.zoom.us/j/85168744319>**

Government Code Section 54953 permits the City Council of the City of South Gate to conduct its City Council meetings via teleconferencing for the benefit of the public and the members of the City Council. Pursuant to Section 54953 (b)(3), notice is hereby given that a member of the City Council will participate at the meeting noticed herein, via teleconference (Emergency Isolation Order – Per the County of Los Angeles Department of Public Health, Issued May 19, 2022). The public is encouraged to participate in the City Council Chambers where a majority of the remaining City Council will be located. Accordingly, Council Member Gil Hurtado will be participating remotely at the following address: 10001 W. Frontage Rd., #215, South Gate, CA 90280. Access to this location shall be consistent with the Brown act but subject to local, County, State and Federal health and related distancing protocols.

**CALL TO ORDER:**

Al Rios, Chairperson

**ROLL CALL:**

Yodit Glaze, Recording Secretary

**CHAIRPERSON**

Al Rios

**VICE CHAIRPERSON**

Maria del Pilar Avalos

**AGENCY MEMBERS**

Denise Diaz

Maria Davila

Gil Hurtado

**RECORDING SECRETARY**

Yodit Glaze

**AUTHORITY COUNSEL**

Raul F. Salinas

**INTERIM EXECUTIVE DIRECTOR**

Chris Jeffers

**SECRETARY**

Meredith Elguira

**MEETING COMPENSATION DISCLOSURE**

Pursuant to Government Code Section 54952.3: Disclosure of compensation for meeting attendance by Agency Members is \$0 per meeting regardless of the amount of meetings.

**OPEN SESSION AGENDA****1. Resolution Approving the Purchase and Sale Agreement for 7916 Long Beach Boulevard between Successor Agency and Azure Community Development**

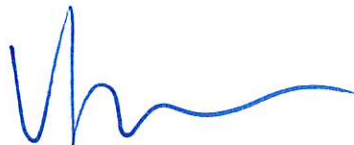
The Successor Agency to the Community Development Commission of the City of South Gate will consider adopting a **Resolution** \_\_\_\_\_ approving the **Purchase and Sale Agreement (Contract No. \_\_\_\_\_)** ("PSA") between the Successor Agency and Purchaser for disposition of 7916 Long Beach Boulevard (APNs 6002-010-900 and 6202-010-901) and authorizing the transmittal of the PSA to the Oversight Board. (CD)

**2. Minutes**

The Successor Agency to the Community Development Commission of the City of South Gate will consider approving the Regular Meeting minutes of May 24, 2022. (CLERK)

**3. Comments from the Audience (Non-Agenda Items).****4. Comments from the Board Members.****Adjournment**

I, Yodit Glaze, City Clerk, certify that a true and correct copy of the foregoing Meeting Agenda was posted on June 9, 2022 at 9:00 a.m., as required by law.



Yodit Glaze, City Clerk

Materials related to an item on this Agenda after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 8650 California Avenue, South Gate, California 90280, (323) 563-9510 \* fax (323) 563-5411 \* [www.cityofsouthgate.org](http://www.cityofsouthgate.org)

In compliance with the American with Disabilities Act, if you need special assistance to participate in the meeting, please contact the Office of the City Clerk. Notification 48 hours prior to the meeting will enable the city to make reasonable arrangements to assure accessibility.

***City of South Gate***  
**SUCCESSOR AGENCY TO THE**  
**COMMUNITY DEVELOPMENT COMMISSION**  
**OF THE CITY OF SOUTH GATE**  
**AGENDA BILL**

For the Regular Meeting of: **June 14, 2022**

Originating Department: **Community Development**

Department Director:  Interim City Manager: 

Meredith T. Elguira

Chris Jeffers

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**SUBJECT: RESOLUTION APPROVING THE PURCHASE AND SALE AGREEMENT FOR 7916 LONG BEACH BOULEVARD (APN'S 6202-010-900 AND 6202-010-901) BETWEEN THE SUCCESSOR AGENCY AND AZURE COMMUNITY DEVELOPMENT AUTHORIZING TRANSMITTAL OF THE PURCHASE AND SALE AGREEMENT TO THE FIRST DISTRICT OVERSIGHT BOARD UNDER THE DISSOLUTION LAW**

**PURPOSE:** This item was continued from May 24, 2022, meeting. To consider the adoption of a Resolution that approves a Purchase and Sale Agreement ("PSA") between the Successor Agency to the Community Development Commission of the City of South Gate ("Successor Agency"), as seller, and Azure Community Development, an IRC 501(c)(3) tax-exempt nonprofit public benefit corporation ("Purchaser"), as buyer, for disposition of 7916 Long Beach Boulevard ("Property"), Property No. 13 of the Successor Agency's Amended Long Range Property Management Plan ("Amended LRPM"), and authorizes transmittal of the PSA for consideration and approval by the County of Los Angeles, First District Oversight Board ("Oversight Board").

**RECOMMENDED ACTION:** The Successor Agency to the Community Development will consider adopting a Resolution approving the Purchase and Sale Agreement ("PSA") between the Successor Agency and Purchaser for disposition of 7916 Long Beach Boulevard (APNs 6202-010-900 and 6202-010-901) and authorizing the transmittal of the PSA to the Oversight Board.

**FISCAL IMPACT:** A tenant (GDS Institute) has been leasing and operating a trade school on the Property since 2002 and is currently on a month-to-month lease. After the sale of the Property, the tenant will vacate the Property and prior lease revenue will end.

The proposed redevelopment of the Property involves the construction of an affordable housing project which requires gap financing in the form of land and other cash assistance. In this case, the Purchaser is requesting a land donation from the Successor Agency plus assistance from the City and other sources to finance the costs for redevelopment of the Property resulting in the construction of 11 for sale townhomes that would be affordable to low-income households (those who earn 80 percent or less of the Los Angeles County area median income, adjusted for household

size). Under the terms of the PSA, the Purchaser will acquire the Property from the Successor Agency for the fair market value of \$1 in its AS-IS condition, with consideration for the existing physical and environmental conditions and future use restricted as development for affordable housing. The Successor Agency commissioned an appraisal of the subject Property which was completed by Nagasaki and Associates on October 22, 2021. The appraisal concluded that the value of the Property was \$1,000,000. Therefore, the Successor Agency sale, with County Oversight Board approval, would effectively provide a discount in the project costs of effectively \$1,000,000 in order to develop the project. Each affected taxing agency shares in the fiscal impact of this discount; since the City's share of the property tax is approximately 5.5 percent, this would amount to approximately \$55,000 not received by the City General Fund if the property were otherwise sold for other purposes by the Successor Agency.

The Successor Agency would realize modest ongoing savings in future years as a result of the sale of the Property. As documented in the Amended LRPMP, the Property was the former location of a leaking underground storage tank ("LUST") and is subject to an open site assessment case pending with the Los Angeles Regional Water Quality Control Board ("LARWQCB"). The owner of the Property is required to reimburse the LARWQCB for all regulatory oversight work on the subject Property. Since dissolution, the Successor Agency has been responsible for these costs on its Recognized Obligations Payment Schedule ("ROPS"), which are specifically identified on Line 27 of the annual ROPS and average approximately \$2,000 each year funded from Redevelopment Property Tax Trust Funds (not the City General Fund). After the Property is sold under the PSA, the Purchaser, as the new owner (and not the Successor Agency), will be responsible for these payments to the LARWQCB.

Separate from the Successor Agency, the Purchaser is seeking additional assistance from the City to subsidize the cost of pre-development of the affordable housing. As of the Purchaser's budget reviewed by the City's consultant RSG in September 2021, the preliminary project budget is \$6.6 million for acquisition, predevelopment, construction, and sales cost. This works out to approximately \$600,000 per unit. At this budget, the Purchaser and the City's consultant RSG have concluded that additional subsidies are necessary to complete the project. Specifically, the Purchaser is requesting the City contribute approximately \$700,000 in HOME funds for pre-development costs, plus be a co-applicant on requesting from the California Department of Housing and Community Development ("HCD") a CalHOME grant in the amount of \$1.1 million. The City's sources of funds would consist of \$55,000 for its share of the Successor Agency land donation plus HOME funds of \$700,000 for a total of \$755,000, or approximately \$66,000 per unit.

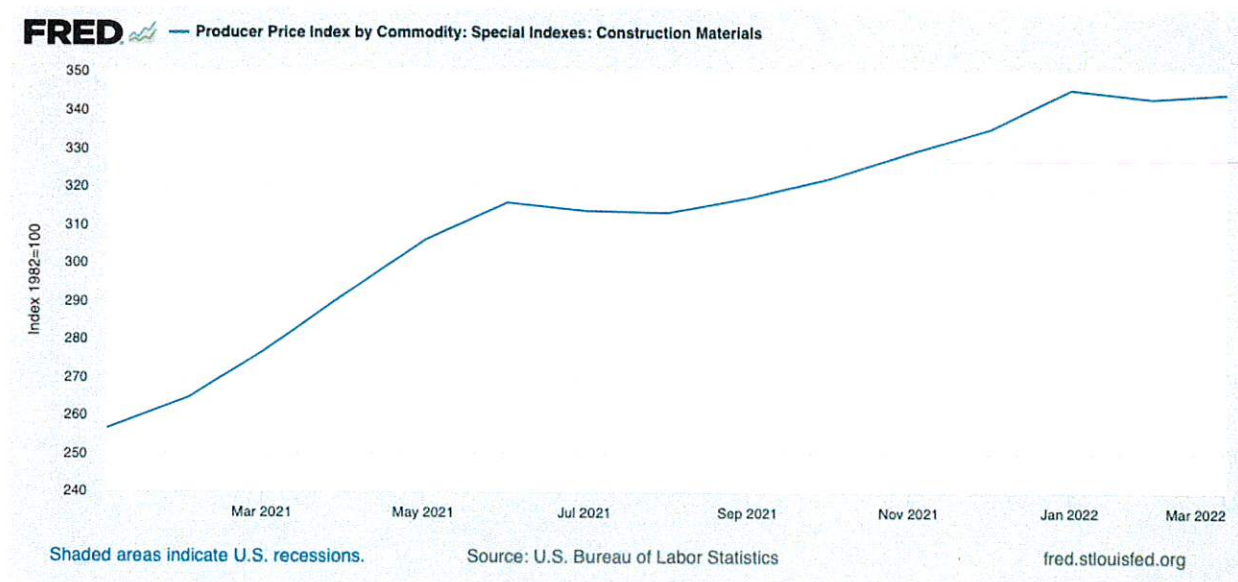
Finally, since last fall, construction costs nationwide have seen significant increases due to supply chain and labor shortages. According to the March 2022 Producer Price Index published by the US Bureau of Labor Statistics and the St. Louis Federal Reserve, construction materials costs have increased by over 34.3 percent since January 2021. See Figure 1 for the reported change in construction materials costs<sup>1</sup>.

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<sup>1</sup> U.S. Bureau of Labor Statistics. Producer Price Index by Commodity: Special Indexes: Construction Materials. FRED, Federal Reserve Bank of St. Louis; FRED, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/WPUSI012011>



Figure 1: Producer Price Index for Construction Costs as of March 2022



Economists have widely speculated that additional increases may lie ahead as both interest rates and inflation affect the construction industry. This is a reality that any developer faces today, but for affordable housing developers this often means increased construction costs pose the very real risk of needing more gap financing for a project to be completed because low-income buyers cannot be asked to pay more than what is allowed by law. For example, a low-income buyer in Los Angeles County would have a mortgage in the area of \$325,000 based on current State income limits, meaning that gap financing would need to cover the remaining \$275,000 of costs per unit to build the project successfully.

As such, the City may be asked to evaluate the project budget in the future should additional costs be realized at the time when the project goes out to bid. The City should not rule out the possibility that the Purchaser may need additional assistance, provided a rigorous review of construction budgets as the project progresses towards the construction phase based on the material and labor market at that time. Should that be necessary, the City Council may be asked to consider such a request and be provided any substantiation at that time.

In summary, the current project budget entails the following components and subsidies:

Table 1: Development Sources as of October 2021 (subject to change)

Sources	Amount	Source
Land Donation	\$1,000,000	Successor Agency/Oversight Board Write-Down
City HOME Forgivable Loan	\$700,000	City HOME Funds
CalHOME Grant	\$1,100,000	Department of Housing and Comm Dev

<b>Subtotal</b>	<b>\$2,800,000</b>	
Homebuyer Financing	\$3,800,000	Down Payment and Mortgages
<b>Total</b>	<b>\$6,600,000</b>	

**ANALYSIS:** As a result of the dissolution of the Redevelopment Agency, the Successor Agency was created to administer enforceable obligations and wind down the affairs of the former Community Development Commission of the City of South Gate ("Former Agency"). As part of that process, the Successor Agency must dispose of all non-housing properties of the Former Agency in an expeditious manner aimed at maximizing value, all pursuant to the requirements of the Dissolution Law and, in particular, in compliance with the Amended LRPMP as approved by the State of California, Department of Finance ("DOF") on December 22, 2015.

The Successor Agency is performing its functions under the Dissolution Law to administer the enforceable obligations and otherwise unwind the former Redevelopment Agency's affairs. Under the Dissolution Law, a successor agency's actions are subject to review by a county oversight board. For this Successor Agency, its Oversight Board is referred to as the First District Oversight Board, consisting of seven members representing various interests in the Los Angeles County First Supervisorial District, which will review and take action on Successor Agency action items under the Dissolution Law, including the approval of this PSA.

South Gate is considered a built-out community and has an urgent need for affordable housing. The South Gate median household income is approximately \$55,000, which is considered Very Low Income for a family of four in Los Angeles County under federal and state standards. Further, the California Department of Housing and Community Development (HCD) recently completed the Regional Housing Needs Assessment ("RHNA") for the 8-year period beginning in October 2021, which determines the City's next ("6th Round") fair share allocation of housing production. In March 2021, HCD approved the 6<sup>th</sup> Round Final RHNA Allocation Plan allocating 8,282 housing units to South Gate, of which 994 would need to be affordable to low-income households (earning less than 80 percent of the County median income). Therefore, redevelopment of the Property with affordable housing would provide maximum benefit to the community.

The Purchaser proposes to demolish the existing building and construct eleven (11) three-story townhomes, including 10 three-bedroom units and 1 four-bedroom unit. Each unit would have a private garage, and access to shared amenities including a small outdoor space and shared grills. A copy of the Purchaser's conceptual site plan accompanies this Agenda Bill.

The 11 townhomes will be sold to eligible Low-Income households earning no more than 80% of Los Angeles County area median income ("AMI") at an affordable housing cost as defined in Section 50052.5 of the Health and Safety Code, with a covenant requiring their affordability for not less than 55 years. As a condition to closing escrow, the Purchaser must enter into an Affordable Housing Loan Agreement with the City that restricts the sale of the townhomes to eligible low-income households at an affordable housing cost, imposes restrictions on the Purchaser's ability to transfer the Property, requires all purchasers of the affordable units to enter into agreements with City ensuring subsequent transfer of units to low income households, and establishes townhome occupancy and maintenance requirements.

Under the terms of the proposed PSA, the Successor Agency will sell, and the Purchaser will buy, the Property at its fair market value of \$1 in an AS-IS condition, with consideration for the existing physical and environmental conditions and future use restricted as development for affordable housing. The PSA stipulates that Purchaser may conduct tests and physical inspections of the Property during a 180-day contingency period.

Should the Successor Agency approve the attached Resolution, the accompanying PSA would be submitted to the Oversight Board for their review and approval as early as their next scheduled meeting of June 13, 2022, provided the Successor Agency approves the PSA tonight. Under the Dissolution Law Section 34191.5(f), actions to implement the disposition of property pursuant to an approved long-range property management plan shall not require review by the DOF, so if the Oversight Board approves the PSA, the Successor Agency may proceed with implementation of the sale under the PSA.

**BACKGROUND:** The Former Agency acquired the Property in 1979 from Lindt-Wilson Motors Inc. and held ownership until it was transferred by operation of law to the Successor Agency pursuant to the redevelopment dissolution in 2012. The Amended LRPMP calls for the sale of the subject Property (Property 13), and two other properties along with the transfer of ten properties to the City for governmental use.

The subject Property is approximately 17,896 square feet in total area and includes 5,850 square feet of one-and two-story structures. According to public records, the structures were originally constructed in 1950. The Property is zoned as "Urban Neighborhood." A tenant (GDS Institute) has been leasing and operating a trade school on the Property since 2002 and is currently on a month-to-month lease.

Based on City records and a case summary published by GeoTracker, the data management system for the California State Water Resources Control Board, the Property is a former auto body shop (formerly operated as Freedom Ford) and is known to have had an onsite LUST. In 1998, a 7,500-gallon gasoline underground storage tank ("UST") and a 550-gallon waste oil UST were removed from the Property. In 1997, seven (7) hydraulic lifts, one (1) clarifier, and 83 tons of petroleum-impacted soils were removed. However, potential contaminants such as benzene, tetrachloroethylene (PCE), toluene, and trichloroethylene (TCE) remain in the soil.

In April 2021, the Successor Agency declared the property as "surplus" and provided a notice of availability to approximately 336 nonprofit housing providers and other required entities who registered with HCD to receive such notifications. During the ensuing 60-day notice period, the Purchaser was the only party that responded to the notice of availability with a Letter of Interest ("LOI"). Immediately thereafter, the Successor Agency and RSG staff, in consultation with the City Attorney, entered into detailed negotiations regarding the terms of sale of the Property including the development concept, project budget, and requested subsidies. After negotiations, the parties reached consensus on a PSA to be presented to the Successor Agency for consideration of approval.

The Purchaser originally approached the Successor Agency with a proposal to build approximately 22 small rental units on the site, which given the configuration of the property and other standards would be difficult to achieve from a feasibility standpoint. The Successor Agency Board directed

that staff negotiate a project that provided affordable home ownership opportunity within the community. The Purchaser modified their proposal to a lower-density, townhome project based on a similar concept they are pursuing in the Huntington Park. This general area of South Gate has some of the residents most impacted by housing costs and unable to purchase market rate housing, so more affordable ownership housing has been a goal of the City for some time.

As described in the Fiscal Impact section of this Agenda Bill, the transaction involves the sale and redevelopment of the Property to construct 11 for-sale townhome units affordable to low-income buyers and a total project budget (as of October 2021) of \$6.6 million. Buyer down payment and mortgages total approximately \$3.8 million based on applicable income limits for the low-income households. In order to complete the affordable housing project, the Successor Agency is being asked to write down the sale of the property by approximately \$1,000,000, and the City would be separately approving a \$700,000 forgivable loan from HOME funds. In addition, the City and Purchaser will apply for \$1.1 million of CalHOME grant funds from HCD, bringing the total gap financing to \$2.8 million.

As discussed earlier, construction costs across the country are affecting all real estate development, but for affordable housing projects this often means the need for additional gap financing because buyers ability to pay is based on their incomes not construction costs. Future increases in construction material or labor costs may require additional gap financing in order to complete the project and will be subject to future review and consideration by the City should that become necessary.

In March 2018, Successor Agency staff, with the assistance of the City's consultant RSG, listed the Property for sale on the open market. After engaging in negotiations for several months, the Successor Agency and GDS Institute entered into a purchase and sale agreement in April 2019, which was approved by the Oversight Board as required by law. However, in March 2021, the Successor Agency and GDS Institute cancelled escrow due to the failure of the buyer to close the purchase of the Property in accordance with that purchase and sale agreement.

As of January 1, 2020, Assembly Bill ("AB") 1486, more commonly referred to as the Surplus Land Act ("SLA"), requires that successor agencies follow surplus land disposition procedures for LRPMP properties that were not under an existing contract. Such procedures include declaring the LRPMP property as "surplus" property and providing a notice of availability to nonprofit housing providers and certain other entities. The surplus property disposition process also requires a 60-day offer solicitation period and 90-day good faith negotiation period.

**ATTACHMENTS:** A. Proposed Resolution  
B. Preliminary Conceptual Site Plan for 11-Unit Townhome Project



ATTACHMENT A

SUCCESSOR AGENCY RESOLUTION NO. \_\_\_\_

**RESOLUTION OF THE SUCCESSOR AGENCY TO THE  
COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF  
SOUTH GATE APPROVING A PURCHASE AND SALE  
AGREEMENT BY WHICH THE SUCCESSOR AGENCY WILL SELL  
CERTAIN PROPERTY LOCATED AT 7916 LONG BEACH  
BOULEVARD, SOUTH GATE, CALIFORNIA TO AZURE  
COMMUNITY DEVELOPMENT, AN IRC 501(C)(3) TAX EXEMPT  
NONPROFIT PUBLIC BENEFIT CORPORATION IN ACCORDANCE  
WITH THE DOF-APPROVED LONG RANGE PROPERTY  
MANAGEMENT PLAN AND THE DISSOLUTION LAW**

**WHEREAS**, the Community Development Commission of the City of South Gate ("former Agency") was a public body, corporate and politic, formed, organized, existing and exercising its powers pursuant to Section 34100, *et seq.* of the California Health and Safety Code, and exercised the powers, authority, functions, jurisdiction of a community redevelopment agency formed, organized, existing and exercising its powers pursuant to the California Community Redevelopment Law, Health and Safety Code, Section 33000, *et seq.*, and specifically formed by the City Council ("City Council") of the City of South Gate ("City"); and

**WHEREAS**, Assembly Bill x1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health and Safety Code, which caused the dissolution of all redevelopment agencies and wind down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 and by other subsequent legislation (together, as amended, the "Dissolution Law"); and

**WHEREAS**, as of February 1, 2012, the former Agency was dissolved under the Dissolution Law, and as a separate public entity, corporate and politic, the Successor Agency to the Community Development Commission of the City of South Gate ("Successor Agency") administers the enforceable obligations of the former Agency and otherwise unwinds the former Agency's affairs, all subject to the review and approval by a seven-member oversight board; and

**WHEREAS**, Section 34179 provides that the oversight board has fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of Part 1.85 of the Dissolution Law; and

**WHEREAS**, all statutory references in this Resolution are to the California Health and Safety Code unless otherwise stated; and

**WHEREAS**, Section 34191.5(b) requires the Successor Agency to prepare a "long-range property management plan" (also referred to herein as the "LRPMP") addressing the future disposition and use of all real properties of the Former Agency no later than six months following the DOF's issuance to the Successor Agency of a finding of completion under Section 34179.7; and

**WHEREAS**, the Successor Agency received a Finding of Completion, and thereafter timely prepared its LRPMP, which LRPMP was approved by the local oversight board and then by the DOF in a decision letter issued and dated as of December 22, 2015; and

**WHEREAS**, the Successor Agency has negotiated the terms of a Purchase and Sale Agreement ("Agreement") with Azure Community Development, an IRC 501(c)(3) tax-exempt nonprofit public benefit corporation ("Purchaser") related to the disposition of certain real property with approximately 5,850 square feet of building improvements on 17,896 square feet of land with a common address of 7916 Long Beach Boulevard, South Gate, California, and identified as APNs 6202-010-900 and 6202-010-901 as listed on the LRPMP as Property No. 13 ("Property"); and

**WHEREAS**, the Agreement calls for the Successor Agency to sell the Property to the Purchaser in its "AS IS" condition, which City records and a case summary published by GeoTracker (the data management system for the California State Water Resources Control Board) indicates the Property is a former auto body shop and is known to have had an onsite leaking underground storage tank with potential contaminants such as benzene, tetrachloroethylene (PCE), toluene, and trichloroethylene (TCE) remaining in the soil, for the fair market value of the Property, with the proceeds of sale to be distributed to the taxing entities under Section 34191.5(c)(2)(B); and

**WHEREAS**, the Agreement further provides that, as a condition to closing escrow for the purchase of the Property, the Purchaser enter into an Affordable Housing Loan Agreement with the City that restricts the sale of the townhomes to eligible low-income households at an affordable housing cost for not less than 55 years, imposes restrictions on the Purchaser's ability to transfer the Property, and requires all purchasers of the affordable units to enter into agreements with City ensuring subsequent transfer of units to low income households; and

**WHEREAS**, the purchase price for the Property under the Agreement is \$1 with consideration for the existing physical and environmental conditions and future use restricted as development for affordable housing, which is not less than the fair market value of the Property; and

**WHEREAS**, the Successor Agency considered and by this Resolution desires to approve the Agreement and direct staff that the Agreement be submitted to the County of Los Angeles, First District Oversight Board ("Oversight Board") for its review, consideration and approval; and

**WHEREAS**, the sale of the Property to the Purchaser under the Agreement complies with Dissolution Law and is in the best interests of the taxing entities.

**NOW, THEREFORE, BE IT RESOLVED BY THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE:**

Section 1. The foregoing recitals are true and correct and constitute a substantive part of this Resolution.

Section 2. The Successor Agency hereby approves the sale of the Property and approves the Agreement in substantially the form attached hereto as Attachment No. 1, which is fully incorporated by this reference. The Successor Agency Executive Director and Recording Secretary (who are also the City Manager and City Clerk, respectively) are authorized to execute and attest the Agreement with such revisions as the Executive Director and Successor Agency legal counsel deem appropriate. The Executive Director and their authorized designees are authorized to take such actions as may be necessary or appropriate to implement the Agreement, including executing further instruments and agreements, issuing warrants, and taking other appropriate actions to perform the obligations and exercise the rights of the Successor Agency under the Agreement. A copy of the Agreement when fully executed and approved by the Oversight Board shall be placed on file in the office of the Successor Agency Recording Secretary.

Section 3. The Chair of the Successor Agency shall sign the passage and adoption of this Resolution and thereupon the same shall take effect and be in force.

Section 4. The Successor Agency Executive Director is hereby directed to transmit this Resolution and the Agreement to the Oversight Board under the Dissolution Law.

Section 5. The Secretary shall certify to the adoption of this resolution.

**APPROVED AND ADOPTED this 14<sup>th</sup> day of June 2022.**

**SUCCESSOR AGENCY TO THE COMMUNITY  
DEVELOPMENT COMMISSION OF THE CITY  
OF SOUTH GATE**

By: \_\_\_\_\_  
Al Rios, Chair

**ATTEST:**

By: \_\_\_\_\_  
\_\_\_\_\_, Recording Secretary  
(SEAL)

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Raul F. Salinas, General Counsel  
Successor Agency to the Community Development  
Commission of the City of South Gate

STATE OF CALIFORNIA            )  
COUNTY OF LOS ANGELES       ) ss.  
CITY OF SOUTH GATE            )

I, \_\_\_\_\_, Recording Secretary of the Successor Agency to the Community Development Commission of the City of South Gate, hereby certify that the foregoing resolution was duly adopted by the Successor Agency, at its regular meeting held on the 14<sup>th</sup> day of June 2022, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
\_\_\_\_\_, Recording Secretary

(SEAL)



**ATTACHMENT 1**  
**PURCHASE AND SALE AGREEMENT**  
[to be attached]

**ATTACHMENT NO. 1**

**AFFORDABLE HOUSING LOAN AGREEMENT**

By and Between the

**CITY OF SOUTH GATE,  
a California municipal corporation**

and

**AZURE COMMUNITY DEVELOPMENT  
a California nonprofit public benefit corporation**

**7916 Long Beach Boulevard  
South Gate, California**

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## ATTACHMENTS

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**AFFORDABLE HOUSING LOAN AGREEMENT**  
**(7916 Long Beach Boulevard)**

This Affordable Housing Loan Agreement ("**Agreement**") is entered into as of \_\_\_\_\_, 2022 by and between the **CITY OF SOUTH GATE**, a California municipal corporation ("**City**") and **AZURE COMMUNITY DEVELOPMENT**, a California nonprofit public benefit corporation ("**Borrower**" or "**Developer**"). The City and Borrower are referred to herein individually as a "**Party**" and collectively as the "**Parties**."

**RECITALS**

A. On \_\_\_\_\_, 2022, Borrower and the Successor Agency to the Community Development Commission of the City of South Gate ("**Agency**") entered into that certain Purchase and Sale Agreement and Escrow Instructions (the "**Purchase and Sale Agreement**"), pursuant to which the Agency would sell to Borrower, and Borrower would purchase from the Agency, that certain real property comprised of approximately 17,896 square feet and commonly known as **7916 Long Beach Boulevard, South Gate, California**, described as **Assessor's Parcel Numbers 6202-010-900 and 6202-010-901**, and being as more particularly described in the Legal Description attached hereto as **Exhibit A** and incorporated herein by this reference, including all permanent improvements located thereon, all building electrical distribution systems, telephone distribution systems, heating, ventilating and air conditioning equipment, carpets, window coverings and wall coverings, if any, owned by Seller and presently located thereon (collectively, the "**Property**").

B. Pursuant to the terms of the Purchase and Sale Agreement, the Agency agreed to sell the Property to Borrower for a purchase price of One Dollar (\$1), provided that the Developer would develop the Property with eleven (11) single family townhomes that will be sold to eligible Low-Income households earning no more than 80% of Los Angeles County area median income ("**AMI**") at an affordable housing cost as defined in Section 50052.5(b)(3) of the California Health and Safety Code (the "**Code**"), with a covenant and zero balance trust deed recorded and encumbering the Property to maintain affordability of such townhomes for a minimum of fifty-five (55) years (the "**Project**").

C. In order to develop the Project, Borrower requires additional financial assistance for certain predevelopment and development costs, and has requested that the City provide a loan in the amount of Six Hundred Ninety-Six Thousand Ninety-One Dollars (\$696,091) to assist in the funding of such costs.

D. The City has determined that the Project is important and needed to serve the residents of the City and greater region by providing affordable housing that is needed by the City to help meet its Regional Housing Needs Allocation ("**RHNA**"), and the Project would partially fulfill the City's RHNA.

E. The City thus desires to enter into this Agreement to make a loan to Borrower in an amount not to exceed Six Hundred Ninety-Six Thousand Ninety-One Dollars (\$696,091) to assist in the development of the Project as a quality affordable housing development in the City, subject to the terms and conditions as set forth in this Agreement.

F. The California Environmental Quality Act (Public Resources Code Sections 21000 *et seq.*) ("CEQA"), imposes no conditions on the City's consideration and approval of this Agreement, because pursuant to CEQA Guidelines Sections 15060(c), 15061(b)(2) and (3), 15273, 15378, and Public Resources Code Section 21065, funding of a proposal is not subject to environmental review under CEQA as it does not constitute a "project," does not commit the City to a definite course of action, does not constitute discretionary approval of a specific project, and will not result in a direct or reasonably foreseeable indirect physical change in the environment, and in the alternative is exempt from CEQA.

NOW, THEREFORE, City and Borrower hereby agree as follows:

### **AGREEMENT**

#### **100. DEFINITIONS**

**101. Terms.** The following terms, as used in this Agreement, shall have the meaning ascribed them in this Section:

a. **"Additional Borrower Financing"** has the meaning set forth in Section 401.

b. **"Affiliate"** with respect to Borrower means (1) any entity which has the power to direct Borrower's management and operation, or any entity whose management and operation is Controlled by Borrower; or (2) any entity in which Borrower has a controlling interest; or (3) any entity a majority of whose voting equity is owned by Borrower, or for which Borrower serves as the managing member or general partner; or (4) any entity in which, or with which, Borrower, its successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation, so long as the liabilities of the entities participating in such merger or consolidation are assumed by the entity surviving such merger or created by such consolidation.

c. **"Affordable Housing Cost"** shall be as defined in Health and Safety Code Section 50052.5 or any successor thereto for Low-Income Households whose incomes do not exceed 80% of the Los Angeles County area median income, each as adjusted for family size appropriate for the Affordable Unit. If the statute is no longer in effect and no successor statute is enacted, the City shall establish the Affordable Housing Cost for purposes of this Agreement.

d. **"Affordable Housing Covenant"** means that certain Affordable Housing Covenant and Restrictions on Resale entered into by and between City and Borrower in the form attached hereto as Attachment No. 7, which shall be recorded at the Close of Escrow.

e. **"Affordable Unit"** means each of the eleven (11) single family townhome units to be constructed as part of the Development, which shall be sold at an Affordable Housing Cost to Qualified Homebuyers.

f. **"Agreement"** means this Affordable Housing Loan Agreement.



**g. "Approved Financing"** means the Loan and the Additional Borrower Financing approved by the City.

**h. "Area Median Income" or "AMI"** means the area median income for Los Angeles County, California, as published by the U.S. Department of Housing and Urban Development (HUD), adjusted for household size.

**i. "Automobile Liability Insurance"** means insurance coverage against claims of personal injury (including bodily injury and death) and property damage covering all owned, leased, hired and non-owned vehicles used by Borrower regarding the Project, with minimum limits for bodily injury and property damage of One Million Dollars (\$1,000,000). Such insurance shall be provided by a business or commercial vehicle policy and may be provided through a combination of primary and excess or umbrella policies, all of which shall be subject to pre-approval by City, which approval shall not be unreasonably withheld.

**j. "Borrower"** has the meaning set forth in the introduction to this Agreement.

**k. "Builder's Risk Insurance"** means builder's risk or course of construction insurance covering all risks of loss, less policy exclusions, on a completed value (non-reporting) basis, in an amount sufficient to prevent coinsurance, but in any event not less than one hundred percent (100%) of the completed value of the construction of the Development, including cost of debris removal (subject to a policy sublimit), but excluding foundation and excavations. Such insurance shall also: (a) grant permission to occupy; and (b) cover, for replacement cost, all materials on or about any offsite storage location intended for use in, or in connection with, the Property (subject to a policy sublimit).

**l. "City"** means the City of South Gate, a California municipal corporation.

**m. "Claim"** means any claim, loss, cost, damage, expense, liability, Lien, action, cause of action (whether in tort, contract, under statute, at law, in equity or otherwise), charge, award, assessment, fine or penalty of any kind.

**n. "Close of Escrow"** means the date upon which all conditions of the City as set forth in Section 304.1 of this Agreement.

**o. "Commencement of Construction"** means the commencement by Borrower of any alteration, construction, demolition, development, expansion, or other work affecting the Property. Commencement of Construction shall occur not later than twelve (12) months after the Close of Escrow, subject to any Enforced Delay.

**p. "Conditions Precedent to Initial Disbursement"** has the meaning set forth in Section 204.1 below.

**q. "Conditions Precedent to Subsequent Disbursements"** has the meaning set forth in Section 204.4 below.

r. **“Control”** means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person and contractually bind such Person, whether by ownership of Equity Interests, by contract, or otherwise.

s. **“Construction”** means any alteration, construction, excavation, demolition, grading, development, expansion, reconstruction, redevelopment, repair, restoration, or other work affecting the Property.

t. **“Construction Contract”** means the contract to be entered into by Borrower and a licensed general contractor for the performance of the construction of the Development on the Property.

u. **“Deed of Trust”** means that certain Deed of Trust executed by Borrower in substantially the form attached hereto as Attachment No. 6 that will encumber the Property to secure repayment of the Loan.

v. **“Development”** means a proposed eleven (11) unit for-sale housing developments consisting of townhomes that will be developed on the Property and sold to low-income households as affordable housing. The Development will include (i) ten (10) units of Type A = 3-bedroom, 3-bathroom (1,225 sf) and (ii) one (1) unit of Type B = 4-bedroom, 2.5-bathroom (1,697 sf) with elevator that shall be sold to households whose income does not exceed eighty (80%) of Area Median Income.

w. **“Draw Request”** has the meaning set forth in Section 204.5.

x. **“Effective Date”** means the date first set forth in this Agreement above.

y. **“Eligible Costs”** means costs directly related to the Development and listed in the Predevelopment Budget/Pro Forma.

z. **“Enforced Delay”** has the meaning set forth in Section 803.

aa. **“Environmental Claim”** means any and all claims, demands, damages, losses, liabilities, obligations, penalties, fines, actions, causes of action, judgments, suits, proceedings, costs, disbursements and expenses, including reasonable attorney’s fees and costs and costs of environmental consultants and other experts, and all foreseeable and unforeseeable damages or costs of any kind or of any nature whatsoever, directly or indirectly, relating to or arising from any actual or alleged violation of any Environmental Law or Hazardous Substance Discharge.

bb. **“Environmental Document”** means any exemption determination, any Negative Declaration (mitigated or otherwise) or any Environmental Impact Report (including any addendum or amendment to, or subsequent or supplemental Environmental Impact Report) required or permitted pursuant to the National Environmental Policy Act (codified as 42 U.S.C. §§ 4321 *et seq.*) or the California Environmental Quality Act (codified as Public Resources Code Sections 21000 *et seq.*), as applicable, to issue any discretionary Approval required to approve this Agreement.

**cc. "Environmental Law"** means any Federal or California law regarding any of the following at, in, under, above, or upon the Property: (a) air, environmental, ground water, or soil conditions; or (b) clean-up, remediation, control, disposal, generation, storage, release, discharge, transportation, use of, or liability or standards of conduct concerning, Hazardous Substances, as now or may, at any later time, be in effect

**dd. "GAAP"** means generally accepted accounting principles for not-for-profit entities set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the United States accounting profession, which are applicable to the circumstances as of the date of determination.

**ee. "Governmental Requirements"** means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees, of the United States, the state, the county, the City, or any other political subdivision in which the Property is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the City, Borrower, the Property, the Project or the Loan.

**ff. "Hazardous Substance"** means any flammable substances, explosives, radioactive materials, asbestos, asbestos-containing materials, polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, medical wastes, toxic substances or related materials, explosives, petroleum, petroleum products and any "hazardous" or "toxic" material, substance or waste that is defined by those or similar terms or is regulated as such under any Law, including any material, substance or waste that is: (a) defined as a "hazardous substance" under Section 311 of the Water Pollution Control Act (33 U.S.C. § 1317), as amended; (b) substances designated as "hazardous substances" pursuant to 33 U.S.C. § 1321; (c) defined as a "hazardous waste" under Section 1004 of the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, *et seq.*, as amended; (d) defined as a "hazardous substance" or "hazardous waste" under Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Reauthorization Act of 1986, 42 U.S.C. § 9601, *et seq.*, or any so-called "superfund" or "superlien" law; (e) defined as a "pollutant" or "contaminant" under 42 U.S.C. § 9601(33); (f) defined as "hazardous waste" under 40 C.F.R. Part 260; (g) defined as a "hazardous chemical" under 29 C.F.R. Part 1910; (h) any matter within the definition of "hazardous substance" set forth in 15 U.S.C. § 1262; (i) any matter, waste or substance regulated under the Toxic Substances Control Act ("TSCA") [15 U.S.C. Sections 2601, *et seq.*]; (j) any matter, waste or substance regulated under the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801, *et seq.*; (k) those substances listed in the United States Department of Transportation (DOT) Table [49 C.F.R. 172.101]; (l) any matter, waste or substances designated by the EPA, or any successor authority, as a hazardous substance [40 C.F.R. Part 302]; (m) any matter, waste or substances defined as "hazardous waste" in Section 25117 of the California Health and Safety Code; (n) any substance defined as a "hazardous substance" in Section 25316 of the California Health and Safety Code; (o) any matter, waste, or substance that is subject to any other Law regulating, relating to or imposing obligations, liability or standards of conduct concerning protection of human health, plant life, animal life, natural resources, property or the enjoyment of life or property free from the presence

in the environment of any solid, liquid, gas, odor or any form of energy from whatever source; or (p) other substances, materials, and wastes that are, or become, regulated or classified as hazardous or toxic under Law or in the regulations adopted pursuant to said Law, including manure, asbestos, polychlorinated biphenyl, flammable explosives and radioactive material. Notwithstanding the foregoing, "Hazardous Substances" shall not include such products in quantities as are customarily used in the construction, maintenance, development or management of residential developments or associated buildings and grounds, or typically used in residential activities in a manner generally used in other comparable residential developments, or substances commonly ingested by a significant population living within the Development including, without limitation, alcohol, aspirin, tobacco and saccharine.

**gg. "Hazardous Substance Discharge"** means any deposit, discharge, generation, release, or spill of a Hazardous Substance that occurs at on, under, into or from the Property, or during transportation of any Hazardous Substance to or from the Property, or that arises at any time from the Construction, use or operation of the Development or any activities conducted at on, under or from the Property, whether or not caused by a Party.

**hh. "Initial Disbursement"** has the meaning set forth in Section 204.1 below.

**ii. "Land Use Laws"** has the meaning set forth in Section 502 below.

**jj. "Liability Insurance"** means commercial general liability insurance provided by an insurance carrier having a rating of AM Best A-7 or better against claims for bodily injury, personal injury, death, or property damage occurring upon, in, or about the Property, the Development or adjoining streets or passageways, at least as broad as Insurance Services Office Occurrence Form CG0001, with a minimum liability limit of One Million Dollars (\$1,000,000) for any one occurrence/ Two Million Dollars (\$2,000,000) aggregate and which may be provided through a combination of primary and excess or umbrella insurance policies. If commercial general liability insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Development or the general aggregate limit shall be twice the required minimum liability limit for any one occurrence.

**kk. "Loan"** has the meaning set forth in Section 200 below.

**ll. "Loan Documents"** means the documents, instruments and agreements evidencing and securing the Loan including, but not limited to, this Agreement, the Promissory Note, the Deed of Trust and the Affordable Housing Covenant.

**mm. "Low-Income Households"** means persons and families whose income does not exceed 80% of Area Median Income, as adjusted for family size appropriate for the Affordable Unit.

**nn. "Official Records"** means the Official Records of the County of Los Angeles, State of California.

**oo. "Person"** means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization or other entity of any kind.

**pp. "Predevelopment Budget/Pro Forma"** means the costs for certain predevelopment and acquisition activities associated with the Project, as more specifically set forth in Attachment No. 3 attached to this Agreement.

**qq. "Prevailing Wage Action"** means any of the following: (a) any determination by the California Department of Industrial Relations that prevailing wage rates should have been paid, but were not; (b) any determination by the California Department of Industrial Relations that higher prevailing wage rates than those paid should have been paid; (c) any administrative or legal action or proceeding arising from any failure to comply with the Federal Davis-Bacon Act (codified as 40 U.S.C. §§ 3141 *et seq.*) or California Labor Code Sections 1720 through 1781, as amended from time to time, regarding prevailing wages, including maintaining certified payroll records; or (d) any administrative or legal action or proceeding to recover wage amounts at law or in equity.

**rr. "Project"** means the construction of the Development as further described in the Scope of Development, for the purpose of providing the Development as affordable housing to Qualified Homebuyers.

**ss. "Project Documents"** means all construction and design contracts, plans and drawings, including all architectural documents, related to the Project.

**tt. "Promissory Note"** means that certain promissory note in the form attached hereto as Attachment No. 6, to be executed by Borrower, for the purpose of evidencing Borrower's repayment obligations for the Loan Funds.

**uu. "Property"** means the property located at 7916 Long Beach Boulevard, South Gate, California, as described in the Legal Description of Property attached hereto and incorporated herein as Attachment No. 1.

**vv. "Property Insurance"** means insurance providing coverage for the Property and all improvements on or to the Property against loss, damage, or destruction by fire and other hazards encompassed under the broadest form of property insurance coverage then customarily used for like properties in the County of Los Angeles, in an amount equal to one hundred percent (100%) of the replacement value (without deduction for depreciation) of all improvements comprising the Development and the Project (excluding excavations and foundations) and in any event sufficient to avoid co-insurance and with no co-insurance penalty provision, with "ordinance or law" coverage. To the extent customary for like properties in the County of Los Angeles at the time, such insurance shall include coverage for explosion of steam and pressure boilers and similar apparatus located on the Property; an "increased cost of construction" endorsement; and an endorsement covering demolition and cost of debris removal, all subject to policy sublimits.

**ww. "Qualified Homebuyer"** means both: 1) a Low-Income Household for an Affordable Unit that the household seeks to purchase, and 2) a first-time homebuyer, as defined in 24 CFR Section 92.2 or any successor regulation thereto.

**xx. "Scope of Development"** means the "Scope of Development" attached hereto as Attachment No. 2.



yy. **"Third Person"** means any Person that is not a Party, an Affiliate of a Party, or an elected official, officer, director, manager, shareholder, member, principal, partner, employee or agent of a Party.

zz. **Workers Compensation Insurance.** Workers compensation insurance complying with the provisions of California law and an employer's liability insurance policy or endorsement to a liability insurance policy, with a minimum liability limit of One Million Dollars (\$1,000,000) per accident for bodily injury or disease, covering all employees of Borrower.

## **200. LOAN AGREEMENT**

**201. Loan.** City hereby agrees to make a loan (the "**Loan**") to Borrower in a total amount not to exceed **SIX HUNDRED NINETY-SIX THOUSAND NINETY-ONE DOLLARS (\$696,091)**, subject to the terms and conditions of the Loan Documents. The Loan shall be evidenced by, and repayable in accordance with, the Promissory Note, in a principal amount not to exceed Six Hundred Ninety-Six Thousand Ninety-Six Dollars (\$696,091.00), which amounts may be used to pay for certain pre-development costs as set forth in the Predevelopment Budget/Pro Forma, provided that the disbursement of the Loan shall be subject to satisfaction of certain conditions precedent as more specifically set forth in Sections 204.1, 204.2 and 204.3 of this Agreement. The Promissory Note shall be secured by the Deed of Trust. The City and Borrower shall execute the Promissory Note, the Deed of Trust and Affordable Housing Covenant concurrently with the execution of this Agreement by City, and the Deed of Trust and Affordable Housing Covenant shall thereafter be immediately deposited with the Escrow Holder (as defined in the Purchase and Sale Agreement) for recordation in the Official Records upon the Close of Escrow (as defined the Purchase and Sale Agreement) for Borrower's purchase of the Property.

### **202. Repayment of Loan.**

**202.1** Promptly following the Close of Escrow on the Property, Borrower will take all actions to develop the Project and sell the Affordable Units to Qualified Homebuyers for use as their primary residences. Upon completion of construction of each Affordable Unit and sale to a Qualified Homebuyer as applicable to that Affordable Unit, the Qualified Homebuyer shall execute (i) a separate promissory note in a principal amount equal to **FIFTY THOUSAND DOLLARS (\$50,000)** ("**Buyer's Note**"; (ii) a deed of trust in favor of City to secure the Buyer's Note ("**Buyer's Deed of Trust**"; (iii) a Resale Restriction Agreement with a term of fifty-five (55) years containing owner occupancy and restrictions on transfer ("**Resale Restriction**"; and (iv) a Right of First Refusal that gives Borrower and/or the City the right to re-acquire, renovate and re-sell the Affordable Units to Qualified Homebuyers ("**Right of First Refusal**"). The Buyer's Note, Buyer's Deed of Trust and the Resale Restriction shall all be in a form as prepared and approved by the City in its sole discretion, which shall include loan forgiveness and loan repayment terms. The Right of First Refusal shall be in a form as prepared by Borrower, and shall be subject to approval by the City, which approval shall not be unreasonably withheld.

**202.2** Upon execution of each Buyer's Note, Buyer's Deed of Trust and Resale Restriction by a qualified homebuyer for each Affordable Unit, the principal amount due City under this Agreement shall be reduced by an amount equal to **FIFTY THOUSAND DOLLARS (\$50,000)**, any accrued interest on such portion of the principal amount shall be forgiven, and City

shall execute such documents as may be necessary to release the applicable portion of the Property from the lien of the Deed of Trust and the Affordable Housing Covenant.

**202.3** Upon execution of the eleventh and last Buyer's Note, Buyer's Deed of Trust and Resale Restriction, the then outstanding principal amount and accrued interest under this Note shall be reduced to zero (-0-), and City shall execute such documents as may be necessary to release any remaining portion of the Property from the lien under the Deed of Trust and the Affordable Housing Covenant.

**202.4** The Loan shall accrue simple interest on the outstanding principal at the rate of three percent (3%) per annum but interest shall not be payable except upon the default of Borrower as provided in Section 202.5.

**202.5** If, prior to the execution of the eleventh and final Buyer's Note, Buyer's Deed of Trust and Resale Restriction, Borrower defaults under the Deed of Trust, the Loan Agreement, the Affordable Housing Covenant or any other loan or document affecting the Property, which default remains uncured following expiration of any applicable notice and cure period(s), the then outstanding principal and accrued interest on the Loan shall be due and payable in full in accordance with the terms of the Promissory Note.

**203.** Use of Funds. The proceeds of the Loan may be used only to pay pre-development costs of the Project in strict accordance with the Pre-Development Budget/Pro Forma and all applicable Governmental Requirements.

**204.** Disbursement of Loan Funds.

**204.1** Conditions Precedent to Initial Disbursement. The City's first disbursement of the Loan proceeds pursuant to this Agreement (the "**Initial Disbursement**") shall be in an amount not to exceed One Hundred Thousand Dollars (\$100,000.00) and shall be used to pay certain predevelopment costs incurred by Borrower in connection with the development of the Project as approved by the City and as set forth in the Predevelopment Budget/Pro Forma. The City's obligation to make the Initial Disbursement is conditioned upon the satisfaction or waiver by City of each and all of the conditions precedent described below ("**Conditions Precedent to Initial Disbursement**"), which are solely for the benefit of the City, and which shall be fulfilled or waived by the time periods provided for herein. The Conditions Precedent to Initial Disbursement include:

a. Subject to expiration of any applicable cure period, Borrower shall not be in default of any of its obligations under the terms of this Agreement.

b. Execution and delivery of the Promissory Note, the Affordable Housing Covenant and the Deed of Trust.

c. Delivery of a binding commitment by a title insurance company acceptable to the City to issue a lender's policy of Title Insurance with any endorsements the City may reasonably require, insuring the City in the principal amount set forth in the Promissory Note, of the validity and priority of the Deed of Trust upon the Property, subject only to the Affordable

Housing Covenant for the development of the Property and liens and matters of record approved by the City in writing, and showing fee simple title to the Property vested in the name of Borrower.

d. Borrower shall have provided the City with a copy of the resolution of the Borrower approving and authorizing execution of this Agreement and all documents contemplated hereby on behalf of Borrower and with such other documentation required by the City regarding Borrower's status and authority to enter into this transaction.

e. Borrower shall have provided the City with a certificate showing it to be in good standing under the laws of the State of California.

f. Borrower shall have submitted to the City a Draw Request for the disbursement amount requested executed by the Borrower with documentation satisfactory to and approved by the City of predevelopment costs actually incurred by Borrower in strict accordance with the Predevelopment Budget/Pro Forma.

g. Borrower shall have satisfied all of the applicable terms and conditions set forth in this Agreement, including without limitation providing evidence that it possesses the insurance required by Section 405 of this Agreement.

h. All of the representations and warranties made by the Borrower in this Agreement and in the Promissory Note, the Deed of Trust and the Affordable Housing Covenant shall be true and correct in all material respects as of the date of the Initial Disbursement.

**204.2** Conditions Precedent to Subsequent Disbursements. The City shall disburse the remaining proceeds of the Loan Funds to Borrower from time to time through subsequent disbursements only for the purpose of financing Eligible Costs in accordance with the Predevelopment Budget/Pro Forma. Prior to making any subsequent disbursements of Loan proceeds after the Initial Disbursement, each of the following conditions precedent shall have been satisfied or waived by the City in its sole discretion, each of which are solely for the benefit of the City. These conditions precedent include:

a. All of the Conditions Precedent to Initial Disbursement shall have been and continue to be satisfied.

b. Borrower shall not be in default under this Agreement or any of the Loan Documents.

c. Borrower shall have submitted to the City one or more Draw Requests for the disbursement amount requested executed by the Borrower with documentation satisfactory to and approved by the City of predevelopment costs actually incurred by Borrower in strict accordance with the Predevelopment Budget/Pro Forma.

d. The Title Company continues to insure the lien of the Deed of Trust as a lien against the Property, subject only to other liens and matters of record approved by the City as shown on the City's title insurance policy as issued pursuant to Sections 204.1(c) and 204.2(d), and the Project securing all previous disbursements and the disbursement then being requested,



and in particular that nothing has intervened to affect the validity or priority of Deed of Trust and it is prepared to issue a CLTA Endorsement No. 122.

**204.3** Timing of Subsequent Disbursements. Following the Initial Disbursement, City shall disburse Loan Funds to Borrower only after and to the extent that the Conditions Precedent to Subsequent Disbursements are met or waived, and no more often than once per calendar month. Upon receipt of a Draw Request and Activity Certification, City shall, within thirty (30) days of receipt thereof, determine, in the City's reasonable discretion, the portions of the request eligible for payment as Eligible Costs. Upon such determination, the City shall disburse Loan funds to Borrower in an amount equal to the Eligible Costs with a written notice indicating any expenses determined to be ineligible for payment as Eligible Costs. The City shall not be obligated to disburse Loan funds (x) if Borrower has not submitted a fully completed Draw Request and Activity Certification, as provided for in this Section 204; or (y) if the disbursement will be in violation of the Cost Breakdown.

**204.4** Draw Request. Each "**Draw Request**" shall include, at a minimum:

- (a) the specific dollar amount of the request;
- (b) the specific proposed use of the draw;
- (c) documentation that supports the amount and use as described in the request (copies of the contract for work, invoice, and evidence of payment of invoice);
- (d) a current budget and an accounting of money spent to date with balance remaining;

**205.** City Not Liable. In no event shall the City be liable to Borrower or any other party, including but not limited to any lender, contractor or subcontractor, for any damage whatsoever which may result in whole or in part from any action or inaction of the City hereunder, including without limitation, failure or delay in making any disbursement of Loan funds, except to the extent of the City's gross negligence or willful misconduct.

### **300. REPRESENTATIONS AND WARRANTIES**

**301.** City Representations. The City represents and warrants to Borrower as follows:

**301.1** Authority. The City has full power and authority to execute and deliver this Agreement, to execute and deliver all applicable Loan Documents and to perform and observe the terms and provisions of all of the above.

**301.2** No Conflict. To the actual knowledge of the City, the City's execution, delivery and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which the City is a party or by which it is bound.

**301.3** No Bankruptcy. The City is not the subject of a bankruptcy proceeding.

**301.4** No Condemnation. No condemnation proceeding or moratorium is pending or threatened against the Property or any portion thereof that would impair the use, occupancy or full operation of the Property in any manner whatsoever.

**302.** Borrower's Representations. To induce the City to enter into the Loan and provide the Loan Funds pursuant hereto, Borrower hereby makes the following representations and warranties to the City, and shall remake these representations and warranties on the date of each disbursement of Loan Funds. Upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true, Borrower shall immediately provide written notice of such fact or condition to City.

**302.1** Organization. Borrower is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of California. Borrower has all requisite power and authority to own and operate its assets and properties and to carry on its activities as now conducted and proposed to be conducted. Borrower is duly qualified or licensed and in good standing to conduct its activities in all jurisdictions in which the character of the assets and properties owned or the nature of the activities conducted makes such qualification or licensing necessary.

**302.2** Tax-Exempt Status. Borrower is exempt from federal income taxation under Section 501(a) of the United States Internal Revenue Code of 1986, as amended (the "IRC") through recognition by the IRS as an organization described in Section 501(c)(3) of the IRC and a public charity within the meaning of Section 509(a)(1) of the IRC. The execution, delivery and performance by Borrower of this Agreement and the Project as contemplated by this Agreement directly further exempt purposes described in Section 170(c)(2)(B) of the IRC

**302.3** Authority to Borrow. Borrower has full power and authority to execute and deliver this Agreement, to make and accept the Loan contemplated hereunder, to execute and deliver all applicable Loan Documents and to perform and observe the terms and provisions of all of the above.

**302.4** Authority of Persons Executing Documents. The applicable Loan Documents have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under the Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of the Loan Documents have been duly taken.

**302.5** No Conflict. The execution, delivery and performance by Borrower of the Loan Documents to which it is a party will not (i) violate any provision of any law, statute, rule or regulation or any order, writ, judgment, injunction, decree, determination or award of any court, governmental agency or arbitrator presently in effect having applicability to Borrower or the Property; or (ii) result in a breach of or constitute a default under any indenture, loan or credit agreement or any other agreement, lease or instrument to which Borrower is a party or by which any of its properties may be bound or, except as specifically contemplated herein, result in the creation of any lien on any asset of Borrower.

**302.6** Compliance with Laws; Consent and Approvals. The construction of the Project shall comply with all Governmental Requirements, including all applicable directions,

rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency as applicable.

**302.7 Valid Binding Agreement.** The Loan Documents executed by Borrower constitute, or if not yet executed, will constitute when so executed, legal, valid and binding obligations of Borrower enforceable by and against it in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights of creditors generally and general principals of equity.

**302.8 Pending Proceedings.** Borrower is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Borrower, materially and adversely affect Borrower's ability to repay the Loan or construct the Project.

**302.9 Financial Statements.** All financial statements and information delivered to the City by or on behalf of Borrower, including information relating to the financial condition of Borrower and the Property, fairly and accurately represent the financial condition of the subject thereof and have been prepared in accordance with GAAP, consistently applied, or another sound accounting practice consistently applied as previously submitted by Borrower to the City and approved by the City. Borrower acknowledges and agrees that the City may request and obtain additional information from third parties.

**302.10 No Material Adverse Event.** There has been no material adverse change in the value or physical condition of the Property or in the financial condition of Borrower since the dates of the latest financial statements of Borrower furnished to the City, and except as otherwise disclosed to the City in a specified writing, Borrower has not entered into any material transaction that is not disclosed in such financial statements.

**302.11 Accuracy.** All reports, documents, instruments, information and forms of evidence delivered to the City concerning the Loan or security for the Loan or required by the Loan Documents are accurate, correct and sufficiently complete to give the City true and accurate knowledge of their subject matter and do not contain any misrepresentation or omission.

**302.12 Disclosure of Information.** All material information concerning the Property known to Borrower, or that should have been known to Borrower in the exercise of reasonable care, has been disclosed to the City. There are no facts or information known to Borrower, or that should have been known to Borrower in the exercise of reasonable care, that would make any of the information furnished to the City by Borrower inaccurate, incomplete, or misleading in any material respect.

**302.13 No Condemnation.** No condemnation proceeding or moratorium is pending or threatened against the Property or any portion thereof that would impair the use, occupancy or full operation of the Property in any manner whatsoever.

**302.14 Eligible Costs.** The proceeds of the Loan shall be used only for the payment of Eligible Costs in accordance with the Cost Breakdown.

**302.15 FIRPTA.** Borrower is not a "Foreign Person" within the meaning of the Foreign Investment in Real Property Tax Act ("**FIRPTA**"), or is exempt from the provisions of FIRPTA, and Borrower has complied and will comply with all of the requirements under FIRPTA.

#### **400. COVENANTS OF BORROWER**

**401. Additional Borrower's Financing.** In addition to the Loan provided for herein, Borrower will secure financing from public and private sources (the "**Additional Borrower Financing**") in an amount sufficient to finance (a) the cost of demolition of existing improvements on the Property, (b) the cost of investigation and remediation of any existing contamination on the Property, (c) the cost of installation of any vapor barrier required by the Los Angeles County Fire Department, (d) the cost of conducting any required Human Health Risk Assessment, and (e) the cost of construction of new improvements on the Property and the operation of the Project.

**a.** Developer shall submit to the City for its review and approval all of the following, which together will be referred to as the "**Financial Plan**": (i) a detailed cost breakdown of construction of the Project (the "**Project Development Budget**") containing an itemized construction budget for the Project, showing all construction related and non-construction related costs, including reasonable contingencies, and the funding sources of payment for each item; (ii) a cash flow projection and sources and uses statement for the construction of the Project and the sale of the Affordable Units; (iii) a copy of letters of commitment for construction financing and permanent financing from reputable institutional lenders, grant funding, equity contributions, tax credit allocations, and other financing from external sources (including proposed joint ventures and Partnerships) as necessary to finance development of the entire Project; (iv) a certified financial statement or other financial statement, in form reasonably satisfactory to the City, evidencing other sources of capital, sufficient to demonstrate that Developer has adequate funds available and is committing such funds to cover the difference, if any, between Developer's costs of development and construction and the amount available to Developer from external financing sources; and (v) any other evidence reasonably requested by the City demonstrating the economic and financial feasibility of the Project

**b.** Borrower shall submit to the City for its review and approval drafts of the form of all documents to be used for financing construction of the Project pursuant to the approved Financial Plan (the "**Financing Documents**"). Prior to closing of the financing to be requested from the City, Borrower shall submit to the City the final Financing Documents for the City's review and approval.

**c.** The City shall reasonably consider requests to subordinate this Loan Agreement, the Deed of Trust and Affordable Housing Covenant to sources of Additional Borrower Financing and shall agree to such subordination for such sources of financing that require subordination of the Loan Agreement, Deed of Trust and Affordable Housing Covenant as a condition of providing financing.

**d.** Upon completion of the investigation and remediation of any existing contamination on the Property, Borrower shall be responsible for obtaining a "no further action" letter from the California Department of Toxic Substances Control (DTSC) and providing a copy of such letter to the City, allowing the Property to be redeveloped for residential use.

e. Without limiting any of the foregoing of this Section 401, Borrower intends to apply for, among others, the California Department of Toxic Substances Control's "Equitable Community Revitalization Grant" to assist in the financing of any required environmental remediation and, if awarded such a grant, Borrower agree to use any savings from the pro forma to create energy efficiency upgrades to the Affordable Units to offset climate change impacts, as approved by the City.

**402. Construction of Project.**

a. Once Borrower has secured the Additional Borrower Financing and satisfied all Governmental Requirements necessary to commence construction, Borrower shall complete the Project in accordance with the provisions of this Agreement (including the Scope of Development included herein) and in a good and quality work manner in accordance with sound building practices as well as all Governmental Requirements. Borrower shall comply with all existing Governmental Requirements at the time of obtaining building permits for the Project and other laws, regulations, orders, building codes, restrictions and requirements of, and all agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property, including those pertaining to the construction of the Project, and with all recorded covenants and restrictions affecting the Property.

b. It is anticipated that Borrower will be responsible for the reasonable cost of any and all off-site improvements in mitigation of the specific development of the improvements comprising the Project, including without limitation any relocation of the existing on-site utilities at the Property, to the extent reasonably determined by the City.

c. In the event of any material deviations from the terms of this Agreement, a lack of good and quality work performance, the use of defective materials, or the filing of any unapproved liens, the City may order that the construction cease immediately, and Borrower agrees immediately to correct and remedy the same at its sole expense.

**403. Permits, Licenses and Approvals.** Borrower shall properly obtain, comply with and keep in effect all permits, licenses and approvals which are required to be obtained in order to construct the Project.

**404. Notices to City.** Borrower shall promptly notify the City in writing of:

a. Any litigation affecting Borrower, where the amount demanded, claimed or at issue is Fifty Thousand Dollars (\$50,000.00) or more;

b. Any communication, whether written or oral, that Borrower may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that any portion of the Property, the Project or the Development fail in any respect to comply with any Governmental Requirement;

c. Any material default by any contractor, design professional, subcontractor, material supplier or surety in the performance of its or their obligations with respect to the construction, or any material adverse change in the financial condition or operations of any of them;

d. Any material adverse change in the physical condition of the Property (including any damage suffered as a result of earthquakes or floods), or in Borrower's business condition (financial or otherwise), operations, properties or prospects, or Borrower's ability to repay the Loan; or

e. The institution of any litigation, arbitration or governmental proceeding, or the rendering of a judgment or decision in such litigation or proceeding, which may cause a material adverse effect to Borrower, the Property or the completion of the construction of the Project.

#### 405. Insurance.

**405.1** Required Insurance. Borrower shall maintain, to protect the City against all insurable Claims resulting from the actions of Borrower in connection with this Agreement, the Property and the Project, at the sole cost and expense of Borrower, until issuance of a Certificate of Completion for the Project, the following insurance (or its then reasonably available equivalent): (a) Liability Insurance; (b) Automobile Liability Insurance; (c) Property Insurance; (d) Builder's Risk Insurance; and (e) Workers Compensation Insurance.

**405.2** Nature of Insurance. All Liability Insurance, Property Insurance, Workers Compensation Insurance and Automobile Liability Insurance policies required by this Agreement shall be issued by carriers that: (a) are listed in the then current "AM Best's Key Rating Guide—Property/Casualty—United States & Canada" publication (or its equivalent, if such publication ceases to be published) with a minimum financial strength rating of "A-" and a minimum financial size category of "XI" (exception may be made for the California Compensation Insurance Fund when not specifically rated); and (b) are authorized to do business in California. A Party may provide any insurance under a "blanket" or "umbrella" insurance policy, provided that: (i) such policy or a certificate of such policy shall specify the amount(s) of the total insurance allocated to the Property and the Development, which amount(s) shall equal or exceed the amount(s) required by this Agreement; and (ii) such policy otherwise complies with this Agreement.

**405.3** Policy Requirements and Endorsements. All insurance policies required by this Agreement shall contain (by endorsement or otherwise) the following provisions:

a. *Insured.* Liability Insurance and Automobile Liability Insurance policies shall name City or its successor in interest, as applicable, as "additional insured." Property Insurance and Builder's Risk Insurance policies shall name the City as a "loss payee." To the extent that Borrower has a tenant or tenants on the Property that are required to secure Liability insurance under the terms of their lease with Borrower, such tenants shall similarly name the City or its successor in interest as "additional insured" and shall list the City as a "loss payee" on Property Insurance and Builder's Risk Insurance policies as required under terms of their lease. The coverage afforded to the City shall be at least as broad as that afforded to Borrower (or Borrower's tenant, as applicable) regarding the Property and the Project and may not contain any terms, conditions, exclusions, or limitations applicable to the City that do not apply to Borrower.



b. *Primary Coverage.* Any insurance or self-insurance maintained by the City or its successor in interest shall be in excess of all insurance required under this Agreement and shall not contribute to any insurance required under this Agreement.

c. *Contractual Liability.* Liability Insurance policies shall contain contractual liability coverage, for Borrower's indemnity obligations under this Agreement. Borrower's obtaining or failure to obtain such contractual liability coverage shall not relieve Borrower from nor satisfy any indemnity obligation of Borrower under this Agreement.

d. *Deliveries to City.* Borrower shall deliver to the City evidence of all insurance policies required by this Agreement as set forth in Section 505.1 and original endorsements for additional insured effecting coverage under this Agreement. Builder's Risk Insurance shall commence prior to commencement of Construction of the Project. No later than three (3) days before any insurance required by this Agreement expires, is cancelled or its liability limits are reduced or exhausted, Borrower shall deliver to the City evidence of that Party's maintenance of all insurance this Agreement requires. Each insurance policy required by this Agreement shall be endorsed to state that coverage shall not be cancelled, suspended, voided, reduced in coverage or in limits, except after thirty (30) calendar days' advance written notice of such action has been given to the City by certified mail, return receipt requested; provided, however, that thirty (30) days advance written notice shall be required for any such action arising from non-payment of the premium for the insurance. Phrases such as "endeavor to" and "but failure to mail such Notice shall impose no obligation or liability of any kind upon the company" shall not be included in the cancellation wording of any certificates or policies of insurance applicable to City pursuant to this Agreement.

e. *Waiver of Certain Claims.* Borrower shall cause each insurance carrier providing any Liability Insurance, Builder's Risk Insurance, Worker's Compensation Insurance, Automobile Liability Insurance or Property Insurance coverage under this Agreement to endorse their applicable policy(ies) with a Waiver of Subrogation with respect to the City, if not already in the policy. To the extent that Borrower obtains insurance with a Waiver of Subrogation, the Parties release each other, and their respective authorized representatives, from any Claims for damage to any Person or property to the extent such Claims are paid by such insurance policies obtained pursuant to and in satisfaction of the provisions of this Agreement.

f. *No Claims Made Coverage.* None of the insurance coverage required under this Agreement may be written on a claims-made basis.

g. *Fully Paid and Non-Assessable.* All insurance obtained and maintained by Borrower pursuant to this Section 505 shall be fully paid for and non-assessable. However, such insurance policies may be subject to insurer audits.

h. *City Option to Obtain Coverage.* During the continuance of a Default arising from the failure of Borrower to carry any insurance required by this Agreement, City may, at its sole option, purchase any such required insurance coverage and City shall be entitled to immediate payment from the defaulting Party of any premiums and associated reasonable costs paid by the City for such insurance coverage. Any amount becoming due and payable to City under this Section 505 that is not paid within fifteen (15) calendar days after written demand from City for payment of such amount, within an explanation of the amounts demanded, will bear

interest from the date of the demand at the rate of eight percent (8%) per annum or the maximum interest rate allowed by applicable law, whichever is less. Any election by the City to purchase or not to purchase insurance otherwise required by the terms of this Agreement to be carried by any Party shall not relieve that Party of its obligation to obtain and maintain any insurance coverage required by this Agreement.

i. *Separation of Insured.* All Liability Insurance and Automobile Liability Insurance shall provide for separation of insured for Borrower and the City. Insurance policies obtained in satisfaction of or in accordance with the requirements of this Agreement may provide a cross-suits exclusion for suits between named insured persons, but shall not exclude suits between named insured persons and additional insured persons.

j. *Deductibles and Self-Insured Retentions.* Any deductibles or self-insured retentions under insurance policies required by this Agreement shall be declared to and approved by the City. Borrower shall pay all such deductibles or self-insured retentions regarding the City or, alternatively, the insurer under each such insurance policy shall eliminate such deductibles or self-insured retentions with respect to the City.

k. *No Separate Insurance.* Borrower shall carry separate or additional insurance concurrent in form or contributing in the event of loss with that required under this Agreement, unless the City is made an additional insured thereon, as required by this Agreement.

l. *Insurance Independent of Indemnification.* The insurance requirements of this Agreement are independent of the Parties' indemnification and other obligations under this Agreement and shall not be construed or interpreted in any way to satisfy, restrict, limit, or modify the Parties' indemnification or other obligations or to limit the Parties' liability under this Agreement, whether within, outside, or in excess of such coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall the provision of such insurance preclude City from taking such other actions as are available to it under any other provision of this Agreement or otherwise at law or in equity.

#### 406. Indemnity.

406.1 Borrower Indemnity Obligations. Borrower shall defend, indemnify hold the City harmless against any claim to the extent such claim arises from any wrongful intentional act or negligence of Borrower. Borrower shall also defend, indemnify and hold the City harmless against any and all of the following: (a) any application made by or at Borrower's request; (b) any agreements that Borrower (or anyone claiming by or through Borrower) makes with a Third Person regarding the Property or the Project; (c) any workers compensation claim or determination relating to any employee of Borrower or their contractors; (d) any Prevailing Wage Action relating to this Agreement or the Project; and (e) any Environmental Claim attributable to any action or failure to act by Borrower. Borrower assumes the risk of delays and damages that may result to Borrower from any Third Person legal actions related to the City's approval of this Agreement or any associated approvals, even in the event that an error, omission or abuse of discretion by the City is determined to have occurred. If a Third Person files a legal action regarding the City's approval of this Agreement or any associated approval (exclusive of legal actions alleging violation of Government Code Section 1090 by elected officials of the City), Borrower shall defend, indemnify and hold the City harmless against such Third Person legal action, including all



legal costs, monetary awards, sanctions, attorney fee awards, expert witness and consulting fees, and the expenses of any and all financial or performance obligations resulting from the disposition of the legal action. The City shall reasonably cooperate in its defense in any legal action subject to this Section 406 subject to Borrower's indemnity obligations for such legal action. Nothing contained in this Section 406 is intended to be nor shall be deemed or construed to be an express or implied admission that the City may be liable to Borrower or any other party for damages or other relief regarding any alleged or established failure of the City to comply with any law. Any legal action that is subject to this Section 406 (including any appeal periods and the pendency of any appeals) shall constitute an Enforced Delay and the time periods for performance by any Party under this Agreement may be extended pursuant to the provisions of this Agreement in Section 803.

**406.2** Independence of Insurance Obligations. The indemnification obligations made by Borrower under this Agreement shall not be construed or interpreted as in any way restricting, limiting, or modifying Borrower insurance or other obligations under this Agreement. Borrower's obligation to indemnify the City under this Agreement is independent of Borrower's insurance and other obligations under this Agreement. Borrower's compliance with its insurance obligations and other obligations under this Agreement shall not in any way restrict, limit, or modify Borrower's indemnification obligations under this Agreement and are independent of Borrower's indemnification and other obligations under this Agreement.

**406.3** Survival of Indemnification and Defense Obligations. The indemnity and defense obligations of the Parties under this Agreement shall survive the expiration or earlier termination of this Agreement, until any and all actual or prospective claims regarding any matter subject to an indemnity obligation under this Agreement are fully, finally, absolutely and completely barred by applicable statutes of limitations.

**406.4** Indemnification Procedures. Wherever this Agreement requires any Party to indemnify the other Party:

a. *Prompt Notice.* The indemnifying Party shall promptly notify the other Party of any claim.

b. *Selection of Counsel.* The indemnifying Party shall select counsel reasonably acceptable to the other Party. Counsel to indemnifying Party's insurance carrier that is providing coverage for a claim shall be deemed reasonably satisfactory, except in the event of a potential or actual conflict of interest for such counsel regarding such representation or such counsel proves to be incompetent regarding such representation. Even though the indemnifying Party shall defend the claim, the other Party may, at its option and its own expense, engage separate counsel to advise it regarding the claim and its defense. The other Party's separate counsel may attend all proceedings and meetings. The indemnifying Party's counsel shall actively consult with the other Party's separate counsel. The indemnifying Party's counsel shall, however, control the defense, except to the extent that the other Party waives its rights to indemnity and defense of such Claim.

c. *Cooperation.* The other Party shall reasonably cooperate with the indemnifying Party's defense of the other Party.

d. *Settlement.* The indemnifying Party may only settle a claim without the consent of other Party, if the claim is within the policy limits of applicable insurance policies provided in satisfaction of the requirements of this Agreement and such settlement procures a release of other Party from the subject claims, does not require other Party to make any payment to the claimant and neither the indemnified Party nor indemnifying Party on behalf of the indemnified Party admits any liability.

e. *Insurance Proceeds.* The indemnifying Party's obligations shall be reduced by any net insurance proceeds actually received by the other Party for the matter giving rise to the indemnification obligation.

**407. Financial Statements and Reports.** Borrower shall furnish to the City, within fifteen (15) days after demand, the financial statements of Borrower, which may be internally prepared, on a consolidating and consolidated basis and in conformity with GAAP, consisting of at least a statement of financial position, statement of activities, statement of functional expenses, and statement of cash flows, setting forth in each case in comparative form corresponding figures from the previous financial statements delivered to the City pursuant to this Section.

**408. Books and Records.** Borrower shall keep adequate and proper records and books of account in connection with the Development, including construction of the Project, in which full and correct entries will be made of its dealings, business and affairs. All records and books of accounts and other materials deemed to be relevant to the Development and the Project shall be accessible during normal business hours and upon not less than 48 hours' notice to the authorized representatives of the City for the purpose of examination or audit. Any expenditure from the Loan proceeds that is not authorized by this Agreement or that cannot be adequately documented shall be disallowed and must be reimbursed to the City or its designee by Borrower immediately. Expenditures not described in this Agreement shall be deemed authorized if the performance of such activities is approved in writing by the City prior to their commencement. Absent fraud or manifest error on the part of the City, the determination by the City of the qualification of any expenditure shall be final.

**409. Compliance.** Borrower shall comply and shall cause the Property and Project to comply at all times in all material respects with all Governmental Requirements to which they may be subject.

**410. Report to City.** Commencing on the Effective Date, Borrower shall file with the City quarterly status reports on Borrower's progress on securing the Additional Borrower Financing and satisfying the applicable Conditions Precedent for Subsequent Disbursement for the Project, and following commencement of construction, on the construction of the Project. Each status report following commencement of construction of the Project shall include all information required under each Draw Request and Sections 304.4(d) and (e).

## **500. DEVELOPMENT OF PROJECT**

**501. Covenant to Complete the Project.** Borrower covenants to and for the exclusive benefit of the City that Borrower shall use commercially reasonable efforts to complete the Project not later than thirty-six (36) months following the Close of Escrow in accordance with the requirements of this Agreement, subject to any Enforced Delay. The covenants of this Section

shall run with the land comprising the Property until the final Affordable Unit included in the Project is sold to a Qualified Household.

**501.1 Project Entitlements.** Borrower acknowledges and agrees that the Project shall be subject to the City's zoning, building and land use regulations (whether contained in ordinances, the municipal code of the City, conditions of approval or elsewhere) (collectively, "**Land Use Laws**").

**a. Financial Plan.** Borrower shall have submitted to the City for its review and obtained the City's approval of the following, which together will be referred to as the "Financial Plan":

1. A detailed cost breakdown of construction of the Project (the "**Project Development Budget**") containing an itemized construction budget for the Project, showing all construction related and non-construction related costs, including reasonable contingencies, and the funding sources of payment for each item.

2. A cash flow projection and sources and uses statement for the construction of the Project and the sale of the Affordable Units.

3. A copy of letters of commitment for construction financing and permanent financing from reputable institutional lenders, grant funding, equity contributions, tax credit allocations, and other financing from external sources (including proposed joint ventures and Partnerships) as necessary to finance development of the entire Project.

4. A certified financial statement or other financial statement in such form reasonably satisfactory to the City, evidencing other sources of capital, sufficient to demonstrate that Developer has adequate funds available and is committing such funds to cover the difference, if any, between Developer's costs of development and construction and the amount available to Developer from external financing sources.

5. Any other evidence reasonably requested by the City demonstrating the economic and financial feasibility of the Project.

**b. Financing and Financing Documents.** Borrower shall exercise its commercially reasonable best efforts to obtain competitive or other affordable housing financing (including, without limitation, state housing subsidy programs and local subsidies) for the Project, which the City acknowledges will require the grant of security interests in Borrower's rights and beneficial interests under this Agreement in favor of a single lender or a group of public and private, institutional lenders solely in connection with financing of the Project at the Property. Borrower shall submit to the City for its review and obtained the City's approval of a draft of the form of all documents to be used for financing construction of the Project pursuant to the approved Financial Plan (the "**Financing Documents**"). Prior to closing of the financing to be requested from the City, Borrower shall submit to the City the final Financing Documents for the City's review and approval.

**c. Schematic Designs.** Borrower shall submit to the City for its review and obtained the City's approval, in its regulatory capacity, of the Schematic Design Plans for the

Project. The term "Schematic Design Plans" means schematic drawings, exterior elevations, site plans, floor plans and a garage layout, unit plans (including square footage), a landscaping plan, schematic plans for street and sidewalk improvements, and a sample materials board

d. *Design Development Plans.* Borrower shall submit to the City for its review and obtained the City's approval, in its regulatory capacity, of the Design Development Plans for construction of the Project. The term "Design Development Plans" means drawings, outline specifications and other documents based on the Schematic Design Plans that fix and describe the size and character of the Project as to architectural and basic structural systems, materials and other elements as appropriate.

e. *Final Construction Plans.* Borrower shall submit to the City for its review and obtained the City's approval, in its regulatory capacity, of the Final Construction Plans for construction of the Project. The term "Final Construction Plans" means all construction documentation upon which Borrower's general building contractor will rely on constructing the Project, and shall include, but not necessarily be limited to, final architectural drawings, landscaping plans and specifications, final elevations, building plans, final specifications, plans for street and sidewalk repairs or improvements, a detailed breakdown of the costs of construction for the Project. The Final Construction Plans shall be substantially consistent with the Schematic Design Plans and Design Development Plans approved by the City Community Development Department, subject to applicable review by Planning Commission or City Council as appropriate.

f. *No Waiver of Land Use Laws.* No action by the City with reference to this Agreement or any related documents shall be deemed to constitute a waiver of any Land Use Laws or the enforcement thereof by the City in its regulatory capacity as may be required for the construction of the Project and as applicable to Borrower, any successor in interest of Borrower, or any successor in interest to the ownership, use or occupancy of the Property. Borrower acknowledges and agrees that the Land Use Laws applicable to the Property and/or the Project may only be changed or waived by modification or variance approved by the City.

**502. Cost of Construction Work.** All cost and expense in performing the construction of the Project, and for all materials and equipment related thereto, shall be borne solely by Borrower.

**503. Licensed General Contractor.** The Construction Work must be performed by a licensed general contractor (each a "**Contractor**") approved by City in writing, which approval the City shall not unreasonably withhold, condition or delay. In no event shall Contractor or any subcontractor be debarred or suspended by HUD under 24 CFR Part 24.

**504. Construction Contract.** The licensed contractor(s) selected by Borrower, and approved by the City under Section 504 above, shall perform the Construction Work pursuant to a written construction contract (the "**Construction Contract**") entered into by and between Borrower and Contractor on a fixed and specified guaranteed maximum amount pursuant to the approved final construction plans and specifications.

a. Borrower shall submit to the City for its review and approval of a draft of the form Construction Contract. Borrower shall submit a draft of the final Construction Contract for the Project to the City for its review and approval prior to execution to determine that the cost

of the development of the Project has been clearly fixed and determined, that no material changes to the Project will be made without the prior written consent of the City to the extent required under this Agreement, that the City's employment and contracting requirements as set forth in this Agreement will be met, and that all of the terms and conditions required to be included in the Construction Contract by funding sources for the Project have been included.

b. Borrower shall also submit, prior to or together with the final Construction Contract, a detailed cost breakdown budget for Project construction and development, and a construction schedule, and a construction cash flow (draw-down) projection to the City for its review and approval.

c. Borrower acknowledges and agrees that Contractor and its subcontractors shall not use lead-based paint in the construction of the Project or maintenance of the Affordable Units. Borrower shall insert this prohibition in the Construction Contract and all other contracts and subcontracts for work performed on the Project which involves the application of paint.

d. Borrower acknowledges and agrees that the City has not made any representation, express or implied, to Borrower regarding whether or not laborers employed relative to the construction of the Project must be paid the prevailing per diem wage rate for their labor classification, as determined by the State of California, pursuant to Labor Code Sections 1720, et seq. Borrower further acknowledges and agrees that Contractor and its subcontractors shall assume the responsibility and be solely responsible for determining whether or not laborers employed relative to the construction of the Project must be paid the prevailing per diem wage rate for their labor classification. Borrower waives and releases the City from any right of action that may be available to it pursuant to Labor Code Sections 1726 and 1781. Borrower acknowledges the protections of Civil Code Section 1542 relative to the waiver and release contained in this Section 505.d, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND, THAT IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

BY INITIALING BELOW, BORROWER KNOWINGLY AND VOLUNTARILY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE WAIVERS AND RELEASES OF THIS SECTION 505.D.

e. Additionally, in accordance with Section 406.1, Borrower shall indemnify, defend with counsel reasonably acceptable to the City and hold the City harmless against Prevailing Wage Action pursuant to Labor Code Sections 1726 and 1781 arising from this Agreement or the construction or operation of the Project.

**505. Permits and Approvals.** Before Commencement of Construction, Borrower shall secure or cause to be secured any and all land use and other entitlements, permits and approvals

which may be required pursuant to any Governmental Requirements related to construction of the Project. City staff will work cooperatively with Borrower to assist in coordinating the expeditious processing and consideration of all necessary permits, entitlements and approvals.

**506. Anti-Discrimination.** Borrower, for itself and its successors and assigns, agrees that, in performing the construction of the Project, Borrower shall not discriminate against any employee or applicant for employment on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code.

**507. Construction Bonds.** Prior to commencement of construction of the Project, Borrower shall deliver to the City copies of labor and material bonds and performance bonds for the construction of the Project in an amount equal to one hundred percent (100%) of the scheduled cost of the construction of the improvements that comprise the Project. The performance bond and labor and materials payment bonds shall be issued by a licensed surety, shall name the City as co-obligee or assignee, and shall be in a form reasonably satisfactory to the City.

#### **600. USE AND MAINTENANCE OF THE PROPERTY; NONDISCRIMINATION; RIGHTS OF SECURITY FINANCING HOLDERS**

**601. Restrictive Covenants.** Borrower covenants and agrees for itself, and any successors, assigns or successor in interest to construct the Project on the Property to be sold to Qualified Households in accordance with the terms of the Affordable Housing Covenant and this Agreement for the period of time specified therein. The foregoing covenant shall run with the land until such time that each Affordable Unit is sold to a Qualified Household and the subject unit is released from the Affordable Housing Covenant.

**602. Maintenance of the Property.** Until each Affordable Unit is sold, Borrower shall keep the Property in good condition, order and repair and shall not commit waste or permit impairment, demolition or deterioration of the Property; shall comply with all applicable state and federal regulations addressing the physical condition of the Property and buildings located on the Property and all applicable standards of the City including but not limited to building standards, planning regulations, and utilities code; shall complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed and to pay when due all claims for labor performed and materials furnished; shall maintain the buildings in a habitable condition; and do all other acts which from the character or use of the Property may be reasonably necessary. The City shall have the right to inspect the Property during normal business hours, provided Borrower and the occupant are given at least seventy-two (72) hours written notice prior to any such inspection.

**603. Obligation to Refrain from Discrimination.** Borrower covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property, or any part thereof, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, source of income, age, marital status, physical or mental handicap, medical condition, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Borrower itself or any person claiming under or through it establish or permit any such practice or practices

of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property. The foregoing covenants shall run with the land and shall remain in effect in perpetuity.

**604. Rights of Access.** For the purposes of assuring compliance with this Agreement, representatives of the City shall have the reasonable right of access to the Property without charges or fees for the purpose of inspection of the Property as to maintenance of the improvements thereon. Such representatives of the City shall be those who are so identified in writing by the City Manager, the Director of Community Development or his/her/their designee.

**605. Homeowners Association.** Not later than the sale of the first Affordable Unit, Borrower will form a California nonprofit mutual benefit corporation for the homeowners' association ("HOA") for purposes of maintaining common areas of the Project on the Property and adequately funding an initial replacement reserve fund for the common area improvements. Borrower will provide the form of Homeowners' Association Agreement, together with Covenants, Conditions and Restrictions ("CCRs") for review and approval by the City, not to be unreasonably withheld, conditioned or delayed. Borrower shall implement and conduct HOA management training and best practices from time to time for the benefit of the purchasing owners of the Affordable Units for at least one (1) year following the sale of the eleventh (11<sup>th</sup>) Affordable Unit. After formation of the HOA and prior to the sale of any Affordable Unit, Borrower shall be responsible for payment of any monthly HOA dues and, following the closing of the sale of any Affordable Unit, the purchasing owner would thereafter be responsible for such HOA dues.

## **700. DEFAULTS AND REMEDIES**

**701. Default.** A party to this Agreement shall be in default if it fails to perform or satisfy any obligation or requirement set forth (A) herein after thirty (30) days of receiving written Notice from the non-defaulting party of such default, provided that in the case of a default that cannot with reasonable diligence be cured within thirty (30) days after the effective date of such Notice, such thirty (30) day period shall automatically be extended if and only for so long as Borrower does all of the following: (i) within thirty (30) days after Notice of such default, advise the City of the intention of Borrower to take all reasonable steps to cure such default; (ii) duly commence such cure within such period, and then diligently prosecute such cure to completion; and (iii) complete such cure within a reasonable time under the circumstances; or (B) under any applicable Loan Document after any applicable cure period.

### **702. Remedies.**

**702.1 City.** Upon default by Borrower subject to applicable notice and cure periods, the City shall not be obligated to disburse any Loan proceeds pursuant to this Agreement and Borrower shall immediately remit to the City all cost and expense, interest and principal due City under the Promissory Note, as applicable.

**702.2 Borrower.** Upon default by the City, Borrower's sole remedy for such breach shall be to institute an action at law or equity to seek specific performance of the terms of this Agreement. Borrower shall not be entitled to recover damages for any default by the City hereunder. Such legal actions must be instituted in the Superior Court of the County of Los

Angeles, State of California, or in the United States District Court for the Central District of California.

**703. Rights and Remedies Cumulative.** The rights and remedies of the City hereunder are cumulative, and the exercise by the City of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default caused by Borrower.

## **800. GENERAL PROVISIONS**

**801. Notices.** Any notice required or authorized under this Agreement, or service of process, shall be effective if, and only if, in writing and if, and only if, personally served or mailed, postage prepaid, by registered or certified mail, to the party in question at the address shown below:

Borrower: Azure Community Development  
6055 E. Washington Blvd, Ste. 495  
Commerce, CA 90040  
Phone: (323) 477-1160  
Attn: Vanessa Delgado, CEO  
Email: [vanessa@azuredevelopmentco.com](mailto:vanessa@azuredevelopmentco.com)

With copy to:

Robert P. Friedman  
Carlton Fields  
2029 Century Park East, Suite 1200  
Los Angeles, CA 90067-2913  
Email: [RPFriedman@carltonfields.com](mailto:RPFriedman@carltonfields.com)

City : City of South Gate  
8650 California Avenue  
South Gate, CA 90280  
Attn: Meredith Elguira, Director of Community Development  
Phone: (323)563-9566  
Email: [melguira@sogate.org](mailto:melguira@sogate.org)

With copy to:

AlvaradoSmith, APC  
633 W. Fifth Street, Suite 900  
Los Angeles, CA 90071  
Attn: Raul F. Salinas, City Attorney  
Email: [rsalinas@sogate.org](mailto:rsalinas@sogate.org) with copies to  
[rsalinas@alvaradosmith.com](mailto:rsalinas@alvaradosmith.com) and [jruiz@alvaradosmith.com](mailto:jruiz@alvaradosmith.com)

An address set forth in this Section 801 may be changed by the respective party providing the other party with written notice indicating the new address for purposes of this Section.



**802. Applicable Law.** The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

**803. Enforced Delay; Extension of Times for Performance.** In addition to specific provisions of this Agreement, performance by a party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; pandemics, epidemics or other viral outbreaks; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; inability to secure necessary labor, materials or tools; acts or omissions of the other party; acts or failures to act of the City or any other public or governmental agency or entity (other than the acts or failures to act of the City which shall not excuse performance by the City); or any other cause beyond the control or without the fault of the party claiming an extension of time to perform (each an "**Enforced Delay**"). Notwithstanding anything to the contrary in this Agreement, an extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the mutual agreement of the City and Borrower. Notwithstanding any provision of this Agreement to the contrary, the lack of funding to complete the construction of the Project on the Property shall not constitute grounds of Enforced Delay pursuant to this Section 803.

**804. Transfers of Interest in Property or Agreement.**

**804.1 Prohibition.** The qualifications and identity of Borrower are of particular concern to the City. It is because of those unique qualifications and identity that the City has entered into this Agreement with Borrower. Borrower shall not transfer, assign, sell or grant any interest in this Agreement or any portion of the Property and/or the Project except as expressly set forth herein.

**804.2 Permitted Transfers.** The City approval of a transfer of this Agreement or an interest in the Property and/or the Project, or any part thereof, shall not be required in connection with any of the following transfers:

(a) The conveyance or dedication of any portion of the Property to the City or other appropriate governmental agency, or the granting of easements or permits, to facilitate the construction of the Project;

(b) Any requested assignment for purposes of financing the construction of improvements upon the Property;

(c) Any mortgage, deed of trust, or other form of conveyance for all or any portion of the Additional Borrower Financing, as provided in Section 401 above, but Borrower shall notify the City in advance of any such mortgage, deed of trust or other form of conveyance for financing pertaining to the Property;

(d) Any mortgage, deed of trust or other form of conveyance for restructuring or refinancing of any amount of indebtedness described in subsection (c) above;

(e) A sale or transfer resulting from or in connection with a reorganization as contemplated by the provisions of the IRC in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation;

(f) The sale of Affordable Units in the Project to Qualified Homebuyers;

In the event of a transfer by Borrower under subparagraphs (a) through (e) above, not requiring the City's prior approval, Borrower nevertheless agrees that at least ten (10) days prior to such assignment it shall give written notice to the City of such transfer and satisfactory evidence that the transferee has assumed the obligations of this Agreement, if applicable.

**805. Relationship Between City and Borrower.** It is hereby acknowledged that the relationship between the City and Borrower is not that of a partnership or joint venture and that the City and Borrower shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, except as expressly provided herein, the City shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Property and/or the Project. Borrower agrees to indemnify, hold harmless and defend the City from any claim made against the City arising from a claimed relationship of partnership or joint venture between the City and Borrower with respect to the development, operation, maintenance or management of the Property.

**806. Signs.** During the construction of the Project on the Property the City may place or require to be placed signs upon the Property, for public display, stating the City is providing financing for the development.

**807. City Approvals and Actions.** Whenever a reference is made herein to an action or approval to be undertaken by the City, the City Manager, the Director of Community Development or his/her/their designee is authorized to act on behalf of the City unless specifically provided otherwise or the context should require otherwise.

**808. Counterparts.** This Agreement may be validly executed and delivered by portable document format or other electronic method such as DocuSign® via email (collectively, "**Electronic Copy**"). Any signer who executes this Agreement and transmits this Agreement by Electronic Copy intends that the Electronic Copy of his/her/their signature is to be deemed an original signature for all purposes. Any such Electronic Copy printout and any complete photocopy of such Electronic Copy printout are hereby deemed to be an original counterpart of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**809. Integration.** This Agreement and the Loan Documents contain the entire understanding between the parties relating to the transaction contemplated by this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into the Loan Documents and shall be of no further force or effect. Each party is entering into the Loan Documents upon the representations set forth in the Loan Documents and upon each party's own independent investigation of any and all facts such party deems material.

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**810. Titles and Captions.** Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or of any of its terms. Reference to section numbers are to sections in this Agreement, unless expressly stated otherwise.

**811. Interpretation.** As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Agreement shall be interpreted as though prepared jointly by both parties.

**812. No Waiver.** The City may at any time and from time to time waive any one or more of the terms or conditions contained in this Agreement, but any such waiver shall be deemed to be made pursuant to this Agreement and not in modification thereof, and any such waiver in any instance or under any particular circumstances shall not be construed a waiver of such term or condition or of any subsequent default. In order to be effective, all such waivers must be in writing. The failure of the City to promptly exercise its rights or remedies shall not be deemed to be a waiver or grounds for the claim of estoppel.

**813. Modifications.** Any alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each party.

**814. Severability.** If any term, provision, condition or covenant of this Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

**815. Incorporation of Recitals.** The recitals set forth above, and all defined terms set forth in such recitals and in the introductory paragraph preceding the recitals, are hereby incorporated into this Agreement as if set forth in full.

**816. Incorporation of Attachments.** All attachments referenced in this Agreement are hereby incorporated into this Agreement by this reference.

**817. Legal Advice.** Each party represents and warrants to the other the following: they have carefully read the Loan Documents, and in signing the Loan Documents, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in the Loan Documents, or have knowingly chosen not to consult legal counsel as to the matters set forth in the Loan Documents; and, they have freely signed the Loan Documents without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees, or attorneys, except as specifically set forth in the Loan Documents, and without duress or coercion, whether economic or otherwise.

**818. Time of Essence.** Time is expressly made of the essence with respect to the performance by the City and Borrower of each and every obligation and condition of the Loan Documents.

**819. Cooperation.** Each party agrees to cooperate with the other in this transaction and, in that regard, shall execute any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Agreement including, but not limited to, releases or additional agreements.

**820. Conflicts of Interest.** No member, official (elected or otherwise) or employee of the City shall have any personal interest, direct or indirect, in the Loan Documents, nor shall any such member, official or employee participate in any decision relating to the Loan Documents which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

**821. Time for Acceptance of Agreement.** This Agreement, when executed by Borrower and delivered to the City, must be authorized, executed and delivered by the City on or before forty-five (45) days after signing and delivery of this Agreement by Borrower or this Agreement shall be void, except to the extent that Borrower shall consent in writing to a further extension of time for the authorization, execution and delivery of this Agreement.

**822. Agreement Binding.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

**823. Non-Liability of Officials and Employees of City.** No member, official (elected or otherwise) or employee of the City shall be personally liable to Borrower, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to Borrower or its successors, or on any obligations under the terms of the Loan Documents. Borrower hereby waives and releases any claim Borrower may have against the members, officials (elected or otherwise) or employees of the City with respect to any default or breach by the City or for any amount which may become due to Borrower or its successors, or on any obligations under the terms of the Loan Documents. Borrower makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, WILL HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

*[balance of this page intentionally left blank; signatures of the parties on the following page]*

IN WITNESS WHEREOF, the City and Borrower have executed this Agreement on the respective dates set forth below.

**SELLER:**

**CITY OF SOUTH GATE,**

By: \_\_\_\_\_  
Chris Jeffers, Interim City Manager

ATTEST:

\_\_\_\_\_  
\_\_\_\_\_, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Raul F. Salinas, City Attorney

**PURCHASER:**

**AZURE COMMUNITY DEVELOPMENT, a**  
California nonprofit public benefit corporation

By: \_\_\_\_\_  
Vanessa Delgado, President

By: \_\_\_\_\_  
Sandra Hernandez, Secretary

## ATTACHMENT NO. 1

### LEGAL DESCRIPTION

The land referred to in this Commitment is situated in the City of South Gate, County of Los Angeles, State of California, and is described as follows:

THE SOUTH 20 FEET OF LOT 1089, AND ALL OF LOTS 1090, 1091, 1092 AND 1093 OF TRACT NO. 2080, IN THE RANCHO SAN ANTONIO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 22, PAGES 162 AND 163 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EAST 21.5 FEET OF SAID LOTS 1090, 1091, 1092 AND 1093; AND

LOT 1094 AND THOSE PORTIONS OF LOTS 1089 TO 1093, BOTH INCLUSIVE, AND THAT PORTION OF THE VACATED ALLEY ADJOINING SAID LOT 1094 ON THE WEST AND NORTH, ALL IN TRACT NO. 2080, IN THE RANCHO SAN ANTONIO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 22, PAGES 162 AND 163 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY DESCRIBED AS A WHOLE AS FOLLOWS;

BEGINNING AT THE SOUTHEASTERLY CORNER OF SAID LOT 1094, THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SAID LOT 1094 AND ITS WESTERLY PROLONGATION AND THE SOUTHERLY LINE OF LOT 1093, 61.5 FEET TO A POINT DISTANT 80 FEET EASTERLY FROM THE SOUTHWESTERLY CORNER OF SAID LOT 1093; THENCE NORTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT 1094 AND ITS NORTHERLY PROLONGATION 120 FEET; THENCE EASTERLY PARALLEL WITH THE SOUTHERLY LINE OF SAID LOT 1093 AND ITS EASTERLY PROLONGATION AND THE SOUTHERLY LINE OF SAID LOT 1094, 61.5 FEET, THENCE SOUTHERLY ALONG THE NORTHERLY PROLONGATION OF THE EASTERLY LINE OF SAID LOT 1094, AND SAID EASTERLY LINE 120 FEET TO THE POINT OF BEGINNING.

APN(S): 6202-010-900 AND 6202-010-901

## ATTACHMENT NO. 2

### SCOPE OF DEVELOPMENT

Borrower shall develop the property commonly known as 7916 Long Beach Boulevard, South Gate, California ("Property") with an eleven (11) unit for-sale housing development consisting of townhomes that will be developed on the Property and sold to low-income households as affordable housing. The Development will include (i) ten (10) units of Type A = 3-bedroom, 3-bathroom (1,225 sf) and (ii) one (1) unit of Type B = 4-bedroom, 2.5-bathroom (1,697 sf) with elevator that shall be sold to households whose income does not exceed eighty (80%) of Area Median Income.

A Ground Level Site Plan for the Property is attached hereto as Attachment No. 2-1.



# ATTACHMENT NO. 2-1

## GROUND LEVEL SITE PLAN



UNIT TYPE A (10 TOTAL)  
3 BEDROOM - 3 BATHS  
1,225 SF

UNIT TYPE B (1 TOTAL)  
4 BEDROOM - 2 1/2 BATHS - WITH ELEVATOR  
1,697 SF

GROUND LEVEL SITE PLAN // SCALE: 1/16" = 1'-0"  
RFRM



SOUTH GATE - MIXED USE DEVELOPMENT | Site + Feasibility | 01.11.2021

RFRM COLLECTIVE | INFO@RFRMCOLLECTIVE.COM | 213.500.0547 | RFRMCOLLECTIVE.COM



**ATTACHMENT NO. 3**

**PREDEVELOPMENT BUDGET/PRO FORMA**

**[Attached Behind this Page]**

ATTACHMENT NO. 4

FORM OF PROMISSORY NOTE

**PROMISSORY NOTE  
SECURED BY DEED OF TRUST**

**\$696,091**

\_\_\_\_\_, 202\_\_\_\_\_  
South Gate, California

**FOR VALUE RECEIVED, AZURE COMMUNITY DEVELOPMENT**, a California nonprofit corporation ("**Borrower**"), promises to pay the order of **CITY OF SOUTH GATE**, a municipal corporation ("**City**"), the principal sum of **SIX HUNDRED NINETY-SIX THOUSAND NINETY-ONE DOLLARS (\$696,091.00)**, pursuant to the terms and conditions set forth below.

1. Loan Agreement. This Promissory Note Secured by Deed of Trust ("**Note**") is made pursuant to that certain Affordable Housing Loan Agreement between Borrower and the City, dated \_\_\_\_\_, 2022 ("**Loan Agreement**"). Pursuant to the Loan Agreement, the City will provide a loan (the "**Loan**") in the amount of **SIX HUNDRED NINETY-SIX THOUSAND NINETY-ONE DOLLARS (\$696,091.00)** to Borrower for certain predevelopment costs associated with the development of the Property (as defined below). All capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement.

2. Property. Pursuant to that certain Purchase and Sale Agreement and Escrow Instructions dated \_\_\_\_\_, 2022 (the "**PSA**"), between Borrower, as purchaser, and the Successor Agency to the Community Development Commission of the City of South Gate, as seller, Borrower acquired certain real property located at 7916 Long Beach Boulevard, South Gate, California, more particularly described in Exhibit A of the PSA (the "**Property**"), for the purpose of developing eleven (11) for-sale townhome units for occupancy by low-income households earning no more than 80% of Los Angeles County area median income and qualify as first-time homebuyers.

3. Deed of Trust. Payment of this Note is secured by a deed of trust, security agreement and fixture filing ("**Deed of Trust**") executed by Borrower to First American Title Company as Trustee, for the benefit of the City, of even date herewith which shall be recorded against the Property in the Official Records of Los Angeles County, California.

4. Interest. This Note shall accrue interest at the rate of three percent (3%) simple per annum.

5. Repayment.

A. Borrower will develop the Project and sell the Affordable Units to Qualified Homebuyers for use as their primary residences. Upon completion of construction of each Affordable Unit and sale to a Qualified Homebuyer, the Qualified Homebuyer shall execute (i) a

separate promissory note in a principal amount equal to **FIFTY THOUSAND DOLLARS (\$50,000)** (“**Buyer’s Note**”); (ii) a deed of trust in favor of the City to secure the Buyer’s Note (“**Buyer’s Deed of Trust**”); and (iii) a Resale Restriction Agreement containing owner occupancy and restrictions on transfer (“**Resale Restriction**”). The Buyer’s Note, Buyer’s Deed of Trust and the Resale Restriction shall all be in a form as prepared and approved by the City in its sole discretion.

B. Upon execution of each Buyer’s Note, Buyer’s Deed of Trust and Resale Restriction by a Qualified Homebuyer for each Affordable Unit, the principal amount due City under this Note shall be reduced by an amount equal to **FIFTY THOUSAND DOLLARS (\$50,000)**, any accrued interest on such portion of the principal amount shall be forgiven, and the City shall execute such documents as may be necessary to release the applicable portion of the Property from the lien of the Deed of Trust and the Affordable Housing Covenant.

C. Upon execution of the eleventh and last Buyer’s Note, Buyer’s Deed of Trust and Resale Restriction, the then outstanding principal amount and accrued interest under this Note shall be reduced to zero (-0-), and the City shall execute such documents as may be necessary to release any remaining portion of the Property from the lien under the Deed of Trust and the Affordable Housing Covenant.

6. Event of Default. The occurrence of any of the following shall constitute an event of default under this Note: (i) Borrower fails to pay any amount due hereunder within ten (10) calendar days of its due date and such failure continues for five (5) calendars after receipt of written notice from the City that such payment is due; or (ii) any default by Borrower under the Deed of Trust, the Loan Agreement or any other loan or document affecting the Property, which default remains uncured following expiration of any applicable notice and cure period(s).

7. Payment Upon Default. At the option of the City and without notice, the entire unpaid principal and any interest that may be owing on this Note shall become immediately due and payable (i) upon the occurrence of any event of default, or (ii) upon the sale, transfer, assignment, conveyance or lease of any portion of the Property, in whole or in part, to someone who is not a Qualified Homebuyer, or (iii) in the event construction of the Project does not commence by the fourth anniversary of the date of the close of escrow of the Property. This option may be exercised at any time following any such event, and the acceptance of one or more installments thereafter shall not constitute a waiver of the City’s option. The City’s failure to exercise such option shall not constitute a waiver of such option with respect to any subsequent event. The City’s failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

8. Interest Upon Default. At all times when Borrower is in default hereunder by reason of Borrower’s failure to pay principal due under this Note or any amounts due under any loan documents securing this Note, the interest rate on the sums as to which Borrower is in default (including principal, if the City has elected to declare it immediately due and payable), shall be the lower of the highest rate then allowed by law or six percent (6%) simple interest per annum.

9. Place of Payment. Any payments due hereunder shall be made in lawful money of the United States to the City of South Gate, 8650 California Avenue, South Gate, California 90280, Attn: City Finance Director. The place of payment may be changed from time to time as the City may designate in writing.

10. Waiver of Presentment. Borrower and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without in any way affecting or discharging this liability.

11. Attorney Fees. Borrower agrees to pay immediately upon demand all costs and expenses of the City including reasonable attorneys' fees, (i) if after an event of default this Note is placed in the hands of an attorney or attorneys for collection, (ii) if after an event of default hereunder, the City finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Note against Borrower, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, the Loan Agreement, or other loan document, or (iii) if the City seeks to have the Property abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court. If the City shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the Property or the title thereto or the interest of the City under the Deed of Trust, including, without limitation, any form of condemnation or eminent domain proceeding, the City shall be reimbursed by Borrower immediately upon demand for all costs, charges and attorneys' fees incurred by the City in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Property.

12. Notices. All notices required to be given pursuant to the terms hereof shall be either (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, or (iii) delivered by overnight courier service. All such notices shall be deemed delivered upon actual receipt (or upon the first attempt at delivery if the intended recipient refuses to accept delivery). All such notices shall be delivered to the addresses set forth below, or to such other address as the receiving party may from time to time specify by written notice to the other party.

To Borrower:

Azure Community Development  
6055 E. Washington Blvd, Ste. 495  
Commerce, CA 90040  
Phone: (323) 477-1160  
Attn: Vanessa Delgado, CEO  
Email: [vanessa@azuredevelopmentco.com](mailto:vanessa@azuredevelopmentco.com)

With copy to:

Attachment 4

Robert P. Friedman  
Carlton Fields  
2029 Century Park East, Suite 1200  
Los Angeles, CA 90067-2913  
Email: RPFriedman@carltonfields.com

To the City:

City of South Gate  
8650 California Avenue  
South Gate, CA 90280  
Attn: Meredith Elguira, Director of Community  
Development  
Phone: (323)563-9566  
Email: melguira@sogate.org

With copy to:

AlvaradoSmith, APC  
633 W. Fifth Street, Suite 900  
Los Angeles, CA 90071  
Attn: Raul F. Salinas, City Attorney  
Email: rsalinas@sogate.org with copies to  
rsalinas@alvaradosmith.com and jruiz@alvaradosmith.com

13. Successors and Assigns. This Note shall be binding upon Borrower, its successors and assigns.

14. Governing Law. This Note shall be construed in accordance with and be governed by the laws of the State of California, without regard to conflict of laws principles.

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

#### **BORROWER**

**AZURE COMMUNITY DEVELOPMENT,**  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
Vanessa Delgado, President

By: \_\_\_\_\_  
Sandra Hernandez, Secretary

Attachment 4



ATTACHMENT NO. 5

FORM OF DEED OF TRUST

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of South Gate  
8650 California Avenue  
South Gate, CA 90280  
Attn: City Clerk

Space above line for Recorder's use only

Exempt from Recording Fees  
pursuant to Govt. Code § 27383

**DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND  
FIXTURE FILING**

**This Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing** (this "Deed of Trust") is made as of \_\_\_\_\_, 202\_, among **AZURE COMMUNITY DEVELOPMENT**, a California non-profit public benefit corporation ("**Trustor**"), **FIRST AMERICAN TITLE COMPANY**, whose address is 777 S. Figueroa Street, Suite 400, Los Angeles, California 90017 ("**TRUSTEE**"); and **CITY OF SOUTH GATE** ("**Beneficiary**").

Trustor irrevocably grants, conveys, transfers, and assigns to Trustee in trust, with power of sale and right of entry and possession, all of Trustor's estate, right, title, and interest in, to and under the following property (collectively, the "**Property**"): (a) the real property in Los Angeles County, California, described on **Exhibit A** attached hereto and incorporated herein by this reference, together with all existing and future easements and rights affording access to it (the "**Land**"), (b) together with all buildings, structures, and improvements now existing or hereafter constructed thereon (the "**Improvements**"), (c) together with all articles of personal property now or hereafter attached to, placed upon for an indefinite term, or used in connection with the Land and/or Improvements, together with all goods and other property that are, or at any time become, so related to the Property that an interest in them arises under real estate law, or they are otherwise adjudged to be a "fixture" under applicable law (each a "**Fixture**," collectively "**Fixtures**"), (d) together with all other property and interests of any kind or character which may be reasonably necessary or desirable to promote the present and future beneficial use and enjoyment of such real property and improvements.

1. **Secured Obligations.** Trustor makes the grant, conveyance, transfer, and assignment herein for the purpose of securing the following obligations (the "**Secured Obligations**"):

(a) payment of the sum of Six Hundred Ninety-Six Thousand Ninety-One Dollars (\$696,091.00) with interest thereon according to the terms of a promissory note (the

"Note") of even date herewith, executed by Trustor in favor of Beneficiary or order and any extension or renewals thereof;

(b) payment of such further sums as the then record owner of the Property may borrow from Beneficiary, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust;

(c) performance of each agreement and obligation of Trustor under that certain Affordable Housing Loan Agreement executed by Trustor and Beneficiary dated \_\_\_\_\_, 202\_ (the "**Loan Agreement**"), providing for the construction of certain improvements on the Property and operation of the Property and improvements thereon as affordable housing (the "**Project**"); and

(d) obligations under the Affordable Housing Covenant dated of even date herewith (the "**Affordable Housing Covenant**") recorded against the Property on even date with this Deed of Trust. This Deed of Trust shall secure the Beneficiary against any default under the Affordable Housing Covenant for the term of the Affordable Housing Covenant.

2. **Maintenance and Repair.** Trustor shall (a) keep the Property in good condition and repair and not remove or demolish any building; (b) complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed; (c) pay when due all claims for labor performed and materials furnished; (d) comply with all laws affecting the Property or requiring any alterations or improvements to be made; (e) not commit or permit waste; and (f) cultivate, irrigate, fertilize, fumigate, prune, and do all other acts which from the character or use of the Property may be reasonably necessary.

3. **Insurance.** Trustor shall maintain hazard insurance against loss by fire, hazards included with the term "**extended coverage**," and any other hazards for which Beneficiary requires insurance, and liability insurance as set forth in the Loan Agreement. The insurance carrier and the insurance policies and amounts of coverage shall comply with the terms of the Loan Agreement or shall otherwise be acceptable to Beneficiary, the policies shall name Beneficiary as a loss payee or an additional insured, as applicable, the policies shall include Beneficiary as an additional insured, as applicable.

4. **Defense of Security.** Trustor shall appear in and defend any action or proceeding purporting to affect the security or the rights or powers of Beneficiary or Trustee. Trustor shall pay all costs and expenses, including costs of evidence of title and attorneys' fees, in any such action or proceeding in which Trustee or Beneficiary may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. **Payment of Taxes and Liens.** Trustor shall pay (a) prior to delinquency, all non-abated taxes and assessments affecting the Property, including water stock assessments; (b) when due, all encumbrances, charges, and liens, with interest, on the Property, which are or appear to be prior or superior to this Deed of Trust; and (c) upon demand all reasonable and documented costs, fees, and expenses of this Deed of Trust. If Trustor fails to make any payment or to do any act provided for in this Deed of Trust after written notice of such failure by Beneficiary and a



reasonably opportunity to cure, then Beneficiary or Trustee may, without obligation to do so, and with or without notice to or demand upon Trustor, and without releasing Trustor from any obligation under this Deed of Trust: (i) make or do the same in such manner and to such extent as either may deem necessary to protect the security, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; (ii) appear in or commence any action or proceeding purporting to affect the security, or the rights or powers of Beneficiary or Trustee; (iii) pay, purchase, contest or settle any encumbrance, charge or lien which in the judgment of either appears to be senior to this Deed of Trust; and (iv) in exercising any such powers, pay allowable expenses, including attorneys' fees.

6. **Reimbursement of Costs.** Trustor shall pay upon demand all reasonable and documented sums expended by Beneficiary or Trustee provided for in this Deed of Trust or allowed by law, with interest from date of expenditure at the maximum rate provided in the Note.

7. **No Waiver.** By accepting payment of any sum after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums or declare a default for failure to pay.

8. **Reconveyance.** That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note or notes to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals of such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "**the person or persons legally entitled thereto.**"

9. **Assignment of Rents.** Subject to the rights of senior lenders, Trustor hereby absolutely and unconditionally assigns to Beneficiary all of the rents, issues, profits, royalties, revenues, income, and other benefits (collectively, the "**Rents**") derived from the Property, whether now due, past due or to become due, and hereby gives to and confers upon Beneficiary, either directly or through a receiver, the right, power, and authority, but not the obligation, to collect the Rents, and to sue, either in the name of Trustor or Beneficiary, for all such Rents and to apply the same to the indebtedness secured hereby in such order as Beneficiary may determine in its sole discretion. This assignment of Rents is intended to create and shall be construed to create an absolute assignment to Beneficiary of all of Trustor's right, title, and interest in the Rents. So long as no default exists by Trustor in the payment of any indebtedness secured hereby, or in any other covenant contained herein, or in said note or notes or in any other document evidencing or securing such indebtedness, Trustor shall have the right to collect all Rents from the Property and to retain, use, and enjoy the same. Upon the occurrence of such a default beyond any applicable notice and cure periods, without the necessity of demand or other notice to Trustor or any other act to enforce Beneficiary's interest pursuant to this assignment, Trustor shall have no interest whatsoever in the Rents that are received by Trustor after a default, and all such Rents shall be received and held by Trustor in constructive trust for Beneficiary and delivered promptly to Beneficiary, or to a court-appointed receiver for the Property, without the necessity for further notice to, or demand upon, Trustor. Upon the occurrence of such a default, beyond any applicable notice and cure periods, and at any time thereafter during the continuance thereof, Beneficiary



may, at its option, send any tenant of the Property a notice to the effect that: (a) a default has occurred; (b) Beneficiary has elected to exercise its rights under this assignment; and (c) such tenant is thereby directed to thereafter make all payments of Rents to or for the benefit of Beneficiary or as Beneficiary shall direct. Any such tenant shall be entitled to rely upon any notice from Beneficiary and shall be protected with respect to any payment of Rents made pursuant to such notice, irrespective of whether a dispute exists between Trustor and Beneficiary with respect to the existence of a default or the rights of Beneficiary hereunder. Any such tenant shall not be required to investigate or determine the validity or accuracy of such notice or the validity or enforceability of this assignment. Trustor hereby agrees to indemnify, defend, and hold any such tenant harmless from and against any and all losses, claims, damages or liabilities arising from or related to any payment of Rents by such tenant made in reliance on and pursuant to such notice.

**10. Default and Foreclosure.** Upon default by Trustor in payment or performance of any Secured Obligation, subject to any applicable notice and cure period, Beneficiary may declare all sums secured immediately due and payable by delivery to Trustee of a declaration of default and demand for sale and of a notice of default and of a notice of sale, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, said note or notes, and all documents evidencing expenditures secured by this Deed of Trust. Upon default of any obligation secured by this Deed of Trust and acceleration of all sums due, Beneficiary may instruct Trustee to proceed with a sale of the Property under the power of sale granted in this Deed of Trust, noticed and held in accordance with California Civil Code Sections 2924, et seq., as such statutes may be amended from time to time. Trustor waives all rights it may have to require marshaling of assets or to require sales of assets in any particular order, including any rights under California Civil Code Sections 2899 and 3455.

**11. Distribution of Foreclosure Proceeds.** The proceeds generated by any Foreclosure ("**Proceeds**") shall be distributed as follows: (i) First, senior liens and encumbrances (if any) on the Project shall be fully paid from the Proceeds; (ii) Second, Beneficiary shall be fully paid any amounts owing under the Secured Obligations; (iii) Third, Beneficiary shall be paid the difference between the appraised value of the completed Project (applicable portion thereof) as restricted by the Regulatory Agreement ("**Restricted Value**") and the Proceeds ("**Differential**"); (iii) Fourth, any remaining Proceeds shall be distributed in accordance with California Civil Code Section 2924(k). The Differential shall be deposited in Beneficiary's housing fund. Borrower expressly acknowledges and agrees that the Agreement and this Deed of Trust constitutes a lien against the Project and the Differential, including in accordance with California Civil Code Sections 2872, 2924 to 2924h, inclusive ("**Differential Lien**"). In the event of a Foreclosure, for purposes of distribution of the Differential only, the Differential Lien shall be considered a junior lien or encumbrance within the meaning of California Civil Code section 2924k(a)(3). Borrower hereby irrevocably instructs any holder of the Differential or similar proceeds generated by Foreclosure to immediately disburse the Differential to City, and agrees to defend, indemnify and hold City and such holder harmless from any and all claims related to such distribution. As used herein, "**Foreclosure**" means any judicial or non-judicial foreclosure, trustee's sale, deed-in-lieu transfer, short sale, or similar transaction.

**12. Substitution of Trustee.** Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a

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

13. **Successors and Assigns.** This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term "**Beneficiary**" shall mean the owner and holder, including pledgees, of the secured note or notes, whether or not named as Beneficiary herein.

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

15. **Further Assurances.** Trustor shall, at its own cost and expense, do, execute, acknowledge, and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers, and assurances as Trustee or Beneficiary shall from time to time reasonably require, for better assuring, conveying, assigning, transferring, and confirming unto Trustee the Property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Trustee, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust, or for filing, registering, or recording this Deed of Trust. Trustor shall, on demand, execute and deliver, and hereby authorizes Trustee and Beneficiary, or either of them, to execute in the name of Trustor, to the extent it may lawfully do so, one or more financing statements, chattel mortgages, or comparable security instruments, to evidence more effectively the lien hereof. Immediately upon the execution and delivery of this Deed of Trust, and thereafter from time to time, Trustor shall cause this Deed of Trust, and any security instruments creating a lien or evidencing the lien hereof upon any personal property and each instrument of further assurance, to be filed, registered, or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien hereof upon, and the title of Trustee to, the Property encumbered hereby.

16. **Condemnation and Insurance Proceeds.** Immediately upon obtaining knowledge of the institution of any proceedings for the condemnation or other taking of all or any portion of the Property, or knowledge of any casualty damage to the Property, or damage in any other manner, Trustor shall immediately notify Beneficiary thereof. Trustor hereby authorizes and empowers Beneficiary as attorney-in-fact for Trustor to make proof of loss, to adjust and compromise any claim under the insurance policies covering the Property, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Beneficiary's expenses incurred in the collection of such proceeds; provided, however, that nothing contained in this Section shall require Beneficiary to incur any expense or take any action hereunder. Trustor hereby authorizes and empowers

Beneficiary, at Beneficiary's option, as attorney-in-fact for Trustor, to commence, appear in, and prosecute, in Beneficiary's or Trustor's name, any action or proceeding relating to any condemnation or other taking of all or any part of the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or any part thereof, or for conveyances in lieu of the Property, or any part thereof, shall be paid to Beneficiary. The foregoing powers of attorney are coupled with an interest and are irrevocable. Trustor hereby authorizes Beneficiary to apply such awards, payments, proceeds or damages relating to condemnation of the Property and insurance covering the Property, after the deduction of Beneficiary's expenses incurred in the collection of such amounts, subject to the requirements of applicable law and the provisions hereof, to restoration or repair of the Property or to payment of the sums secured by this Deed of Trust. Beneficiary shall be under no obligation to question the amount of any compensation, awards, proceeds, damages, claims, rights of action, and payments relating to condemnation or other taking of the Property or insured casualty affecting the Property, and may accept the same in the amount in which the same shall be paid. Trustor shall execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking or such insurance as Beneficiary may require. Notwithstanding the above, the Beneficiary shall release all insurance and condemnation proceeds to Trustor to be used to reconstruct the improvements on the Property provided that Beneficiary reasonably determines that such restoration, repair or rebuilding is economically feasible. If such insurance proceeds shall be insufficient for such purposes, Trustor shall make up the deficiency. If the Project is subject to a partial condemnation or taking, then the proceeds received therefrom shall be applied to restore the Project taken, provided the Beneficiary determines that such restoration is economically feasible and no default exists under the Loan Documents following the expiration of all applicable cure periods. If the Project is subject to a total condemnation, or if Beneficiary determines that restoration of the Project is not feasible following a partial condemnation, or if a default exists then the proceeds from any condemnation award or claim for damages shall be used first to repay all sums under the Note, with the excess, if any, paid to Trustor, subject to the rights of the senior lender.

17. **Severability.** If any one or more of the provisions contained in this Deed of Trust shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Deed of Trust, but this Deed of Trust shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein or therein, but only to the extent of such invalidity.

18. **Estoppel Certificate.** Trustor shall, within thirty (30) days of a written request from Beneficiary, furnish Beneficiary with a written statement, duly acknowledged, setting forth the sums secured by this Deed of Trust and any right of set-off, counterclaim or other defense which exists against such sums and the obligations of this Deed of Trust.

19. **California Uniform Commercial Code Security Agreement; Fixture Filing.** Trustor hereby grants Beneficiary a security interest in all personal property of Trustor located on the Property and wherever located and used in any way in connection with or in any way relating to the Property, and whether now owned or hereafter in existence, acquired or created (including

equipment, inventory, goods, documents, instruments, general intangibles, chattel paper, accounts, accounts receivable, deposit accounts, and contract rights), and all fixtures of Trustor now owned or hereafter in existence, acquired or created on, of or relating to the Property, and all substitutions, replacements, additions, accessions, and proceeds (including insurance proceeds) of all of the foregoing (collectively, the "**Personal Property**"). Beneficiary may file this Deed of Trust, or a reproduction hereof, in the real estate records or other appropriate index, as a financing statement for the Personal Property. Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Trustor shall execute and deliver to Beneficiary, upon Beneficiary's request, any financing statements, as well as extensions, renewals, and amendments thereof, and reproductions of this Deed of Trust in such form as Beneficiary may require to perfect a security interest with respect to the Personal Property. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments, and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Upon Trustor's breach of any covenant or agreement of Trustor contained in this Deed of Trust, including the covenants to pay when due all sums secured by this Deed of Trust, Beneficiary shall have the remedies of a secured party under the California Uniform Commercial Code and, at Beneficiary's option, may also invoke any remedies provided in this Deed of Trust as to the Personal Property. In exercising any of such remedies, Beneficiary may proceed against the Property and any of the Personal Property separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies under the California Uniform Commercial Code or the remedies provided in the Deed of Trust. This Deed of Trust also covers goods which are or which are to become fixtures on the Property and constitutes and is filed as a fixture filing under the California Uniform Commercial Code.

**20. Due-On-Sale or Encumbrance.** If all or any part of the Property, or any interest therein, or any beneficial interest in Trustor (if Trustor is not a natural person or persons but is a corporation, partnership, trust, limited liability company or other legal entity), is sold, transferred, mortgaged, assigned, pledged, or further encumbered, whether directly or indirectly, whether voluntarily or involuntarily, or by operational law, Beneficiary may, at Beneficiary's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable, and Beneficiary may invoke any remedies permitted by this Deed of Trust.

**21. Notices.** All notices required to be given pursuant to the terms hereof shall be either (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, or (iii) delivered by overnight courier service. All such notices shall be deemed delivered upon actual receipt (or upon the first attempt at delivery if the intended recipient refuses to accept delivery). All such notices shall be delivered to the addresses set forth below, or to such other address as the receiving party may from time to time specify by written notice to the other party.

To Trustor:

Azure Community Development  
6055 E. Washington Blvd, Ste. 495  
Commerce, CA 90040  
Phone: (323) 477-1160  
Attn: Vanessa Delgado, CEO  
Email: [vanessa@azuredevelopmentco.com](mailto:vanessa@azuredevelopmentco.com)

With copy to:

Robert P. Friedman  
Carlton Fields  
2029 Century Park East, Suite 1200  
Los Angeles, CA 90067-2913  
Email: [RPFriedman@carltonfields.com](mailto:RPFriedman@carltonfields.com)

To Beneficiary:

City of South Gate  
8650 California Avenue  
South Gate, CA 90280  
Attn: Meredith Elguira, Director of Community  
Development  
Phone: (323)563-9566  
Email: [melguira@sogate.org](mailto:melguira@sogate.org)

With copy to:

AlvaradoSmith, APC  
633 W. Fifth Street, Suite 900  
Los Angeles, CA 90071  
Attn: Raul F. Salinas, City Attorney  
Email: [rsalinas@sogate.org](mailto:rsalinas@sogate.org) with copies to  
[rsalinas@alvaradosmith.com](mailto:rsalinas@alvaradosmith.com) and [jruiz@alvaradosmith.com](mailto:jruiz@alvaradosmith.com)

**[CONTINUED ON NEXT PAGE]**

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to Trustor at Trustor's address hereinbefore set forth.

**TRUSTOR:**

**AZURE COMMUNITY DEVELOPMENT,**  
a California non-profit public benefit corporation

By: \_\_\_\_\_  
Vanessa Delgado, President

By: \_\_\_\_\_  
Sandra Hernandez, Secretary

## **EXHIBIT A**

### **LEGAL DESCRIPTION OF THE PROPERTY**

The land referred to in this Commitment is situated in the City of South Gate, County of Los Angeles, State of California, and is described as follows:

THE SOUTH 20 FEET OF LOT 1089, AND ALL OF LOTS 1090, 1091, 1092 AND 1093 OF TRACT NO. 2080, IN THE RANCHO SAN ANTONIO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 22, PAGES 162 AND 163 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EAST 21.5 FEET OF SAID LOTS 1090, 1091, 1092 AND 1093; AND

LOT 1094 AND THOSE PORTIONS OF LOTS 1089 TO 1093, BOTH INCLUSIVE, AND THAT PORTION OF THE VACATED ALLEY ADJOINING SAID LOT 1094 ON THE WEST AND NORTH, ALL IN TRACT NO. 2080, IN THE RANCHO SAN ANTONIO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 22, PAGES LOT 162 AND 163 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY DESCRIBED AS A WHOLE AS FOLLOWS;

BEGINNING AT THE SOUTHEASTERLY CORNER OF SAID LOT 1094, THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SAID LOT 1094 AND ITS WESTERLY PROLONGATION AND THE SOUTHERLY LINE OF LOT 1093, 61.5 FEET TO A POINT DISTANT 80 FEET EASTERLY FROM THE SOUTHWESTERLY CORNER OF SAID LOT 1093; THENCE NORTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT 1094 AND ITS NORTHERLY PROLONGATION 120 FEET; THENCE EASTERLY PARALLEL WITH THE SOUTHERLY LINE OF SAID LOT 1093 AND ITS EASTERLY PROLONGATION AND THE SOUTHERLY LINE OF SAID LOT 1094, 61.5 FEET, THENCE SOUTHERLY ALONG THE NORTHERLY PROLONGATION OF THE EASTERLY LINE OF SAID LOT 1094, AND SAID EASTERLY LINE 120 FEET TO THE POINT OF BEGINNING.

APN(S): 6202-010-900 AND 6202-010-901

## ACKNOWLEDGMENT

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

STATE OF CALIFORNIA )  
 )  
COUNTY OF LOS ANGELES )

On \_\_\_\_\_, 2022, before me, \_\_\_\_\_, Notary Public,  
personally appeared VANESSA DELGADO and SANDRA HERNANDEZ, who  
proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same  
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument  
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (seal)

bb



**ATTACHMENT NO. 6**

**FORM OF AFFORDABLE HOUSING COVENANT**

**AFFORDABILITY COVENANT**

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of South Gate  
8650 California Avenue  
South Gate, CA 90280  
Attn: City Clerk

Exempt from Recording Fees Pursuant to  
Government Code Section 27383

Space above line for Recorder's use only

**AFFORDABLE HOUSING COVENANT  
AND RESTRICTIONS ON SALE**

This Affordable Housing Covenant and Restrictions on Sale ("Agreement") is dated \_\_\_\_\_, 202\_ and is entered into between the **CITY OF SOUTH GATE**, a municipal corporation (the "City") and **AZURE COMMUNITY DEVELOPMENT**, a California nonprofit corporation ("Azure" and initial "Owner.")

**RECITALS**

A. The City intends to create affordable home ownership opportunities for persons and families of low and moderate income. Pursuant to that certain Purchase and Sale Agreement and Escrow Instruction dated as of \_\_\_\_\_, 2022, between the Successor Agency to the Community Development Commission of the City of South Gate, as seller, and Azure, as purchaser (the "PSA"), Azure has acquired certain real property located at 7916 Long Beach Boulevard, South Gate, California (the "Property"), as described in **Exhibit A** attached hereto and incorporated herein, for the purpose of developing eleven (11) for-sale townhomes for occupancy by low-income households earning no more than 80% of Los Angeles County area median income and that qualify as first-time homebuyers.

B. Azure has agreed to construct eleven (11) townhome housing units on the Property (the "Affordable Units") and to sell each Affordable Unit to a person or family of low-income earning no more than 80% of Los Angeles County area median income and that qualifies as a first-time homebuyer (the "Owner"). Pursuant to that certain Affordable Housing Loan Agreement between the City and Azure, dated as of \_\_\_\_\_, 2022 (the "Loan Agreement"), the City provided financial assistance to Azure for a portion of the costs of the acquisition of the Property, a share of which is attributable to each Affordable Unit ("City Assistance").

C. The City Assistance is evidenced by a Promissory Note Secured by Deed of Trust (the "Note") and is secured by a Deed of Trust on the Site.

D. The City and Azure desire by the execution of this Agreement to assure that the Property and the Affordable Units constructed or to be constructed thereon, will be sold to Qualified Households at an Affordable Housing Cost in accordance with the terms and conditions of the Loan Agreement and this Affordable Housing Covenant.

NOW THEREFORE, the parties acknowledge and agree as follows:

## **AGREEMENTS**

### **1. DEFINITIONS**

- 1.1. "Affordable Housing Cost" shall be as defined in Health and Safety Code Section 50052.5 or any successor thereto for Low-Income Households whose incomes do not exceed 80% of area median income, as adjusted for family size appropriate for the Residential Unit. If the statute is no longer in effect and no successor statute is enacted, the City shall establish the Affordable Housing Cost for purposes of this Agreement.
- 1.2. "Affordable Unit" means each of the eleven (11) townhome housing units that shall be constructed on the Property and sold to Qualified Homebuyers at an Affordable Housing Cost.
- 1.3. "Low-Income Households" means persons and families whose income does not exceed 80% of area median income, as adjusted for family size appropriate for the Residential Unit.
- 1.4. Persons and families meeting the definitions under Section 1.3 who intend to purchase and reside in an Affordable Unit as their primary residence shall be referred to as "Qualified Homebuyers."

### **2. AFFORDABILITY RESTRICTIONS**

- 2.1. Affordability Requirements. Azure for itself and any successors in interest hereby covenants and agrees that the Affordable Units shall only be sold to Qualified Homebuyers at an Affordable Housing Cost and that during such period the other requirements of this Article 2 shall apply. Azure shall comply with their existing written procedures for selection and qualification of initial homebuyers and calculation of initial sales price for each of the Affordable Units, which procedures have been provided to and approved by City. Azure shall additionally comply with any current or future policies adopted by the City for selection, qualification, and monitoring of homebuyers who purchase affordable units assisted by the City, provided, however, that in the event that such policies require a material change to Azure's selection, qualification or monitoring practices, the City shall allow Azure a commercially reasonable time to transition its policies. Upon sale of each of the Affordable Units to a Qualified Homebuyer, the Qualified Homebuyer and the City

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shall enter into a Resale Restriction Agreement that restricts subsequent transfers of the Property and requires that the Qualified Homebuyer live in the Affordable Unit as their primary residence. The Resale Restriction Agreement shall be in a form prepared and approved by the City and shall have a term of fifty-five (55) years. Upon recordation of a Resale Restriction Agreement in the Official Records of Los Angeles County, California, the applicable Affordable Unit shall be released from the restrictions set forth in this Affordable Housing Covenant.

**2.2. OWNER FOR ITSELF AND FOR ANY SUCCESSORS IN INTEREST, HEREBY COVENANTS AND AGREES THAT THE AFFORDABLE UNITS MAY ONLY BE SOLD TO A QUALIFIED HOMEBUYER (DEFINED IN SECTION 1.04 ABOVE) AT THE PURCHASE PRICE ESTABLISHED IN ACCORDANCE WITH SECTION 1.01. THERE SHALL BE NO SALE OR OTHER TRANSFER OF THE SITE WITHOUT THE CERTIFICATION BY THE CITY, OR ITS DESIGNEE, THAT THE PURCHASER/TRANSFeree IS AN ELIGIBLE HOUSEHOLD AND THAT THE SITE IS BEING TRANSFERRED AT AN AFFORDABLE HOUSING COST. ANY SALE OR OTHER TRANSFER OF THE RESIDENTIAL UNIT IN VIOLATION OF THIS COVENANT SHALL BE VOID.**

2.3. Household Income Qualifications. Prior to any proposed sale or other transfer of an Affordable Unit, Owner shall submit to the City a copy of the prospective purchaser's income certification and a list of all assets owned by the prospective purchaser or other financial information in a form approved by the City along with the income certification to be provided to any lender making a loan on the Site. The City may require documentation evidencing and supporting the income and other financial information contained in the certifications. The City shall render a decision of eligibility or noneligibility. If the prospective purchaser does not qualify as a Qualified Homebuyer, the City shall notify Owner and Owner shall be obligated to locate another purchaser who qualifies as a Qualified Homebuyer. The City may designate another governmental entity or nonprofit organization to qualify each prospective purchaser as an Eligible Household. **ANY ATTEMPT TO TRANSFER TITLE OR ANY INTEREST THEREIN IN VIOLATION OF THESE COVENANTS SHALL BE VOID AND DEEMED A PROHIBITED TRANSFER AND SHALL BE SUBJECT TO THE PROVISIONS OF SECTION 2.4 BELOW.**

2.4. Final Procedure. The Owner may sell an Affordable Unit if all of the following conditions are satisfied:

2.4.1. The purchaser must be a Qualified Homebuyer at the income level applicable to the Affordable Unit, and the City must have approved the purchaser as a Qualified Homebuyer in accordance with Section 2.3 above.

2.4.2. The purchaser intends to occupy the Affordable Unit as his/her/their principal place of residence and the transferee(s) must be an Eligible Household. The City will allow

co-signers not meeting the above conditions for purposes of obtaining loans so long as the purchaser of the Affordable Unit meets the conditions set forth above; and

2.4.3. The transferee shall execute a Resale Restriction Agreement and a Disclosure Statement and such other documents as may be required by the City pursuant to which the purchaser shall assume the obligations and duties ensuring that the Affordable Unit shall remain as an Affordable Unit. The Resale Restriction Agreement shall include a right of first refusal which shall give Borrower and/or the City the right to repurchase the Affordable Unit, renovate it, and sell it to an Eligible Buyer, subject to a new Resale Restriction Agreement.

2.5. Disclosure Statement. Each purchaser of an Affordable Unit must sign a Disclosure Statement in the form attached hereto as **Exhibit B**.

2.6. Termination. The covenants set forth herein shall be covenants running with the land and shall inure to the benefit of the City and its successors and assigns. The City and its successors and assigns, in the event of any breach by Azure or any Owner of any such covenants contained herein shall have the right to exercise all of its rights and remedies allowed by law and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants and agreements established in this Agreement, without regard to technical classification and designation, shall be binding upon all parties having any right, title or interest in the Property or any portion thereof and on their heirs, successors in interest and assigns until the covenants terminate. The provisions set forth in this Agreement relating to the City's right to purchase shall terminate and become void automatically upon termination of this Agreement.

### 3. DEFAULTS

3.1. Default and Foreclosure. A request for notice of default and any notice of sale under any deed of trust or mortgage with power of sale encumbering the Property shall be recorded by the City in the Office of the Recorder of the County of Los Angeles.

3.1.1. In the event of default and foreclosure, the City, its designee or assignee, shall have the same right as the Owner to cure defaults and redeem the Property or any portion thereof prior to foreclosure sale. Such redemption shall be subject to the same fees, charges and penalties which would otherwise be assessed against the Owner. Nothing herein shall be construed as creating any obligation on the part of the City to cure any such default, nor shall this right to cure and redeem operate to extend any time limitations in the default provisions of the underlying deed of trust or mortgage.

3.1.2. In the event that the City, its designee or assignee does not elect to cure such default pursuant to the provisions of this Section and the Residential Unit is sold through judicial or nonjudicial foreclosure or by deed in lieu of foreclosure, the purchaser of

the Residential Unit shall receive title free and clear of the provisions of this Agreement (unless the purchaser at such sale is the Owner).

3.2. Notice of Prohibited Transfer. Upon receiving notification of a Prohibited Transfer under the provisions of Article 2 hereof, the City will give written notice to the Owner specifying the nature of the Prohibited Transfer. If the violation is not corrected to the satisfaction of the City within ten (10) days after the date of the notice, or within such further time as the City determines is necessary to correct the violation, the City may declare a default under this Agreement. Upon the declaration of a default, the City may apply to a court of competent jurisdiction for specific performance of the Agreement, for an injunction prohibiting a proposed sale or transfer in violation of this Agreement, for a declaration that the Prohibited Transfer is void, or for any such other relief as may be appropriate. In addition, the City shall have the right to exercise its rights and remedies under the Deed of Trust.

3.3. Attorneys' Fees and Costs. If any action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs.

#### 4. GENERAL

4.1. Notices. Notices required to be sent to the City hereunder shall be sent by certified mail, return receipt requested, to the following address:

City of South Gate  
8650 California Avenue  
South Gate, CA 90280  
Attn: Director of Community Development

Notices required to be sent to the Owner hereunder shall be sent by certified mail, return receipt requested, to the following address:

Azure Community Development  
6055 E. Washington Blvd, Ste. 495  
Commerce, CA 90040  
Attn: CEO

5. Duration. The covenants set forth herein shall be covenants running with the land, and shall inure to the benefit of the City and its successors and assigns enforceable by the City or its successors or assigns, until each of the Affordable Units is sold to a Qualified Homebuyer, unless sooner terminated as provided herein. The City and such aforementioned parties, in the event of any breach of any such covenants contained herein, shall have the right to exercise all of its rights and remedies allowed by law and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants and agreements established in this Agreement, without regard to technical classification and designation, shall be binding upon all parties having any right, title, or interest in the Site, or

any portion thereof and on their heirs, successors in interest and assigns until the covenants terminate. The parties agree that all future deeds or transfers of interest shall show the restrictions of this Agreement and, during the duration of this Agreement, any transfer of the Site shall be subject to the terms and conditions of this Agreement. Upon expiration of this Agreement, this Agreement shall no longer be a lien on the Site and shall automatically be reconveyed without the need for further action by either party.

6. Successors and Assigns. The Owner, by and for itself and each successor to any interest in the Site, hereby specifically acknowledges and agrees to be bound by the covenants contained herein. Any successor to Owner shall execute the Disclosure Statement and Resale Restriction Agreement in a form as approved by the City, or an Affordable Housing Covenant in substantially the same form as this Agreement, or such other agreements or documents as may be reasonably requested by the City.
7. **THE PARTIES AGREE THAT ALL FUTURE DEEDS OR TRANSFERS OF INTEREST SHALL SHOW THE RESTRICTIONS OF THIS AGREEMENT AND DURING THE DURATION OF THIS AGREEMENT, ANY TRANSFER OF THE RESIDENTIAL UNIT SHALL BE SUBJECT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT.**
8. Subordination. The City agrees to subordinate the terms and conditions of the Resale Restriction Agreements to be recorded against the Affordable Units to permanent mortgage financing obtained by the Qualified Homebuyers in an amount acceptable to the City, upon terms and conditions approved by the City. As a condition to any such subordination, to the extent any such permanent first mortgage financing is not provided pursuant to an adopted federal or state program, the lender must agree, and the applicable loan documents must obligate the lender, to send written notice of any default by the Owner to the City, must permit the City to cure any default within forty-five (45) days following notice of the default, allow the City to foreclose under its Deed of Trust without the lender accelerating its debt, and permit the City to transfer the Site to a qualified Eligible Household, any other governmental agency or a nonprofit organization (as the case may be) without the lender accelerating its debt.
9. Amendment. This Agreement may be amended only in writing by the City and Azure.

[signatures on the following page]

IN WITNESS WHEREOF, the City and Azure have caused this instrument to be executed on its behalf as of this \_\_\_\_ day of \_\_\_\_\_, 2022.

**CITY:**

CITY OF SOUTH GATE,

By: \_\_\_\_\_  
Chris Jeffers, Interim City Manager

ATTEST:

\_\_\_\_\_  
\_\_\_\_\_, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Raul F. Salinas, City Attorney

**AZURE AND INITIAL OWNER:**

AZURE COMMUNITY DEVELOPMENT, a  
California nonprofit public benefit corporation

By: \_\_\_\_\_  
Vanessa Delgado, President

By: \_\_\_\_\_  
Sandra Hernandez, Secretary

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

STATE OF CALIFORNIA )  
 )  
COUNTY OF LOS ANGELES )

On \_\_\_\_\_, 2022, before me, \_\_\_\_\_, Notary Public,  
personally appeared CHRIS JEFFERS, who proved to me on the basis of  
satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within  
instrument and acknowledged to me that he/she/they executed the same in his/her/their  
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or  
the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (seal)



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

STATE OF CALIFORNIA )  
 )  
COUNTY OF LOS ANGELES )

On \_\_\_\_\_, 2022, before me, \_\_\_\_\_, Notary Public,  
personally appeared VANESSA DELGADO and SANDRA HERNANDEZ, who  
proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same  
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument  
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (seal)

## EXHIBIT A

### Legal Description of the Site

The land referred to in this Commitment is situated in the City of South Gate, County of Los Angeles, State of California, and is described as follows:

THE SOUTH 20 FEET OF LOT 1089, AND ALL OF LOTS 1090, 1091, 1092 AND 1093 OF TRACT NO. 2080, IN THE RANCHO SAN ANTONIO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 22, PAGES 162 AND 163 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EAST 21.5 FEET OF SAID LOTS 1090, 1091, 1092 AND 1093; AND

LOT 1094 AND THOSE PORTIONS OF LOTS 1089 TO 1093, BOTH INCLUSIVE, AND THAT PORTION OF THE VACATED ALLEY ADJOINING SAID LOT 1094 ON THE WEST AND NORTH, ALL IN TRACT NO. 2080, IN THE RANCHO SAN ANTONIO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 22, PAGES LOT 162 AND 163 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY DESCRIBED AS A WHOLE AS FOLLOWS;

BEGINNING AT THE SOUTHEASTERLY CORNER OF SAID LOT 1094, THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SAID LOT 1094 AND ITS WESTERLY PROLONGATION AND THE SOUTHERLY LINE OF LOT 1093, 61.5 FEET TO A POINT DISTANT 80 FEET EASTERLY FROM THE SOUTHWESTERLY CORNER OF SAID LOT 1093; THENCE NORTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT 1094 AND ITS NORTHERLY PROLONGATION 120 FEET; THENCE EASTERLY PARALLEL WITH THE SOUTHERLY LINE OF SAID LOT 1093 AND ITS EASTERLY PROLONGATION AND THE SOUTHERLY LINE OF SAID LOT 1094, 61.5 FEET, THENCE SOUTHERLY ALONG THE NORTHERLY PROLONGATION OF THE EASTERLY LINE OF SAID LOT 1094, AND SAID EASTERLY LINE 120 FEET TO THE POINT OF BEGINNING.

APN(S): 6202-010-900 AND 6202-010-901

**EXHIBIT B**

**Form of Disclosure Statement**

THERE ARE RESTRICTIONS ON THE SALE OF THE PROPERTY YOU ARE BUYING. THIS PROPERTY MAY ONLY BE SOLD TO AN "ELIGIBLE HOUSEHOLD" AT AN "AFFORDABLE HOUSING COST."

THIS MEANS THAT YOU MAY NOT SELL THE PROPERTY FOR MARKET VALUE TO WHOMEVER YOU LIKE.

THESE RESTRICTIONS WILL BE IN EFFECT FOR A PERIOD OF FORTY-FIVE (45) YEARS FROM THE DATE OF RECORDATION OF THE AFFORDABLE HOUSING COVENANTS AND RESTRICTIONS ON SALE AGAINST THE PROPERTY, AND REPAYMENT OF THE NOTE. IF YOU SELL THE PROPERTY IN VIOLATION OF THE RESTRICTIONS, THE CITY OF PLEASANT HILL IS ENTITLED TO RECEIVE REPAYMENT OF THE NOTE IN THE AMOUNT OF \$40,000.00 (PLUS ANY INTEREST OWED UNDER THE NOTE).

TO DETERMINE WHO IS AN ELIGIBLE HOUSEHOLD AND WHAT AN AFFORDABLE HOUSING COST IS, YOU SHOULD CONTACT THE DIRECTOR OF COMMUNITY DEVELOPMENT OF THE CITY OF SOUTH GATE.

YOU SHOULD ALSO READ THE AFFORDABLE HOUSING COVENANT AND RESTRICTIONS ON SALE RECORDED AGAINST THE PROPERTY. YOU MAY OBTAIN A COPY FROM THE CITY OF PLEASANT HILL OR FROM THE ESCROW COMPANY.

I HAVE READ THE FOREGOING AND I UNDERSTAND WHAT IT MEANS.

\_\_\_\_\_  
BUYER

\_\_\_\_\_  
BUYER

\_\_\_\_\_  
DATE

\_\_\_\_\_  
DATE

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

STATE OF CALIFORNIA                                 )  
   )  
COUNTY OF LOS ANGELES                                 )

On \_\_\_\_\_, 202\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (seal)



# 7916 Long Beach Townhomes

City of South Gate



ATTACHMENT B





## AFFORDABLE HOME OWNERSHIP

Up to \$100,000 Down-payment assistance



## OPEN SPACE

Private patios for each home



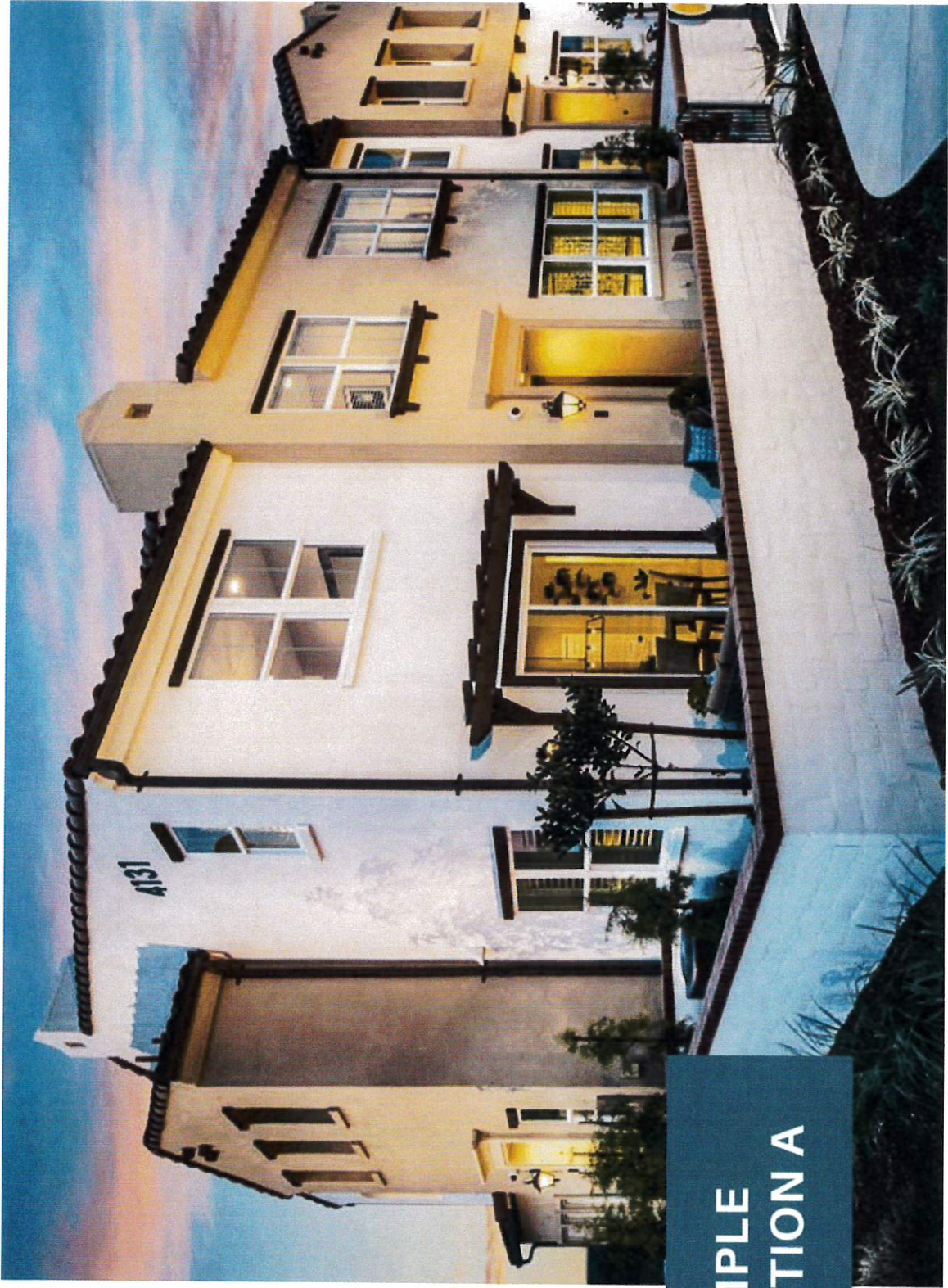
## LARGE UNITS

Three and four bedroom homes









**SAMPLE  
ELEVATION A**





**SAMPLE  
ELEVATION B**





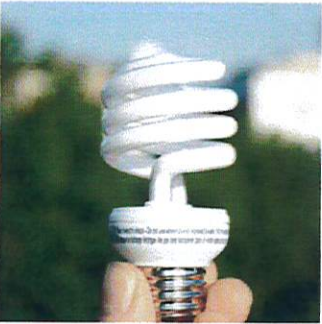
**SAMPLE  
ELEVATION C**





## SUSTAINABLE CONSTRUCTION

1. Drought tolerant landscaping
2. Insulation to maximize efficiency throughout the home including garage doors



## ENERGY EFFICIENT

1. LED lighting
2. Energy star appliances
3. Solar ready conduit on roof



## SMART HOMES

1. Automatic and advanced thermostats
2. Car-charging ready garages

# GREEN UNITS



**UTILITIZES CAL HOME DOWN-PAYMENT  
ASSISTANCE PROGRAM**

Allows up to \$100,000 per unit

**RESIDENTS MUST MAKE AT OR  
UNDER LA COUNTY'S 80% AMI**

Annual Salary of \$95,000

**WILL WORK WITH AREA BROKERS  
TO GIVE SOUTH GATE RESIDENTS  
PRIORITY TO BUY**

**MINUTES FOR THE REGULAR MEETING OF THE  
SUCCESSOR AGENCY OF THE CITY OF SOUTH GATE**

**TUESDAY, MAY 24, 2022**

**CALL TO ORDER** The regular meeting of the Successor Agency of the City of South Gate was called to order by Chairperson Rios at 5:30 p.m.

**ROLL CALL** Sonia Guerrero, Recording Secretary

**PRESENT** Chairperson Al Rios, Vice Chairperson Maria del Pilar Avalos, Agency Member Maria Davila, Agency Member Denise Diaz, and Agency Member Gil Hurtado; Interim Executive Director Chris Jeffers

**LATE** Authority Counsel Raul F. Salinas arrived at 5:32 p.m.

**ABSENT** Secretary Meredith Elguira

**1**

**DEVELOPMENT** The Successor Agency to the Community Development Commission of the City of South Gate will consider adopting a Resolution approving a Purchase and Sale Agreement ("PSA") between the Successor Agency to the Community Development Commission of the City of South Gate ("Successor Agency"), as seller, and Azure Community Development, an IRC 501(c)(3) tax-exempt nonprofit public benefit corporation ("Purchaser"), as buyer, for disposition of 7916 Long Beach Boulevard ("Property"), Property No. 13 of the Successor Agency's Amended Long Range Property Management Plan ("Amended LRPMP"), and authorizes transmittal of the PSA for consideration and approval by the County of Los Angeles, First District Oversight Board ("Oversight Board"), was unanimously continued to the Successor Agency meeting of June 14, 2022 by motion of Agency Member Davila and seconded by Vice Chairperson Avalos.

**ROLL CALL:** Agency Member Davila, yes; Agency Member Diaz, yes; Agency Member Hurtado, yes; Vice Chairperson Avalos, yes; Chairperson Rios, yes

**2**

**MINUTES** The Successor Agency to the Community Development Commission of the City of South Gate unanimously approved the Regular Meeting minutes of April 26, 2022, by motion of Vice Chairperson Avalos and seconded by Agency Member Davila.

**ROLL CALL:** Agency Member Davila, yes; Agency Member Diaz, yes; Agency Member Hurtado, yes; Vice Chairperson Avalos, yes; Chairperson Rios, yes

**3**  
**COMMENTS FROM**  
**THE AUDIENCE**

None

**4**  
**COMMENTS FROM THE**  
**BOARD MEMBERS**

None

**ADJOURNMENT**

Vice Chairperson Avalos adjourned the meeting at 5:35 p.m. and seconded by Agency Member Davila.

**PASSED** and **APPROVED** this      day of      2022.

ATTEST:

\_\_\_\_\_  
Al Rios, Chairperson

\_\_\_\_\_  
Yodit Glaze, City Clerk