

EXHIBIT B

BUDGET DETAIL AND PAYMENT PROVISIONS

1. Terms of Loan

A. Subject to the terms and conditions of this Agreement, the Department will disburse funds under this Agreement for new construction of a Project (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 90% of the proceeds of the DR-MHP Loan 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 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 10% disbursement of the DR-MHP Loan shall be made upon the Department’s written approval of the Project Completion Report specified in Section 27 of Exhibit D of this Agreement.

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.

3) **Interest, Term, and Documents**

EXHIBIT B

- 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.
- b) The DR-MHP Loan has a term of 55-years commencing on the Project's permanent loan closing date as set forth in Exhibit E Section 4. For Projects located on Native American Lands, the DR-MHP loan will have a term of 50-years commencing on the Project's permanent loan closing date as set forth in Exhibit E Section 4.
- c) The Borrower must sign a promissory note for the DR-MHP Loan.
- d) The Borrower may not prepay the DR-MHP Loan without the prior written consent of the Department.
- e) The Borrower must sign a deed of trust that secures the DR-MHP Loan for the Department with the property the Project occupies.

2. Invoicing and Payment

- A. Pursuant to Section 5 of the DR-MHP Policies and Procedures, Payments shall be made directly to Sponsors as reimbursements. Reimbursement means that Project costs must first be incurred by the Sponsor and documented as required in Section 5 of the DR-MHP Policies and Procedures before they are paid by the Department. 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:

EXHIBIT B

- 1) Cover letter signed by the person authorized to sign Financial Reports as provided in the Standard Agreement.
- 2) Documentation showing the Project costs incurred during the reporting period.

Pursuant to Section 5 of the DR-MHP Policies and Procedures, the Sponsor shall be bound to 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.

- B. 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.
- C. Change Orders. Any changes to the proforma Sources and Uses, including higher costs or cost savings shall be reported in the Monthly Financial Report for HCD review and approval.