EXHIBIT B

BUDGET DETAIL AND PAYMENT PROVISIONS

1. Terms of Loan

A. Subject to the terms and conditions of this Agreement and various other documents between the Department, Sponsor, and the Developer, the Department will disburse funds under this Agreement on a reimbursement-only basis for the new construction by Sponsor and Borrower of that certain [XX]-unit rental housing development Project commonly known as the [Project Name] on real property located at [Project Street Address], [Project City], County of [Project County], California, more particularly described in the Application (the “DR-MHP Loan”). The DR-MHP Loan will convert to a permanent loan at permanent loan closing.

1) The Department may disburse up to ninety percent of the proceeds of the DR-MHP Loan, on a reimbursement-only basis, for only the following costs at the following times:

a) At construction closing: If expressly authorized in Exhibit E of this Agreement, the Department may reimburse the Borrower for eligible Project acquisition and predevelopment soft costs incurred within twenty-four (24) months prior to the execution of this Agreement including architectural, engineering, or related professional services required to prepare plans, drawings and specifications, or work write-ups.

b) During construction: The Department may reimburse the Borrower for eligible Project development hard costs and related soft costs, but only if the Borrower incurs and pays these costs on or after the execution of this Agreement. In addition, the Department may only make disbursements from an DR-MHP Loan under this Agreement in amounts based on the percentage of the Project completed.

The final ten percent disbursement of the DR-MHP Loan (i.e., the retention amount) shall be made upon the Department’s written approval of the Project Completion Report specified in Section 27(A)(3) of Exhibit D of this Agreement. All costs to be reimbursed by the Department must be eligible and reasonable pursuant to the Program requirements.

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2) Maximum Principal Loan Amount

The maximum principal amount of the DR-MHP Loan shall be the lesser of the following:

a) The principal amount as requested in the Application; or

b) The amount later approved by the Department in the Award Letter as consistent with the requirements of the DR-MHP Policies and Procedures.

In no event shall the maximum principal amount of the DR-MHP Loan exceed the maximum amount set forth in item 3 of the STD 213 form which is part of this Agreement.

3) Interest, Term, and Documents

a) The DR-MHP Loan shall bear simple interest on the unpaid principal balance at a rate that is the lesser of:

i. 3 percent per annum; or,

ii. If a Project has received an allocation of tax credits, the maximum rate that allows the DR-MHP loan to be treated as debt for federal or state low-income housing tax credit purposes, or that avoids the inability to syndicate due to projected negative capital account balances, but not less than 0.42 percent, but only if the change in interest rate:

1. Materially increases the feasibility of the Project; and

2. Ensures long-term affordability for the residents.

iii. The Department may require a third-party tax professional to verify the necessity for reducing the interest rate below three (3) percent, the cost of which shall be borne by the Sponsor. Any reduction in the amount of the interest rate must be approved by the Department in its sole discretion.

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b) The DR-MHP Loan has a term of 58-years commencing on the Project's construction loan closing date as set forth in Exhibit E Section 4 (b).

c) The Borrower must sign a promissory note for the DR-MHP Loan, which promissory note shall be secured by the deed of trust referenced in subsection (e) below.

d) The Borrower may not prepay the DR-MHP Loan without the prior written consent of the Department, which may be given, withheld, or conditioned in the sole and absolute discretion of the Department. No prepayment of the DR-MHP Loan, whether partial or full, shall result in the termination of, or reduction in the term of, any Department regulatory agreements(s) affecting the Project.

e) The Borrower must sign a deed of trust that secures the DR-MHP Loan for the Department with the real property the Project occupies, which deed of trust shall be recorded against the real property at the close of construction loan funding.

2. <u>Invoicing and Payment</u>

A. Pursuant to Section 5.7 of the DR-MHP Policies and Procedures, payments shall be made directly to Sponsors as reimbursements. The Program does not permit advances of funds. "Reimbursement" means that Project costs must first be incurred by the Sponsor and documented as required in Section 5.7 of the DR-MHP Policies and Procedures before they are reimbursed by the Department. All costs must be eligible pursuant to Section 2.5 of the Policies and Procedures and reasonable in order to be eligible for reimbursement. Reimbursement requests shall be submitted in the form of a Monthly Financial Report submitted by the Sponsor. The Monthly Financial Report shall include the following supporting documentation, at minimum:

1) Cover letter signed by the person authorized to sign Financial Reports as provided in the Standard Agreement.

2) Satisfactory documentation showing the Project costs incurred during the reporting period.

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B. Pursuant to Section 5.7 of the DR-MHP Policies and Procedures, the Sponsor and Borrower must follow the Department's CDBG-DR Grant Administration Manual, Section V, as amended from time to time, and relevant Management Memos, as issued, amended, or superseded from time to time, with respect to submission of Monthly Financial Reports.

C. Pursuant to Section 927 of the California Civil Code (the California Prompt Payment Act), the Department shall pay properly submitted, undisputed invoices within 45 calendar days of initial receipt.

D. Change Orders. Change orders must be approved by the Department prior to implementing such changes pursuant to this Agreement or to a Disbursement Agreement that may be executed between Borrower and/or Sponsor and the Department. Any changes to the proforma Sources and Uses, including higher costs or cost savings, shall be promptly reported in the Monthly Financial Report for the Department for review and consideration.