

Prepared by, and after recording
return to:

Jones, Ackerman & Corman LLP
1900 Avenue of the Stars, Suite 2300
Los Angeles, California 90067
Attn: Kimberly D. Fross

SUBORDINATION AGREEMENT
GOVERNMENTAL ENTITY

**SUBORDINATION AGREEMENT GOVERNMENTAL ENTITY FOR REGULATORY
AGREEMENT
REGULATORY AGREEMENT ONLY/NO SUBORDINATE DEBT**

THIS SUBORDINATION AGREEMENT FOR REGULATORY AGREEMENT (this “**Agreement**”) is effective as of the [REDACTED] day of December, 2023, by the CITY OF WATSONVILLE REDEVELOPMENT AGENCY, a California municipal corporation (“**Governmental Entity**”), and IDEAL EVERGREEN, LP, a California limited partnership (“**Borrower**”), for the benefit of WALKER & DUNLOP, LLC, a Delaware limited liability company, a national banking association, its successors and assigns (“**Lender**”).

RECITALS:

A. Simultaneously herewith Lender is making a loan to Borrower in the original principal amount of \$ [REDACTED] (“**Loan**”) pursuant to a Multifamily Loan and Security Agreement (Non-Recourse) between Lender and Borrower (as supplemented or amended from time to time, the “**Loan Agreement**”) and evidenced by a Multifamily Note by Borrower to Lender (as supplemented or amended from time to time, the “**Note**”). The Loan is to be secured by a Multifamily Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing that will be recorded among the records of Santa Cruz County, California (“**Official Records**”) (as supplemented or amended from time to time, the “**Mortgage**”) of certain improved real property located in the City of Watsonville, Santa Cruz County, California, as more particularly described on Exhibit A attached hereto (“**Property**”). The Loan Agreement, the Note and the Mortgage, together with all other documents executed with respect to the Loan, are hereinafter collectively referred to as the “**Loan Documents**”.

B. The Loan will be used by Borrower to purchase the Property from Evergreen Apartments, LLC, a California limited liability company (“**Seller**”). In connection with the prior construction and development of the Property, Borrower’s predecessor-in-interest, Seller entered into that certain Regulatory Agreement and Declaration of Restrictive Covenants dated as of July 1, 2009 (the “**Regulatory Agreement**”) with the Governmental Entity, which was recorded on July 31, 2009 as Instrument Number 2009-0036872 in the Official Records, pursuant to which the Property became subject to certain restrictions by the Governmental Entity.

C. As a condition to making the Loan, Lender requires that the lien of the Mortgage be superior to the lien of the Regulatory Agreement. Lender will not make the Loan unless Governmental Entity and Borrower agree to subordinate their rights and obligations under the Regulatory Agreement.

E. Borrower and Governmental Entity hereby agree to subordinate the Regulatory Agreement on and subject to the terms, conditions and requirements set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Recitals. The foregoing Recitals are hereby incorporated into this Agreement as agreements among the parties.

2. Subordination. The Governmental Entity hereby agrees that the Regulatory Agreement is and shall at all times continue to be, subordinate, subject and inferior to the rights of Lender under the Loan Documents and that the liens, rights (including approval and consent rights), remedies, payment interests, priority interests, and security interests granted to Governmental Entity pursuant to or in connection with the Regulatory Agreement are hereby expressly acknowledged to be in all respects and at all times, subject, subordinate and inferior in all respects to the liens, rights (including approval and consent rights), remedies, payment, priority and security interests granted to Lender pursuant to the Loan Documents and the terms, covenants, conditions, operations and effects thereof. Notwithstanding the above, Governmental Entity may exercise the remedies of specific performance or injunctive relief at any time in the event of a default under or breach of the terms of the Regulatory Agreement. So long as the Regulatory Agreement is in effect, at any time upon the request of the Borrower and/or its successors and assigns, Governmental Entity shall promptly subordinate the Regulatory Agreement to the lien of a deed of trust which is to encumber the Property and which secures a loan used to purchase the Property or refinance the Loan, pursuant to a Subordination Agreement substantially in the form of this Agreement.

3. Financing, Encumbrance and Transfer Approval. Subject to the terms and conditions of this Agreement, Governmental Entity hereby approves and acknowledges the transfer of the Property to Borrower and the financing evidenced by the Mortgage. Governmental Entity further agrees that any transfer of the Property in connection with foreclosure of the Mortgage or a deed in lieu thereof shall not require Governmental Entity's consent but shall require notice (telephonically or via email, followed by written notice) to Governmental Entity within at least one (1) Business Day thereof. For purposes of this Agreement, "**Business Day**" means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which Lender is not open for business, or (d) a day on which the Federal reserve Bank of New York is not open for business.

4. Satisfaction of Prior Indebtedness. Governmental Entity acknowledges and agrees that: (a) the loan in the amount of \$228,000.00 from Governmental Entity to Seller secured by a deed of trust, dated July 1, 2009 and recorded on July 31, 2009, as Instrument Number 2009-0036874 in the Official Records, (b) the loan in the amount of \$1,000,000.00 from Governmental Entity to Seller secured by a deed of trust, dated July 1, 2009 and recorded July 31, 2009 as Instrument Number 2009-0036876 in the Official Records, and (c) all other loans associated with and/or defined in the Regulatory Agreement, owed by Borrower's predecessor in interest to Governmental Entity (collectively, the "**Agency Loans**") will be paid in full, prior to the date hereof and the deeds of trust shall be released of record. Borrower's acquisition of the Property subject to the Regulatory Agreement does not in any way constitute an assumption of any of the Agency Loans.

5. Lender Notice of Default. In consideration of Governmental Entity's agreements contained in this Agreement, Lender agrees that in the event of any default by Borrower under the

Loan Documents, Governmental Entity shall be entitled to receive a copy of any notice of default given by Lender to Borrower under the Loan Documents. Neither the giving nor the failure to give a notice to Governmental Entity pursuant to this Section 5 will affect the validity of any notice given by Lender to the Borrower.

6. Governmental Entity Notice of Default. Governmental Entity shall give Lender a concurrent copy of each material notice (including without limitation each notice of default) given by Governmental Entity under or with respect to the Regulatory Agreement, and agrees that Lender, at Lender's sole election, shall have the right (but not the obligation) to cure any default by Borrower under the Regulatory Agreement on its and/or Borrower's behalf. Governmental Entity hereby represents that, to the best of its knowledge, there is no current default under the Regulatory Agreement.

7. Governmental Entity's Rights. Except as set forth in Sections 2 and 8 of this Agreement, nothing in this Agreement is intended to abridge or adversely affect any right or obligation of Borrower and/or Governmental Entity, respectively, under the Regulatory Agreement; provided that, (A) the Regulatory Agreement may be released but it may not be modified, amended, changed or otherwise altered without the prior written consent of Lender so long as the Loan is secured by the Property and (B) for so long as the Loan is secured by the Property, notwithstanding the terms of the Regulatory Agreement to the contrary, neither Borrower nor Governmental Entity will, without Lender's prior written consent, exercise or seek any right or remedy under the Regulatory Agreement or available at law or in equity which will or could result in (i) a transfer of possession of the Property or the control, operations or management thereof, (ii) the collection or possession of rents or revenues from or with respect to the Property by any party other than Borrower or Lender; (iii) appointment of a receiver for the Property; (iv) the application of insurance or condemnation proceeds other than as approved by Lender pursuant to the Loan Documents; (v) the removal or replacement of the existing property manager of the Property; or (vi) a material adverse effect on Lender's security for the Loan.

8. Foreclosure by Lender. In the event of foreclosure, deed in lieu of foreclosure, or similar disposition of the Property by Lender, no consent shall be required from Governmental Entity.

9. Entire Agreement. This Agreement represents the entire understanding and agreement between the parties hereto with regard to the subordination of the Regulatory Agreement to the lien or charge of the Loan Documents, and shall supersede and cancel any prior agreements with regard to this subject matter.

10. Binding Provisions. The covenants and agreements contained in this Agreement shall be binding upon the heirs, personal representatives, successors and assigns of the respective parties to this Agreement.

11. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the state where the Property is located without giving effect to any choice of law provisions thereof that would result in the application of the laws of another jurisdiction.

12. Modifications. This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto or their respective successors in interest.

13. Notices. All notices required or permitted hereunder shall be deemed to have been received either (i) when delivered by hand and the party giving such notice has received a signed receipt thereof, or (ii) three (3) days following the date deposited in the United States mail, postage prepaid, by registered or certified mail, return receipt requested, addressed as follows (or addressed in such other manner as the party being notified shall have requested by written notice to the other party):

If to Governmental Entity:

City of Watsonville
250 Main Street
Watsonville, California 95076
Attention: City Manager

With a copy to:

City of Watsonville
250 Main Street
Watsonville, California 95076
Attention: City Attorney

If to Lender:

Walker & Dunlop, LLC
7272 Wisconsin Avenue, Suite 1300
Bethesda, Maryland 20814
Attention: Loan Servicing

With a copy to:

Fannie Mae
Attention: Multifamily Asset Management
Drawer AM
1100 15th Street, NW
Washington DC 20002

And a copy to:

Jones, Ackerman & Corman LLP
1900 Avenue of the Stars, Suite 2300
Los Angeles, California 90067

Attention: Kimberly D. Fross

If to Borrower:

c/o IDEAL Capital Group
3128 Willow Avenue, Suite 101
Clovis, California 93612
Attention: Austin Herzog and Kevin Conway

With a copy to:

Central Valley Coalition for Affordable Housing
3351 M Street, Suite 100
Merced, California 95348
Attention: Evergreen Apartments

14. Further Instruments. Each of the parties hereto will, whenever and as often as they shall be requested to do so by the other, execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, any and all such further instruments and documents as may be reasonably necessary to carry out the intent and purpose of this Agreement, and to do any and all further acts reasonably necessary to carry out the intent and purpose of this Agreement.

15. Valid Authorization. Each person executing this Agreement on behalf of a party hereto represents and warrants that such person is duly and validly authorized to do so on behalf of such party with full right and authority to execute this Agreement and to bind such party with respect to all of its obligations hereunder.

16. Counterparts. This Agreement may be executed in counterparts each of which shall be deemed an original and all of which when taken together constitute one and the same instrument, binding on all of the parties. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

17. Surviving Provisions. Notwithstanding anything to the contrary set forth herein, Lender acknowledges and agrees that, in the event of foreclosure, deed in lieu of foreclosure, or similar disposition of the Property by Lender (collectively, "**Loan Foreclosure**"), with respect to any unit at the Property that had been regulated by the Regulatory Agreement, (a) none of the eligible tenants occupying those units at the time of the Loan Foreclosure may be evicted or their tenancy terminated (other than for good cause, including failure to meet the qualifying income requirements set forth in Article 2 of the Regulatory Agreement, and in conformance with all applicable laws), (b) no rent for any such unit may be increased except as otherwise permitted under Article 2 of the Regulatory Agreement and in conformance with all applicable laws, and (c) in the event of any violation of Sections 17 (a) and/or (b) of this Agreement, Governmental Entity may bring action at law or in equity to compel performance and/or other equitable relief. The affordability covenants and restrictions contained in Sections 2.1, 2.2 and 2.3 of the Regulatory Agreement shall survive any Loan Foreclosure and the Regulatory Agreement shall remain of record in the Official Records to provide constructive notice to any subsequent purchaser of the

Property. Governmental Entity hereby expressly acknowledges and agrees that Lender, along with its trustees, nominees, appointees, successors and/or assigns will not be liable to Governmental Entity for any act, omission, or indemnification obligation for any period during which Lender does not own or is not in possession of the Property.

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN THE REGULATORY AGREEMENT BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF THE MORTGAGE.

**REMAINDER OF PAGE INTENTIONALLY BLANK;
SIGNATURES ON FOLLOWING PAGE**

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year above written.

GOVERNMENTAL ENTITY:

CITY OF WATSONVILLE REDEVELOPMENT AGENCY,
a California municipal corporation

By: _____
Name: _____
Title: _____

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

State of California)
)
County of Santa Cruz)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

SIGNATURES CONTINUE ON FOLLOWING PAGES

BORROWER: IDEAL Evergreen LP,
a California limited partnership

By: IDEAL Manager LLC,
a California limited liability company
Its: General Partner

By: _____
Name:
Its: Authorized Person

By: Central Valley Coalition for Affordable Housing,
a California non-profit public benefit corporation
Its: Managing General Partner

By: _____
Name: Christina Alley
Its: CEO

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

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

SIGNATURES CONTINUE ON FOLLOWING PAGE

LENDER:

WALKER & DUNLOP, LLC,
a Delaware limited liability company

By: _____
Loretta Webb
Senior Vice President

[NOTARIAL ACKNOWLEDGEMENT ON NEXT PAGE]

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF DALLAS

I, _____, certify that Loretta Webb personally came before me this day and acknowledged that she is the Senior Vice President of Walker & Dunlop, LLC, a Delaware limited liability company, and that she, as such Senior Vice President and being authorized so to do, executed the foregoing on behalf of such corporation.

WITNESS my hand and notarial seal, at office this _____ day of _____, 2023.

Notary Public

My Commission Expires: _____

EXHIBIT A
Legal Description

[to be added]