

LOAN AGREEMENT

THIS LOAN AGREEMENT (this “**Agreement**”) is entered into effective as of _____, 2021 (“**Effective Date**”) by and between the County of Sonoma, a political subdivision of the State of California (“**Lender**”) and RED Housing Fund, a California nonprofit public benefit corporation (“**Borrower**”). Lender and Borrower are collectively referred to herein as the “**Parties**.”

RECITALS

WHEREAS, Borrower operates programs that provide financing for housing development within Sonoma County, California;

WHEREAS, on October 6, 2020, the County of Sonoma Board of Supervisors conditionally approved an allocation of PG&E settlement funds in the amount of \$10,000,000 for the RED Housing Fund;

WHEREAS, on May 11, 2021, the County of Sonoma Board of Supervisors (“**Board of Supervisors**”) authorized the County Administrator, in consultation with County Counsel, to execute a non-binding term sheet that describes the terms and conditions for use of the County funds;

WHEREAS, Lender has agreed to make a loan to Borrower to enable Borrower to provide financing to support development of housing within Sonoma County in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, Lender and Borrower agree as follows:

1. Loan. Lender agrees to loan to Borrower, and Borrower agrees to borrow from and repay to Lender the sum of Ten Million Dollars (\$10,000,000) (the “**Loan**”) upon the terms and conditions and for the purposes set forth in this Agreement. Borrower’s obligation to repay the Loan shall be evidenced by a promissory note (the “**Note**”) which shall be dated as of the Effective Date and executed by Borrower substantially in the form attached hereto as Exhibit A. This Agreement and the Note are collectively referred to herein as the “**Loan Documents**.”
2. Interest Rate. No interest shall accrue on the outstanding principal balance of the Loan.
3. Maturity Date; Loan Forgiveness. The entire outstanding principal balance of the Loan shall be payable in full in one lump sum on _____, 2041 (the “**Maturity Date**”); provided however, the Loan shall be forgiven as provided in this Section provided that: (i) no Event of Default has arisen under the Loan Documents, (ii) Borrower is in compliance with Lender’s Requirements set forth in Exhibit D attached hereto (“**Lender’s Requirements**”), and (iii) the Board of Supervisors has reviewed and approved Borrower’s Annual Report (described in Section 8 below). Commencing on the first anniversary of the Effective Date, and on each anniversary thereafter during the term of

the Loan, provided that the conditions set forth in this Section have been satisfied, five percent (5%) of the original amount of the Loan (i.e., the sum of \$500,000) shall be forgiven so that the entire Loan will be forgiven as of the twentieth (20th) anniversary of the Effective Date. Upon Borrower's request, Lender will provide a Statement of Partial Loan Forgiveness in the form attached hereto as Exhibit B stating the then-current outstanding balance of the Loan.

4. Prepayment. Borrower shall have the right to prepay the Loan in whole or in part at any time without penalty or premium.

5. Disbursement of Loan Proceeds. Lender shall disburse the proceeds of the Loan ("**Loan Proceeds**") to Borrower by wire transfer in one lump sum by not later than _____, 2021 into the following account maintained by Borrower:

Name of Bank: _____
ABA Bo.: _____
Account No.: _____
Reference: _____
Account Name: _____

6. Use of Loan Proceeds; Investments; Use of Interest and Investment Earnings.

6.1 Use of Loan Proceeds. The Loan Proceeds shall be used solely for the purpose of providing financing, credit enhancement, and/or guarantees to support the development of housing projects that are (i) consistent with the Project Criteria adopted by the Board of Directors of Renewal Enterprise District, a California joint powers agency ("**RED**") as such may be amended from time to time ("**Project Criteria**"), and (ii) consistent with Lender's Requirements, and for such other uses as Lender may approve from time to time by written consent. Without limiting the generality of the foregoing, among other purposes, Loan Proceeds may be used to provide: (a) subordinate "gap" financing for projects that include units affordable to households of low- or moderate-income as defined in the California Health & Safety Code or applicable federal law or regulation ("**Affordable Units**"), (b) subordinate construction/permanent loans for middle-income, market-rate, and affordable projects, and (c) convertible mezzanine loans for middle-income and market-rate projects.

6.2 Investment of Loan Proceeds. During any such time that Loan Proceeds are not committed for the purposes set forth in Section 6.1, to the extent invested, they shall be invested in such investments as are permitted by the Investment Policy attached hereto as Exhibit C.

6.3 Use of Interest and Investment Earnings. Loan Proceeds may not be used for administrative overhead or operating expenses of Borrower; provided however, Borrower shall be permitted to use all income derived from investment of Loan Proceeds in accordance with Section 6.2 and all interest earnings, application, origination, and loan monitoring fees, and other income derived from use of Loan

Proceeds in accordance with Section 6.1, to pay for Borrower's administrative overhead and general operating expenses.

7. Payment Subordination. Lender acknowledges and agrees that the Loan, together with all other loans provided to Borrower by the City of Santa Rosa and any other municipality (collectively "**Public Sector Loans**") will be subordinate in right of repayment to all other indebtedness incurred by Borrower. In the event that Borrower incurs losses attributable to its lending and/or investing activities, such losses will be allocated first to the Public Sector Loans on a pro rata basis, based on each public agency's share of the aggregate amount of the Public Sector Loans.

8. Reporting Requirements. By not later than ninety (90) days following the end of each fiscal quarter of each fiscal year during the term of the Loan, Borrower will provide a report to Lender ("**Quarterly Report**") providing detail on Borrower's loan and investment portfolio and financial performance, together with quarterly unaudited financial statements. By not later than 180 days following the close of the Borrower's first fiscal year (for the year ending _____, 20____), Borrower will provide an annual report to Lender including detail on Borrower's loan and investment portfolio and financial performance ("**Annual Report**") together with audited financial statements. For each fiscal year after Borrower's first fiscal year, Borrower will provide an Annual Report to Lender together with audited financial statements by not later than 120 days from the close of Borrower's fiscal year. Each Annual Report shall include documentation of Borrower's compliance with the requirements set forth in Section 6 above and compliance with the goals and requirements set forth in Exhibit D. The parties acknowledge that the Board of Supervisors' review and approval of the Annual Report is a condition precedent to the forgiveness of the Loan pursuant to Section 3 above, and Lender agrees that it will not unreasonably delay such review. Borrower agrees that it will submit each Annual Report and related documentation no less than sixty (60) days in advance of each anniversary of the Effective Date. In addition to the reports specified in this Section, Borrower shall promptly provide to Lender such additional reports and information regarding use of Loan Proceeds and compliance with the Loan Documents as Lender may reasonably request from time-to-time.

9. Books and Records. Borrower must keep and maintain books, records and other documents related to the receipt and use of all funds, including the Loan Proceeds, and all documents related to the disbursement of Loan Proceeds. All financial reports must be prepared and maintained in accordance with GAAP as in effect at the time of performance.

10. Governance. Borrower shall at all times be governed by a legally constituted board of directors. Such board of directors shall meet regularly and maintain appropriate membership, as established in the bylaws and other governing documents of Borrower. Borrower and its board of directors shall comply with all applicable provisions of federal, state, and local laws governing nonprofit corporations engaged in the activities of Borrower. Borrower's board of directors shall exercise oversight with regard to this Agreement as necessary to ensure full and prompt performance by Borrower of its obligations under this Agreement.

11. Default and Remedies.

11.1 Events of Default. The occurrence of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

A) Borrower fails to make any payment required under this Agreement within ten (10) business days after the date when due.

(B) Pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Borrower (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Borrower in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Borrower; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due.

(C) A court of competent jurisdiction shall have made or entered any decree or order (1) adjudging Borrower to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of Borrower or seeking any arrangement for Borrower under Bankruptcy Law, (3) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of its assets, or (4) directing the winding up or liquidation of Borrower, in each case if such decree, order, petition, or appointment is not removed or rescinded within sixty (60) days;

(D) Borrower is dissolved, liquidated, or suspended for more than thirty (30) days;

(E) Borrower defaults in the performance of any term, provision or covenant under this Agreement (other than an obligation enumerated in this Section 11.1), and unless such provision specifies a shorter cure period for such default, the continuation of such default for thirty (30) days following the date upon which Lender shall have given written notice specifying the nature of the default to Borrower, or if the nature of any such default is such that it cannot be cured within thirty (30) days, Borrower's failure to commence to cure the default within thirty (30) days and thereafter prosecute the curing of such default to completion with due diligence and in good faith, within ninety (90) days from receipt of the notice of default or within such longer period reasonably deemed necessary by Lender.

11.2 Remedies. Upon the occurrence of an Event of Default and the expiration of any applicable cure period, Lender shall have all remedies available to it under this Agreement or under law or equity, including, but not limited to the following, and Lender may, at its election, exercise one or more of the following remedies, all of which are cumulative and not alternative:

(a) Accelerate and declare the balance of the Loan immediately due and payable;

(b) Seek specific performance to enforce the terms of the Loan Documents;

(c) Pursue any and all other remedies available under this Agreement or under law or equity to enforce the terms of the Loan Documents and Lender's rights thereunder.

11.3 Inaction Not a Waiver of Default. No failure or delay by Lender in asserting any of its rights and remedies as to any default shall operate as a waiver of such default or of any such rights or remedies, nor deprive Lender of its rights to institute and maintain any action or proceeding which it may deem necessary to protect, assert or enforce any such rights or remedies in the same or any subsequent default.

11.4 Costs of Enforcement. All costs, expenses, charges, and advances made by Lender in exercising its remedies under the Loan Documents will be deemed to constitute a part of the principal balance of the Loan, even if as a result thereof, the face amount of the Note is exceeded, unless Borrower reimburses Lender within ten (10) days of Lender's demand for reimbursement.

12. Miscellaneous.

12.1 Amendments. No amendment to or modification of this Agreement shall be effective unless and until such amendment or modification is in writing executed by the Parties.

12.2 No Personal Liability of Officers, Employees and Agents. No member, officer, director, employee or agent of Borrower shall be personally liable to Lender in the event of any default or breach by Borrower, or for any monetary or other obligation of Borrower under this Agreement or the Note.

12.3 Notices. All notices to be sent pursuant to this Agreement shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered in accordance with this Section. All such notices shall be sent by: (i) personal delivery, in which case notice is effective upon delivery; (ii) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt; or (iii) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service.

Borrower: RED Housing Fund
P.O. Box 3531
Santa Rosa, California 95402
Attention: Michelle Whitman

Lender: County of Sonoma
Auditor-Controller-Treasurer-Tax Collector
585 Fiscal Drive, Ste. 100
Santa Rosa, CA 95403
Attention: _____

12.4 Captions. The headings of the sections of this Agreement have been inserted for convenience only and shall not be used to construe this Agreement.

12.5 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

12.6 Parties Not Co-Venturers. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another.

12.7 No Third Party Beneficiaries. Nothing in this Agreement is intended to or shall confer upon any person, other than the Parties and their respective successors and assigns, any rights or remedies hereunder.

12.8 Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties are materially altered or abridged by such invalidation, voiding or unenforceability.

12.9 Entire Agreement. This Agreement, together with Exhibits A through D attached hereto and incorporated herein by reference, and the Note, contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior oral or written agreements between the Parties with respect thereto.

12.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be original and all of which taken together shall constitute one instrument.

SIGNATURES ON FOLLOWING PAGE.

IN WITNESS WHEREOF, the Parties have executed this Loan Agreement as of the date first written above.

Lender:

County of Sonoma, a political subdivision of the State of California

By: _____

Print Name:_____

Title:_____

Borrower:

RED Housing Fund, a California nonprofit public benefit corporation

By: _____

Print Name:_____

Title:_____

Exhibit A

PROMISSORY NOTE

\$10,000,000

Santa Rosa, California
_____, 2021

FOR VALUE RECEIVED, RED Housing Fund, a California nonprofit public benefit corporation ("**Borrower**") promises to pay to the County of Sonoma, a political subdivision of the State of California ("**Lender**") in lawful money of the United States of America, the principal sum of Ten Million Dollars (\$10,000,000) or so much thereof as may be advanced by Lender from time to time pursuant to the Loan Agreement referred to below, in the manner provided below.

This Promissory Note (this "**Note**") has been executed and delivered pursuant to and in accordance with that certain Loan Agreement dated as of _____, 2021, by and between Borrower and Lender (the "**Loan Agreement**"), and is subject to the terms and conditions of the Loan Agreement which is by this reference incorporated herein and made a part hereof. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Loan Agreement.

1. **PAYMENTS; INTEREST RATE; MATURITY DATE.** No interest shall accrue on the outstanding principal balance of the Loan. The entire outstanding principal balance together with accrued interest shall be payable in full in one lump sum on _____, 2041 (the "**Maturity Date**"); provided however, the Loan shall be forgiven as provided in this Section provided that: (i) no Event of Default has arisen under the Loan Documents, (ii) Borrower is in compliance with Lender's Requirements set forth in Exhibit D of the Loan Agreement, and (iii) the Board of Supervisors has reviewed and approved Borrower's Annual Report (described in Section 8 of the Loan Agreement). Commencing on the first anniversary of the Effective Date, and on each anniversary thereafter during the term of the Loan, provided that the conditions set forth in this Section have been satisfied, five percent (5%) of the original amount of the Loan (i.e., the sum of \$500,000) shall be forgiven so that the entire Loan will be forgiven as of the twentieth (20th) anniversary of the Effective Date. Borrower shall have the right to prepay the Loan in whole or in part at any time without penalty or premium.

2. **MANNER OF PAYMENT.** All payments of principal and interest on this Note shall be made to Lender at _____, _____, California or such other place as Lender shall designate to Borrower in writing, or by wire transfer of immediately available funds to an account designated by Lender in writing.

3. **SEVERABILITY.** If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or

unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

4. GOVERNING LAW. This Note shall be construed and enforced in accordance with the laws of the State of California.

5. SECTION HEADINGS, CONSTRUCTION. The headings of sections in this Note are provided for convenience only and will not affect its construction or interpretation.

6. NO PERSONAL LIABILITY. No member, officer, director, employee or agent of Borrower shall be personally liable to Lender in the event of any default or breach by Borrower, or for any monetary or other obligation of Borrower under the Note or the Loan Agreement.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note as of the date first written above.

Borrower:

RED Housing Fund, a California nonprofit public benefit corporation

By: _____

Print Name:_____

Title:_____

Exhibit B

STATEMENT OF PARTIAL LOAN FORGIVENESS

The undersigned hereby certifies that (i) pursuant to Section 8 of that certain Loan Agreement (the “**Loan Agreement**”) dated as of _____, 2021, by and between the County of Sonoma, a political subdivision of the State of California (“**Lender**”) and RED Housing Fund, a California nonprofit public benefit corporation (“**Borrower**”), the County of Sonoma Board of Supervisors has reviewed and approved Borrower’s Annual Report for the period _____, 20__ to _____, 20__, and (ii) pursuant to Section 3 of the Loan Agreement, as of the date of this Statement, Lender hereby forgives \$500,000 of the outstanding balance of the Loan (as defined in the Loan Agreement). As of the date of this Statement, the current outstanding balance of the Loan is _____ Dollars (\$_____).

This Statement is delivered as of _____, 20__, and executed by the undersigned authorized officer of Lender.

County of Sonoma, a political subdivision of the State of California

By: _____

Name: _____

Title: _____

EXHIBIT C

INVESTMENT POLICY

COUNCIL POLICY			
Subject: STATEMENT OF INVESTMENT POLICY	Policy Number	Effective Date	Number of Pages
	000-26		9 of 15

City of Santa Rosa Permitted Investments

Allowable Instruments	City's	State Code	City	State Code	State Code		
	100%	100%	5 years	5 years	--	--	--
	100%	100%	5 years	5 years	--	--	--
	100%	100%	5 years	5 years	10%	--	Rated in one of the two highest categories by a (NRSRO) --
	100%	100%	5 years	5 years	10%	--	Rated in one of the two highest categories by a (NRSRO) --
	30%	30%	5 years	5 years	10%	--	"A" "A"
	20%	20%	5 years	5 years	--	--	"A" rate issuer debt and rated "AA" by a NRSRO "A" rate issuer debt and rated "AA" by a NRSRO
	25%	25%	270 days	270 days	10%	10%	"A-1" or equivalent "A-1" or equivalent
	30%	30%	5 years	5 years	10%	--	"A" --

¹ Exceptions permitted with the approval of the executive body no less than three months prior to the investment.

² Limits set by State Treasurer's office and periodically change.

COUNCIL POLICY			
Subject: STATEMENT OF INVESTMENT POLICY	Policy Number	Effective Date	Number of Pages
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Allowable Instruments	City's Maximum Portfolio %	State Code Maximum Portfolio %	City Maximum Maturity ¹	State Code Maximum Maturity ¹	City % per Issuer/Fund	State Code % per Issuer/Fund	City Credit Requirements	State Code Credit Requirements ¹
Time Deposits/Time Certificates of Deposit (§53635.8)	100%	100%	365 days	--	--	--	--	--
Bankers' Acceptances (§53601(g))	40%	40%	180 days	180 days	10%	30%	--	--
Repurchase Agreements (§53601(j))	20%	20%	365 days	365 days	10%	--	--	--
Reverse Repurchase Agreements (§53601(j))	Not Permitted	20%	Not Permitted	92 days	--	--	--	--
Mutual Funds (§53601(l))	15%	20%	--	--	10%	10%	Highest rating by two NRSROs	Highest rating by two NRSROs
Money Market Funds (§53601(l))	20%	20%	--	--	--	--	Highest rating by two NRSROs, unless advisor has over \$500 million in funds under management	Highest rating by two NRSROs, unless advisor has over \$500 million in funds under management
Government Pools (§53601(p))	15%	100%	--	--	--	--	Investment Advisor Requirements	Investment Advisor Requirements
L.A.I.F. (§16429.1)	\$50 million ²	\$50 million ²	--	--	--	--	--	--

¹ Exceptions permitted with the approval of the executive body no less than three months prior to the investment.

² Limits set by State Treasurer's office and periodically change.

Exhibit D

LENDER'S REQUIREMENTS

In addition to the requirements set forth in Section 6 of the Loan Agreement, Loan Proceeds may be used only to support residential projects that meet the following criteria:

1. Geographic Location. Projects financed or otherwise assisted with Loan Proceeds must be consistent with the RED Project Criteria.
2. Affordability Criteria. On an aggregate basis over the term of the Loan, at least twenty-five percent (25%) of the residential units in projects financed or otherwise assisted with Loan Proceeds must be affordable to households of low- or moderate-income as defined in the California Health & Safety Code or applicable federal law or regulation. Lender may annually review Borrower's progress toward achieving this requirement, and Lender may adjust the affordability requirement on a going-forward basis if Lender's governing board determines in its discretion that such adjustment is necessary to satisfy this requirement over the term of the Loan.
3. Limitation on Soft Cost Financing. On an aggregate basis over the term of the Loan, no more than fifteen percent (15%) of the Loan Proceeds may be used to pay for soft costs for any project that does not include Affordable Units.
4. Limitation on Short-Term Rentals. In the documentation for loans, credit enhancements, loan guaranties, and other financial assistance Borrower provides to projects supported with Loan Proceeds, Borrower shall include a requirement that for a period of five (5) years following initial occupancy, the project may not provide short-term rentals. For the purpose of this requirement "short-term rental" means a stay of thirty (30) days or less that is not subject to transient occupancy tax, or a substantially similar definition as set forth in Lender's regulations.