AGENDA ITEM

12

CALEXICO California
WHERE CALIFORNIA AND MEXICO MEET

AGENDA ITEM 12

CITY COUNCIL
AGENDA STAFF REPORT

DATE: November 19, 2025

TO: Mayor and City Council

APPROVED BY: Benjamin Martinez, City Manager

REVIEWED BY: Karla Chaparro, Finance Director

PREPARED BY: Benjamin Martinez, City Manager

SUBJECT: Approve and Authorize City Manager to Sign the Loan Repayment and Modification Agreement between the City of Calexico and De Anza Hotel Limited Partnership for the De Anza Hotel Affordable Housing Project.

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Recommendation:

It is the recommendation of the City Manager that the City Council authorize the City Manager to execute the Loan Repayment and Modification Agreement between the City of Calexico and De Anza Hotel Limited Partnership. This agreement formalizes the repayment and modification terms related to the City's prior financial assistance to the De Anza Hotel project and ensures consistency with the new financing structure established by the Department of Housing and Community Development (HCD).

Background:

The De Anza Hotel is a historic building that was built in 1931. Although this building is not registered as a landmark with the State, it is a defining structure in Calexico and has significance in the community. The hotel was converted to senior housing in 1998 by Chelsea Investment Corporation and Pacific Southwest Community Development Corporation. It was the team's first project in Calexico and the Imperial Valley. The hotel was converted into 94 Single Room Occupancy units which includes one manager's unit.

The De Anza Hotel provides housing for 93 senior residents, and it has very little annual turnover. Each room has a small kitchenette and bathroom. The property provides housing for low-income seniors earning 30-50 percent of the Area Median Income (AMI). The average monthly rent is approximately $500 per month. The project is Spanish style with a clay roof and large exterior signage, which was common at the time it was originally constructed and adds to the historical appearance of the property. On-site amenities include a large concrete paved courtyard, a second story balcony, common area meeting room on the first floor, a leasing office, common laundry facilities with six washers and dryers, and an outdoor barbeque area.

The property has 14,000 square feet of commercial space that is subdivided into ten spaces with seven different businesses including the Cultural Arts Center. The commercial space has been occupied with long-term business owners.

The original rehab work in 1998 was financed by $4,775,220 of Low Income Housing Tax Credits, a soft loan from the Housing and Community Development (HCD) California Housing Rehabilitation Program for $2,562,989 that bears simple interest at a rate of 3% per annum and matures on May 1, 2027, loans from the Community Redevelopment Agency of City of Calexico for $457,130 and $277,500 that bear a simple interest at a rate of 3% and 2%, respectively, per annum. It should be noted that a partial payment was made to the City of Calexico in the amount of $105,946 that reduced the principal amount of the loans to $628,684.

On September 21, 2010, the City of Calexico administered a loan to the property for $760,000 through the State of California's Department of Housing and Community Development (HCD) Community Development Block Grant (CDBG) Program for critical repairs due to damage caused by a 7.2 magnitude earthquake on Easter Day on April 4, 2010, that displaced over 100 residents. The loan bears simple interest at a rate of 3% per annum and matures on March 30, 2040.

Discussion and Analysis:

The property was recently awarded new funding in the amount of $13,528,786 by the Department of Housing and Community Development (HCD) Portfolio Reinvestment Program (PRP). The funding provides for the rehabilitation of the items identified in a 10-year PNA (Physical Needs Assessment) of the property. Rehabilitation work will include updating counters, cabinets, sinks and refrigerators. Other rehabilitation work will include replacing living area carpeting with new vinyl plank or tile flooring, (utilizing acoustic underlayment if vinyl), new energy efficient windows; roof repairs, flashings and underlayment, replacing the historic LED rooftop signage; adding a second elevator and refurbishing the existing elevator; removing and replacing PTAC's (HVAC) units in each unit; and upgrading in-unit electrical switches, counters, cabinets, faucets, and other fixtures. Lastly, all interior and exterior walls will be repainted.

The project will include the addition of a new gate on the east side of the property to meet Americans with Disability Act (ADA) accessibility requirements. Additional accessibility upgrades include new hand railings and non-skid surfaces at common areas, and a new accessible mailbox will be added per U.S. Postal Service requirements. Five units will receive full mobility and accessibility upgrades to comply with the current building code requirements. Audio/visual doorbells will be added to two percent of the units (2 units), which will comply with California Building Code 11B.

The project includes the addition of a computer room and exercise area for the seniors. In addition, Pacific Southwest Community Development Corporation will continue to provide the social services detailed in their service plan, including computer literacy, art classes, health and wellness workshops and a food distribution program. These workshops will be provided free of charge and occur weekly for a minimum of 15 years. There will also be a Senior Companion program that provides on-site person to person support and group assistance for residents who need help applying for services, referrals to social and health services, grief support/companionship and recreational activities.

Construction for the renovation of the De Anza Hotel is expected to start at the end of December 2025 with one-year duration. The residents and local businesses will benefit from the upgrades and fresh appearance. The rehabilitation requires a relocation plan that has been reviewed and approved by the State.

The PRP loan will have a 55-year term. A key requirement of the loan is that all existing loans have terms that are extended past the PRP loan, and the funds cannot be used to pay off existing debt on the property.

Fiscal Impact:

As part of the Loan Repayment and Modification Agreement, the De Anza Hotel partnership will pay the principal portions of the loans from the Community Redevelopment Agency of the City of Calexico ("CRA") in the amount of $628,684 by the closing of the construction loan which is expected to be by the end of the year (2025). The Deeds of Trust for both loans from the CRA will be reconveyed while the CDBG loan will be resubordinated to the construction and PRP Loans as well as extended for 55 years. The entire accrued interest for the CRA loans in the amount of $498,017 will be paid as a condition of receiving final certificate of occupancy of the rehabilitation. The final certificate of occupancy is expected to be 10 months after the closing of the construction loan or October 2026.

Coordinated With:

City Manager
Planning and Building Director
Finance Director

Attachment(s):

1. Loan Repayment and Modification Agreement between the City of Calexico and De Anza Hotel Limited Partnership for the period of November 19, 2025, to March 30, 2040.
2. RDA Agency Promissory Notes
3. City of Calexico Note (CDBG)

ATTACHMENT NO. 1

LOAN REPAYMENT AND MODIFICATION AGREEMENT

This LOAN REPAYMENT AND MODIFICATION AGREEMENT ("**Agreement**"), dated as of November __, 2025 ("**Effective Date**"), is made by and between the **CITY OF CALEXICO**, a California municipal corporation ("**City**") and **DE ANZA HOTEL LIMITED PARTNERSHIP**, a California limited partnership (the "**Developer**").

RECITALS

This Agreement is made and entered into on the basis of the following facts and understandings of the parties hereto:

A. The Developer is the owner of De Anza Hotel Apartments, an affordable rental housing project (the "**Project**") located at 233 East Fourth Street in Calexico, California (the "**Property**").

B. The Community Redevelopment Agency of the City of Calexico made a loan to Developer in the amount of $457,130 to finance the original development and rehabilitation of the Project ("**RDA Loan**") which was evidenced by that certain Owner Participation Agreement between the City and the Developer, dated September 10, 1996 ("**OPA**"), and that certain Agency Promissory Note, dated September 10, 1996, and is secured by that certain Deed of Trust with Assignment of Rents, dated July 19, 2012, and recorded on July 24, 2012 as Instrument No. 2012016611 in the Official Records of Imperial County (the "**RDA Deed of Trust**") and that certain Declaration of Conditions, Covenants and Restrictions, dated September 10, 1996, and recorded on October 2, 1996 as Instrument No. 96-23246 in the Official Records of Imperial County, as assigned to the City pursuant to that certain Assignment of Covenants, Conditions and Restrictions, dated February 28, 2012, and recorded on March 19, 2012 as Instrument No. 2012-006010 in the Official Records of Imperial County, and as amended by that certain Amendment to Covenants, Conditions and Restrictions, dated March 19, 2012, and recorded on March 19, 2012 as Instrument No. 2012-006011 in the Official Records of Imperial County (as assigned and amended, the "**City Regulatory Agreement**"). As of the Closing Date, the RDA Loan shall have an outstanding principal balance of $423,982 and accrued interest in the amount of $390,003.

C. The Community Redevelopment Agency of the City of Calexico made a loan of Economic Development Block Grant funds to Developer in the amount of $277,500 to finance the development of the Project ("**EDBG Loan**") which was evidenced by that certain Loan Agreement between the City and the Developer, dated January 5, 1998 ("**Loan Agreement**"), and that certain Reimbursement Promissory Note, dated January 5, 1998, and is secured by that certain Deed of Trust with Assignment of Rents, dated January 5, 1998, and recorded on March 9, 1998 as Instrument No. 98005129 in the Official Records of Imperial County (the "**EDBG Deed of Trust**"). As of the Closing Date, the EDBG Loan shall have an outstanding principal balance of $204,702 and accrued interest in the amount of $108,014.

D. The City made a loan of Community Development Block Grant ("**CDBG**") funds to Borrower in the amount of $760,000 to finance the rehabilitation and repair of the Project after sustaining earthquake damage ("**CDBG Loan**") which was evidenced by that certain Loan Agreement between the City and the Developer dated September 21, 2010 ("**CDBG Loan**

Agreement") and that certain Promissory Note Secured by Deed of Trust, dated September 21, 2010. The CDBG Loan was secured by an unrecorded Project Deed of Trust, dated September 10, 2010, and the parties intend to record a substitute Project Deed of Trust concurrently with the Closing (as defined below) hereunder to create a valid lien on the Property (the "**CDBG Deed of Trust**"). The CDBG Loan matures on March 30, 2040.

E. Pacific Southwest Community Development Corporation, the managing general partner of the Developer (the "**MGP**") received an award of Portfolio Reinvestment Program funds from the Department of Housing and Community Development ("**HCD**") in the amount of $13,398,499 (the "**PRP Loan**") to finance capital improvements to the Project. HCD shall make a permanent loan of the PRP funds to the Developer which shall be evidenced by that certain Standard Agreement (24-PRP-18603) between the Developer, MGP, and HCD, and a Promissory Note Secured by Deed of Trust by Borrower in favor of HCD, and shall be secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Permanent Financing) in favor of HCD (the "**PRP Deed of Trust**") and that certain Regulatory Agreement for the benefit of HCD (the "**PRP Regulatory Agreement**").

F. The Developer is also obtaining a construction loan from Century Housing Corporation in the amount of $13,398,499 (the "**Century Loan**") to partially finance the rehabilitation of the Project.

G. The City is the successor agency to the Community Redevelopment Agency of the City of Calexico.

H. In order to obtain the PRP Loan and the Century Loan, Developer has requested that the City: (1) reconvey the RDA Loan, (2) reconvey the EDBG Loan, (3) subordinate the CDBG Loan to the PRP Loan and the Century Loan, (4) record the CDBG Deed of Trust, and (4) extend the maturity date of the CDBG Loan (collectively, the "**City Obligations**"), in exchange for the City Payments (as defined in Section 1.2 herein).

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby confirm that the Recitals above are true and correct and further agree as follows:

ARTICLE 1
DELIVERY AND CONSIDERATION

1.1 **Escrow.** The transactions contemplated by this Agreement shall be accomplished through an escrow ("**Escrow**") to be established at First American Title Insurance Company ("**Escrow Agent**") concurrently with the closing of the PRP Loan and Century Loan. The use of the term "Escrow Agent" in this Agreement does not create a general agency and does not confer on Escrow Agent any right or authority to act for the Developer or City without express written instructions, whether as set forth in this Agreement or otherwise.

1.2 **Required City Payments.**

1.2.1 The Developer will give the City no less than ten (10) business days' prior written notice that the PRP Loan and Century Loan are scheduled to close, which is estimated to occur on or around December 31, 2025 (the **"Closing Date"**). As consideration for satisfying the City Obligations, the Developer shall deposit in cash into Escrow with Escrow Agent no less than one (1) day prior to the Closing Date the sum of $628,684 (the "**City Closing Payment**") for repayment of the outstanding principal balances of the RDA Loan and the EDBG Loan.

1.2.2 As further consideration for satisfying the City Obligations, upon completion of the rehabilitation of the Project, Developer shall pay $498,017 to the City for repayment of the outstanding accrued interest on the RDA Loan and the EDBG Loan, which payment shall be a condition precedent to receipt of the final Certificate of Occupancy for the Project ("**City Completion Payment**", and, together with the City Closing Payment, the "**City Payments**").

1.3 **Closing Deliveries.**

1.3.1 The City will deliver to Escrow Agent, subject to the terms of this Agreement, no less than one (1) day prior to the Closing Date original counterparts of: (a) a Substitution of Trustee and Deed of Full Reconveyance reconveying the RDA Deed of Trust, (b) a Substitution of Trustee and Deed of Full Reconveyance reconveying the EDBG Deed of Trust, (c) a Subordination Agreement in form and content acceptable to the City and HCD subordinating the CDBG Loan to the lien of the PRP Loan (the "**HCD Subordination Agreement**"), (d) a Subordination Agreement in form and content acceptable to the City and Century subordinating the CDBG Loan to the lien of the Century Loan (the "**Century Subordination Agreement**"), and (e) an amendment to the CDBG Loan Documents extending the maturity date of the CDBG Loan to December 31, 2080 (the "**CDBG Amendment**"), duly executed by the City, and acknowledged.

1.3.2 Developer shall deliver to Escrow Agent on or prior to the Closing Date: (i) original counterparts of: (x) the City Subordination Agreement, (y) the Century Subordination Agreement, and (z) the CDBG Amendment, duly executed by the Developer, and acknowledged, and (ii) the City Closing Payment. The documents referenced in this Section 1.3 are collectively referred to herein as the "**Recording Documents**".

ARTICLE 2
REPRESENTATIONS & WARRANTIES

2.1 **Representations and Warranties.**

2.1.1 The City represents and warrants the following as of the Effective Date and the Closing:

2.1.1.1 Due Authorization. This Agreement has been duly authorized by all requisite action, and the City has full power and authority to execute this Agreement, to undertake and consummate the transactions contemplated hereby, and to pay, perform and observe all of the conditions, covenants, agreements, and obligations contained herein.

2.1.2 The Developer represents and warrants the following as of the Effective Date and the Closing:

2.1.2.1 Duly Organized. The Developer is duly organized, validly existing and in good standing under the laws of the State of California, with full power and authority to consummate the transaction contemplated hereby.

2.1.2.2 Due Authorization. This Agreement has been duly authorized by all requisite action, and the Developer has full power and authority to execute this Agreement, to undertake and consummate the transactions contemplated hereby, and to pay, perform and observe all of the conditions, covenants, agreements, and obligations contained herein.

ARTICLE 3
CLOSING

3.1 **Closing Date.** The closing of the transactions contemplated herein (the **"Closing"**) shall occur on or before the Closing Date provided that in the event the Closing has not occurred by or before January 31, 2026 (the **"Outside Closing Date"**) the City shall have the ongoing right to terminate this Agreement so long as such failure to close by the Outside Closing Date is not due to City's default or a failure of any closing conditions set forth in Section 3.2, which are not the result of the Developer's default, by providing written notice to the Developer. Upon the City's delivery of any such notice, this Agreement will terminate, and the parties shall have no further duty or obligation to each other.

3.2 **Conditions to Closing.**

3.2.1 The City's obligation to consummate the transaction set forth herein is subject to and conditioned upon the satisfaction of each of the following conditions (unless otherwise waived in writing by the City) on or before the Closing Date, which conditions are for the sole benefit of the City:

3.2.1.1 The Developer shall deliver to Escrow Agent the documents it is required to deliver as set forth in Section 1.3 above.

3.2.1.2 The PRP Loan and the Century Loan shall be prepared to close concurrently with the Closing hereunder; this shall be a nonwaivable condition precedent to the Closing.

3.2.1.3 Each and all of the representations and warranties made by the Developer herein shall be true and correct in all material respects as of the Closing Date.

3.2.1.4 The Developer shall have fully performed all of the obligations which the Developer pursuant to the terms of this Agreement has agreed to perform on or prior to the Closing Date, and the Developer shall not be in material breach or default under this Agreement.

The Developer shall cause the conditions above to be satisfied by the Closing Date. If the conditions to the City's obligation to consummate the transaction set forth in Section 3.2.1.1, 3.2.1.2, 3.2.1.3, and 3.2.1.4 above are not satisfied (or waived by the City, except 3.2.1.2 which cannot be waived) by the Outside Closing Date, then, this Agreement shall be terminable by the City, and upon such termination, the parties shall have no further liabilities or obligations to the other. The conditions set forth in this Section 3.2.1 are for the sole benefit of the City.

3.2.2 The Developer's obligation to consummate the transaction set forth herein is subject to and conditioned upon the satisfaction of each of the following conditions (unless otherwise waived in writing by the Developer) on or before the Closing Date which conditions are for the sole benefit of the Developer :

3.2.2.1 The City shall have delivered to Escrow Agent the documents it is required to deliver as set forth in Section 1.3 above.

3.2.2.2 Each and all of the representations and warranties made by the City herein shall be true and correct in all material respects as of the Closing Date.

3.2.2.3 The City shall have fully performed all of the obligations which the City pursuant to the terms of this Agreement has agreed to perform on or prior to the Closing Date, and the City shall not be in material breach or default under this Agreement.

The City shall cause the conditions above to be satisfied by the Closing Date. If the conditions to the Developer's obligation to consummate the transaction set forth in Section 3.2.2.1, 3.2.2.2, and 3.2.2.3 are not satisfied (or waived by the Developer) by the Outside Closing Date, then, this Agreement shall be terminable by the Developer, and upon such termination, the parties shall have no further liabilities or obligations to the other. The conditions set forth in this Section 3.2.2 are for the sole benefit of the Developer.

3.3 **Closing.** Upon Escrow Agent's receipt of the documents and funds described in Sections 1.2 and 1.3 above, on the Closing Date the Escrow Agent shall: (a) record the Recording

Documents in the Official Records of Imperial County, California, along with any other documents required to be recorded pursuant to any escrow instructions, (b) deliver conformed copies of the recorded Recording Documents to each of the City and the Developer, and (c) deliver the City Closing Payment to the City.

ARTICLE 4
DEFAULT; REMEDIES

4.1 **Default and Remedies**. If either party shall breach this Agreement by materially defaulting in the performance of any of its covenants or obligations under this Agreement, and such breach shall continue unremedied for a period of thirty (30) days after written notice thereof from the non-defaulting party to the defaulting party (an "**Event of Default**"), the non-defaulting party may then exercise one or more of the following rights and remedies, provided, however, if the Event of Default is of such a nature that it cannot reasonably be cured within the 30-day period, and the defaulting party has commenced to cure each Event of Default within the 30-day period, the defaulting party shall have an additional sixty (60) days in which to cure said Event of Default provided it acts in good faith and with due diligence to cure the same (all of which shall be cumulative), and the non-defaulting party may pursue a remedy only if the defaulting party has not cured the Event of Default by the end of such extended cure period.

(i) Terminate this Agreement.

(ii) Enforce the provisions of this Agreement by legal proceedings for the specific performance of any covenant or agreement contained herein or for the enforcement of any other appropriate legal or equitable remedy and recover damages caused by any breach by the defaulting party, of the provisions of this Agreement, including court costs, reasonable attorneys' fees and other expenses incurred in the enforcement of the obligations hereunder.

(iii) Exercise any and all rights and remedies which the non-defaulting party may have under applicable laws.

City and Developer each hereby waives any claims for speculative damages, lost profits, or punitive damages, whether based on common law, statute, equity or otherwise. In no event shall a direct or indirect member, partner, shareholder, owner, officer, director, employee, agent development manager or consultant of Developer or City or any affiliate or controlling person thereof have any liability for any contractual claim or action or other contractual liability arising out of or relating to this Agreement and Developer and City hereby agrees to look solely to the other as otherwise provided herein.

4.2 **Escrow Cancellation Charges Due to a Default** If Escrow fails to close the Developer shall pay any Escrow cancellation charges. "Escrow cancellation charges" means all fees, charges and expenses incurred by Escrow Agent.

ARTICLE 5

MISCELLANEOUS

5.1 **Time of Essence**. Time is of the essence of this Agreement.

5.2 **Attorneys' Fees**. In the event of any controversy, claim, dispute, arbitration, or litigation between the parties hereto to enforce or interpret any of the provisions of this Agreement or any right of either party hereto, the non-prevailing party to such controversy, claim, dispute, arbitration or litigation agrees to pay to the prevailing party all costs and expenses, including reasonable attorneys' fees and costs, court or dispute resolution costs, arbitrator's, mediator's, consultant's and expert witness' fees and costs incurred by the prevailing party, including, without limitation, fees incurred during trial or resolution of any action or dispute and any fees incurred as a result of an appeal from a judgment entered in any such matter. A prevailing party shall include without limitation (a) a party who dismisses an action in exchange for sums due, or (b) the party determined to be the prevailing party by a court of law.

5.3 **Notices**. Any notice given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, (ii) one business day after being deposited with Federal Express or another reliable overnight courier service for next day delivery, (iii) upon electronic mail transmission (except that if the date of such transmission is not a business day, then such notice shall be deemed to be given on the first business day following such transmission), or (iv) two business days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

If to the Developer: De Anza Hotel Limited Partnership
6339 Paseo del Lago
Carlsbad, CA 92011
Attention: Cheri Hoffman
(cheri@chelseainvestco.com)

and a copy to: Odu & Associates, PC
31805 Temecula Parkway #720
Temecula, CA 92592
Attention: Nkechi C. Odu, Esq.
(nkechi@odulaw.com)

If to the City:

City of Calexico
608 Heber Avenue
Calexico, CA 92231
Attention: Benjamin Martinez
(bmartinez@calexico.ca.gov)

With a copy to: Best, Best & Kreiger LLP
300 South Grand Ave., 25th Floor
Los Angeles, CA 90071
Attention: Seth Merewitz, Esq.
(seth.merewitz@bbklaw.com)

or such other address as any Party may from time to time specify in writing to the other.

5.4 **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California, without reference to the conflict of law principles of any other state. Agreement.

5.5 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but any number of which, taken together, shall be deemed to constitute one and the same instrument. This Agreement may be validly executed and delivered by facsimile transfer/e-mail and/or portable document format (collectively, "**Electronic Copy**"). Any signer who executes this document and transmits this document by Electronic Copy intends that the Electronic Copy of their signature is to be deemed an original signature for all purposes. Any such Electronic Copy printout and any complete photocopy of such Electronic Copy printout is deemed to be an original counterpart of this document.

5.6 Entire Agreement. This Agreement contains the entire agreement between the City and the Developer relating to the transaction contemplated hereby and all prior or contemporaneous agreements, understandings, representations and statements, oral or written, are superseded by this Agreement.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

DEVELOPER:

DE ANZA HOTEL LIMITED PARTNERSHIP,
a California limited partnership

By: Chelsea Asset Corporation,
a California corporation,
its Co-General Partner

By: _____
Charles Schmid
Authorized Representative

By: Pacific Southwest Community Development Corporation,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

CITY:

CITY OF CALEXICO

By: _____
Benjamin Martinez, City Manager

Approved as to form:

By: _____
City Attorney

ATTACHMENT NO. 2

ATTACHMENT NO. 8

AGENCY PROMISSORY NOTE

$457,130 September 10 1996

Calexico, California

FOR VALUE RECEIVED, DEANZA HOTEL LIMITED PARTNERSHIP, a California limited partnership (the "Maker") promises to pay to the COMMUNITY REDEVELOPMENT AGENCY OF THE CITY CALEXICO, a public body corporate and politic (the "Holder"), or order at the Holder's office at 608 Heber Avenue, Calexico, California 92231 or such other place as the Holder may designate in writing, the principal sum of Four Hundred Fifty-Seven Thousand Dollars ($457,130) (the "Agency Loan").

1. **Agreement**. This Promissory Note (the "Note") is made in accordance with that certain Owner Participation Agreement executed by the Holder and the Maker, dated as of September 10, 1996 (the "Agreement"). The rights and obligations of the Maker and the Holder under this Note shall be governed by the Agreement and by the additional terms set forth in this Note.

2. **Definitions**.

(a) **"Operating Expenses"** means actual, reasonable and customary costs, fees and expenses directly incurred and attributable to the financing, operation, maintenance, and management of the Project, including without limitation painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, sewer charges, real and personal property taxes and assessments, insurance, securities, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, a management fee not to exceed ten percent (10%) of Gross Rents; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals. tenant improvements that are not included in the costs of the Improvement, and other payments by the Maker pursuant to the Agreement, including indemnity obligations; provided, however, that payments to parties related to Maker for Operating Expenses must not exceed market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported in the Audited Financial Statement. Notwithstanding the foregoing, the management fee may be increased with the written approval of the Agency, which approval shall not be unreasonably withheld.

(b) **"Payment Date"** means the first day of the month next following the date which is 6 months after the Completion Date and the first day of the month each six months thereafter.

(c) "**Project**" means the mixed use residential and commercial development located on the Site to be rehabilitated by the Maker pursuant to this Agreement.

(d) "**Residual Receipts**" means gross rental income from the Commercial Component and any other income the Maker derives from the operation of the Commercial Component (the "Revenues"), less the Operating Expenses **and the amount required to be deposited in the Reserve Fund**. All calculations of Residual Receipts shall be subject to verification and approval by the Agency.

3. **Interest**. This Note is non-recourse and shall bear interest at three percent (3.0%) compounded annually from the date of the disbursement of the Agency Loan by the Holder until the Agency Loan is paid in full. The Agency Loan is payable solely from Residual Receipts.

4. **Payments**. The Agency Loan is payable solely from Residual Receipts payable on each Payment Date. Payments shall be in the amount of 60% of the Residual Receipts and shall be applied to accrued but unpaid interest first and thereafter to the reduction of the principal balance of the Agency Loan. To the extent that 60% of the Residual Receipts are not sufficient to pay the accrued but unpaid interest, any unpaid interest shall be added to the outstanding balance of the Agency Loan. If there is any seller financing outstanding, Maker shall first apply the Residual Receipts in an amount of not to exceed $6,000 *pari passu* to the payment of the seller financing and the Agency Loan. Any Residual Receipts over such amount up to 60% of the Residual Receipts shall be applied to the payment of the Agency Loan.

5. **Term**. The full Agency Loan amount is due and payable upon the sixteenth anniversary of the date that the Project is placed in service.

6. **Security**. This Note is secured by a First Deed of Trust on the collateral property of even date herewith (the "Agency Deed of Trust").

7. **Acceleration**. Notwithstanding the terms of the Agreement, the following events shall constitute a default and upon the occurrence of any of the following events, this Note shall become due and immediately:

(a) The filing of any claim of lien against the Site or the Collateral Property or the service on Holder of any bonded stop notice relating to the Holder Assistance and the continuance of the claim of lien or bonded stop notice for forty-five (45) days without discharge, satisfaction, or provision for payment being made; or (b) the seizure, or appropriation of any material, as determined by Holder in its reasonable discretion, portion of the Project; or (c) the sequestration or attachment of, or any levy or execution upon any of the Project which is not released, expunged, or dismissed prior to the earlier of forty-five (45) days after sequestration, attachment, execution or the sale of the assets affected thereby; or

(b) The breach of any of Maker's representations or warranties when made in this Agreement, unless such breach is cured, or commenced to be cured and diligently pursued to completion, within forty-five (45) days after notice by Holder.

(c) The breach of any of Maker's obligations in the Agreement, including without limitation the obligations concerning maintenance and operation of the complex as set forth herein and in the Declaration of Conditions, Covenants and Restrictions of even date herewith, unless such breach is cured, or commenced to be cured and diligently pursued to completion, within forty-five (45) days after notice by Holder or the City of Calexico.

8. **Waivers**.

(a) Maker expressly agrees that this Note or any payment hereunder may be extended from time to time at the Holder's sole discretion and that the Holder may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Maker.

(b) No extension of time for payment of this Note made by agreement by the Holder with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part.

(c) The obligations of Maker under this Note shall be absolute and Maker waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

9. **Attorneys' Fees and Costs**. Maker agrees that if any amounts due under this Note are not paid when due, to pay in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

10. **Joint and Several Obligations**. This Note is the joint and several obligation of all makers, sureties, guarantors and endorser, and shall be binding upon them and their heirs, successors and assigns.

11. **Amendments and Modifications**. This Note may not be changed orally, but only by an amendment in writing signed by Maker and by the Holder.

12. **Holder May Assign**. Holder may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Maker.

13. **Maker Assignment Prohibited**. In no event shall Maker assign or transfer any portion of this Note without the prior express written consent of the Holder, pursuant to Section 107 of the Agreement.

14. Terms. Any terms not separately defined herein shall have the same meanings as set forth in the Agreement.

15. Notices. Any notice that must be given to Maker under this Promissory Note shall be given by delivering it or mailing it by certified mail addressed to Maker at the Property Address below. A notice will be delivered or mailed to Maker at a different address if Maker gives the Holder a notice of Maker's different address. Any notice that must be given to the Holder under this Promissory Note will be given by mailing it certified mail to the Holder at the address set forth in the opening paragraph of this Promissory Note above. A notice shall be mailed to the Holder at a different address if the Maker is given a notice of that different address.

16. Successors Bound.

This Promissory Note shall be binding upon the parties hereto and their respective heirs, successors and assigns.

"MAKER"

DEANZA HOTEL LIMITED PARTNERSHIP a California limited partnership

By: **CALEXICO COMMUNITY ACTION COUNCIL**, a General Partner
RUBEN D. MARTINEZ

Dated: 09/10, 1996

By: R. D. Martinez
Its: Executive Director

and

By: **PACIFIC SOUTHWEST COMMUNITY DEVELOPMENT CORPORATION**, a General Partner
John S. Goldstein

Dated: 09/10, 1996

By: _____
Its: Executive Director

REIMBURSEMENT PROMISSORY NOTE

$277,500.00

January 5, 1998

Calexico, California

FOR VALUE RECEIVED, DE ANZA HOTEL LIMITED PARTNERHSIP ("Developer"), promises to pay to the **COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO,** a public body corporate and politic (the "Agency"), or order at the Agency's office at 608 Heber Avenue, Calexico, California 92231, or such other place as the Agency may designate in writing, the principal sum of **Two Hundred Seventy-Seven Thousand Five Hundred Dollars ($277,500.00)** (the "Note Amount"), or so much of the Note Amount as has been disbursed by the Agency to or on behalf of the Developer, in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

1. **Agreement.** This Reimbursement Promissory Note (the "Note") is given in accordance with that certain Loan Agreement executed by the Agency and the Developer, dated as of January 5, 1998 (the "Agreement"). The rights and obligations of the Developer and the Agency under this Note shall be governed by the Agreement and by the additional terms set forth in this Note.

2. **Interest.** The Note Amount shall bear interest at two percent (2%) per annum until loan is paid in full. In the event that the total amount of the principal, interest and any other amounts owed under this Note shall become immediately due and payable upon a default by the Developer under the Agreement or this Note, which has not been cured within the period of time set forth in those documents. Failure to declare such amounts due shall not constitute waiver on the part of the Agency to declare them due subsequently.

3. **Terms and Repayment of Note Amount.** The Term of the Loan shall be for 15 years as of the date of execution on this document. The Note shall be repayable in one hundred eighty (180) equal monthly installments 30 days after the Notice of Completion is recorded. The first payment shall be due and payable on the first day of the month, 30 days after the Notice of Completion is recorded. ~~The first payment shall be due and payable on the first day of the month, 30 days after the Notice of Completion is recorded.~~ Prepayment of the loan is allowable with no repayment penalty.

   The interest rate on the principal amount of the loan shall be two (2%) percent per annum.

4. **Security.** This Note is secured by a Deed of Trust With Assignment of Leases and Rents, (the "Agency Loan Deed of Trust") dated as of the same date as this Note.

5. Waivers

(a) Developer expressly agrees that this Note or any payment hereunder may be extended from time to time at the Agency's sole discretion and that the Agency may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Developer.

(b) No extension of time for payment of this Note made by agreement by the Agency with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Developer under this Note, either in whole or in part.

(c) The obligations of Developer under this Note shall be absolute and Developer waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

(d) Developer waives presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights of interests in or to properties securing of this Note, and the benefit of any exemption under any homestead exemption laws, if applicable.

(e) No previous waiver and no failure or delay by Agency in acting with respect to the terms of this Note or the Reimbursement Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the Reimbursement Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Reimbursement Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

6. **Attorneys' Fees and Costs.** Developer agrees that if any amounts due under this Note are not paid when due, to pay in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

7. **Joint and Several Obligation.** This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

8. **Amendments and Modifications.** This Note may not be changed orally, but only by an amendment in writing signed by Developer and by the Agency.

9. **Agency May Assign.** Agency may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Developer.

10. **Developer Assignment Prohibited.** Except in connection with transfers permitted pursuant to Section 503 of the Agreement, in no event shall Developer assign or transfer any portion of this Note without the prior express written consent of the Agency, which consent may be given or withheld in the Agency's sole discretion.

11. **Terms.** Any terms not separately defined herein shall have the same meanings as set forth in the Agreement.

12. **Acceleration and Other Remedies.** Upon: (a) the occurrence of an event of Default as defined in the Agreement, or (b) Developer selling, contracting to sell, giving an option to purchase, conveying, leasing, further encumbering, mortgaging, assigning or alienating any of the Properties whether directly or indirectly whether voluntarily or involuntarily or by operation of law, or any interest in the Site, or suffering its title, or any interest in the Site to be divested, whether voluntarily or involuntarily, without the consent of the Agency as set forth in Section 503 of the Agreement, except for such transfers which are permitted pursuant to Section 503 of the Agreement, Agency may, at Agency's option, declare the outstanding principal amount of this Note, together with the then accrued and unpaid interest thereon and other charges hereunder, and all other sums secured by the Reimbursement Deed of Trust, to be due and payable immediately, and upon such declaration, such principal and interest and other sums shall immediately become and be due and payable without demand or notice, all as further set forth in the Reimbursement Deed of Trust. All costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the security for this Note, may be added to the principal hereunder, and shall accrue interest as provided herein. Agency shall at all times have the right to proceed against any portion of the security for this Note in such order and in such manner as such Agency may consider appropriate, without waiving any rights with respect to any of the security. Any delay or omission on the part of the Agency in exercising any right hereunder, under the Agreement or under the Reimbursement Deed of Trust shall not operate as a waiver of such right, or of any other right. No single or partial exercise of any right or remedy hereunder or under the Agreement or any other document or agreement shall preclude other or further exercises thereof, or the exercise of any other right or remedy. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of Agency's right to either require prompt payment when due of all other sums payable hereunder or to declare an Event of Default for failure to make prompt or complete payment.

13. **Consents.** Developer hereby consents to: (a) any renewal, extension or modification (whether one or more) of the terms of the Agreement or the terms or time of payment under this Note, (b) the release or surrender or exchange or substitution of all or any part of the security, whether real or personal, or direct or indirect, for the payment hereof, (c) the granting of any other indulgences to Developer, and (d) the taking or releasing of other or additional parties primarily or contingently liable hereunder. Any such renewal, extension, modification, release, surrender, exchange or substitution may be made without notice to Developer or to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

14. **Successors and Assigns.** Whenever "Agency" is referred to in this Note, such reference shall be deemed to include the Community Redevelopment Agency of the City of Calexico and its successors and assigns including, without limitation, any subsequent assignee or holder of this

Note. All covenants, provisions and agreements by or on behalf of Developer, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the Agency and Agency's successors and assigns.

15. **Usury.** It is the intention of Developer and Agency to conform strictly to the Interest Law, as defined below, applicable to this loan transaction. Accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, the aggregate of all interest and any other charges or consideration constituting interest under the applicable Interest Law that is taken, reserved, contracted for, charged or received under this Note, or under any of the other aforesaid agreements or otherwise in connection with this loan transaction, shall under no circumstances exceed the maximum amount of interest allowed by the Interest Law applicable to this loan transaction. If any excess of interest in such respect is provided for in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, then, in such event:

(a) the provisions of this paragraph shall govern and control,

(b) neither Developer nor Developer's heirs, legal representatives, successors or assigns shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest allowed by the Interest Law applicable to this loan transaction,

(c) any excess shall be deemed canceled automatically and, if therefore paid, shall be credited on this Note by Agency or, if this Note shall have been paid in full, refunded to Developer, and

(d) the effective rate of interest shall be automatically subject to reduction to the Maximum Legal Rate of Interest (as defined below), allowed under such Interest Law, as now or hereafter construed by courts of appropriate jurisdiction. To the extent permitted by the Interest Law applicable to this loan transaction, all sums paid or agreed to be paid to Agency for the use, forbearance or detention of the indebtedness evidenced hereby shall be amortized, prorated, allocated and spread throughout the full term of this Note. For purposes of this Note, "Interest Law" shall mean any present or future law of the State of California, the United States of America, or any other jurisdiction which has application to the interest and other charges under this Note. The "Maximum Legal Rate of Interest" shall mean the maximum rate of interest that Agency may from time to time charge Developer, and under which Developer would have no claim or defense of usury under the Interest Law.

16. **No Personal Liability.** In the event of any default under the terms of this Note or the Reimbursement Deed of Trust, the sole recourse of the Agency for any and all such defaults shall be by judicial foreclosure or by the exercise of the trustee's power of sale, and the Developer shall not be personally liable for the payment of this Note or for the payment of any

deficiency established after judicial foreclosure or trustee's sale, provided, however, that the foregoing shall not in any way affect any rights the Agency may have (as a secured party or otherwise) hereunder or under the Agreement or Reimbursement Deed of Trust to (a) recover directly from Developer any amounts secured by the Reimbursement Deed of Trust, or any funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Agency as a result of fraud, misrepresentation or waste; or (b) recover directly from the Developer any condemnation or insurance proceeds, or other similar funds or payments attributable to the Site which under the terms of the Reimbursement Deed of Trust should have been paid to the Agency, and any costs and expenses incurred by the Agency in connection with (a) or (b) above (including without limitation reasonable attorneys' fees and costs).

17. **Miscellaneous.** Time is of the essence hereof. This Note shall be governed by and construed under the laws of the State of California except to the extent Federal laws preempt the laws of the State of California. Developer acknowledges that this Note was entered into and is to be performed in the County of Imperial and irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of Imperial or the United States District Court of the Southern District of California, as Agency hereof may deem appropriate, or, if required, the Municipal Court of the State of California for the County of Imperial, in connection with any legal action or proceeding arising out of or relating to this Note. Developer also waives any objection regarding personal or in rem jurisdiction or venue.

DEVELOPER:

DE ANZA HOTEL LIMITED PARTNERSHIP

BY:

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

LOT 4 TO 14 INCLUSIVE, BLOCK 9, IN BANTA'S SUBDIVISION OF BLOCK 20 OF THE TOWNSITE OF CALEXICO, IN THE CITY OF CALEXICO, COUNTY OF IMPERIAL, STATE OF CALIFORNIA, ACCORDING TO MAP NO. 1040 ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, A COPY OF SAID MAP BEING ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF IMPERIAL COUNTY.

ATTACHMENT NO. 3

EXHIBIT "C"

DO NOT DESTROY THIS NOTE: WHEN PAID, THIS NOTE AND THE DEED OF TRUST SECURING IT MUST BE SURRENDERED TO TRUSTEE FOR CANCELLATION BEFORE RECONVEYANCE WILL BE MADE.

PROMISSORY NOTE SECURED BY DEED OF TRUST

$760,000.00 Calexico, California September 21, 2010

FOR VALUE RECEIVED, and in consideration of the Loan made by THE CITY OF CALEXICO ("City"), pursuant to the LOAN AGREEMENT BETWEEN THE CITY OF CALEXICO AND DE ANZA HOTEL LIMITED PARTNERSHIP dated September 21, 2010, hereinafter the "Loan Agreement," the undersigned DE ANZA HOTEL LIMITED PARTNERSHIP, promises to pay to the City, or order, at 608 Heber Avenue, within the City of Calexico, California, or such other place as the holder may from time to time designate by written notice to Maker the principal sum of SEVEN HUNDRED SIXTY THOUSAND DOLLARS ($760,000.00) (or the unpaid balance of all principal advanced against this Note, if that amount is less). This Note in the amount of SEVEN HUNDRED SIXTY THOUSAND DOLLARS ($760,000.00) shall bear interest on the unpaid principal balance at the rate of three percent (3%) per annum.

1. Due Date and Right of Prepayment. All disbursements of principal pursuant to the City Loan shall be made by the City to the Maker on the basis of monthly draws contingent upon a written request and submittal of invoices or appropriate proof that rehabilitation costs have been incurred from the Subrecipient in accordance with the Loan Agreement dated September 21, 2010, and this Note and Deed of Trust (attached as Exhibit "C-2" to the Loan Agreement. All principal and accrued interest, however, shall be due and payable in accordance with the Loan Agreement, but in no event later than March 30, 2040. The Real Property is more fully described in the Deed of Trust securing this Note (the "Property"). This Note may be prepaid in whole or in part at any time and from time to time, without notice or pre-penalty.

2. Security for Note. This Note is secured by the Project Deed of Trust which will be recorded in the Office of the County Recorder of Imperial County. The Project Deed of Trust is not a purchase money deed of trust within the meaning of California Code of Civil Procedure Section 580b.

3. Acceleration Upon Default. In the event of any default under the terms of this Note, or the Deed of Trust securing this Note, at the option of the holder of this Note, and after written notice to Maker providing Maker with ten (10) days in which to cure any default, all principal and interest due under this Note shall immediately become due and payable, without further notice. Failure to exercise such option to accelerate shall not constitute a waiver of the right to exercise it in the event of any subsequent default.

4. Default Interest Rate. If the Borrower defaults under the terms of this Note, the Deed of Trust securing this Note, and/or any security agreements or other agreements, or other deeds of trust securing the same, interest shall be due and payable from the Borrower to the City in the amount of ten percent (10%) per annum from the date of said default.

5. Costs Paid by Maker. Maker agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by the holder of this Note, or adjudged by a court: (a) reasonable costs of collection, costs, and expenses, and attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed; and (b) costs of suit and such sum as the court may adjudge as attorneys' fees in any action to enforce payment of this Note or any part of it.

6. Payment and Interest Calculation. Principal and interest shall be payable in lawful money of the United States of America. Interest shall be computed based on a 30-day month and the actual number of days elapsed. Payment shall be applied to interest first and then to any unpaid principal balance.

MAKER:

DE ANZA HOTEL LIMITED PARTNERSHIP

Chelsea Investment Corporation, a California Corporation, its Administrative General Partner

By:_____
James J. Schmid
President

Pacific Southwest Community Development Corporation, a California nonprofit public benefit Corporation, its Managing General Partner

By:_____
Robert Laing
Executive Director/President

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MAKER:

DE ANZA HOTEL LIMITED PARTNERSHIP

Chelsea Investment Corporation, a California Corporation, its Administrative General Partner

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President

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Executive Director/President