

**AFFORDABLE HOUSING AGREEMENT
(RIVER VALLEY)**

THIS AFFORDABLE HOUSING AGREEMENT (the “Agreement”) is entered into this 28 day of January 2025 by and among the **CITY OF NEEDLES**, a California charter city (the “City”), and **1707 NEEDLES HWY, LLC**, a California limited liability company (the “Borrower”).

RECITALS

A. On April 5, 2023, Governor Newsom announced that the California Department of Housing and Community Development (HCD) designated the City as a Prohousing community. The Prohousing designation makes the City eligible for funding incentives and additional resources through state grant programs to speed housing production. The Governor’s Office stated that the City “earned the distinction of being named Prohousing for its commitment to build more housing faster.”

B. On June 12, 2023, HCD announced that the City was one of 18 jurisdictions to be part of the first round of the Prohousing Incentive Pilot (PIP) Program funding and was awarded \$445,000.

C. HCD is determined to alleviate California’s housing crisis by making additional community development resources available to local governments through the Prohousing Designation Program.

D. The PIP Program is designed to reward local governments that have received the Prohousing Designation with additional funding to accelerate affordable housing production and preservation.

E. On February 20, 2024, the City received communication from HCD urging it to apply for the second Prohousing Incentive Pilot Round 2. This invitation stemmed from the City’s Prohousing Designation.

F. On June 12, 2024, City was awarded \$445,000 in PIP funding to be used by the City for rehabilitation of existing housing to permanent supportive housing units and affordable housing to help address homelessness in the City.

G. The Borrower is proposing to utilize PIP funds for the conversion and development of an existing 32 unit motel to micro units affordable rental housing (the “Project”), which is located at 1707 Needles Highway, in the City of Needles, County of San Bernardino, State of California, also identified as Assessor’s Parcel Number (“APN”) 0185-048-09-0000 (the “Property”), more particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference.

H. City desires to provide financial assistance to the Borrower in the form of a loan of PIP funds up to the amount of Two Hundred Seventy Five Thousand dollars (\$275,000) (the “City Loan”) to develop on the Property. In consideration for the City Loan, the Borrower desires to construct twenty-nine (29) units, and to maintain the Property as an affordable housing project for a term of fifty-five (55) years.

I. The development and operation of the Property pursuant to the terms of this Agreement is in the vital and best interest of the City and the health, safety and welfare of the residents of the City, and in accord with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, the parties hereto agree as follows:

100. CITY ASSISTANCE

101. City Loan. In accordance with PIP Guidelines adopted by HCD in December 2022 and as may be amended from time to time, the City agrees to loan to the Borrower the amount of Two Hundred Seventy Five Thousand dollars (\$275,000) (the City Loan) for the development of the Property. The City Loan is subject to the terms and conditions set forth in this Agreement, and subject further to the terms and conditions set forth within the documents and instruments executed by the Borrower in connection with this transaction, including the notes and deed of trust attached hereto as Exhibit B and Exhibit C, and the "Regulatory Agreement," in substantially the form set forth in Exhibit D and subject to the Loan Agreement. No interest shall accrue on the City Note, the term of which shall be ten (10) years from the date the Promissory Note is executed (the "Note Term"). The Borrower shall have no obligation to repay the City Loan or Promissory Note, or make any installment payments thereon, unless and until the Borrower commits a material default of this Agreement, the Promissory Note, Deed of Trust, or Regulatory Agreement, and fails to cure said default within the time periods provided in those documents, if any. Upon the occurrence of any uncured material default by the Borrower, the City Loan shall be immediately repaid to the City as set forth in Section 402. At the end of the Note Term, provided the Borrower has not committed or caused the occurrence of a material default of this Agreement, the Promissory Note, Deed of Trust, or the Regulatory Agreement, the City Loan shall be forgiven in its entirety and the City shall, upon the request by Borrower, execute and record a partial reconveyance deed removing the portion of the deed of trust attributable to the City Loan from title. The City Loan shall be disbursed to or on behalf of the Borrower for the costs of the development of the Property, and other related expenses (escrow, title insurance, taxes, closing costs) upon the satisfaction of the conditions set forth in Section 102 hereof. The City Loan shall be used to fund Two Hundred Seventy Five Thousand dollars (\$275,000), towards the development of the Property.

102. Conditions Precedent to Disbursement of City Loan. The City Loan shall be disbursed to or on behalf of the Borrower upon the satisfaction of the following conditions (and without any retention requirements):

a. Execution and Delivery of Documents. The Borrower shall have executed and delivered to the City the Promissory Note, the Deed of Trust, and the Regulatory Agreement, and any other documents and instruments required to be executed and delivered by the Borrower (collectively, the "Loan Documents"). The Deed of Trust shall be a lien upon the Property, junior only to other loans of the City, and shall be a non-recourse obligation of the Borrower.

b. Insurance. The Borrower shall have presented a certificate to the City of the insurance policies which are required pursuant to this Agreement.

c. Title Insurance. The requesting party or parties shall have received from a title insurance company approved by the requesting party or parties a policy of lender's title insurance with mechanic's lien coverage, together with such endorsements as the insured party may require, which shall insure the deed of trust of the requesting party or parties as a valid lien upon the Property, in the lien priority required by this Agreement, and subordinate only to those liens and encumbrances reasonably approved by the insured party.

d. Title to Land. The Borrower has good and marketable fee title to the Property, and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than the liens for current real property taxes and assessments not yet due and payable, and any other matters approved in writing by the City.

e. **Recordation.** The Deed of Trust and the Regulatory Agreement shall be recorded against the Property concurrently with or prior to the time of the first disbursement of the City Loan.

f. **Request for Payment.** For payment of Development costs, the Borrower shall have submitted a request for payment to the City on a form supplied by the City, together with invoices from contractors and subcontractors and any other requested information and documents, indicating that the particular item of Development work for which payment is being requested is complete.

g. **Inspection of Work.** The City shall have inspected the particular item of development work for which payment is being requested and shall have determined that such development work has been completed in accordance with this Agreement and has been completed in a satisfactory manner in accordance with the standards of the construction industry.

h. **No Default.** There shall exist no condition, event or act which would constitute an Event of Default (as hereinafter defined) hereunder or which, upon the giving of notice or the passage of time, or both, would constitute an Event of Default.

i. **Representations and Warranties.** All representations and warranties of the Borrower herein contained shall be true and correct.

103. Assumption of City Loan. Except in connection with transfers approved or permitted pursuant to this Agreement, no Promissory Note may be assigned or assumed by successors and assigns of the Borrower. In no event, however, shall Promissory Note be assigned except in connection with the conveyance of the Property to the person or entity which acquires the Property, as approved by the City in its sole and absolute discretion.

104. Condition of the Property. The following requirements shall apply to the Property:

104.1 Indemnification. The Borrower shall save, protect, pay for, defend, indemnify and hold harmless the City and its officers, employees, representatives and agents, from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by the City or its officers, employees, representatives or agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials which is caused by the Borrower, or its agents, employees, representatives, agents, contractors or invitees.

104.2 Duty to Prevent Hazardous Material Contamination. During the Development and operation of the Property, the Borrower shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Borrower shall notify the City, and provide to the City a copy or copies, of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Borrower shall report to the City, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

104.3 Definitions.

“Governmental Requirements” shall mean 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, the Borrower or the Property.

“Hazardous Materials” means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a “hazardous material,” “hazardous substance,” or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) listed under Article 9 or defined as “hazardous” or “extremely hazardous” pursuant to Article 11 of Title 22 of the California Code of Regulations, Division 4, Chapter 20, (x) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (xi) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, *et seq.* (42 U.S.C. §6903) or (xii) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.*

200. DEVELOPMENT OF THE PROPERTY.

201. Development of the Property. The Borrower shall develop on the Property located at 1707 Needles Highway, Needles, California 92363, as more particularly described in Exhibit A attached hereto, twenty-nine (29) units of multi-family (micro-apartment) housing through the adaptive reuse of a former hotel/motel. Each unit shall be approximately 300 square feet and include a sleeping area, kitchenette with a two (2) burner stove, refrigerator, countertop, electric vent, bathroom (including a tub/shower, toilet sink, faucet and countertop), and closet area for the storage of clothing and personal belongings. The units shall be restricted to lower income households as defined by HCD (0-80% of AMI) and operated in accordance with Section 300, the Scope of Work, attached hereto as Exhibit E and incorporated herein by reference, the Federal Housing Quality Standards, 24 CFR §982.401, the City Municipal Code and all other applicable state and local codes, development standards, ordinances and zoning ordinances, the lead based paint requirements of 24 CFR part 35, and accessibility standards pursuant to 24 CFR part 8 and 22 CFR 92.251(a)(2) (“New Construction”). The development shall be conducted in such a manner so as to avoid or minimize tenant displacement to the greatest extent feasible, in accordance with the provisions of Section 209.2 hereof. The Borrower further agrees to comply with and to cause any contractors and/or subcontractors to comply with the requirements of Section 3, 24 CFR 135 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 170u, and the implementing regulations, in connection with the Development of the Property. The Borrower shall submit to the City one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the City providing for the Development of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall be subject to verification on www.sam.gov by the City that neither it nor its principals is

presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, and the City shall be responsible for determining whether each contractor has been debarred in accordance with 2 CFR Part 200. The City shall reasonably approve such contract or contracts if the City finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Development of the Property in a first class manner in accordance with all of the requirements of this Agreement.

202. Scope of Work. The City shall not be responsible to the Borrower or to third parties in any way for any defects in the Scope of Work, nor for any structural or other defects in any work done according to the approved Scope of Work. The Borrower shall hold harmless, indemnify and defend the City and its officers, employees, agents and representatives from and against any claims, suits for damages to property or injuries to persons arising out of or in any way relating to defects in the Scope of Work, including without limitation the violation of any laws, and for defects in any work done according to the approved Scope of Work.

203. Cost of Development. The Development of the Property shall be paid with the proceeds of the City Loan and the Borrower's private funding sources. The Borrower shall be responsible for any additional funds necessary to complete the Development of the Property; provided, however, that in the event that there are insufficient Loan proceeds available to fund such work, the City shall reasonably consider deleting certain work from the Scope of Work, and the Borrower shall accelerate payment of all or a portion of the Borrower Fee, in order to assure that there are sufficient funds for the Development.

204. Timing of Development. The Borrower hereby covenants and agrees to commence the Development of the Property within the time set forth in the Schedule of Performance, attached hereto as Exhibit F and incorporated by this reference. The Borrower further covenants and agrees to diligently prosecute to completion, the Development of the Property in accordance with the approved Scope of Work and to file a Notice of Completion pursuant to California Civil Code Section 3093 within the time set forth in the Schedule of Performance.

205. City and Other Governmental Permits. Before commencement of the Development of the Property, the Borrower shall secure or cause its contractor to be secured any and all permits which may be required by the City or any other governmental agency affected by such construction, including without limitation building permits. The Borrower shall pay all necessary fees and take all actions necessary to obtain such permits; the staff of the City will, without obligation to incur liability or expense therefor, use its best efforts to expedite the City's issuance of building permits for construction that meets the requirements of the City Code, and all other applicable laws and regulations.

206. Right of the City to Satisfy Other Liens on the Property After City Loans Disbursement. After the Borrower has had written notice and has failed after a reasonable time to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Property which are not otherwise permitted under this Agreement, the City shall have the right but no obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Borrower shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance applicable to the Borrower in respect thereto.

207. Insurance and Indemnity. The Borrower shall take out and maintain or shall cause its contractor to take out and maintain until the issuance of the Certificate of Completion pursuant to this Agreement, a comprehensive general liability policy in the amount of not less than Two Million Dollars (\$2,000,000) combined single limit policy. All policies shall protect the Borrower and City

from claims for such damages, and be issued by an insurance carrier qualified to do business in the State of California, which carrier is reasonably satisfactory to the City. Such policy or policies shall be written on an occurrence form. The Borrower shall also take out and maintain a policy of property damage insurance, with the policy amount in the full replacement value of the Property. The Borrower shall also furnish or cause to be furnished to the City evidence satisfactory to the City that Borrower and any contractor with whom it has contracted for the performance of work on the Property or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law. Prior to the Borrower's procurement or renewal of an insurance policy, and not less than annually in any case, the Borrower shall furnish a certificate of insurance countersigned by an authorized agent of the insurance carrier on a form approved by the City setting forth the general provisions of the insurance coverage. This countersigned certificate shall name the City and its officers, agents, and employees as additionally insured parties under the policy, and the certificate shall be accompanied by a duly executed endorsement evidencing such additional insured status, which shall be provided as a separate endorsement attached to the certificate. The certificate and separate endorsement by the insurance carrier shall contain a statement of obligation on the part of the carrier to notify City of any material change, cancellation or termination of the coverage at least thirty (30) days in advance of the effective date of any such material change, cancellation or termination. Coverage provided hereunder by the Borrower shall be primary insurance and not be contributing with any insurance maintained by the City, and the policy shall contain such an endorsement. The insurance policy or the endorsement shall contain a waiver of subrogation for the benefit of the City. The required certificate shall be furnished by the Borrower at the time set forth therefor in the Schedule of Performance. The Borrower shall also take out and maintain, until the end of the Affordability Period, a policy of property damage insurance with the policy amount in the full replacement value of the Property.

In addition to the foregoing, the Borrower shall defend, indemnify, assume all responsibility for, and hold the City and its representatives, volunteers, officers, employees and agents, harmless from all claims, demands, damages, defense costs or liability of any kind or nature relating to the subject matter of this Agreement or the implementation thereof and for any damages to property or injuries to persons, including accidental death (including attorneys fees and costs), which may be caused by any acts or omissions of the Borrower under this Agreement, whether such activities or performance thereof be by the Borrower or by anyone directly or indirectly employed or contracted with by the Borrower and whether such damage shall accrue or be discovered before or after termination of this Agreement. The Borrower shall not be liable for property damage or bodily injury to the extent occasioned by the sole negligence of the City or its agents or employees.

208. Entry by the City. The Borrower shall permit the City, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the Property and work of Development to determine that the same is in conformity with the Scope of Work and all the requirements hereof. The City intends that the Property will be inspected not less than annually to ensure compliance with the requirements of this Agreement. The Borrower acknowledges that the City is under no obligation to supervise, inspect, or inform the Borrower of the progress of construction, and the Borrower shall not rely upon the City therefor. Any inspection by the City is entirely for its purposes in determining whether the Borrower is in default under this Agreement and/or compliance with City building codes and is not for the purpose of determining or informing the Borrower of the quality or suitability of construction. The Borrower shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

209. Compliance with Laws. The Borrower shall carry out the design, Development and operation of the Property in conformity with all applicable laws, including all applicable federal and state labor standards, City zoning and development standards, building, plumbing, mechanical and

electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

209.1 Taxes and Assessments. The Borrower shall be entitled to apply for and receive a full or partial exemption from the payment of property taxes and assessments which would be assessed upon the Property. The City does not represent or warrant to the Borrower that such an exemption will be available to the Borrower. The Borrower shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Borrower's right to contest in good faith any such taxes or to receive an exemption from the payment of such taxes as provided above.

209.2 Liens and Stop Notices. The Borrower shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Borrower shall within thirty (30) days of such recording or service or within five (5) days of the demand of the City, whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the City a surety bond in sufficient form and amount, or otherwise; or provide the City with other assurance which the City deem, in their sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of City from the effect of such lien or bonded stop notice.

209.3 HCD Program Requirements. The City Loan will be provided through funds provided to the City from the HCD PIP Program described above, as it now exists and as it may hereafter be amended. Accordingly, the Borrower shall comply with all applicable requirements of the PIP Program, as it now exists or may hereafter be amended.

209.4 Certificate of Completion. Promptly after completion of the Project in conformity with this Agreement, the City shall furnish the Borrower with a "Certificate of Completion", substantially in the form of Attachment No. hereto which is incorporated herein by reference. The City shall not unreasonably withhold such Certificate of Completion. The Certificate of Completion shall be a conclusive determination of satisfactory completion of the Project and the Certificate of Completion shall so state. If the City refuses or fails to furnish the Certificate of Completion, after written request from the Borrower, the City shall, within fifteen (15) days of written request therefor, provide the Borrower with a written statement of the reasons the City refused or failed to furnish the Certificate of Completion. The statement shall also contain the City's opinion of the actions the Borrower must take to obtain the Certificate of Completion. Even if the City shall have failed to provide such written statement within such fifteen (15) day period, the Borrower shall not be deemed entitled to the Certificate of Completion. The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of the Borrower to any holder of any mortgage, or any insurer of a mortgage securing money loaned to finance the Project, or any part thereof. The Certificate of Completions is not a notice of completion as referred to in Section 8182 of the California Civil Code.

209.5 The Borrower shall be responsible for making a prevailing wage determination for the Project. If applicable, the Borrower agrees to ascertain the general prevailing rate of per diem wages in the locality in which the work is to be performed, for each craft or type of worker needed to execute the contract or work. The Borrower shall specify in the contract such rate and the general prevailing rate for regular holiday and overtime work in the locality, for each craft or type of worker needed to execute the contract Health and Safety Code section 33423. The Borrower further agrees to deliver to each subcontractor a written copy of the prevailing wage determination as determined in connection with the project prior to the execution of the subcontract and to require each subcontractor as a part of their contract

to agree to pay not less than prevailing wages as so determined. The Borrower shall keep posted in a conspicuous place or places on the project at all times during construction a legible copy of the applicable prevailing wage.

300. OPERATION OF HOUSING

301. Affordable Units. The Borrower agrees to make available, restrict occupancy to, and lease twenty-nine (29) of the constructed housing units of the Project to: i) a Low-income household or family whose annual incomes do not exceed 80 percent of the median income for the area, as established and amended from time to time by HUD or ii) the limits defined under Section 50079.5 for lower income households, all at an Affordable Rent (all of the units are hereafter the “Affordable Units”). The Borrower shall comply with the terms set forth below and in the Regulatory Agreement which is attached hereto as Exhibit D and incorporated herein by reference. Any variation from these requirements must comply with the procedure set forth in Section 312 of this Agreement.

The Borrower shall annually submit to the City a completed income computation and certification form, in a form to be provided by the City, and such forms may change from time to time. The Borrower shall certify that each tenant of the Property meets the income restrictions of this Section 301. The Borrower shall obtain an income certification from the tenant of the Property which shall certify that the income of the tenant is truthfully set forth in the income certification form. Unless otherwise specified by the City, the Borrower shall verify the income certification of the tenant in accordance with HCD regulations which may include one or more of the following methods:

- a. obtain two (2) paycheck stubs from the tenant’s two (2) most recent pay periods, if any.
- b. obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed.
- c. obtain an income verification certification from the employer of the tenant.
- d. obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies.
- e. obtain three (3) most recent checking, savings and money market statements.
- f. most recent investment and retirement statements
- g. obtain an alternate form of income verification reasonably requested by the Borrower, if none of the above forms of verification is available to the Borrower.

The Property shall be subject to the requirements of this Article 300 in perpetuity commencing upon the recording date of the Certificate of Completion of the Project. The duration of this requirement shall be known as the “Affordability Period.”

302. Affordable Rent. The maximum Monthly Rent chargeable to income eligible households shall be annually determined by the City in accordance with HCD requirements. The maximum rent that the Borrower may charge any household occupying an affordable unit shall meet the following requirements:

- a. The Monthly Rent payable by a tenant who meets the income limits for lower income households shall not exceed the lesser of: a.) High Rents at the lesser of the Section 8 Fair Market Rents, or 65% of area median income, as established and amended annually by HUD, adjusted for number of bedrooms in the unit, as well as the reasonable monthly utility allowance; or b.) the

lower income rents set forth in Health & Safety Code Section 50053 based on the methodology established by HCD, adjusted for number of bedrooms in the unit, less the reasonable monthly utility allowance.

b. Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the housing unit, the tenant's income increases to greater than the qualifying limits set forth above, the Monthly Rent charged by the Borrower shall not exceed thirty percent (30%) of the tenant's adjusted income.

c. For purposes of this Agreement, "Monthly Rent" means the total of monthly payments for (a) use and occupancy of the Property and land and required facilities associated therewith (including parking), (b) any separately charged fees or service charges assessed by the Borrower which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the Borrower.

303. Lease Requirements. Prior to disbursement of the City Loans, the Borrower shall submit a standard lease form to the City for its approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to HCD Regulations. The Borrower shall enter into a written lease, in the form approved by the City, with each tenant of the Property.

304. Selection of Tenants. The Property shall be leased to current tenants selected by the Borrower who meet all of the requirements provided herein. The Borrower shall adopt a tenant selection system in conformance with HCD Regulations, which shall be approved by the City in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants, or, to the extent feasible, utilizes a Coordinated Entry System. The Borrower shall not refuse to lease to a holder of a rental voucher under 24 CFR part 982 (Section 8 Tenant Based Assistance: Housing Choice Voucher Program) or to the holder of a comparable document evidencing participation in Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria.

305. Affordability Period. Affordability Period means the duration of the affordable housing requirements which are set forth in this Agreement and the Regulatory Agreement. The project shall be subject to the requirements herein in perpetuity commencing upon the recording date of the Certificate of Completion of the Project. For purposes of this Section, "in perpetuity" means the useful life of the Property with the land use controls imposed, but not less than fifty-five (55) years. The duration of this requirement shall be known as the "Affordability Period."

306. Occupancy Standards. To the extent legally possible, occupancy of the Affordable Units shall be limited to two persons per bedroom plus one additional person. Notwithstanding the foregoing, however, no residents of the Affordable Units as of the date of this Agreement shall be evicted from their apartment units solely because such residents do not meet the occupancy standards requirements of this Section 306.

307. Maintenance. The Borrower shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the maintenance standards required of similar housing units within San Bernardino County, California, and the standards required by the City Municipal Code. If at any time the Borrower fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City

with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by the Borrower to the City, as appropriate, upon demand.

308. Management Plan. The Borrower shall submit for the approval of the City a “Management Plan” which sets forth in detail the Borrower’s property management duties, the tenant selection process in accordance with Section 304 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the manager of the Property (the “Property Manager”), and other matters relevant to the management of the Property. The Management Plan shall require the Borrower to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

If the City determines that the performance of the Property Manager is deficient based upon the standards set forth in the Management Plan and in this Agreement, the City shall provide notice to the Borrower of such deficiencies, and the Borrower shall use its best efforts to correct such deficiencies. In the event that such deficiencies have not been cured within the time set forth in Section 401 hereof, the City shall each have the right to require the Borrower to immediately remove and replace the Property Manager with another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Borrower, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential development of the size, quality and scope of the Property.

309. Monitoring and Recordkeeping. Throughout the Affordability Period, the Borrower shall comply with all applicable recordkeeping and monitoring requirements set forth in Health and Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours’ notice, to monitor compliance with this Agreement, to inspect the records of the Property, and to conduct an independent audit or inspection of such records. The Borrower agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Borrower’s consent to such an inspection or audit, the Borrower understands and agrees that the City may obtain at the Borrower’s expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. The Borrower agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

310. Non-Discrimination Covenants. The Borrower covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, national origin, or ancestry 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 in the Property. The Borrower shall also comply with applicable equal opportunity and fair housing requirements. The covenants established in this Section

310 shall, without regard to technical classification and designation, be binding for the benefit and in favor of the City and its successors and assigns, and shall remain in effect in perpetuity.

311. Regulatory Agreement. The requirements of this Agreement which are applicable after the disbursement of the City Loans are set forth in the “Regulatory Agreement” which is attached hereto as Exhibit D and incorporated herein by reference. The execution and recordation of the Regulatory Agreement is a condition precedent to the disbursement of the City Loans.

312. Leasing Affordable Units Below Income Level Designations. In the event the Borrower is unable to lease an Affordable Unit at its designated income level, the Borrower may submit a request to the City Manager, or his or her designee, to lease a particular Affordable Unit at a level that is below the agreed unit designation set forth in Section 301 of this Agreement. The Executive Director, or its designee, may, in his or her sole discretion, approve such requests upon making a finding that, for a period of not less than ninety (90) days, the Borrower has made all reasonable efforts to market the Affordable Unit to prospective tenants at the designated income level, that there are no apparent qualified applicants at the designated income level, and that there are no significant financial impacts to the project. The City Manager, or his or her designee, may authorize one or more lower income designations. The new tenants for the temporarily redesignated Affordable Unit must have a household income that meets the appropriate income designation (depending on the unit redesignation) as set forth below:

a.) Extremely-Low means households (“Extremely-Low Households”) that do not exceed the following: i) the qualifying limits for Extremely-Low Income Households as established and amended from time to time by HUD or ii) the limits defined under California Health and Safety Code Section 50106 for extremely-low income households, adjusted for household size.

b.) Lower Income means households (“Low Income Households”) that do not exceed the following: i) qualifying limits for Low Income Households as established and amended from time to time by HUD or ii) the limits defined under California Health and Safety Code Section 50079.5 for Lower Income Households, adjusted for household size; and includes Extremely-Low to Very-Low Income Households.

c.) In order to maintain the household income mix set forth in Section 301 above, the Borrower shall lease the next available Affordable Unit at the income level subject to the any waiver granted pursuant to this section. The Borrower shall re-apply for approval to vary from such designation, in the event the Borrower is unable to again lease an Affordable Unit at the designated income level.

400. DEFAULT AND REMEDIES

401. Events of Default. A failure by any party to perform any action or covenant required by this Agreement, the Regulatory Agreement, the Promissory Notes, and/or the Deed of Trust, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a “Default” under this Agreement. A party claiming a Default shall give written notice of Default to the other parties specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within five (5) days if the claimed Default is a failure to pay amounts due pursuant to the Promissory Note, or thirty (30) days from receipt of such notice for all other claimed Defaults hereunder. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days

from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Borrower is in default on any loan or deed of trust, the Borrower shall immediately deliver to the City a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the City shall have the right (but not be obligated to) cure such default. In such event, the City shall be entitled to reimbursement from the Borrower of all costs and expenses they have actually incurred in curing such default. The City shall be entitled to add the amount incurred by it to the amounts owing pursuant to the Promissory Note, and secured by the Deed of Trust.

402. Remedies. The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement and/or, the Promissory Note, the Deed of Trust or Regulatory Agreement (collectively, the "Loan Documents"), including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under the Loan Documents or to enjoin acts or things which may be unlawful or in violation of the provisions of the Loan Documents, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by the Borrower will relieve the City of any obligation to perform hereunder, including without limitation to make or continue the City Loan, and the right to cause all indebtedness of the Borrower to the City under this Agreement and the Promissory Note, together with any accrued interest thereon, to become immediately due and payable.

403. Force Majeure. Subject to the party's compliance with the notice requirements as set forth below, performance by either 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 causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other party, or acts or failures to act of any public or governmental entity (except that the acts or failure to act of the City shall not excuse performance of the City hereunder). An extension of the 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. Inability to obtain financing for the acquisition or operation of the Property shall not constitute an event beyond the control of the Borrower for purposes of this Section 403.

404. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder or under any of the Loan Documents, the prevailing party shall be entitled to recover from the other party its costs of suit and reasonable attorneys' fees.

405. Remedies Cumulative. No right, power, or remedy given by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given by the terms of any such instrument, or by any statute or otherwise.

406. Waiver of Terms and Conditions. Any party may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

407. Non-Liability of City Officials and Employees. No member, official, employee or agent of the City shall be personally liable to the 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 the Borrower or its successors, or on any obligations under the terms of this Agreement.

500. GENERAL PROVISIONS

501. Time. Time is of the essence in this Agreement.

502. Notices. Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Borrower: 1707 Needles Hwy, LLC
1707 Needles Highway
Needles, CA 92363
Attention: Armen Ghadimian

City: City of Needles
817 3rd Street
Needles, CA 92363
Attention: City Manager

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

503. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants to the City as follows:

a. Organization. The Borrower is a duly organized, validly existing limited liability company in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

b. Authority of the Borrower. The Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, to Develop and operate the Property, and to perform and observe the terms and provisions of all of the above.

c. Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of the Borrower enforceable against it in accordance with their respective terms.

d. Pending Proceedings. The 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 the Borrower, threatened against or affecting the Borrower or the Property, at law or in equity, before or by any court, board, commission

or agency whatsoever which might, if determined adversely to the Borrower, materially affect the Borrower's ability to repay the City Loan or impair the security to be given to the City pursuant hereto.

e. Layering Review. The Borrower acknowledges that a layering review was performed in accordance with 24 CFR 92.250 (b). The Borrower hereby represents and certifies to the City that no government assistance other than the City Loan has been obtained or is contemplated to be obtained for the development of the Property. The Borrower agrees to notify the City in the event that it applies for or proposes to use other governmental funds for the Property prior to the end of the Affordability Period.

504. Limitation Upon Change in Ownership, Management and Control of the Borrower.

a. Prohibition. The identity and qualifications of the Borrower as a locally based, experienced and successful operator of affordable housing projects are of particular concern to the City. It is because of this identity and these qualifications that the City has entered into this Agreement with the Borrower. No voluntary or involuntary successor in interest of the Borrower shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall the Borrower make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Property, without the prior written approval of the City pursuant to Subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

b. Permitted Transfers. Notwithstanding any other provision of this Agreement to the contrary, City approval of an assignment or transfer of this Agreement, the City Loan, the Promissory Note, the Deed of Trust, the Regulatory Agreement, or conveyance of the Property or any part thereof pursuant to subparagraph (c) of this Section 504, shall not be required in connection with any of the following (the "Permitted Transfers"):

(i) Subject to the restrictions of Sections 301 through 310 of this Agreement and the Regulatory Agreement, the lease of units within the Property to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by the City.

In the event of an assignment by the Borrower not requiring the prior approval of the City, the Borrower nevertheless agrees that at least ten (10) days prior to such assignment or transfer it shall give written notice to City of such assignment or transfer.

c. City Consideration of Requested Transfer. The City agrees that it will not unreasonably withhold approval of a request made pursuant to this Section 504, provided (a) the Borrower delivers written notice to the City requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability, and comparable net worth and resources, as the proposed transferor or assignor, and (c) the assignee or transferee assumes the obligations of the Borrower under this Agreement in a form which is reasonably acceptable to the City, and (d) the assignee or transferee is a Community Housing Development Organization. Such notice shall be accompanied by evidence regarding the proposed assignee's or purchaser's qualifications and experience and its financial commitments and resources sufficient to enable the City to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 504(c) and other criteria as reasonably determined by the City. The City shall approve or disapprove the request within thirty (30) days of its receipt of the Borrower's notice and all information and materials required herein. In no event, however, shall the City be obligated to approve the assignment or transfer of the City Loans, Promissory Note or Deed of Trust pursuant to this Section 504, except to an approved transferee or assignee of the Borrower's rights in and to the Property.

d. Successors and Assigns. This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Borrower and the permitted successors and assigns of the Borrower. Whenever the term "Borrower" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

505. No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of the City and the Borrower and their permitted successors and assigns, and no other person or persons shall have any right of action hereon.

506. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

507. Governing Law. This Agreement and the Loan Documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

508. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by the Borrower and City. City shall maintain authority of this Agreement and the authority to implement this Agreement through the City Manager (or his/her duly authorized representative). The City Manager (or his/her duly authorized representatives) shall have the authority to make approvals, issue interpretations, execute documents, and/or enter into certain amendments of this Agreement, on behalf of City, respectively, including but not limited to reasonable requests of the Borrower, or the requirements of the PIP Program, so long as such actions do not materially or substantially change the uses or development permitted on the Property, or add to the costs incurred or to be incurred by City as specified herein, and such approvals, interpretations and/or amendments may include extensions of time to perform as specified in the Schedule of Performance. All other material and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the City Council.

509. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the City, such approval may be given on behalf of the City by the City Manager or his or her designee. The City Manager or his or her designee is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement on behalf of the City, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement, revisions to the Schedule of Performance, and amendments which do not substantially change the uses or restrictions hereunder, or substantially add to the costs of the City hereunder.

510. Exhibits if executed. When Exhibits are executed as if an original document, then it will be assumed that the intent of the signatory was that such exhibit be treated as a standalone original, and not merely as an exhibit.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

BORROWER:

1707 NEEDLES HWY, LLC, a California limited liability company

By: _____

Name: Armen Ghadimian

Title: Managing Partner

CITY:

CITY OF NEEDLES, a California charter city

By: _____

Name: Patrick Martinez

Title: City Manager

ATTEST:

Candace Clark, Interim City Clerk

APPROVED AS TO FORM:

By: John O. Pinkney, City Attorney

EXHIBIT A LEGAL DESCRIPTION

All that real property situated in the City of Needles, County of SAN BERNARDINO, State of California, described as:

That portion of the Northwest 1/4 of the Northeast 1/4 of Section 30, Township 9 North; Range 23 East, San Bernardino Base and Meridian, in the City of Needles, County of San Bernardino, State of California, according to the Official Map thereof, described as follows:

Beginning at a point on the South line of the Northwest 1/4 of the Northeast 1/4 of said Section 30, which is North 89 deg. 23' 00" West 160.00 feet from the Southeast corner thereof; thence North 89 deg. 23' 00" West along said South line; thence North 240.00 feet; thence South 89 deg. 23' 00" East 150.00 feet; thence South 165.00 feet; thence South 89 deg. 23' 00" East 50.00 feet; thence South 75.00 feet to the Point of Beginning.

Except therefrom that portion conveyed to William A. Fancher et ux, by Deed recorded August 18, 1971, in Book 7733, Page 924, Official Records.

EXHIBIT B

PROMISSORY NOTE

[See the pages that follow]

EXHIBIT B
PROMISSORY NOTE
(RIVER VALLEY)

1707 Needles Highway, in the City of Needles, California

\$275,000

January 28, 2024
Needles, California

FOR VALUE RECEIVED, 1707 NEEDLES HWY, LLC, a California limited liability company (the “Borrower”), promises to pay to the CITY OF NEEDLES, a California charter city (the “City”), or order, at the City’s office at 817 3rd Street, Needles, California 92363, or such other place as the City may designate in writing, the principal sum of **Two Hundred Seventy Five Thousand dollars (\$275,000)** in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

1. Agreement. This Promissory Note (the “Note”) is given in accordance with that certain Affordable Housing Agreement executed by the City and the Borrower, dated as of January 28, 2025 (the “Agreement”) which is incorporated herein by this reference. The rights and obligations of the Borrower and the City under this Note shall be governed by the Agreement and by the additional terms set forth in this Note. In the event of any conflict, the Affordable Housing Agreement prevails, then the Promissory Note.

2. Interest. Two percent (2%) interest shall accrue on the Note Amount.

3. Repayment of Note Amount. The Note Amount shall be immediately due and payable in the event that one of the repayment conditions set forth herein, to wit: the Borrower commits a material default of the Agreement, this Note, the Deed of Trust securing this Note, or the Regulatory Agreement, and fails to cure said default within the time periods provided in those documents, if any. Otherwise, the Borrower shall have no obligation to pay this Note or make any installment payment thereon. Beginning on the first (1st) anniversary of the date this Note is executed through the tenth (10th) anniversary date, provided the Borrower has not committed or caused the occurrence of a material default of the Agreement, this Note, the Deed of Trust securing this Note, or the Regulatory Agreement, the Note Amount will be forgiven at the rate of 1/10th of the Note Amount until the Note Amount is forgiven in its entirety.

Notwithstanding the foregoing, however, the total amount of the principal, interest and any other amounts owing under this Note shall become immediately due and payable upon the earlier to occur of the following:

a. the sale, lease, exchange or other conveyance of the Property, as that term is defined in the Agreement (other than transfers approved or permitted pursuant to the Agreement);
or

b. in the event of a material default by the Borrower under the Agreement, the Deed of Trust securing this Note, the Regulatory Agreement, or this Note, which has not been cured within the period of time set forth in those documents.

Failure to declare such amounts due shall not constitute a waiver on the part of the City to declare them due subsequently.

4. Security. This Note shall be secured by a Deed of Trust dated the same date as this Note. A default of Note could result in foreclosure of this property. The form of the Deed of Trust shall be provided to the Borrower.

5. Waivers.

a. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time at the City's sole discretion and that the City may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of the Borrower.

b. No extension of time for payment of this Note made by agreement by the City with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of the Borrower under this Note, either in whole or in part.

c. The obligations of the Borrower under this Note shall be absolute and the Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

6. Attorneys' Fees and Costs. The Borrower agrees that if any amounts due under this Note are not paid when due, to pay in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

7. Deed of Trust Acceleration. The Deed of Trust and the Agreement provide for acceleration of the payments due under this Note in the event of default under the Deed of Trust or Agreement.

8. Amendments and Modifications. This Note may not be changed orally, but only by an amendment in writing signed by the Borrower and by the City.

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

10. The Borrower Assignment Prohibited. Except in connection with transfers permitted pursuant to the Agreement, in no event shall the Borrower assign or transfer any portion of this Note without the prior express written consent of the City, which consent may be given or withheld in the City's sole discretion.

11. Terms. Any terms not separately defined herein shall have the same meanings as set forth in the Agreement.

BORROWER

1707 NEEDLES HWY, LLC, a
California limited liability company

By: _____

Name: Armen Ghadimian

Title: Managing Partner

EXHIBIT C

**DEED OF TRUST WITH ASSIGNMENT OF RENTS
(SHORT FORM)**

[See the pages that follow]

RECORDING REQUESTED BY)
 AND WHEN RECORDED MAIL TO:)
)
 City of Needles)
 817 3rd Street)
 Needles, California 92363)
 Attention: City Clerk)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

DEED OF TRUST WITH ASSIGNMENT OF RENTS (SHORT FORM)

This **DEED OF TRUST WITH ASSIGNMENT OF RENTS** (this “Deed of Trust”), is made as of January 28, 2025, by **1707 NEEDLES HWY, LLC**, a California limited liability company (“Trustor”), whose address is 1707 Needles Hwy, Needles, California 92363, to Stewart Title Guaranty Co. (and in such capacity herein called the “Trustee”), for the benefit of the **CITY OF NEEDLES**, a California charter city (and in such capacity herein called the “Beneficiary”), having an office located at 817 3rd Street, Needles, California 92363.

WITNESSETH: that Trustor grants to Trustee in Trust, with Power of Sale, that property in the County of San Bernardino, State of California, described as:

See attached Exhibit A, incorporated herein

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

For the purpose of securing (1) payment of Two Hundred Seventy Five Thousand dollars (\$275,000), according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof, and (2) the performance of each agreement of Trustor incorporated by reference or contained herein (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

| COUNTY | BOOK | PAGE | COUNTY | BOOK | PAGE |
|---------|------|------|--------|------|------|
| Alameda | 1288 | 556 | Placer | 1028 | 379 |

| | | | | | |
|--------------|--------|--------|--|-------|------|
| Alpine | 3 | 130-31 | Plumas | 166 | 1307 |
| Amador | 133 | 438 | Riverside | 3778 | 347 |
| Butte | 1330 | 513 | Sacramento | 5039 | 124 |
| Calaveras | 185 | 338 | San Benito | 300 | 405 |
| Colusa | 323 | 391 | San Bernardino | 6213 | 768 |
| Contra Costa | 4684 | 1 | San Francisco | A-804 | 596 |
| Del Norte | 101 | 549 | San Joaquin | 2855 | 283 |
| El Dorado | 704 | 635 | San Luis Obispo | 1311 | 137 |
| Fresno | 5052 | 623 | San Mateo | 4778 | 175 |
| Glenn | 469 | 76 | Santa Barbara | 2065 | 881 |
| Humboldt | 801 | 83 | Santa Clara | 6626 | 664 |
| Imperial | 1189 | 701 | Santa Cruz | 1638 | 607 |
| Inyo | 165 | 672 | Shasta | 800 | 633 |
| Kern | 3756 | 690 | San Diego SERIES 5 Book 1964, Page 149774 | | |
| Kings | 858 | 713 | Sierra | 38 | 187 |
| Lake | 437 | 110 | Siskiyou | 506 | 762 |
| Lassen | 192 | 367 | Solano | 1287 | 621 |
| Los Angeles | T-3878 | 874 | Sonoma | 2067 | 427 |
| Madera | 911 | 136 | Stanislaus | 1970 | 56 |
| Marin | 1849 | 122 | Sutter | 655 | 585 |
| Mariposa | 90 | 453 | Tehama | 457 | 183 |
| Mendocino | 667 | 99 | Trinity | 108 | 595 |
| Merced | 1660 | 753 | Tulare | 2530 | 108 |
| Modoc | 191 | 93 | Tuolumne | 177 | 160 |
| Mono | 69 | 302 | Ventura | 2607 | 237 |
| Monterey | 357 | 239 | Yolo 7 | 69 | 16 |
| Napa | 704 | 742 | Yuba | 398 | 693 |
| Nevada | 363 | 94 | | | |
| Orange | 7182 | 18 | | | |

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivision A and B, (identical in all counties), are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

1707 NEEDLES HWY, LLC, a
California limited liability company

By: _____

Name: Armen Ghadimian

Title: Managing Partner

EXHIBIT "A"

LEGAL DESCRIPTION

All that real property situated in the City of Needles, County of SAN BERNARDINO, State of California, described as:

That portion of the Northwest 1/4 of the Northeast 1/4 of Section 30, Township 9 North; Range 23 East, San Bernardino Base and Meridian, in the City of Needles, County of San Bernardino, State of California, according to the Official Map thereof, described as follows:

Beginning at a point on the South line of the Northwest 1/4 of the Northeast 1/4 of said Section 30, which is North 89 deg. 23' 00" West 160.00 feet from the Southeast corner thereof; thence North 89 deg. 23' 00" West along said South line; thence North 240.00 feet; thence South 89 deg. 23' 00" East 150.00 feet; thence South 165.00 feet; thence South 89 deg. 23' 00" East 50.00 feet; thence South 75.00 feet to the Point of Beginning.

Except therefrom that portion conveyed to William A. Fancher et ux, by Deed recorded August 18, 1971, in Book 7733, Page 924, Official Records.

ACKNOWLEDGMENT

State of California } ss.
County of _____ }

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person 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 of Notary

OPTIONAL INFORMATION

Description of Attached Document

Title or Type of Document: _____

Date: _____ Number of Pages: _____

Signer(s) Other than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name:

- ☐ Individual
- ☐ Corporate Officer—Title: _____
- ☐ Partner ☐ Limited ☐ General
- ☐ Attorney in Fact ☐ Trustee
- ☐ Guardian or Conservator
- ☐ Other:

Signer is Representing: _____

EXHIBIT D
REGULATORY AGREEMENT

[See the pages that follow]

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
City of Needles)
817 3rd Street)
Needles, California 92363)
Attention: City Clerk)
)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT (the “Agreement”) is entered into as of this 28 day of January, 2025 by and among the **CITY OF NEEDLES**, a California charter city (the “City”), and **1707 NEEDLES HWY, LLC**, a California limited liability company (the “Developer”).

RECITALS

A. The City has received funds from the California Department of Housing and Community Development (HCD) Prohousing Incentive Pilot (PIP) Program for the purpose of the acceleration of affordable housing production and preservation in the City of Needles.

B. The Developer is negotiating an agreement to develop twenty-nine (29) rental units located at 1707 Needles Highway, Needles, California (the “Property”), located on the land more particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference.

C. The City and the Developer have entered into an Affordable Housing Agreement dated as of January 28, 2025, pursuant to which the City have agreed to provide financial assistance to Developer to develop the Property, and the Developer has agreed to develop the Property with such financial assistance.

D. The execution and recording of this Agreement is a condition to the City making assistance available to the Developer pursuant to the Affordable Housing Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Duty to Prevent Hazardous Material Contamination.** During the Development and operation of the Property, the Developer shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Developer shall notify the City, and provide to the City a copy or copies, of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Developer shall report to the City, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

For purposes of this Section 1, “Governmental Requirements” shall mean 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, the Developer or the Property.

For purposes of this Section 1, “Hazardous Materials” means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a “hazardous material,” “hazardous substance,” or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) listed under Article 9 or defined as “hazardous” or “extremely hazardous” pursuant to Article 11 of Title 22 of the California Code of Regulations, Division 4, Chapter 20, (x) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (xi) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, et seq. (42 U.S.C. §6903) or (xii) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, et seq.

2. **Development of the Property.** The Developer agrees to develop the Property in accordance with the Scope of Work, attached hereto as Exhibit E and incorporated herein by reference, the Federal Housing Quality Standards, 24 CFR §982.401, the City Municipal Code and all other applicable state and local codes, development standards, ordinances and zoning ordinances, the lead based paint requirements of 24 CFR part 35, and accessibility standards pursuant to 24 CFR part 8 (the “Development”). Developer shall submit to the City one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the City providing for the Development of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall be subject to verification on www.sam.gov by the City that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, shall be responsible for determining whether each contractor has been debarred in accordance with 2 CFR Part 200. The City shall reasonably approve such contract or contracts if the City finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Development of the Property in a first class manner in accordance with all of the requirements of this Agreement.

3. **Compliance with Laws.** The Developer shall carry out the design, Development and operation of the Property in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

The Developer shall be responsible for making a prevailing wage determination for the project. If applicable, the Developer agrees to ascertain the general prevailing rate of per diem wages in the

locality in which the work is to be performed, for each craft or type of worker needed to execute the contract or work. The Developer shall specify in the contract such rate and the general prevailing rate for regular holiday and overtime work in the locality, for each craft or type of worker needed to execute the contract Health and Safety Code section 33423. The Developer further agrees to deliver to each subcontractor a written copy of the prevailing wage determination as determined in connection with the project prior to the execution of the subcontract and to require each subcontractor as a part of their contract to agree to pay not less than prevailing wages as so determined. The Developer shall keep posted in a conspicuous place or places on the project at all times during construction a legible copy of the applicable prevailing wage.

4. **Affordable Units.** The Developer agrees to make available, restrict occupancy to, and lease twenty-nine (29) of the constructed housing units of the Project to: i) a Low-income household or family whose annual incomes do not exceed 80 percent of the median income for the area, as established and amended from time to time by HUD or ii) the limits defined under Section 50079.5 for lower income households, all at an Affordable Rent (all of the units are hereafter the “Affordable Units”). The Developer shall comply with the terms set forth below and in the Regulatory Agreement which is attached hereto as Exhibit D and incorporated herein by reference. Any variation from these requirements must comply with the procedure set forth in Section 312 of the Affordable Housing Agreement.

The Developer shall annually submit to the City a completed income computation and certification form, in a form to be provided by the City, and such forms may change from time to time. The Developer shall certify that each tenant of the Property meets the income restrictions of Section 301 of the Affordable Housing Agreement. The Developer shall obtain an income certification from the tenant of the Property which shall certify that the income of the tenant is truthfully set forth in the income certification form. Unless otherwise specified by the City, the Developer shall verify the income certification of the tenant in accordance with HCD regulations which may include one or more of the following methods.

- a. obtain two (2) paycheck stubs from the tenant’s two (2) most recent pay periods, if any.
- b. obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed.
- c. obtain an income verification certification from the employer of the tenant.
- d. obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies.
- e. obtain three (3) most recent checking, savings and money market statements.
- f. most recent investment and retirement statements
- g. obtain an alternate form of income verification reasonably requested by the Developer, if none of the above forms of verification is available to the Developer.

The Property shall be subject to the requirements of Article 300 of the Affordable Housing Agreement in perpetuity commencing upon the recording date of the Certificate of Completion of the Project. The duration of this requirement shall be known as the “Affordability Period.”

5. **Affordable Rent.**

The maximum Monthly Rent chargeable to income eligible households shall be annually determined by the City in accordance with the lesser of: HCD Program requirements or, Health & Safety Code Section 50053. The maximum rent that the Developer may charge any household occupying an affordable unit shall meet the following requirements:

- a. The Monthly Rent payable by a tenant who meets the qualifying income limits for extremely-low income households shall not exceed the lesser of: a.) Low Rents at 50% of the area median income as established and amended annually by HUD, adjusted for number of bedrooms in the unit, as well as the reasonable monthly utility allowance; or b.) the extremely-low income rents set forth in Health & Safety Code Section 50053 based on the methodology established by HCD, adjusted for number of bedrooms in the unit, less the reasonable monthly utility allowance.
- b. The Monthly Rent payable by a tenant who meets the income limits for lower income households shall not exceed the lesser of: a.) High Rents at the lesser of the Section 8 Fair Market Rents, or 65% of area median income, as established and amended annually by HUD, adjusted for number of bedrooms in the unit, as well as the reasonable monthly utility allowance; or b.) the lower income rents set forth in Health & Safety Code Section 50053 based on the methodology established by HCD, adjusted for number of bedrooms in the unit, less the reasonable monthly utility allowance.
- c. Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the housing unit, the tenant's income increases to greater than the qualifying limits set forth above, the Monthly Rent charged by the Developer shall not exceed thirty percent (30%) of the tenant's adjusted income.
- d. For purposes of this Agreement, "Monthly Rent" means the total of monthly payments for (a) use and occupancy of the Property and land and required facilities associated therewith (including parking), (b) any separately charged fees or service charges assessed by the Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the Developer.

6. **Lease Requirements.** Prior to disbursement of the City Loans, the Developer shall submit a standard lease form to the City for its approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to HCD Regulations. The Developer shall enter into a written lease, in the form approved by the City, with each tenant of the Property.

7. **Selection of Tenants.** The Property shall be leased to current tenants selected by the Developer who meet all of the requirements provided herein. The Developer shall adopt a tenant selection system in conformance with HCD Regulations, which shall be approved by the City in its

reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants, or, to the extent feasible, utilizes a Coordinated Entry System. The Developer shall not refuse to lease to a holder of a rental voucher under 24 CFR part 982 (Section 8 Tenant Based Assistance: Housing Choice Voucher Program) or to the holder of a comparable document evidencing participation in Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria.

8. **Affordability Period.** Affordability Period means the duration of the affordable housing requirements which are set forth in this Agreement and the Regulatory Agreement. The project shall be subject to the requirements herein in perpetuity commencing upon the recording date of the Certificate of Completion of the Project. For purposes of this Section, “in perpetuity” means the useful life of the Property with the land use controls imposed, but not less than fifty-five (55) years. The duration of this requirement shall be known as the “Affordability Period.”

10. **Occupancy Standards.** To the extent legally possible, occupancy of the Affordable Units shall be limited to two persons per bedroom plus one additional person. Notwithstanding the foregoing, however, no residents of the Affordable Units as of the date of this Agreement shall be evicted from their apartment units solely because such residents do not meet the occupancy standards requirements of Section 306 of the Affordable Housing Agreement.

10.1 Leasing Affordable Units Below Income Level Designations. In the event Developer is unable to lease an Affordable Unit at its designated income level, Developer may submit a request to City Manager, or his or her designee, to lease a particular Affordable Unit at a level that is below the agreed unit designation set forth in Section 4 of this Agreement. The Executive Director, or its designee, may, in his or her sole discretion, approve such requests upon making a finding that, for a period of not less than ninety (90) days, Developer has made all reasonable efforts to market the Affordable Unit to prospective tenants at the designated income level, that there are no apparent qualified applicants at the designated income level, and that there are no significant financial impacts to the project. The Executive Director, or its designee, may authorize one or more lower income designations. The new tenants for the temporarily redesignated Affordable Unit must have a household income that meets the appropriate income designation (depending on the unit redesignation) as set forth below:

a.) **Extremely Low-Income Households (“Extremely Low-Income Households”)** that do not exceed the following: i) the qualifying limits for Extremely Low-Income Households as established and amended from time to time by the United States Department of Housing and Urban Development (HUD) or ii) the limits defined under California Health and Safety Code Section 50106 for Extremely Low-Income Households, as adjusted for households size.

b.) **Lower Income Households (“Lower Income Households”)** that do not exceed the following: i) qualifying limits for Lower Income Households as established and amended from time to time by the United States Department of Housing and Urban Development (HUD) or ii) the limits defined under California Health and Safety Code Section 50079.5 for Lower Income Households, adjusted for household size; and includes Extremely-Low and Very-Low Income Households.

In order to maintain the household income mix set forth in Section 4 above, Developer shall lease the next available Affordable Unit at the income level subject to the any waiver granted pursuant to this section. Developer shall re-apply for approval to vary from such designation, in the event Developer is unable to again lease an Affordable Unit at the designated income level.

11. Maintenance. The Developer shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the maintenance standards required of similar housing units within San Bernardino County, California, and the standards required by the City Municipal Code. If at any time the Developer fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by the Developer to the City, as appropriate, upon demand.

12. Management Plan. The Developer shall submit for the approval of the City a “Management Plan” which sets forth in detail the Developer’s property management duties, the tenant selection process in accordance with Section 6 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 of the Affordable Housing Agreement, the identity of the manager of the Property (the “Property Manager”), and other matters relevant to the management of the Property. The Management Plan shall require the Developer to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

If the City determines that the performance of the Property Manager is deficient based upon the standards set forth in the Management Plan and in this Agreement, the City shall provide notice to the Developer of such deficiencies, and the Developer shall use its best efforts to correct such deficiencies. In the event that such deficiencies have not been cured within the time set forth in Section 401 hereof, the City shall each have the right to require the Developer to immediately remove and replace the Property Manager with another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Developer, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential development of the size, quality and scope of the Property.

13. Monitoring and Recordkeeping. Throughout the Affordability Period, the Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in Health and Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours’ notice, to monitor compliance with this Agreement, to inspect the records of the Property, and to conduct an independent audit or inspection of such records. The Developer agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Developer’s consent to such an inspection or audit, the Developer understands and agrees that the City may obtain at the Developer’s expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. The Developer agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

14. Non-Discrimination Covenants. The Developer covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color,

religion, sex, marital status, familial status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the Developer itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The Developer shall also comply with applicable equal opportunity and fair housing requirements. The covenants established in this Section 310 of the Affordable Housing Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of the City and its successors and assigns, and shall remain in effect in perpetuity.

15. Defaults and Remedies. Defaults of this Agreement and remedies therefor shall be governed by the provisions of Article 400 of the Affordable Housing Agreement.

16. Waiver of Terms and Conditions. Any party may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

17. Non-Liability of City Officials and Employees. No member, official, employee or agent of the City shall be personally liable to the Developer, 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 the Developer or its successors, or on any obligations under the terms of this Agreement.

18. Time. Time is of the essence in this Agreement.

19. Notices. Any approval, disapproval, demand, document or other notice (“Notice”) which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Developer: 1707 Needles Hwy, LLC
1707 Needles Highway
Needles, CA 92363
Attention: Armen Ghadimian

City: City of Needles
817 3rd Street
Needles, CA 92363
Attention: City Manager

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

20. Successors and Assigns. This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Developer, the City and the permitted successors and assigns of the Developer. Whenever the term “Developer” or “City” is used in this Agreement, such term shall include any other successors and assigns as herein provided.

21. No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of the City and its successors and assigns, and Developer and its successors and assigns, and no other person or persons shall have any right of action hereon.

22. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

23. Governing Law. This Agreement and the Loan Documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

24. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Developer and the City. City shall maintain authority of this Agreement and the authority to implement this Agreement through the City Manager (or his or her duly authorized representatives). The City Manager (or his or her duly authorized representatives) shall have the authority to make approvals, issue interpretations, execute documents, and/or enter into certain amendments of this Agreement, on behalf of City, including but not limited to reasonable requests of Developer, or the requirements of the PIP Program, so long as such actions do not materially or substantially change the uses or development permitted on the Property, or add to the costs incurred or to be incurred by City as specified herein, and such approvals, interpretations and/or amendments may include extensions of time to perform as specified in the Schedule of Performance. All other material and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the City Council.

[Signatures on the following page.]

SIGNATURE PAGE TO
REGULATORY AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Regulatory Agreement as of the date and year set forth above.

DEVELOPER:

1707 NEEDLES HWY, LLC, a California limited liability company

By: _____
Name: Armen Ghadimian
Title: Managing Partner

CITY:

CITY OF NEEDLES, a California charter city

By: _____
Name: Patrick Martinez
Title: City Manager

ATTEST:

Candace Clark, Interim City Clerk

Approved as to Form

By: John O. Pinkney, City Attorney

EXHIBIT A

LEGAL DESCRIPTION

All that real property situated in the City of Needles, County of SAN BERNARDINO, State of California, described as:

That portion of the Northwest 1/4 of the Northeast 1/4 of Section 30, Township 9 North; Range 23 East, San Bernardino Base and Meridian, in the City of Needles, County of San Bernardino, State of California, according to the Official Map thereof, described as follows:

Beginning at a point on the South line of the Northwest 1/4 of the Northeast 1/4 of said Section 30, which is North 89 deg. 23' 00" West 160.00 feet from the Southeast corner thereof; thence North 89 deg. 23' 00" West along said South line; thence North 240.00 feet; thence South 89 deg. 23' 00" East 150.00 feet; thence South 165.00 feet; thence South 89 deg. 23' 00" East 50.00 feet; thence South 75.00 feet to the Point of Beginning.

Except therefrom that portion conveyed to William A. Fancher et ux, by Deed recorded August 18, 1971, in Book 7733, Page 924, Official Records.

ACKNOWLEDGMENT

State of California } ss.
County of _____ }

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person 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 of Notary

OPTIONAL INFORMATION

Description of Attached Document

Title or Type of Document: _____

Date: _____ Number of Pages: _____

Signer(s) Other than Named Above:_____

Capacity(ies) Claimed by Signer

Signer's Name:

- ☐ Individual
☐ Corporate Officer—Title: _____
☐ Partner ☐ Limited ☐ General
☐ Attorney in Fact ☐ Trustee
☐ Guardian or Conservator
☐ Other:
 Signer is Representing:

ACKNOWLEDGMENT

State of California } ss.
County of _____ }

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person 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 of Notary

OPTIONAL INFORMATION

Description of Attached Document

Title or Type of Document: _____

Date: _____ Number of Pages: _____

Signer(s) Other than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name:

- ☐ Individual
☐ Corporate Officer—Title: _____
☐ Partner ☐ Limited ☐ General
☐ Attorney in Fact ☐ Trustee
☐ Guardian or Conservator
☐ Other:
 Signer is Representing: _____

EXHIBIT E

SCOPE OF WORK

1707 Needles Highway, LLC Rehabilitation Scope of Work

Project Description

1707 Needles Highway Needles, CA 92363 is formerly known as the River Valley Inn and is proposed to be rehabilitated/remodeled to construct twenty-nine (29) micro apartment units of approximately 300 square foot each.

All work shall be completed to comply with the current California Building Code and City of Needles Municipal Ordinances.

Each unit shall have a sleeping area, a kitchenette, a bathroom and a closet-storage area. The following is the proposed scope of work and proposed budget:

- **Roof (\$10,000):** Inspect and repair existing asphalt shingle roof as needed.
- **Exterior Stucco (\$20,000):** Repair, stucco and stucco-paint coat the entire exterior of the buildings.
- **Trim (\$5,000):** Repair, prep and paint all trim of exterior of buildings
- **Windows (\$20,000):** Replace all exterior windows on all buildings. New windows shall be minimum dual-pane and meet Title 24 requirements. Note that some windows on the building have been replaced and that completion of this line item shall be: “all units shall have minimum of dual-pane windows that meet Title 24 and operate as designed by their manufacturer, including a locking mechanism.
- **Exterior Entry Doors (\$25,000) :** Replace all exterior entry doors to all units (including manager/office). Entry doors shall be either fiberglass or metal and meet Title 24 requirements

Entry doors shall have new hardware that includes both an entry handle and a dead-bolt type lock for occupant safety/security purposes.

Note that some entry doors have already been replaced prior to the execution of this grant and the City shall count this expense as a developer contribution.

- **Electrical (\$100,000):** All units shall be inspected to determine if any electrical work shall be completed. Each unit shall have fully operational exterior lighting (inclusive of new lighting fixtures), operational electrical outlets in the bathroom/sink area, kitchenette area and in living/sleeping area. Electric outlets shall include appropriate GFI/GFCI as required by the Building Code.
- **Interior Drywall (\$60,000):** Repair/Replace interior drywall on all units as needed. This shall include drywall, tape, mud, texture and paint. All units shall receive new interior paint.

- **Flooring (\$60,000):** All units shall receive appropriate repairs to base flooring (likely repairs to concrete slab areas) and installation of new flooring which shall include vinyl plank flooring.
- **Kitchenette Area (\$120,000):** Kitchenette area shall be an area separate from the bathroom and living spaces and will include a cabinet, sink, plumbing fixture (operating hot and cold water), hot water heater, refrigerator, cooktop with minimum of two (2) active burners, electric vent and counter space.
- **Bathroom (\$100,000):** Bathroom shall have installed new fiberglass tub/shower combination (or shower only for units designated as handicapped), a new toilet, new sink and counter top area with plumbing fixture (operating hot and cold water). Bathroom area (to toilet/bath-shower area) shall have a new door and locking fixture to other portions of the unit.
- **Closet/Storage Area (\$30,000):** Shall include a new shelf and pole system to allow for storage of clothing and personal items. Closet include a clothing storage system which may include, but not limited to an installed dresser.
- **Climate Control (\$90,000):** Each unit shall receive a new individualized mini-split HVAC system providing heat and air conditioning.
- **Parking Area (\$20,000):** Shall receive repairs, as appropriate, to the concrete parking area, re-strip to meet State and City Building Code Requirements, concrete bumpers to minimize potential for vehicles to damage buildings.
- **Landscaping (\$10,000):** Property shall be landscaped in a manner appropriate for a desert environment and will include appropriate irrigation.
- **Outdoor Area (\$5,000):** The former pool area (which was previously filled in and covered, and for which a permit was previously on file) shall include a gazebo or other acceptable type shade structure and table area to allow for outdoor enjoyment by residents.
- **Overall Electric (Included in Above Items):** All building areas shall be inspected by a licensed electrician to determine if all electrical lines, outlets, panel boxes and breakers are working in an appropriate and safe manner.
- **Overall Plumbing (Included in Above Items):** All building areas shall be inspected by a licensed plumber to determine if all plumbing lines (supply and disposal/sewer) are working in an appropriate and safe manner.

Total Budget: \$675,000

Funding from City of Needles PIP Loan Program: \$275,000

Developer Funded Improvements: \$400,000

EXHIBIT F
SCHEDULE OF PERFORMANCE

Proposed Performance Schedule:

Developer Submittal for Land-Use Change from Hotel/Motel to Micro-Apartments:

December, 2024

Planning Commission/City Council Consideration of Application: December, 2024 / January,

2025

Completion of Receivership Requirements: Pending Release from Receivership by 12/31/24

Drawdown of Reimbursement for Work:

All work to be completed by May 31, 2025 with loan proceeds being made available to developer upon completion of work and receipt of a Certificate of Occupancy.