

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY**

DEPT: Behavioral Health & Recovery Services

BOARD AGENDA:7.2
AGENDA DATE: February 14, 2023

SUBJECT:

Approval to Enter into a Loan and Disbursement Agreement with the Stanislaus Regional Housing Authority for \$1,002,767 in Mental Health Services Act Funds for Permanent Supportive Housing Units in the No Place Like Home Central Valley Homes Project


BOARD ACTION AS FOLLOWS:

RESOLUTION NO. 2023-0070

On motion of Supervisor Withdraw Seconded by Supervisor B. Condit
and approved by the following vote,
Ayes: Supervisors: B. Condit, Chiesa, Withrow, Grewal, and Chairman C. Condit
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None

- 1) Approved as recommended
- 2) Denied
- 3) Approved as amended
- 4) Other:

MOTION:

ATTEST: 
ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Behavioral Health & Recovery Services

BOARD AGENDA:7.2

AGENDA DATE: February 14, 2023

CONSENT

CEO CONCURRENCE: YES

4/5 Vote Required: No

SUBJECT:

Approval to Enter into a Loan and Disbursement Agreement with the Stanislaus Regional Housing Authority for \$1,002,767 in Mental Health Services Act Funds for Permanent Supportive Housing Units in the No Place Like Home Central Valley Homes Project

STAFF RECOMMENDATION:

1. Approve the Loan and Disbursement Agreement of \$1,002,767 with the Stanislaus Regional Housing Authority for the permanent supportive housing units in the No Place Like Home Central Valley Homes Project.
2. Authorize the Behavioral Health Director, or designee, to sign the Agreement with the Stanislaus Regional Housing Authority and any subsequent amendments.

DISCUSSION:

As the contracted Mental Health Plan (MHP) and Drug Medi-Cal Organized Delivery System (DMC-ODS) with the State of California, Behavioral Health and Recovery Services (BHRS) administers Stanislaus County's behavioral health services, providing integrated mental health services to adults and older adults with a serious mental illness (SMI) and to children and youth with a serious emotional disturbance (SED). BHRS also provides substance use disorder (SUD) services for adults and adolescents, supportive services, prevention and early intervention services, and serves as Stanislaus County's Public Guardian.

BHRS has a continuum of housing options for individuals diagnosed with an SMI, SED or SUD. These include emergency housing, transitional housing and permanent supportive housing. The development of this continuum is based on a Housing First model, a concept that emphasizes the need to have stable housing before mental illness and substance use diagnoses can be effectively treated. A stable housing environment improves behavioral health outcomes and supports clients' ability to gain independence throughout the recovery process. There is a lack of available permanent housing in Stanislaus County

A Point in Time Count (PIT) conducted in October 2022 identified 466 BHRS clients currently in treatment who are living unsheltered or in a temporary shelter or housing. Securing additional housing units and providing safe and supportive housing

environments will significantly improve the behavioral health outcomes for these individuals and free up shelter and transitional housing units for other BHRS clients.

Working with local development partners (development sponsors) such as the Stanislaus Regional Housing Authority (SRHA) and the Stanislaus County Affordable Housing Corporation (STANCO), BHRS is making every effort to expand the inventory of available housing options for persons with an SMI, SED or SUD who are experiencing homelessness, or at risk of experiencing homelessness.

No Place Like Home Program – Central Valley Homes Project

On July 1, 2016, Governor Brown signed landmark legislation enacting the "No Place Like Home (NPLH) Program" to dedicate \$2 billion in bond proceeds for the development of permanent supportive housing for persons in need of mental health services and experiencing homelessness, chronic homelessness, or at-risk of chronic homelessness. The bonds are repaid by funding from the Mental Health Services Act (MHSA). The NPLH Program funds must be used to finance capital costs for multifamily rental housing, including shared housing and scattered-site housing. Eligible costs include, but are not limited to, acquisition, design, construction, rehabilitation, or preservation, and the ability to capitalize operating subsidy reserves for NPLH-funded units. NPLH funding availability is an opportunity to create housing units that will add to the inventory for persons with serious mental illness at risk of homelessness, or chronically homeless.

On January 15, 2019, the Board of Supervisors (Resolution No. 2019-0029) authorized the Director of BHRS to apply for \$3.3 million in NPLH competitive program funding. BHRS worked diligently with the Stanislaus Regional Housing Authority (SRHA) and various cities to create the Central Valley Homes Project ("Project"). SRHA is the development sponsor for the Project and it was initially proposed as 19 supportive housing units spread across three sites, qualifying under NPLH guidelines as a scattered-site project. Units initially recommended were as follows:

- 11 units at 1143 Park Street in Turlock
- 4 units at 513 North Palm Street in Turlock
- 4 units in the 400 block of Vine Street in Modesto

On February 20, 2019, the County was notified by the Department of Housing and Community Development (HCD) that the NPLH Competitive Project application met threshold eligibility requirements and an initial point score letter would be sent in early March 2019. On June 14, 2019, HCD sent a letter advising the County and SRHA that the Central Valley Homes Project had been awarded \$3,788,569 in NPLH competitive program funds.

Subsequent to the development of the preliminary proforma and submittal of the NPLH application to HCD, the Project proforma was updated and the need for additional funds materialized. BHRS staff identified unencumbered MHSA Housing funds that were available for use towards the Project. On June 25, 2019, the Board of Supervisors adopted the MHSA Fiscal Year 2019-2020 Annual Update and Three-Year Program and Expenditure Plan which authorized the dedication of \$326,891 in Housing funds for the Central Valley Homes Project (Resolution No. 2019-0435). Also on June 25, 2019, the Board of Supervisors approved a Loan and Disbursement Agreement between the

County and SRHA for the \$326,891 in MHSA funds towards the Project (Resolution No. 2019-0419).

The Project concept has also changed since initial conception in 2019. It is now a collaborative effort between BHRS, SRHA, F&M Bank, the City of Modesto, and the Stanislaus County Planning and Community Development Department (“Planning”) and will be a two (2) development scattered-site project located at 413 Vine Street in Modesto and 1143 Park Street in Turlock with a total of 38 units. The development consists of:

- 3 rehabilitation units at Park Street
- 35 new construction units at Vine Street

The Project will provide 37 one-bedroom units and one (1) two-bedroom unit serving households with income ranging from 20-30 percent of the Area Median Income (AMI), with one (1) one-bedroom manager’s unit. Of the total units, eighteen (18) one-bedroom units will be dedicated to BHRS clients who are diagnosed with an SMI and experiencing homelessness, or at significant risk of experiencing homelessness. All proposed units come complete with stoves, refrigerators, dishwashers, microwaves, and laundry units. The Project also provides a community room for tenant use and service provider meetings.

BHRS treatment teams will refer transition aged youth, adults, and older adults for housing at the Central Valley Homes Project through the Coordinated Entry System. Clients referred may be single men and women, partners, and single parents with a child or adult siblings. BHRS will provide case management services to ensure housing stability and access to ongoing behavioral health services. BHRS will also provide supportive services, which include peer support, independent living skills, and assistance with community inclusion.

When the Project was conceptualized in 2019, it was fully funded. Due to the increase in the number of units being constructed, from 19 to 38, and rising construction costs over the past few years, additional funding is needed to bring the Project to fruition. BHRS has been working with partners to identify funding to bridge the gap and agreed to allocate MHSA funding as a last resort to satisfy NPLH and HCD requirements that the Project have adequate funding to be completed. The total Project is estimated to cost \$10.8 million and be funded by a combination of NPLH, F&M Bank Loan, SRHA, MHSA, Permanent Local Housing Allocation (PLHA), HOME, and HOME Community Housing Development Organization (CHDO) funding.

On October 4, 2022, the Board of Supervisors approved the MHSA Plan Update for Fiscal Year 2022-2023 to allow expenditure of additional MHSA funds for the Project, up to \$2,426,891 (Resolution No. 2022-0551). BHRS also explored other funding opportunities that can be utilized in lieu of the MHSA funding, to keep those funds available for other needed mental health services and supports for the community. At the time, Planning had developed a proposal to contribute Permanent Local Housing Allocation (PLHA) funds in lieu of a portion of the MHSA funding. Planning has since determined that there is \$1,097,233 PLHA funding available to dedicate towards the Project, which results in a remaining need of \$1,002,767 MHSA funds. Planning will return to the Board of Supervisors in the near future to request authority to dedicate the PLHA funding to the Project.

BHRS continued to explore other funding sources that could be utilized in lieu of MHSA funding and collaborated with SRHA on an application for Housing and Homelessness Incentive Program (HHIP) funds from Health Plan of San Joaquin (HPSJ). HHIP is a California Department of Health Care Services (DHCS) program available to local Medi-Cal Managed Care Plans that is part of the larger California's Advancing and Innovating Medi-Cal (CalAIM) initiative. To address homelessness and housing insecurity as social determinants of health, HHIP aims to expand and enhance programs that facilitate Medi-Cal enrollees in transitioning to community-based, independent living arrangements.

SRHA has been preliminarily awarded \$1.68 million in HHIP funding from HPSJ towards the Project; the HHIP funding award is not yet final. HHIP funding can only be drawn down when project construction and rehabilitation milestones are met and SRHA does not have the financial means to carry a cost of this magnitude until the milestones are met. Therefore, BHRS is recommending advancing \$1,002,767 in MHSA funding to SRHA in the form of a Loan and Disbursement Agreement until HHIP funds can be drawn down. As detailed in Section 6.7 of the Loan and Disbursement Agreement, SRHA will repay the MHSA loan to BHRS within 30-days of receipt of HHIP funds. If the HHIP funding is not ultimately awarded, then the MHSA loan will stay in place and the loan will be forgiven in increments of \$334,256 every ten years.

Regardless of which funding stream is ultimately used to fund the project, BHRS will have sole access to 18 units of permanent supportive housing for persons in need of mental health services and experiencing homelessness, chronic homelessness, or at-risk of chronic homelessness, for 55 years, as required by NPLH funding and detailed in Section E of the recitals of the Loan and Disbursement Agreement.

POLICY ISSUE:

Section 4.3.6 of the Stanislaus County Purchasing Policy #00-2022-00, requires Board of Supervisors' approval for any contract or agreement wherein the total cumulative compensation exceeds \$200,000, based upon California Government Codes §25212, et seq, and §25502.5, et seq, which establish the powers of the Board of Supervisors and the Purchasing Agent. Cumulative refers to the total compensation paid by an individual department in the reporting year and the two fiscal years immediately prior thereto, where there has been no break in contractual services over six months.

FISCAL IMPACT:

BHRS is recommending advancing MHSA funding in the amount of \$1,002,767 to SRHA in the form of a Loan and Disbursement Agreement until HHIP funds can be drawn down. Should HHIP funds not materialize, the Loan and Disbursement Agreement details the terms and provisions of the MHSA funded loan.

The Loan and Disbursement Agreement with SRHA is funded by MHSA Community Services and Supports (CSS) revenue in the amount of \$1,002,767. The MHSA contribution will be allocated towards the development of 18, of the 38 total permanent supportive housing units in the Central Valley Homes Project. These 18 units will be designated for sole use by BHRS for the Department's clients, with a 55-year covenant period that is required by the NPLH program.

As detailed in Section 6.7 of the Loan and Disbursement Agreement, SRHA will repay the MHSA loan to BHRS within 30-days of receipt of HHIP funds. If the HHIP funding is

not ultimately awarded, then the entire MHSA loan amount of \$1,002,767 is forgivable over a 30-year period. One-third of the loan amount (\$334,256) will be forgiven for each 10-year increment. Should the borrower default on the terms of the Loan and Disbursement Agreement, the remaining unforgiven principal shall be returned to the County. The total MHSA funding is comprised of the \$1,002,767 loan plus an additional contribution of \$326,891 which was approved by the Board on June 25, 2019 (Resolution No. 2019-0435). The total contribution represents a cost per unit of \$73,870, which amortized over a 30-year period is an annual cost of \$2,462 per unit. Sufficient cash is available to fund the \$1,002,767 loan. No impact to budgeted appropriations or revenue is anticipated as estimated revenue and appropriations were included in the 2023 Adopted Budget. There is no impact to County General Fund.

Below is a table that outlines the partnerships and various funding sources that are planned to be used towards the Project. Please note that Planning will return to the Board for approval to allocate the PLHA funding.

Central Valley Homes Project				
Street Address	413 Vine Street		1143 Park Street	Total
Project Name	Helen White	King Kennedy Cottages	Park Cottages	
Total Number of Units	12	23	3	38
Units Allocated to BHRS	0	15	3	18
Sources of Funding				
No Place Like Home Round 1	\$ 680,645	\$ 1,362,086	\$ 95,337	\$ 2,138,068
F&M Bank Loan	\$ 835,741	\$ 1,876,311	\$ 253,187	\$ 2,965,239
Stanislaus Regional Housing Authority		\$ 541,430	\$ -	\$ 541,430
Stanislaus County BHRS MHSA CSS		\$ 844,708	\$ 158,059	\$ 1,002,767
Stanislaus County BHRS MHSA Housing		\$ 326,891		\$ 326,891
Stanislaus County Planning PLHA		\$ 1,097,233		\$ 1,097,233
City of Modesto PLHA	\$ 958,723			\$ 958,723
City of Modesto HOME	\$ 857,883	\$ 733,576		\$ 1,591,459
City of Modesto HOME CHDO		\$ 195,513		\$ 195,513
Total Project Cost	\$ 3,332,992	\$ 6,977,747	\$ 506,583	\$ 10,817,322

BOARD OF SUPERVISORS' PRIORITY:

The recommended actions are consistent with the Board of Supervisors' priorities of *Supporting a Healthy Community* and *Delivering Efficient Public Services* by developing permanent supportive housing for individuals and families experiencing homelessness and living with mental illness.

STAFFING IMPACT:

Coordination between SRHA, funding partners, and HCD will be facilitated by existing BHRS and Chief Executive Office staff. There is no additional staffing impact associated with the approval of this agenda item.

CONTACT PERSON:

Tony Vartan, MSW, LCSW
Director, Behavioral Health and Recovery Services

(209) 525-6222

ATTACHMENT(S):

1. Loan and Disbursement Agreement

LOAN AND DISBURSEMENT AGREEMENT

between

Stanislaus Regional Housing Authority and

Stanislaus County

Executed as of:

February 8, 2023

RECORDING REQUESTED BY:
Housing Authority of the County of Stanislaus

AND WHEN RECORDED MAIL TO:
Housing Authority of the County of Stanislaus
P.O. Box 581918
Modesto, CA 95358-0033

Space above this line for Recorder's use only

LOAN AND DISBURSEMENT AGREEMENT

THIS Loan Disbursement Agreement (“Agreement”) is executed as of February 8, 2023 and entered into by and between Stanislaus Regional Housing Authority, a public body corporate and politic (“Borrower”) and the County of Stanislaus through its Behavioral Health and Recovery Services Agency (the “Agency”), a political subdivision of the State of California, located in Stanislaus County, California.

RECITALS

- A. Borrower owns the fee interest in that certain real property described in **Exhibit “A”** (the “*Development*”), which includes all improvements made or to be made thereon.
- B. Borrower proposes to construct certain improvements, renovations and/or rehabilitation (“*Construction*”) consisting of 18 affordable multifamily housing units together with all appurtenances, fixtures, and tenant improvements now or hereafter located on the Development (“*Improvements*”). The Improvements shall be constructed or renovated in accordance with plans and specifications which Borrower has delivered or will deliver to the Agency. Borrower has requested from the Agency a Loan (defined in Section 2.1) for the purpose of such Construction.
- C. The Borrower, in conjunction with the Agency, has agreed to make the Development and Improvements available for leasing to Eligible Residents which consist of a target population identified in Welfare and Institutions Code Section 5600.3 for a period of fifty-five (55) years.
- D. Based upon the representations of the Borrower the Agency has agreed to provide financing for improvements, renovations and/or rehabilitation to the Development by way of a Loan and pursuant to the terms of this Loan and Disbursement Agreement.
- E. The Loan (defined in Section 2.1) shall be a long-term forgivable loan, and funds shall be disbursed in whole for construction and rehabilitation of 18 units under the No Place Like Home (NPLH) and Mental Health Services Act (MHSA) guidelines pursuant to Article 4.
- F. Subject to the terms and conditions of this Loan and Disbursement Agreement, the Agency has agreed to fund the NPLH Housing Project, which in total shall constitute the Loan.

NOW, THEREFORE, Borrower and the Agency agree as follows:

ARTICLE 1. DEFINITIONS

1.1 DEFINED TERMS.

“**Authorized Signatory**” – means the Borrower’s Executive Director, Deputy Executive Director, or Asset Manager, who are designated by the Borrower to submit Pay Requests (defined below).

“**Borrower's Funds**” – means all funds of Borrower made pursuant to the terms and conditions of this Loan and Disbursement Agreement.

“**Business Day**” – means a day of the week (but not a Saturday, Sunday or State-recognized holiday) on which the offices of the Agency are open to the public for carrying on substantially all of the Agency's business functions. Unless specifically referenced in this Loan and Disbursement Agreement as a Business Day, all references to “days” shall be to calendar days.

“**Pay Request**” – means that form used by the Borrower to request Disbursement of the Loan proceeds.

“**Completion Date**” – means the date scheduled for completion of the Development Improvements which is April 1, 2024.

“**Construction**” – means either construction of the Improvements, renovation and/or rehabilitation of an existing Development.

“**Construction Contract**” – means that certain agreement to construct the Improvements dated July 25, 2022, between Great Valley Housing Development (“Developer”) and General Contractor (defined below).

“**General Contractor**” or “**GC**” – means To Be Determined, which Borrower represents is licensed by the State of California as a General Contractor and who will be generally responsible for the construction of the Improvements.

“**Hazardous Materials**” – shall have the meaning given to such term in Section 7.1(a).

“**Hazardous Materials Laws**” – shall have the meaning given to such term in Section 7.1(b).

“**NPLH Project**” – shall mean the project entitled Stanislaus County NPLH – Central Valley Homes project that was submitted to the Department of Housing and Community Development – Division of Financial Assistance and approved by the Stanislaus County Board of Supervisors on January 15, 2019 (Resolution No. 2019-0029) and August 13, 2019 (Resolution No. 2019-0511).

“**Plans and Specifications**” – shall have the meaning given to such term in **Exhibit “B”** which shall have been approved by the permitting authority.

“**Target Population**” – shall mean eligible tenants who are entitled to receive benefits pursuant to the

No Place Like Home funding.

“Term” – shall mean the duration of this Loan and Disbursement Agreement which shall begin on the date of execution by the parties and continue for a period of years unless earlier terminated pursuant to the provisions herein.

“Work” – means the progress of construction of the Improvements.

1.2 EXHIBITS INCORPORATED. Exhibits “A”, “B” and “C”, all attached hereto, are hereby incorporated into this Disbursement Agreement.

ARTICLE 2. LOAN

21 LOAN. Subject to the terms of this Loan and Disbursement Agreement, the Agency agrees to lend to Borrower and Borrower agrees to borrow from the Agency the principal sum of One Million Two Thousand Seven Hundred Sixty Seven Dollars (\$1,002,767.00) said sum to be evidenced by a Promissory note of even date (**“Promissory Note”**) which is in the form attached hereto as **Exhibit “C”**. Amounts

disbursed to or on behalf of Borrower pursuant to the Promissory Note shall be used to finance construction of the Improvements and for such other purposes and uses as may be permitted under this Loan and Disbursement Agreement.

22 LOAN DURATION AND REPAYMENT. The Loan shall be in effect for a term of fifty-five (55) years from the date of its execution and shall bear no interest. All payments of principal shall be deferred during this term unless there is a transfer of the Property and the property no longer serves as rental housing for the target population. In the event Borrower complies with all the terms of this Loan and Disbursement Agreement for a period of ten (10) years following the date of its execution, Agency shall forgive the sum of Three Hundred Thirty Four Thousand Two Hundred Fifty Six Dollars (\$334,256) of the Loan. In the event Borrower complies with all the terms of this Loan and Disbursement Agreement for an additional ten (10) year period, Agency shall forgive the additional sum of Three Hundred Thirty Four Thousand Two Hundred Fifty Six Dollars (\$334,256) of the Loan. In the event Borrower complies with all the terms of this Agreement for the remaining portion of the term, then at the end of the term, all remaining principal deferred under the Loan shall be forgiven and the Promissory Note shall be considered paid in full. In the event that there is a transfer of the property at any time during the term and the property no longer serves as rental housing for the target population, then all remaining deferred unforgiven principal shall be due and payable immediately.

23 REPAYMENT. Borrower shall repay the Loan, in accordance with the provisions of the Promissory Note, which shall incorporate the terms set forth in this Article. Borrower shall have the right to prepay all or a portion of the principal due under the Promissory Note without any charge or penalty being made therefor

ARTICLE 3. CONSTRUCTION

3.1 COMMENCEMENT AND COMPLETION. Borrower shall commence construction of

the Improvements without unreasonable delay upon execution of this agreement and shall complete construction of the Improvements on or before the Completion Date.

Force Majeure. Subject to the submission to the Agency of an appropriate change order, the time within which construction of the Improvements must be completed shall be extended for a period of time equal to the period of any delay directly affecting construction which is caused by fire, earthquake or other acts of God, strike, lockout, acts of public enemy, riot, insurrection, or governmental regulation of the sale or transportation of materials, supplies or labor; provided, however, that Borrower shall furnish the Agency with written notice satisfactory to the Agency evidencing any such delay within fifteen (15) days from the occurrence of any such delay.

3.2 CONSTRUCTION CONTRACT. Borrower and Contractor have or will enter into the Construction Contract pursuant to the terms and conditions of which Contractor is to make repair and improvements. Borrower shall require Contractor to perform in accordance with the terms of the Construction Contract and shall not amend, modify or alter the responsibilities of Contractor under the Construction Contract without the Agency's prior written consent which consent shall not be unreasonably held.

3.3 CONSTRUCTION RESPONSIBILITIES. Borrower shall construct the Improvements in a workmanlike manner according to the Plans and Specifications. All materials intended for incorporation into the Improvements shall be adequately secured against loss or damage. Borrower shall comply with all applicable laws, ordinances, rules, regulations, building restrictions, recorded covenants and restrictions, and requirements of all regulatory authorities having jurisdiction over the Improvements. Borrower shall be solely responsible for all aspects of Borrower's business and conduct in connection with the Improvements, including, without limitation, for the quality and suitability of the Plans and Specifications and their compliance with all governmental requirements, the supervision of the work of construction, the qualifications, financial condition and performance of all architects, engineers, contractors, material suppliers, consultants and property managers, and the accuracy of all applications for payment and the proper application of all Disbursements. The Agency is not obligated to supervise, inspect or inform Borrower or any third party of any aspect of the Construction or any other matter referred to above.

3.4 INSPECTIONS. The Agency shall have the right to enter upon the Development at all reasonable times to inspect the Improvements and the Work to verify information disclosed or required pursuant to this Loan and Disbursement Agreement. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Agency to permit all appropriate access to the Development and to all relevant documents related thereto. Any inspection or review of the Work by the Agency is solely to determine whether Borrower is properly discharging its obligations to the Agency and may not be relied upon by Borrower or by any third party as a representation or warranty of compliance with this Loan and Disbursement Agreement. The Agency shall owe the standard duty of care to Borrower or any third party to protect against, or to inform Borrower or any third party of, any negligent, faulty, inadequate or defective design of the Work or Improvements as reasonably determined by the Agency. The Agency will have the right, at any time, to examine the books, records, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Construction and Work and to make copies thereof.

ARTICLE 4. LOAN DISBURSEMENT

4.1 INITIAL DISBURSEMENT. The initial disbursement of Borrower's Funds in the sum of \$ 1,002,767.00 shall be made upon execution of Loan agreement documents and delivery of written confirmation by Borrower to Agency of the following:

- (i) That the final Construction Contract, has been executed between Developer and General Contractor.
- (ii) That all utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the Construction and occupancy of the Development are available at or within the boundaries of the Development, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Improvements.
- (iii) That all required permits for Construction have been acquired and approved.
- (iv) That Borrower has in force and effect all insurance as required in Article 5.
- (v) Delivery of a statement verified under penalty of perjury by the General Contractor that it is not affiliated with the Borrower.

4.2 CONDITIONS PRECEDENT. Other than the initial disbursement, Borrower shall submit, and the Agency shall process, one (1) request for disbursement per month. The Agency's obligation to make Disbursements shall be subject to the Borrower's submittal of an executed Pay Request which shall include satisfaction of each of the following conditions precedent:

- (a) No Default. There shall exist no Default, as defined in this Loan and Disbursement Agreement, or event, omission or failure of condition which would constitute a Default after notice or lapse of time, or both.
- (c) Certification of Use of Funds. Borrower shall provide the Agency with such certifications as the Agency shall reasonably require to confirm the application or proposed application of Loan funds for qualified purposes as required by the Agency.
- (d) Other. Borrower shall provide any other reasonably necessary information/requirements which the Agency requests.

Each request for Disbursement shall be submitted at least ten (10) Business Days before the Disbursement is desired. The executed Pay Request must be accompanied by invoices and/or any supporting documentation reasonably sufficient to substantiate the performance of the Work.

4.3 APPLICATION OF DISBURSEMENTS. All Disbursements made to the Borrower shall be applied by the Borrower solely for the purposes for which the funds have been disbursed. The Agency has no obligation to Borrower, other lender, or any other third party to monitor or determine Borrower's use or application of Disbursements.

ARTICLE 5. INSURANCE

5.1 INSURANCE REQUIREMENTS.

(a) Construction Risk. Until actual completion of the Work, and issuance of a Certificate of Occupancy or Notice of Completion, Borrower shall maintain at Borrower's sole expense, with licensed insurers policies of insurance, and such other coverage as may be reasonably required by the Agency.

(b) Insurance Requirements Following Completion of Construction. Borrower agrees to maintain and deliver to Agency adequate hazard insurance policies covering fire and extended coverage for the Improvements and such other hazards that may be deemed appropriate and issued by a company satisfactory to the Agency. The policy of insurance shall include a proof of insurance provision requiring that thirty days prior to cancellation or material change in the policy written notice of same shall be given to the Agency.

5.2 GENERAL. Borrower shall provide the Agency upon request, copies of all certificates of insurance required of Borrower under this Loan and Disbursement Agreement. All insurance policies required by this Loan and Disbursement Agreement shall provide that the insurance shall not be cancelled or materially changed without thirty (30) days prior written notice to the Agency.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES

As a material inducement to the Agency's entry into this Disbursement Agreement, Borrower represents and warrants to the Agency as of the Effective Date and continuing thereafter that:

6.1 AUTHORITY/ENFORCEABILITY. Borrower is in compliance with all laws and regulations applicable to its organization, existence and transaction of business and has all necessary rights and powers to own, develop and operate the Development and Improvements.

6.2 BINDING OBLIGATIONS. Borrower is authorized to execute, deliver and perform its obligations under this Loan and Disbursement Agreement, and such obligations shall be valid and binding obligations of Borrower. Specifically, Borrower designates the Authorized Signatory to make requests for Disbursements.

6.3 NO VIOLATION. Borrower's execution, delivery, and performance under this Loan and Disbursement Agreement and Promissory Note do not: (a) require any consent or approval not heretofore obtained under any partnership agreement, operating agreement, articles of incorporation, bylaws or other document; (b) to the best of Borrower's knowledge, violate any governmental requirement applicable to the Development and Improvements or any other statute, law, regulation or ordinance or

any order or ruling of any court or governmental entity; or (c) conflict with, or constitute a breach or default or permit the acceleration of obligations under any agreement, contract, lease, or other document by which the Borrower is or the Development and Improvements are bound or regulated.

64 COMPLIANCE WITH LAWS. Borrower has, and at all times shall have obtained, all permits, licenses, exemptions, and approvals necessary to construct, occupy, operate and market the Development and Improvements, and shall maintain compliance with all governmental requirements applicable to the Development and Improvements and all other applicable statutes, laws, regulations and ordinances necessary for the transaction of its business. The Development is a legal parcel lawfully created in full compliance with all subdivision laws and ordinances.

65 LITIGATION. Except as disclosed to the Agency in writing, there are no claims, actions, suits, or proceedings pending, or to Borrower's knowledge threatened, against Borrower which materially affect the Development or Improvements.

66 ACCURACY. All reports, documents, instruments, information and forms of evidence delivered to the Agency concerning this Loan and Disbursement Agreement are accurate, correct and sufficiently complete to give the Agency true and accurate knowledge of their subject matter, and do not contain any material misrepresentation or omission.

67 OTHER FINANCIAL AGREEMENTS. Borrower has complied with, and shall continue to comply with, all conditions and obligations relating to other sources of financing related to and for the benefit of the Development. Borrower recognizes and agrees that Mental Health Services Act revenue is the funding of last resort. Borrower has applied for the California Department of Health Care Services (DHCS) Housing and Homeless Incentive Program (HHIP) funding from Health Plan of San Joaquin (HPSJ). Funding in the amount of \$1,680,000 has preliminarily been awarded to Borrower by HPSJ. Agency is willing to advance MHSAs funding to Borrower until HHIP funds can be drawn for the construction and development. Borrower agrees that it will comply with the terms and conditions of the HHIP funding from HPSJ. Agency will hold Borrower harmless if HHIP funding is not able to be drawn as a result of no fault of Borrower. Borrower will repay MHSAs funding to Agency within 30-days of receipt of HHIP funds. Repayment can be made via check mailed to Agency at 800 Scenic Drive, Modesto, CA 95350. In the event that the HHIP funding award changes, the loan forgiveness terms referenced in Article 2.2 LOAN DURATION AND REPAYMENT will be updated.

ARTICLE 7. HAZARDOUS MATERIALS

7.1 SPECIAL REPRESENTATIONS AND WARRANTIES. Without in any way limiting the other representations and warranties set forth in this Disbursement Agreement, Borrower hereby specially represents and warrants to the best of Borrower's knowledge as of the date of this Disbursement Agreement as follows:

(a) Hazardous Materials. Except as disclosed in the Phase I environmental reports, the Development is not and has not been a site for the use, generation, manufacture, storage, treatment, release, threatened release, discharge, disposal, transportation or presence of any oil, flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, hazardous wastes, toxic or contaminated

substances or similar materials, including, without limitation, any substances which are “hazardous substances,” “hazardous wastes,” “hazardous materials,” “toxic substances,” “wastes,” “regulated substances,” “industrial solid wastes,” or “pollutants” under the Hazardous Materials Laws, as described below, and/or other applicable environmental laws, ordinances and regulations but excluding any materials commonly used in the construction or operation of multifamily housing projects if used in accordance with all applicable requirements (collectively, the “*Hazardous Materials*”).

(b) Hazardous Materials Laws. The Development and Improvements are in compliance with all laws, ordinances and regulations relating to Hazardous Materials (“*Hazardous Materials Laws*”), including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401

et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901 et seq.; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986, "CERCLA"), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f et seq.; and all comparable state and local laws, laws of other jurisdictions or orders and regulations.

(c) Hazardous Materials Claims. There are no claims or actions pending or threatened against Borrower, the Development or Improvements by any governmental entity or agency or by any other person or entity relating to Hazardous Materials or pursuant to the Hazardous Materials Laws ("*Hazardous Materials Claims*").

(d) Border Zone Property. The Development has not been designated as Border Zone Property under the provisions of California Health and Safety Code, Sections 25220 et seq. and there has been no occurrence or condition on any real property adjoining or in the vicinity of the Development that could cause the Development or any part thereof to be designated as Border Zone Property.

72 HAZARDOUS MATERIALS COVENANTS. Borrower agrees as follows:

(a) No Hazardous Activities. Borrower shall not cause or permit the Development or Improvements to be used as a site for the use, generation, manufacture, storage, treatment, release, discharge, disposal, transportation or presence of any Hazardous Materials.

(b) Compliance. Borrower shall comply and cause the Development and Improvements to comply with all Hazardous Materials Laws.

(c) Notices. Borrower shall immediately notify the Agency in writing of: (i) the discovery of any Hazardous Materials on, under or about the Development and Improvements; (ii) any knowledge by Borrower that the Development and Improvements do not comply with any Hazardous Materials Laws; (iii) any Hazardous Materials Claims; and (iv) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Development that could cause the Development or any part thereof to be designated as Border Zone Property.

(d) Remedial Action. In response to the presence of any Hazardous Materials on, under or about the Development or Improvements, Borrower shall immediately take, at Borrower's sole expense, all remedial action required by any Hazardous Materials Laws or any judgment, consent decree, settlement or compromise in respect to any Hazardous Materials Claims.

73 HAZARDOUS MATERIALS INDEMNITY. Borrower hereby agrees to hold harmless the Agency, its directors, officers, employees, agents, successors and assigns from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including, without limitation, reasonable attorney fees and expenses) which arise as a direct or indirect

consequence of the use, generation, manufacture, storage, disposal, threatened disposal, transportation or presence of hazardous materials at the improvements during the term of this loan and disbursement agreement. The duty of borrower and obligation to defend, indemnify and hold harmless the Agency shall survive the cancellation of the promissory note.

7.4 LEGAL EFFECT OF SECTION. Borrower and the Agency agree that: (a) this Article 7 is intended as the Agency's written request for information (and Borrower's response) concerning the environmental condition of the real property security as required by California Code of Civil Procedure § 726.5; and (b) each provision in this Article (together with any indemnity applicable to a breach of any such provision) with respect to the environmental condition of the real property security is intended by the Agency and Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure § 736.

ARTICLE 8. COVENANTS OF BORROWER

8.1 OTHER FINANCING. If Borrower has obtained any other commitments for a Construction Loan or permanent financing, Borrower shall not: (a) commit any breach or default under such commitments, or (b) fail to maintain such commitments in full force and effect.

8.2 LEASING. After completion of the Improvements and issuance of a Certificate of Occupancy or Notice of Completion, Borrower shall use its best efforts to lease one hundred percent (100%) of the residential units at the Development to eligible tenants in accordance with the provisions of the Mental Health Services Act.

8.3 FURTHER ASSURANCES. Upon the Agency's request and at Borrower's sole cost and expense, Borrower shall execute, acknowledge and deliver any other instruments and perform any other acts necessary, desirable or proper, as reasonably determined by the Agency, to carry out the purposes of this Loan and Disbursement Agreement.

8.4 ASSIGNMENT. Without the prior written consent of the Agency, Borrower shall not assign Borrower's interest under this Loan and Disbursement Agreement, or in any monies due or to become due thereunder, and any assignment without such consent shall be void. In this regard, Borrower acknowledges that the Agency would not make this Loan except in reliance on Borrower's expertise, reputation, prior experience in developing and constructing real property, and the Agency's knowledge of Borrower.

8.5 NO AMENDMENT. Except as otherwise permitted by the terms of this Loan and Disbursement Agreement, Borrower shall not materially amend or materially modify, nor shall Borrower terminate, any of the following documents, without the Agency's prior written consent (which shall not be unreasonably withheld or delayed) and shall keep in full force and effect the following documents, if applicable, and Borrower shall comply with all terms and provisions thereof: (a) Construction Contract; (b) Architect's Agreement; (c) Engineers' Agreements; and/or (d) Management Agreement.

8.6 PERMITS. Borrower shall upon Agency's request have provided all necessary building and grading permits for construction of the Improvements to the Agency or as soon thereafter as they are customarily available in the ordinary course. -10-

8.7 PROVISIONS TO BE INCLUDED IN CONTRACTS. Borrower agrees that it will include in the Construction Contract and will include or cause the Contractor to include in all agreements with subcontractors (which term for the purpose of this section also shall include material suppliers and equipment lessors) a provision that if the Contractor or any officers or director of the Contractor, or any stockholder holding ten percent (10%) or more of the voting stock of the Contractor, or any person having directly or indirectly an interest of ten percent (10%) or more in the Contractor, also is a subcontractor or material supplier or stockholder holding ten percent (10%) or more of the voting stock of a subcontractor or material supplier, or directly or indirectly has an interest of ten percent (10%) or more in a subcontractor or material supplier, then the Contractor shall disclose in writing to the Agency the identity of such subcontractor or material supplier and obtain the written approval of the Agency to their use; and if such subcontractor or material supplier is approved by the Agency, the Contractor shall certify simultaneously with the request for any payment to them that the amount paid to them is a fair and reasonable price for the work or materials.

ARTICLE 9. DEFAULTS AND REMEDIES

9.1 DEFAULT. A “Default” shall consist of any breach by Borrower of any covenant, agreement, provision or warranty contained in this Loan and Disbursement Agreement, or the Promissory Note, which breach is not cured within the applicable cure period. Unless a different time period is hereinafter prescribed, in the event of a breach, Agency shall provide to Borrower a written notice of the breach and Borrower shall have thirty (30) days to cure the breach or, if such breach cannot be reasonably cured within thirty (30) days, Borrower shall commence to cure within thirty (30) days and thereafter shall diligently complete such cure. However, if a breach results from an unauthorized Transfer, then there shall be no notice and cure period available to Borrower. If, after the time provided for cure Borrower has not cured the breach and Agency has not expressly waived its rights under this Loan and Disbursement Agreement or under the Promissory Note, the breach shall constitute a default and Agency may pursue the remedies set forth in Article 9.2.

9.2 The occurrence of any one or more of the following shall constitute an event of default (“*Default*”) under this Loan and Disbursement Agreement:

(a) Performance of Obligations. Borrower's failure to perform any obligation under this Agreement; provided, however, that if a cure period is provided for the remedy of such failure, Borrower's failure to perform will not constitute a Default until such date as the specified cure period expires; or

(b) Representations and Warranties. The failure of any material representation or warranty of Borrower in this Loan and Disbursement Agreement and the continuation of such failure for more than ten (10) days after written notice to Borrower from the Agency requesting that Borrower cure such failure; or

(c) Voluntary Bankruptcy; Insolvency; Dissolution. (i) The filing of a petition by Borrower for relief under the bankruptcy or laws related to insolvency, or under any other present or future state or federal law regarding bankruptcy, reorganization or other debtor relief law; or (ii) the filing of any pleading or an answer by Borrower in any involuntary proceeding under the Bankruptcy

Code or other debtor relief law which admits the jurisdiction of the court or the petition's material allegations regarding Borrower's insolvency; or (iii) a general assignment by Borrower for the benefit of creditors; or (iv) Borrower applying for, or the appointment of, a receiver, trustee, custodian or liquidator of Borrower or any of its property; or

(d) Involuntary Bankruptcy. The failure of Borrower to effect a full dismissal of any involuntary petition under the bankruptcy or laws related to insolvency or under any other debtor relief law that is filed against Borrower or in any way restrains or limits Borrower or the Agency regarding the MHSA Permanent Loan, the Development or the Improvements, prior to the earlier of the entry of any court order granting relief sought in such involuntary petition, or sixty (60) days after the date of filing of such involuntary petition; or

(e) Prohibited Transfers. The transfer of any interest in the Development without the prior written consent of the Agency.

(f) Hazardous Materials. The discovery during the term of this Loan and Disbursement Agreement of any significant Hazardous Materials not disclosed in the Phase I report in, on or about the Development or Improvements. Any such Hazardous Materials shall be "significant" for this purpose if said Hazardous Materials, in the Agency's sole discretion, have a materially adverse impact on the value of the Development and Improvements; or

(g) Taxes and Insurance. Failure of the Borrower to pay when due all premiums or amounts owing for property taxes and insurance required of Borrower pursuant to this Loan and Disbursement Agreement;

(h) Organizational Documents. The occurrence of a default under the Borrower's organizational documents after expiration of applicable cure periods; or

(i) Construction; Use. (i) There is any material deviation in the Work or Construction from the Plans and Specifications or governmental requirements or the appearance or use of defective workmanship or materials in constructing the Improvements, and Borrower fails to remedy the same to the Agency's satisfaction within thirty (30) days of the Agency's written demand to do so; or (ii) there is a cessation of construction of the Improvements prior to completion for a continuous period of more than fifteen (15) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article 3); or (iii) the construction, sale or leasing of any of the Improvements in accordance with the MHSA Permanent Loan Documents is prohibited, enjoined or delayed for a continuous period of more than thirty (30) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article 4); or (iv) utilities or other public services necessary for the full occupancy and utilization of the Development and Improvements are curtailed for a continuous period of more than thirty (30) days.

93 ACCELERATION UPON DEFAULT; REMEDIES. Upon the occurrence of any Default specified in this Article 9, after giving notice and reasonable opportunity to cure which is not satisfied, the Agency may, at its sole option, declare all sums owing to the Agency under the Promissory Note and this Loan and Disbursement Agreement, immediately due and payable. Upon such acceleration, the Agency may, in addition to all other remedies permitted under this Loan and Disbursement Agreement and at law or equity, apply any sums held by the Agency to the sums owing thereunder and any and all

obligations of the Agency to fund further Disbursements shall terminate.

94 AGENCY'S CESS AT ION OF CONSTRUCTION . If the Agency determines at any time that the Improvements are not being constructed in accordance with the Plans and Specifications and all governmental requirements, the Agency may immediately cause all construction to cease on any of the Improvements affected by the condition of nonconformance. Borrower shall thereafter not allow any construction work, other than corrective work, to be performed on any of the Improvements affected by the condition of nonconformance until such time as the Agency notifies Borrower in writing that the nonconforming condition has been corrected.

95 RIGHTS CUMULATIVE, NO WAIVER. All the Agency's rights and remedies provided in this Disbursement Agreement together with those granted by law or at equity, are cumulative and may be exercised by the Agency at any time. No waiver shall be implied from any failure of the Agency to take, or any delay by the Agency in taking, action concerning any Default or failure of condition under this agreement or from any previous waiver of any similar or unrelated Default or failure of condition. Any waiver or approval under this agreement must be in writing and shall be limited to its specific terms.

ARTICLE 10. MISCELLANEOUS PROVISIONS

101 INDEMNITY. Borrower hereby agrees to defend, indemnify and hold harmless the agency, its directors, officers, employees, agents, successors and assigns from and against any and all losses (direct, indirect or consequential), damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including, without limitation, reasonable attorney fees and expenses), except arising solely from the agency's gross negligence or willful misconduct, the Agency may incur as a direct or indirect consequence of: (a) the purpose to which borrower applies the loan proceeds; (b) the failure of borrower to perform any obligations as and when required by this loan and disbursement agreement and, (c) any failure at any time of any of borrower's material representations or warranties to be true and correct; or (d) any act or omission by borrower, constituent partner or member of borrower with respect to any of the Development or Improvements.

102 NO THIRD PARTIES BENEFITED. Person other than the Agency and Borrower and their permitted successors and assigns shall have any right of action under this Loan and Disbursement Agreement.

103 NOTICES. All notices, demands, or other communications under this Loan and Disbursement Agreement shall be in writing and shall be delivered to the appropriate party at the address set forth on the signature page of this Agreement. All notices, demands or other communications shall be considered as properly given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, except that notice of a Default may be sent by certified mail, return receipt requested, or by overnight express mail or by overnight commercial courier service, charges prepaid. Notices so sent shall be effective three (3) Business Days after mailing, if mailed by first class mail, and otherwise upon receipt; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

104 RIGHT OF CONTEST. Borrower may contest in good faith any claim, demand, levy or

assessment by any person other than the Agency which would constitute a Default if: (a) Borrower pursues the contest diligently, in a manner which the Agency reasonably determines is not materially prejudicial to the Agency, and does not significantly impair the rights of the Agency under this Loan and Disbursement Agreement or the Promissory Note. Borrower's compliance with this Section shall operate to prevent such claim, demand, levy or assessment from becoming a Default.

105 RELATIONSHIP OF PARTIES. The relationship of Borrower and the Agency under this agreement is, and shall at all times remain, solely that of borrower and lender. The Agency neither undertakes nor assumes any responsibility or duty to Borrower or to any third party with respect to the Development or Improvements, except as expressly provided in this Loan and Disbursement Agreement and Promissory Note. Nothing contained in this Agreement shall be interpreted or understood by any of the parties, or by any third person, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between Agency and Borrower or its agents, employees or contractors. Except as Agency may specify in writing, Borrower shall have no authority to act as an agent of Agency or to bind Agency to any obligation.

106 ATTORNEY'S FEES. If an action is instituted on this Loan and Disbursement Agreement, by either party, the party prevailing, in addition to the costs and disbursements allowed by law, shall be allowed such sum as the court may adjudge as reasonable attorney's fees.

107 PARTY'S CONSENT. Wherever in this Disbursement Agreement there is a requirement for the party's consent and/or a document to be provided or an action taken "to the satisfaction of the party", it is understood by such phrase that the party shall exercise its consent, right or judgment in a reasonable manner given the specific facts and circumstance applicable at the time.

108 AGENTS. Either party may designate an agent to exercise any of rights under this Loan and Disbursement Agreement. Any reference to a party in this Loan and Disbursement Agreement and Promissory Note shall include that party's agents, or employees.

109 TAX SERVICE. The Agency is authorized to secure a tax service contract with a third party vendor which shall provide tax information on the Development and Improvements satisfactory to the Agency.

10.10 SEVERABILITY. If any provision or obligation under this Loan and Disbursement Agreement or Promissory Note shall be determined to be invalid, illegal or unenforceable, that provision shall be deemed severed and the validity, legality and enforceability of the remaining provisions or obligations shall remain in full force as though the invalid, illegal, or unenforceable provision had never been a part of same.

10.11 HEIRS, SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided under the terms and conditions of this Loan and Disbursement Agreement and Promissory Note, the terms shall bind and inure to the benefit of the heirs, successors and assigns of the parties.

10.12 TIME. Time is of the essence of each and every term of this Loan and Disbursement Agreement.

10.13 HEADINGS. All Articles, section or other headings appearing in this Loan and Disbursement Agreement are for convenience of reference only and shall be disregarded in construing

this Disbursement Agreement.

10.14 GOVERNING LAW. This Loan and Disbursement Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California.

10.15 ARBITRATION. Any dispute, controversy or claim arising out of or relating in any way to this Disbursement Agreement, or the Promissory Note, including without limitation any dispute concerning the construction, validity, interpretation, enforceability or breach of same shall be exclusively resolved by binding arbitration upon a Party's submission of the dispute to arbitration. In the event of such dispute, the complaining Party shall notify the other Party in writing thereof. Within thirty (30) days of such notice, management level representatives of both Parties shall meet at an agreement location to attempt to resolve the dispute in good faith. Should the dispute not be resolved within thirty (30) days after such notice, the complaining Party shall seek remedies exclusively through arbitration. The demand for arbitration shall be made within a reasonable time after the claim, dispute or other matter in question has arisen, in accordance with the Statute of Limitations. A Party may apply to any court with jurisdiction for interim or conservatory relief, including without limitation a proceeding to compel arbitration. Arbitration shall be administered by the American Arbitration Association, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

10.16 INTEGRATION; INTERPRETATION. This Loan and Disbursement Agreement and the Promissory Note contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. Neither shall be modified except by written instrument executed by all parties. Any reference to this Loan and Disbursement Agreement and Promissory Note includes any amendments, renewals or extensions now or hereafter approved by the parties in writing.

10.17 COUNTERPARTS. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document.

IN WITNESS WHEREOF, Borrower and the Agency have executed this Disbursement Agreement as of the date appearing on the first page of this Disbursement Agreement.

{SIGNATURES FOLLOW ON NEXT PAGE}

BORROWER:

STANISLAUS REGIONAL
HOUSING AUTHORITY

Name: Jim Kruse

Title: Executive Director

Signature: Jim Kruse

AGENCY:

STANISLAUS COUNTY

Name: Tony Vartan, MSW, LCSW

Title: Stanislaus County Behavioral Health
& Recovery Services Director

Signature: _____

APPROVED AS TO FORM
STANISLAUS COUNTY COUNSEL
BY Man Hartley

Borrower's Address:

PO Box 581918

Modesto, CA 95358-0033

Agency's Address:

800 Scenic Dr.

Modesto CA 95350

Exhibits

- A Legal Description
- B Plans and Specifications
- C Form of Promissory Note

LEGAL DESCRIPTION EXHIBIT "A"

For APN/Parcel ID(s): 030-010-041 and 030-010-042

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF MODESTO, COUNTY OF STANISLAUS, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

All that certain real property identified as ""Remainder" as per that certain Parcel Map filed for record October 18, 2016 in Book 57 of Parcel Maps, at Page 42, Stanislaus County Records, more particularly described as follows: All that certain real property situate in the City of Modesto, County of Stanislaus, State of California, and lying within a portion of the South Half of Lot 9 of "Spencer Colony", according to the Official Map thereof, filed in the Office of the Recorder of Stanislaus County, California, on December 16, 1904, in Volume 2 of Map, at Page 3, described as follows:

PARCEL ONE:

Beginning at the Northeast corner of the said South Half of Lot 9, at a point in the centerline of Franklin Street, and running thence South 89°58'30" West, 665.68 feet, more or less, to the Northwest corner of said South Half of Lot 9; thence South 0°10' West, along the West line of said lot and the centerline of the Modesto Irrigation District canal, 97.05 feet to a point; thence North 89°58'30" East, 125 feet to a point; thence South 0°10' West, 100 feet to a point; thence North 89°59' East, 18.68 feet, more or less, to the Northwest corner of Parcel No. 2 as described in the Deed to John P. Winchester, et al, recorded April 18, 1969 in Volume 2270 of Official Records, at Page 565, as Instrument No. 13135; thence continue North 89°59' East, along the North line of said Parcel No. 2, a distance of 189.68 feet to the Southwest corner of the lands heretofore conveyed to Mary A. Webb, et al, by Deed dated January 4, 1943 and recorded January 7, 1943 in Volume 764 of Official Records, at Page 72; thence North 0°10' East, along the West line of said premises conveyed to Webb, 140 feet to a point, which is 57.05 feet South of the North line of the South Half of said Lot 9; thence North 89°59' East, 351 feet to the centerline of Franklin Street; thence North along said centerline, 57.05 feet to the point of beginning.

TOGETHER WITH:

COMMENCING AT THE SOUTHEAST CORNER OF SAID LOT 9, SAID POINT BEING THE CENTER LINE OF NORTH MARTIN LUTHER KING DRIVE (FORMERLY KNOWN AS FRANKLIN STREET, FORMERLY KNOWN AS MAZE STREET) AND RUNNING THENCE NORTH ALONG THE EAST LINE OF SAID LOT AND THE CENTER LINE OF NORTH MARTIN LUTHER KING DRIVE (FORMERLY KNOWN AS FRANKLIN STREET, FORMERLY KNOWN AS MAZE STREET) 130 FEET TO THE POINT OF BEGINNING OF THE PARCEL OF LAND HEREIN DESCRIBED; THENCE CONTINUE NORTH ALONG THE EAST LINE OF SAID LOT, 140 FEET; THENCE WEST AND PARALLEL TO THE SOUTH LINE OF SAID LOT 9, 351 FEET TO THE CENTER LINE OF A PRIVATE DITCH; THENCE SOUTH PARALLEL TO THE EAST LINE OF SAID LOT, 140 FEET; THENCE EAST AND PARALLEL TO THE SOUTH LINE OF SAID LOT, 351 FEET TO THE POINT OF COMMENCEMENT.

EXCEPTING THEREFROM THAT PORTION COMMENCING AT THE SOUTHEAST CORNER OF SAID LOT. 9, SAID POINT BEING THE CENTER LINE OF NORTH MARTIN LUTHER KING DRIVE (FORMERLY KNOWN AS FRANKLIN STREET, FORMERLY KNOWN AS MAZE STREET) AND RUNNING THENCE NORTH ALONG THE EAST LINE OF SAID LOT AND THE CENTER LINE OF NORTH MARTIN KING STREET (FORMERLY KNOWN AS FRANKLIN STREET, FORMERLY KNOWN AS MAZE STREET) A DISTANCE OF 209 FEET TO THE POINT OF BEGINNING OF THE PARCEL OF LAND HEREIN DESCRIBED; THENCE CONTINUING

NORTH ALONG SAID EAST LINE OF SAID LOT, A DISTANCE OF 61 FEET; THENCE WEST AND PARALLEL TO THE SOUTH LINE OF SAID LOT 9, A DISTANCE OF 170 FEET; THENCE SOUTH AND PARALLEL TO THE EAST LINE OF SAID LOT, A DISTANCE OF 61 FEET; THENCE EAST AND PARALLEL

TO THE SOUTH LINE OF SAID LOT, A DISTANCE OF 170 FEET TO THE POINT OF COMMENCEMENT.

TOGETHER WITH:

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTH HALF OF SAID LOT 9, AND RUNNING THENCE SOUTH 0°10' WEST, 97.05 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING SOUTH 0°10' WEST, 100 FEET TO A POINT; THENCE NORTH 89°58'30" EAST, 165 FEET; THENCE NORTH 0°10' EAST, 100 FEET; THENCE SOUTH 89°58'30" WEST, 165 FEET TO THE TRUE POINT OF BEGINNING. EXCEPTING THEREFROM PARCELS 1 AND 2 AS SHOWN ON PARCEL MAP FILED FOR RECORD OCTOBER 18, 2016 IN BOOK 57 OF PARCEL MAPS, AT PAGE 42, STANISLAUS COUNTY RECORDS

For APN/Parcel ID(s): 061-002-059-000

THE LAND REFERRED TO HERIN BELOW IS SITUATED IN THE CITY OF TUROCK, COUNTRY OF STANISLAUS, STATE OF CALIFORNIA AND IS DESCRIBBER AS FOLLOWS:

THE WEST 123 FEET OF THE EAST 492 FEET OF THE FOLLOWIG DESCRIBED PROPERTY.

BEGINNING AT THE SOUWEST CORNER OF SECTION 15, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN; THENCE NORTH 0° 45' WEST 30 FEET ON THE SECTION LINE BETWEEN SECTIONS 15 AND 16 OF THE SAME TOWNSHIP AND RANGE, TO THE NORTH SIDE OF THE COUNTY ROAD; THENCE NORTH 89° 50' EAST 1431 FEET ALONG THE NORTH SIDE OF COUNTY ROAD; THENCE NORTH 0° 45' WEST 1369 FEET AS THE PLACE OF BENIINNING; THENCE SAME COURSE 684.5 FEET; THENCE NOTRH 89° 50' EAST 638.4 FEET; THENCE SOUTH 0° 45' EAST 684.5 FEET; THENCE SOUTH 89° 50' WEST 638.4 FEET TO THE PLACE OF BEGINNING; THE SAID LAND BEING IN SECTION 15, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDINA. EXCEPTING THEREFROM THE NORTH 342.2 FEE THEREOF.

EXHIBIT B – DESCRIPTION OF PLANS AND SPECIFICATIONS

Plans and specifications prepared by HMR Architect are on file at the offices of the Borrower.

EXHIBIT C – FORM OF PROMISSORY NOTE

**LOAN AND DISBURSEMENT AGREEMENT
PROMISSORY NOTE**

\$1,002,767

Modesto, Stanislaus County, California February 8, 2023

FOR VALUE RECEIVED, THE HOUSING AUTHORITY OF THE COUNTY OF STANISLAUS (hereinafter “Borrower”), promises to pay to the Behavioral Health and Recovery Services of Stanislaus County (“Agency”) pursuant to Article 2.1 of the LOAN AND DISBURSEMENT AGREEMENT of even date (hereinafter “Agreement) in reference to the construction of certain improvements consisting of ten (18) units of affordable multi-family housing. By this reference, the Agreement is fully incorporated herein. The outstanding principal balance of the loan shall accrue zero percent interest.

G. TERM: The terms of this note (the “term”) shall begin on the date of execution of this note and shall terminate upon repaying in full of the debt evidenced by this Note pursuant or shall terminate upon forgiveness of the debt evidenced by this Note pursuant to the provision of Article 2.2 of the Agreement

H. PAYMENT Principal shall be payable in the manner set forth in Article 2.1 of the Agreement.

I. PREPAYMENT. Borrower shall have the right to prepay all or a portion of the principal due under this Note without any charge or penalty being made therefor.

J. ACCELERATION. Upon the occurrence of a default as set forth in Article 9 of the Agreement, Agency shall have the right to accelerate the debt evidenced by this Note and declare all of the unpaid principal, if any, immediately due and payable. Any failure by Agency to pursue its legal and/or equitable remedies upon default by Borrower shall not constitute a waiver of Agency’s right to declare a default by Borrower and exercise all of its rights under this Note and the Agreement. Nor shall acceptance by Agency of any payment provided herein constitute a waiver of Agency’s right to require prompt payment of any remaining payment owed.

K. NO OFFSET. Borrower hereby waives any rights of offset it now has or may hereafter have against Agency, its successors and assigns and agrees to make the payments called for herein in accordance with the terms of this Note and the Agreement

2 ATTORNEYS FEES. If an action is instituted on this Note, the prevailing party shall be entitled to its attorney’s fees and costs pursuant to Article 10.6 of the Agreement.

3 MANNER AND PLACE OF PAYMENT. All payments of principal, if applicable, due under this Note, shall be payable in lawful money of the United States of America at the office of Agency, 800 Scenic Drive, Modesto, California, 95350 or such other address as Agency may designate in writing.

STANISLAUS REGIONAL HOUSING
AUTHORITY

By: *Jim Kruse*

Name: Jim Kruse

Title: Executive Director

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

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

State of California

County of _____ } ss.

On _____, before me, _____,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

Personally appeared _____,
Name(s) of Signers(s)

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

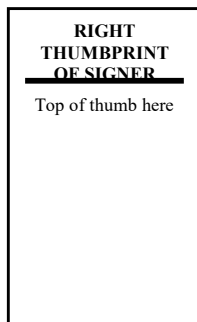
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- Individual
- Corporate Officer – Title(s): _____
- Partner – Limited General
- Attorney in Fact
- Guardian or Conservator

Representing: _____

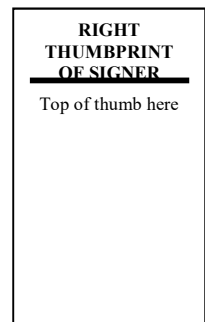


Capacity(ies) Claimed by Signer

Signer's Name: _____

- Individual
- Corporate Officer – Title(s) _____
- Partner – Limited General
- Attorney in Fact
- Guardian or Conservator

Signer Is Representing: _____





BEHAVIORAL HEALTH AND RECOVERY SERVICES

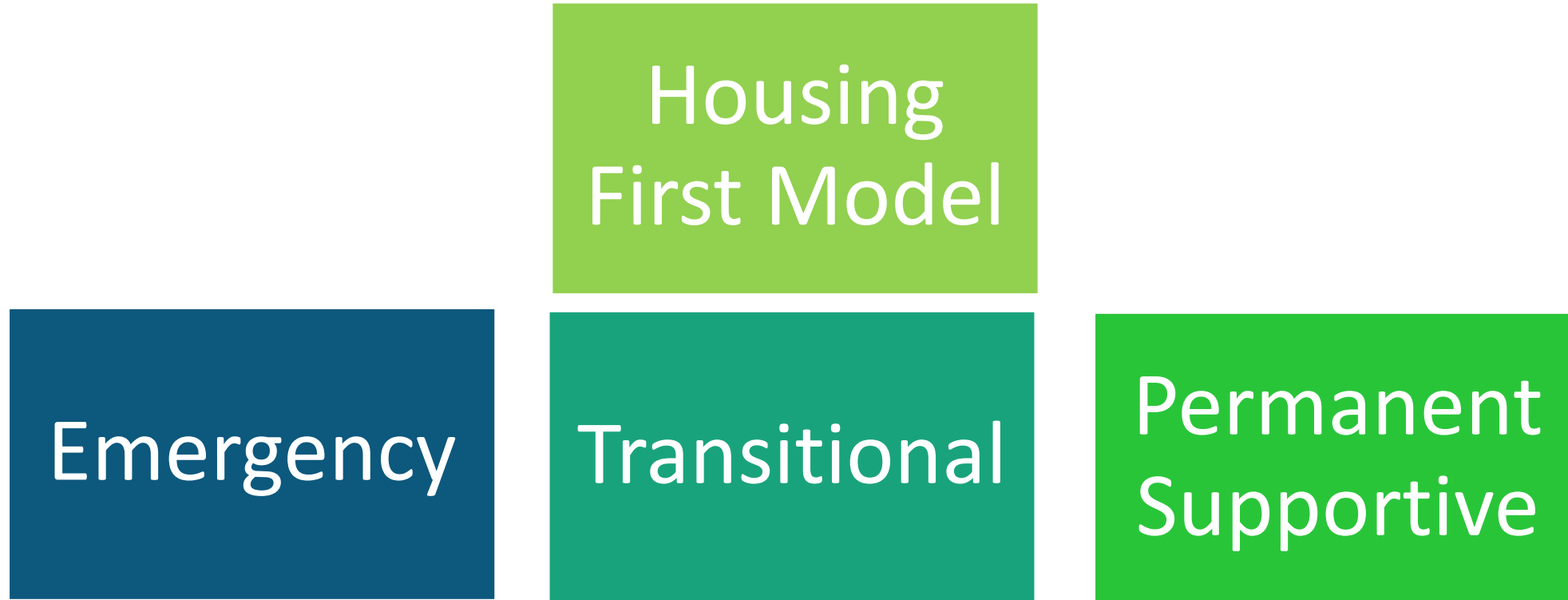


Tony Vartan, MSW, LCSW – Behavioral Health Director

**Approval to Enter into a Loan and Disbursement Agreement with the
Stanislaus Regional Housing Authority for \$1,002,767 in Mental
Health Services Act Funds for Permanent Supportive Housing Units in
the No Place Like Home Central Valley Homes Project**

Tuesday, February 14, 2023

BHRS Housing Approach/Options



BHRS Internal Point in Time (PIT) Count



466 CLIENTS LIVING
UNSHELTERED OR IN TEMPORARY
SHELTER OCTOBER 2022



57% INCREASE FROM OCTOBER
2021 PIT OF 296 CLIENTS



DEMONSTRATED NEED TO
SECURE ADDITIONAL HOUSING
UNITS

BHRS Housing Development Partners

Stanislaus Regional
Housing Authority
(SRHA)

Stanislaus County
Affordable Housing
Corporation
(STANCO)

Stanislaus Equity
Partners (STEP)

Self-Help
Enterprise

Current Central Valley Homes Project Partnership



Behavioral Health and Recovery Services



Stanislaus Regional Housing Authority



F&M Bank



City of Modesto



Stanislaus County Planning and Community Development Department

No Place Like Home Program

July 1, 2016 – Governor Brown Legislation

\$2 Billion bond proceeds from Mental Health Services Act (MHSA) funds

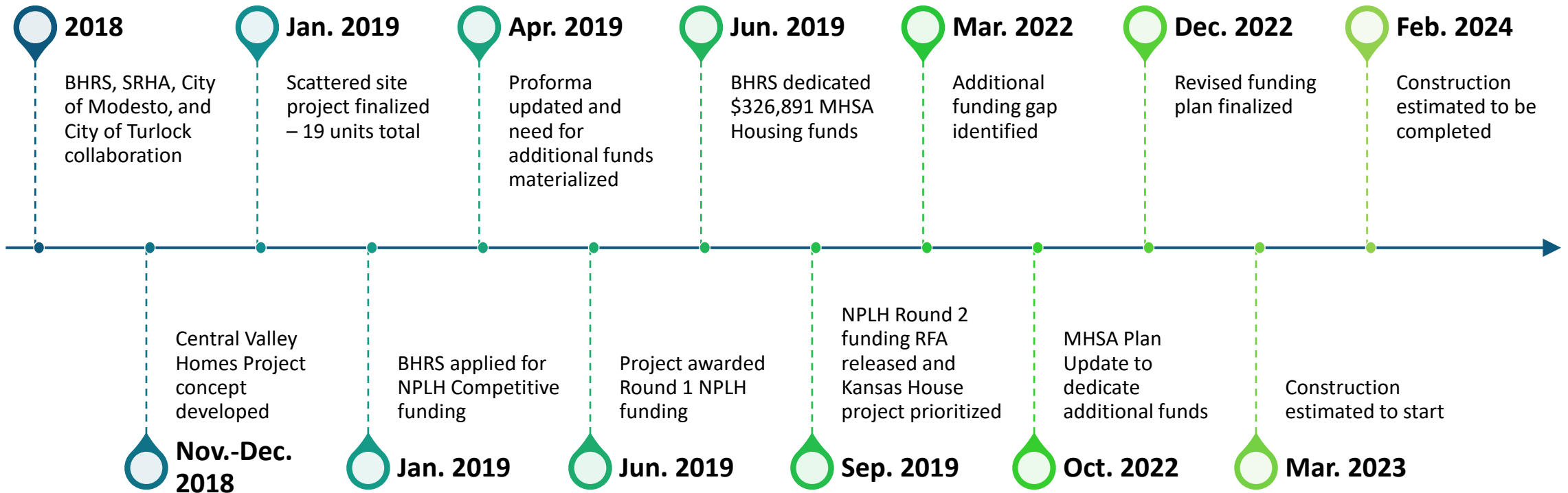
Permanent Supportive Housing

Persons in need of mental health services AND

- Experiencing homelessness
- Chronic homelessness
- At risk of chronic homelessness

Create housing units to add to inventory for persons with Serious Mental Illness (SMI)

Central Valley Homes Project Timeline



38 Housing Units

413 Vine Street,
Modesto – 35 New
Construction Units

1143 Park Street,
Turlock – 3
Rehabilitation
Units

Total Project 38
18 Units Dedicated
to BHRS Clients

Unit and Property Amenities



STOVES



REFRIGERATORS



DISHWASHERS



MICROWAVES

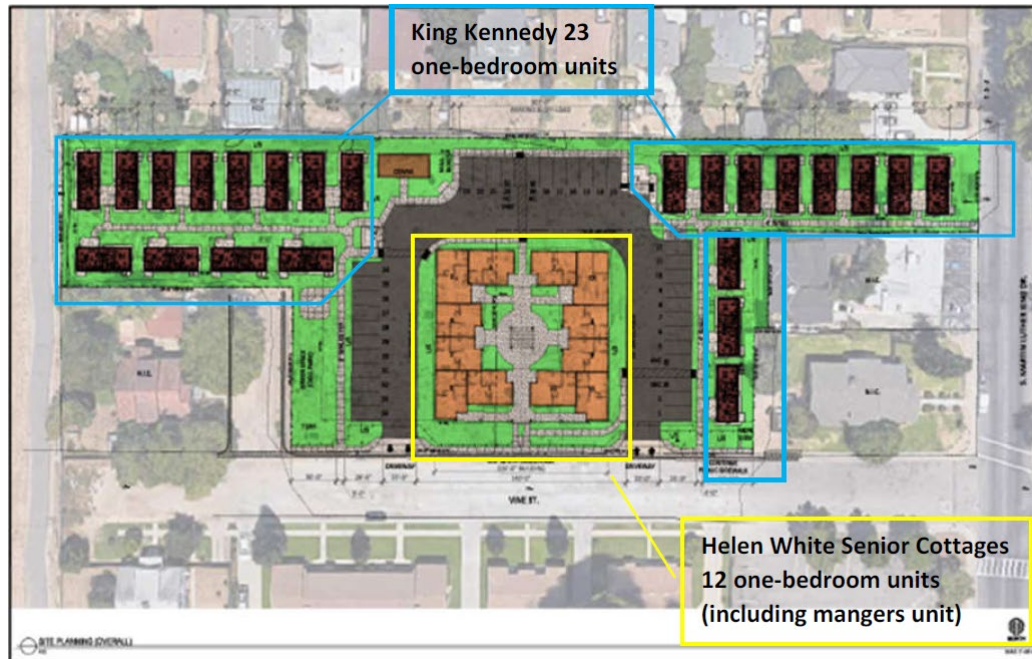


LAUNDRY UNITS



COMMUNITY
ROOM

413 Vine Street, Modesto





1143
Park
Street,
Turlock

Referral Process and BHRS Services

Coordinated
Entry System

Criteria
Serious Mental
Illness

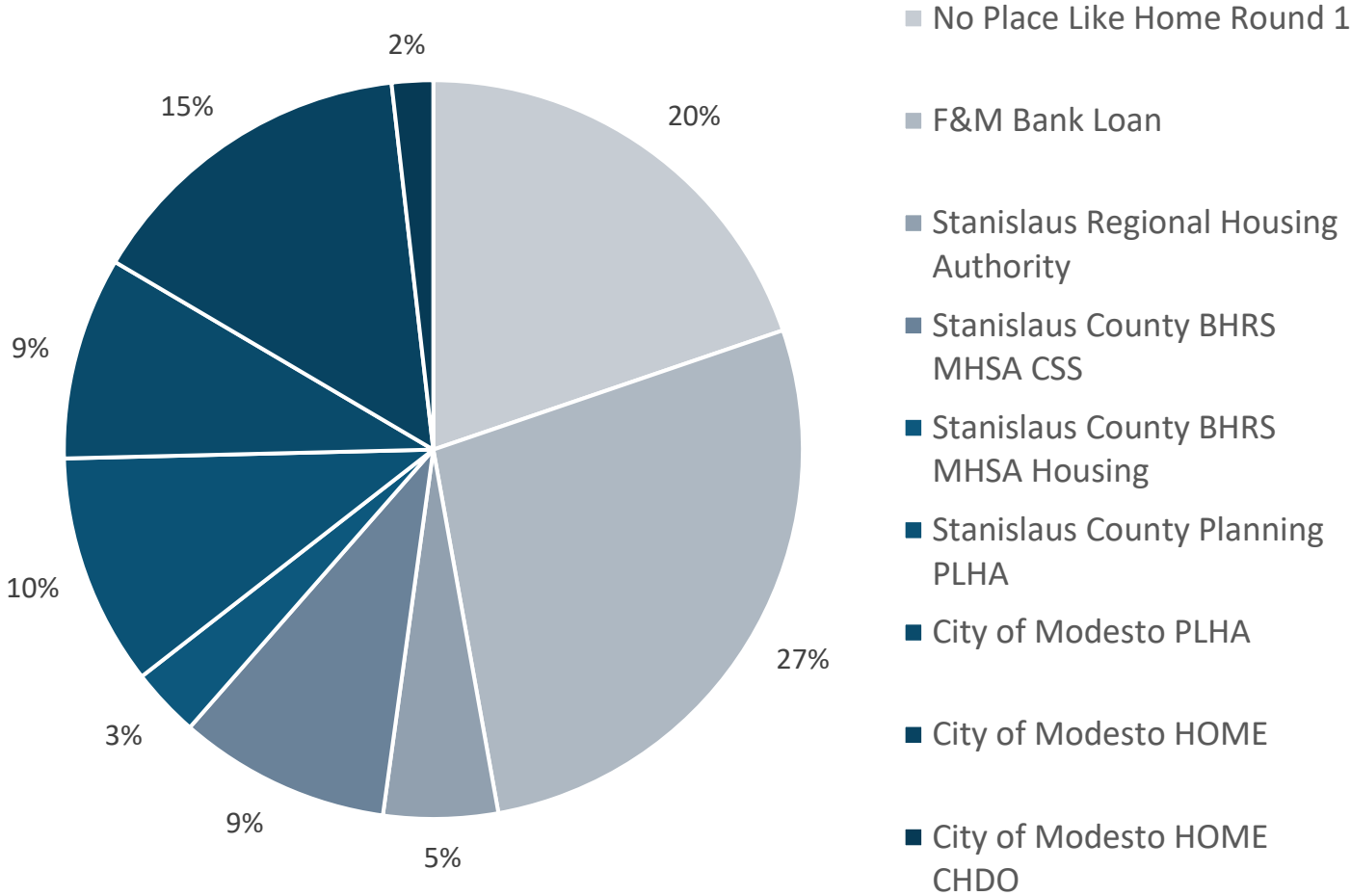
Case
Management

Peer Support

Independent
Living Skills

Assistance with
Community
Inclusion

Funding Partnership for \$10.8 Million Total Project Cost



Dedication of MHSA Funding

October 4, 2022 MHSA Plan Update for FY 2022-2023

Dedicate up to \$2,426,891 MHSA Funds (to fill funding gap)

Planning - Permanent Local Housing Allocation (PLHA) \$1,097,233
(Potential Funding Opportunity)

Remaining Current MHSA Need \$1,002,767

Application for Housing and Homelessness Incentive Program (HHIP) funding through Health Plan of San Joaquin (HPSJ) (Potential Funding Opportunity)

HHIP Funding

Advance \$1,002,767
MHSA until HHIP can
be drawn

Preliminary award
from HPSJ of \$1.68
Million

Construction and
rehabilitation
milestones met to
draw funds

SRHA will repay
BHRS when HHIP is
received

If HHIP not awarded,
MHSA will stay in
place

1/3 of MHSA funds
will be forgiven
every 10 years

Regardless of
funding, BHRS will
have sole access to
18 units for 55 years

Staff Recommendations

1. Approve the Loan and Disbursement Agreement of \$1,002,767 with the Stanislaus Regional Housing Authority for the permanent supportive housing units in the No Place Like Home Central Valley Homes Project.
2. Authorize the Behavioral Health Director, or designee, to sign the Agreement with the Stanislaus Regional Housing Authority and any subsequent amendments.



Questions?
