CITY COUNCIL AGENDA
CITY COUNCIL REGULAR MEETING
CITY OF HALF MOON BAY

TUESDAY, MAY 5, 2026
7:00 PM

TED ADCOCK COMMUNITY CENTER
535 KELLY AVENUE
HALF MOON BAY, CA 94019

Debbie Ruddock, Mayor
Deborah Penrose, Vice Mayor
Robert Brownstone, Councilmember
Patric Jonsson, Councilmember
Paul Nagengast, Councilmember

COUNCILMEMBER BROWNSTONE WILL ATTEND REMOTELY FROM VIA DI PANCOLE, 116, GREVE IN CHIANTI, FIRENZE

This agenda contains a brief description of each item to be considered. Those wishing to address the City Council on any matter not listed on the agenda, but within the jurisdiction of the City Council to resolve, may come forward to the podium during the Public Forum portion of the agenda and will have a maximum of three minutes to discuss their item. Comments on Consent Calendar items should be made during the Public Forum section of the agenda. Those wishing to speak on a Business or Public Hearing matter will be called forward at the appropriate time during that item's consideration.

Please Note: Anyone wishing to present materials to the City Council, please submit seven copies to the City Clerk.

Copies of written documentation relating to each item of business on the agenda are on file in the Office of the City Clerk at City Hall where they are available for public inspection. If requested, the agenda shall be available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132.) Information may be obtained by calling 650-726-8271.

In compliance with the Americans with Disabilities Act, special assistance for participation in this meeting can be obtained by contacting the City Clerk's Office at 650-726-8271. A 48-hour notification will enable the City to make reasonable accommodations to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title II).

http://halfmoonbay.gov

HYBRID MEETING PUBLIC COMMENT PARTICIPATION PROTOCOLS

This closed session meeting will take public comment in-person and via Zoom. Remote participation is provided as a supplemental way to provide public comment, but this method does not always work. The public is encouraged to attend in person to ensure full participation. All Councilmembers and staff will participate in person. During any public comment portions, attendees may use the "raise your hand" feature and will be called upon and unmuted when it is their turn to speak. Please click to join the webinar: https://us06web.zoom.us/j/85007693509 or join by phone at 669-900-9128, using Webinar ID 850 0769 3509. If joining by phone, use *9 to raise your hand, *6 to mute and unmute.

1. **ROLL CALL / PLEDGE OF ALLEGIANCE**

2. **APPROVAL OF AGENDA**

3. **PROCLAMATIONS AND PRESENTATIONS**

   3.A MAY MENTAL HEALTH AWARENESS MONTH PROCLAMATION

   3.B PENINSULA CLEAN ENERGY/WESTLIGHT ENERGY PRESENTATION

4. **MAYOR'S ANNOUNCEMENTS OF COMMUNITY ACTIVITIES AND COMMUNITY SERVICE**

5. **REPORT OUT FROM RECENT CLOSED SESSION MEETINGS**

6. **COMMISSION / COMMITTEE UPDATES**

   6.A PARKS AND RECREATION COMMISSION REPORT OUT

7. **CITY MANAGER UPDATES TO COUNCIL**

   7.A MAIN STREET BRIDGE UPDATE

   7.B SOUTH CORRIDOR STUDY UPDATE

8. **PUBLIC FORUM**

9. **CONSENT CALENDAR**

   9.A WAIVE READING OF ORDINANCES AND RESOLUTIONS

   9.B APPROVE MINUTES OF THE APRIL 21, 2026 SPECIAL MEETING

   ATTACHMENT - April 21, Special Meeting Minutes

   9.C APPROVE MINUTES OF THE APRIL 21, 2026 REGULAR MEETING

   ATTACHMENT - April 21, Regular Meeting Minutes

   9.D APPROVE MINUTES OF THE APRIL 28, 2026 SPECIAL MEETING

   ATTACHMENT - April 28, 2026 Special Meeting Minutes

   9.E ADOPTION OF AN ORDINANCE REPEALING MUNICIPAL CODE CHAPTER 6.04 (RESIDENTIAL RENTAL REGISTRATION) AND CHAPTER 6.06 (RESIDENTIAL RENT STABILIZATION) AND AMENDING SECTION 6.02.020 (DEFINITIONS) TO REMOVE TERMS RELATING TO RESIDENTIAL RENTAL REGISTRATION AND STABILIZATION PROGRAMS

   Staff Recommendation: Waive the Second Reading and adopt an ordinance Repealing City of Half Moon Bay Municipal Code Chapter 6.04 (Residential Rental Registration) and Chapter

6.06 (Residential Rent Stabilization) and Amending Section 6.02.020 (Definitions) to Remove Terms Relating to Residential Rental Registration and Stabilization Programs.

STAFF REPORT

ATTACHMENT 1 - Ordinance

ATTACHMENT 2 - Redline of Section 6.02.020

9.F APPROVAL OF A MEMORANDUM OF AGREEMENT (MOU) FOR THE SAN MATEO COUNTY REGIONAL EV CHARGING PROJECT

Staff Recommendation: Adopt a resolution authorizing the City Manager to execute a Memorandum of Understanding (MOU) between the City of Half Moon Bay, the City of East Palo Alto, the City of San Carlos, and the Town of Portola Valley to coordinate procurement activities for the San Mateo County Regional EV Charging Project.

STAFF REPORT

ATTACHMENT 1 - Resolution

ATTACHMENT 2 - MOU

9.G 2026 HALF MOON BAY SANITARY SEWER MANAGEMENT PLAN UPDATE

Staff Recommendation: Adopt a resolution approving the 2026 Sanitary Sewer Management Plan for the City of Half Moon Bay and authorizing the City Manager, or designee, to make non-substantive revisions as needed to maintain compliance with State Water Resources Control Board requirements.

STAFF REPORT

ATTACHMENT 1 - Resolution

ATTACHMENT 2 - Sanitary Sewage Management Plan

9.H AMENDMENT TO AGREEMENT WITH MAZE & ASSOCIATES FOR INDEPENDENT AUDITING SERVICES

Staff Recommendation: Adopt a resolution authorizing the City Manager to execute a one-year amendment to the agreement with Maze & Associates Accountancy Corporation for independent auditing services, to extend the term of the Agreement for an additional year through April 30, 2027, and increase the compensation by $62,940 for a total not to exceed agreement amount of $325,690.

STAFF REPORT

ATTACHMENT - Resolution

9.I APPROVAL OF ADMINISTRATIVE AMENDMENT TO PARAGRAPH 2.2 OF THE PENINSULA CLEAN ENERGY JOINT POWERS AGREEMENT AND OTHER CONFORMING EDITS THROUGHOUT THE AGREEMENT TO REFLECT THE NAME CHANGE OF PENINSULA CLEAN ENERGY TO WESTLIGHT ENERGY

Staff Recommendation: Adopt a Resolution authorizing the City Manager to execute an amendment to Paragraph 2.2 of the Peninsula Clean Energy Authority Joint Powers Agreement and other conforming edits throughout the Agreement to reflect the new agency name, Westlight Energy, previously approved by the Peninsula Clean Energy Authority Board of Directors on October 23, 2025

STAFF REPORT

ATTACHMENT 1--Resolution

ATTACHMENT 2 - Redlined Paragraph 2.2

9.J APPROVE UPDATED MAYOR'S LIST OF UPDATED CITY COUNCIL REPRESENTATIVES AND DESIGNATED ASSIGNMENTS FOR 2026

Staff Recommendation: Accept Mayor Ruddock's Updated List of City Council Representatives and Designated Assignments for 2026.

STAFF REPORT

ATTACHMENT - Updated 2026 City Council Assignments

10. ORDINANCES AND PUBLIC HEARINGS – None.

11. RESOLUTIONS AND STAFF REPORTS

11.A ADOPTION OF ORDINANCE FOR THE 555 KELLY AFFORDABLE HOUSING PROJECT, APPROVING THE AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT AND GROUND LEASE AND OTHER AGREEMENTS AND ADOPTING A RESOLUTION APPROVING A GRANT AGREEMENT.

Staff Recommendation: 1) Waive the second reading and adopt an ordinance of the City of Half Moon Bay ap-proving the Affordable Housing and Property Disposition Agreement, Ground Lease of Real Property for a Term of 99 Years, Memorandum of Ground Lease, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement) and Other Ancillary Agreements between the City of Half Moon Bay and Mercy Housing California 110, L.P., for the Senior affordable 40-Unit Residential Project for Agricultural Workers, Located at 535 and 555 Kelly Avenue (APNs: 056-150-220 (Partial) and 056-150-200), including 2,653 square feet of Community Serving Space; Authorizing the City Manager to Execute the Agreements and Take Other Actions Necessary

to Implement the Foregoing Agreements; and Finding the Approval of the Agreements and Related actions Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects) and; 2) Adopt a resolution approving a Grant Agreement Between the City of Half Moon Bay and Mercy Housing California for Two Million Dollars ($2,000,000) in Funding Procured in Fiscal Year 2023 by Senator Josh Becker; Authorizing the City Manager to Execute the Agreement; and finding approval of the Grant Agreement Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects).

STAFF REPORT

ATTACHMENT 1 - Ordinance and Resolution

ATTACHMENT 2 - AHPDA

ATTACHMENT 3 - Ground Lease

ATTACHMENT 4 - Regulatory Agreement

ATTACHMENT 5 - Grant Agreement

ATTACHMENT 6 - Memorandum of Ground Lease

ATTACHMENT 7 - Redlined Regulatory Agreement

ATTACHMENT 8 - Redlined Ground Lease

ATTACHMENT 9 - Redlined AHPDA

11.B CAPITAL IMPROVEMENT PROGRAM UPDATE

Staff Recommendation: Receive the report and provide any additional direction to staff on modifications and prioritization of the Capital Improvement Program.

STAFF REPORT

ATTACHMENT 1 - CIP Project List

ATTACHMENT 2 - Example Project Page

11.C SEWER AUTHORITY MID-COASTSIDE REVISED FISCAL YEAR 2026-27 OPERATIONS AND MAINTENANCE (GENERAL) BUDGET

Staff Recommendation: Adopt a resolution approving the Sewer Authority Mid-Coastside General (Operations and Maintenance) Budget for FY 2026-27.

STAFF REPORT

ATTACHMENT 1 - Resolution

ATTACHMENT 2 - SAM Operating & Maintenance Staff Report

11.D HALF MOON BAY SEWER COLLECTION SERVICES BUDGET AND SYSTEM MAINTENANCE AGREEMENT WITH SEWER AUTHORITY MID-COASTSIDE

Staff Recommendation: Adopt a resolution 1) Approving the FY 2026-27 Sewer Authority Mid-Coastside Contract Collection Services Budget of $912,935 and the total participating agency revenue requirement of $960,622 included as Exhibit A to this resolution, of which the City's share is $331,415, and; 2) Authorizing the City Manager to execute Amendment No. 9 to the sewer collection system maintenance professional services agreement with SAM, establishing the FY 2026-27 annual cost for the City's share at $331,415 and extending the Agreement for one additional year, through June 30, 2027.

STAFF REPORT

ATTACHMENT 1 - Resolution

ATTACHMENT 2 - SAM Collections Staff Report

11.E CARTER PARK FEE SCHEDULE

Staff Recommendation: Adopt a resolution approving a tiered fee schedule for Carter Park and direct staff to monitor utilization and return with adjustments as needed.

STAFF REPORT

ATTACHMENT 1 - Resolution

ATTACHMENT 2 - Carter Park Fee Schedule

12. FOR FUTURE DISCUSSION / POSSIBLE AGENDA ITEMS

13. CITY COUNCIL REPORTS

14. ADJOURNMENT

15. WRITTEN PUBLIC COMMENTS RECEIVED 05.05.26 BEFORE NOON

ATTACHMENT - Written Public Comments

MINUTES
CITY OF HALF MOON BAY CITY COUNCIL
TUESDAY, APRIL 21, 2026
SPECIAL MEETING
ADCOCK COMMUNITY CENTER, 535 KELLY AVENUE

1. CONVENE SPECIAL MEETING / ROLL CALL

Mayor Ruddock called the Special Meeting to order at approximately 6:00 p.m.

2. OPEN SESSION IDENTIFICATION OF CLOSED SESSION ITEMS

3. PUBLIC COMMENT ON CLOSED SESSION ITEMS

4. CLOSED SESSION

4.A CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Property: Real property located at 1000 N. Cabrillo Hwy., Half Moon Bay CA 94019 (APN 048-24-0030)-Wastewater Treatment Facility

Agency negotiator: Matthew Chidester, City Manager
Negotiating parties: Sewer Authority Mid-Coastside (SAM JPA) and City of Half Moon Bay
Under negotiation: Price and Terms of Payment.

5. ADJOURN SPECIAL MEETING

Mayor Ruddock adjourned the Special Meeting at approximately 6:45 p.m.

Respectfully Submitted:

_____

Maggie Rodriguez, Interim City Clerk

*Approved by the City Council at the _____, 2026 Regular meeting.

MINUTES
CITY OF HALF MOON BAY CITY COUNCIL

TUESDAY, APRIL 21, 2026

ADCOCK COMMUNITY CENTER, 535 KELLY AVENUE

1. ROLL CALL / PLEDGE OF ALLEGIANCE

Mayor Ruddock called the Regular Meeting to order at 7:02 p.m. and led the pledge of allegiance. Interim City Clerk Rodriguez called the Roll Call.

PRESENT: **Councilmembers Brownstone, Jonsson, Nagengast, Vice Mayor Penrose and Mayor Ruddock**

2. APPROVAL OF AGENDA

MOTION

Councilmember Brownstown moved and Mayor Ruddock seconded a motion to approve the agenda. The motion carried by unanimous vote.

3. PROCLAMATIONS AND PRESENTATIONS

3.A MIDCOAST COMMUNITY COUNCIL UPDATE

Midcoast Community Council staff provided an update to council. Topics included Cypress Point, Sewer Main Force, CalTrans bypass property fire safety, and upcoming meeting topics of emergency evacuation plans.

4. MAYOR'S ANNOUNCEMENTS OF COMMUNITY ACTIVITIES AND COMMUNITY SERVICE

Mayor Ruddock announced and event on Thursday tutoring at the library and May 9th Wine and Jazz event. City Manager Chidester announced Dream Machines will take place Sunday.

5. REPORT OUT FROM RECENT CLOSED SESSION MEETINGS

Interim City Attorney Bazzano reported the Council met in Closed Session on April 21, 2026 on one

item. There was no reportable action.

6. COMMISSION / COMMITTEE UPDATES

6.A PLANNING COMMISSION REPORT OUT

City Manager Chidester provided an update to Council. The first topic was a Verizon tower at the high school and conditionally approved the project. The second topic was an update from CLT on Redondo Beach access and raptor and tree issues.

The following individuals addressed the Council:

- Nancy Fontana

7. CITY MANAGER UPDATES TO COUNCIL

7.A SOUTH CORRIDOR STUDY

Moved to a future meeting.

7.B REPUBLIC SERVICES UPDATE

Senior Management Analyst Nichols announced that there will be a beach clean up tomorrow for earth day and a biannual garbage day at Smith Field beginning at 9am and Sunday will be Wildflower Day. Sonia with Republic Services provided updates to the Council and community.

8. PUBLIC FORUM

The following individuals addressed the Council:

- Joaquin Jimenez
- Taylor Tong

9. CONSENT CALENDAR

MOTION

Councilmember Brownstone moved and Vice Mayor Penrose seconded a motion to approve Consent Calendar. The motion carried by unanimous vote.

9.A WAIVE READING OF ORDINANCES AND RESOLUTIONS

9.B APPROVE MINUTES OF APRIL 7, 2026 SPECIAL MEETING
9.C APPROVE MINUTES OF APRIL 7, 2026 REGULAR MEETING
9.D ACCEPT THE WARRANTS FOR THE MONTH OF MARCH 2026
9.E FINAL ACCEPTANCE OF RESOLUTION 2026-22 THE FISCAL YEAR 2025-26 PAVEMENT MANAGEMENT PROJECT (CIP PROJECT NO. 1038)
9.F RECEIPT OF LETTERS OF SUPPORT AND LEGISLATIVE POSITION LETTER

10. ORDINANCES AND PUBLIC HEARINGS

10.A RESOLUTION ASSESSING THE LEVY FOR THE HALF MOON BAY HOTEL BUSINESS IMPROVEMENT DISTRICT FOR FISCAL YEAR 2026-27

Interim Management Analyst Acosta presented their staff report. Council asked clarifying questions and discussed the item. Mayor Ruddock opened the public hearing. There were no public comments. Mayor Ruddock closed the public hearing.

MOTION

Councilmember Brownstone moved and Vice Mayor Penrose seconded a motion to adopt Resolution 2026-23 assessing the levy for the Half Moon Bay Hotel Business Improvement District for Fiscal Year 2026-27. The motion carried unanimously.

10.B INTRODUCTION OF AN ORDINANCE REPEALING MUNICIPAL CODE CHAPTER 6.04 (RESIDENTIAL RENTAL REGISTRATION) AND CHAPTER 6.06 (RESIDENTIAL RENT STABILIZATION) AND AMENDING SECTION 6.02.020 (DEFINITIONS) TO REMOVE TERMS RELATING TO RESIDENTIAL RENTAL REGISTRATION AND STABILIZATION PROGRAMS

Interim City Attorney Bazzano presented their staff report. Council asked clarifying questions and discussed the item.

MOTION

Councilmember Nagengast moved and Mayor Ruddock seconded a motion to introduce by title, and waive further reading of, an Ordinance Repealing City of Half Moon Bay Municipal Code Chapter 6.04 (Residential Rental Registration) and Chapter 6.06 (Residential Rent Stabilization) and Amending Section 6.02.020 (Definitions) to Remove Terms Relating to Residential Rental Registration and Stabilization Programs. The motion carried 3-2, Councilmember Brownstone and Vice Mayor Penrose voting no.

11. RESOLUTIONS AND STAFF REPORTS

11.A CONSIDERATION OF TENANT SUPPORT, INCLUDING RENTAL ASSISTANCE, INSPECTION PROGRAMS, AND LEGAL SERVICE PARTNERSHIPS

Interim Management Analyst Acosta presented the item. City Council asked clarifying questions of staff and discussed the applicants.

The following individuals addressed the Council:

- Judy Taylor
- Nancy Fontana
- Rocio Avila Garcia
- Cindy Carrasco

Council discussed the item and provided direction to staff.

RECESS

Mayor Ruddock requested a recess at 8:57p.m. The meeting reconvened at 9:07p.m. with all councilmembers present.

11.B DISCUSS THE PURCHASE OF A PORTABLE OUTDOOR LED DIGITAL SCREEN FOR VIDEO SCREENINGS AND ACTIVITIES AT JOHN L. CARTER MEMORIAL PARK AND OTHER CITY FACILITIES

City Manager Chidester presented the staff report. Council asked clarifying questions of staff and discussed the item and asked staff to return to a future meeting with more information including; insurance, warranty, feedback, staffing plan, storage and security.

11.C CITY COUNCIL PRIORITIES WORKPLAN FOR FISCAL YEARS 2026-28

City Manager Chidester presented the staff report.

The following individuals addressed the Council:

- Harvey Rarback

Council discussed the item and provided directions to use the Ad Hoc Committee consisting of Councilmembers Brownstone and Nagengast to discuss priorities, condense down the provided list into a different format, and identify new priorities moving forward.

12. FOR FUTURE DISCUSSION / POSSIBLE AGENDA ITEMS

None.

13. CITY COUNCIL REPORTS

None.

14. ADJOURNMENT

Mayor Ruddock adjourned the meeting at approximately 10:50 p.m.

Respectfully Submitted:

_____
Maggie Rodriguez, Interim City Clerk

*Approved by the City Council at the ____Regular meeting.

MINUTES
CITY OF HALF MOON BAY CITY COUNCIL
TUESDAY, APRIL 28, 2026
SPECIAL MEETING
ADCOCK COMMUNITY CENTER, 535 KELLY AVENUE

1. CONVENE SPECIAL MEETING / ROLL CALL

Mayor Ruddock called the Special Meeting to order at approximately 6:00 p.m. Interim City Clerk Rodriguez did roll call, all Councilmembers were present, Councilmember Brownstone attended via teleconference.

Councilmember Nagengast made a statement before the meeting began.

2. 555 KELLY AFFORDABLE HOUSING PROJECT

2.A INTRODUCTION OF AN ORDINANCE FOR THE 555 KELLY AFFORDABLE HOUSING PROJECT, APPROVING THE AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT AND GROUND LEASE AND OTHER AGREEMENTS AND ADOPTING A RESOLUTION APPROVING A GRANT AGREEMENT

Staff presented their staff report and Mayor Ruddock opened the public hearing.

The following individuals addressed the council:

- Mike Ferreira
- Sandy Vella
- Sophia Layne
- Chris Thibodeaux
- Alice Linsmeier
- Gloria Stofan
- Roberta Gelt
- Dr. Belinda Hernandez Arriaga
- April Vargas
- Dan Haggerty
- Bill Heavlin
- Noreen Cooper Heavlin
- Evelyn Stivers
- Lee Gray
- Art Hoffmayer
- Lenny Mendonca

- Diana Reddy
- Rev Lisa Warner Carey
- Christy Samuels
- Juslyn Manalo
- Carolina Carbajal
- Vaughn Harrison
- David Rokosky
- Joanne Rokosky
- Rabbi Moshe Heyn
- Joaquin Jimenez
- Linda B Goldstein
- Chip Goldstein
- Harvey Rarback
- Bobbi Radley
- Rick Hernandez
- Nancy Fontana
- Suzanne Moore
- Rogelio Nabor Martinez
- Salomon Nabor
- Lynette Curthoys
- Tony Serrano
- Rick Bonilla
- Curno Newmeyer
- Jennifer Moore
- Rocio Avila
- RJ Jennings
- Cid Young
- Rita Mancera
- Pati Ramirez
- Sandra Sencion
- Jordan Grimes

Mayor Ruddock closed the public hearing.

RECESS

Mayor Ruddock called a recess at approximately 8:24 p.m. The meeting reconvened at approximately 8:44 p.m. with all Councilmembers present.

Council asked clarifying questions of staff and Mercy Housing.

RECESS

Mayor Ruddock called a recess at approximately 10:00 p.m. The meeting reconvened at approximately 10:47 p.m. with all Councilmembers present.

Interim City Attorney and Mercy Housing staff provided answers to the clarifying questions of City Council.

MOTION

Vice Mayor Penrose moved and Councilmember Brownstone seconded a motion Conduct a public hearing and introduce the first reading of an ordinance of the City of Half Moon Bay approving the Affordable Housing and Property Disposition Agreement, Ground Lease of Real Property for a Term of 99 Years, Memorandum of Ground Lease, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement) and Other Ancillary Agreements between the City of Half Moon Bay and Mercy Housing California 110, L.P., for the Senior affordable 40-Unit Residential Project for Agricultural Workers, Located at 535 and 555 Kelly Avenue (APNs: 056-150-220 (Partial) and 056-150-200), including 2,653 square feet of Community Serving Space; Authorizing the City Manager to Execute the Agreements and Take Other Actions Necessary to Implement the Foregoing Agreements; and Finding the Approval of the Agreements and Related actions Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects) to include the revisions discussed by staff and Mercy Housing. The motion carried 4-1 with Councilmember Nagengast voting no.

MOTION

Mayor Ruddock moved and Vice Mayor Ruddock seconded a motion to postpone item 2 to the May 5, 2026 Regular City Council Meeting. The motion carried unanimously.

3. ADJOURN SPECIAL MEETING

Mayor Ruddock adjourned the Special Meeting at approximately 11:20 p.m.

Respectfully Submitted:

_____

Maggie Rodriguez, Interim City Clerk

*Approved by the City Council at the _____, 2026 Regular meeting.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: May 5, 2026

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Denise Bazzano, Interim City Attorney
Irma Acosta, Interim Management Analyst

TITLE: **ADOPTION OF AN ORDINANCE REPEALING MUNICIPAL CODE CHAPTER 6.04 (RESIDENTIAL RENTAL REGISTRATION) AND CHAPTER 6.06 (RESIDENTIAL RENT STABILIZATION) AND AMENDING SECTION 6.02.020 (DEFINITIONS) TO REMOVE TERMS RELATING TO RESIDENTIAL RENTAL REGISTRATION AND STABILIZATION PROGRAMS**

RECOMMENDATION:
Waive the Second Reading and adopt an ordinance Repealing City of Half Moon Bay Municipal Code Chapter 6.04 (Residential Rental Registration) and Chapter 6.06 (Residential Rent Stabilization) and Amending Section 6.02.020 (Definitions) to Remove Terms Relating to Residential Rental Registration and Stabilization Programs.

FISCAL IMPACT:
Start-up costs for implementing these programs as well as initial operations in the first year were approximately $220,000 in FY 2024-25, which were paid out of the City's Affordable Housing Fund. Second year operating costs in FY 2025-26 totaled around $44,000. These costs were partially offset by program revenues from registration fees, which over the first two years totaled around $174,000. In the current year, program costs are expected to be fully covered by program fees. There will be minimal to no direct fiscal impact by repealing Chapters 6.04 and 6.06 as both program costs and revenues will be eliminated.

STRATEGIC ELEMENT:
This action supports the *Healthy Communities and Public Safety*, and *Inclusive Governance* Elements of the Strategic Plan.

BACKGROUND:
The Residential Rental Registry and Residential Rent Stabilization programs were launched in Summer 2024 and are now in their second year. Both programs stem from City Council policy direction provided during the November 7, 2023, Study Session on tenant protections, which

resulted in the adoption of Ordinance Nos. 2024-02 (Residential Rental Registry) and 2024-04 (Residential Rent Stabilization), codified in Title 6 (Housing) of the Half Moon Bay Municipal Code.

Over the last year and a half, the Council has received periodic updates and discussions on the future of these programs. A summary of these discussions can be found in the staff report for the most recent discussion at the March 17, 2026 Council Meeting. During that item, the Council discussed program alternatives, after which a majority of the Council elected to eliminate the Residential Rent Stabilization and Rent Registry Programs, and focus efforts on tenant and landlord education, legal assistance, and referral services.

DISCUSSION:
In order to implement this direction, an ordinance repealing Chapter 6.04 (Residential Rental Registration) and Chapter 6.06 (Residential Rent Stabilization) has been prepared for the Council's consideration. The draft Ordinance also amends Section 6.02.020 (Definitions) to remove specific terms that are only identified in Chapter 6.04 and 6.06 and are no longer necessary (See Attachments 1 and 2).

Once Chapters 6.04 and 6.06 are repealed, the City's Residential Rental Registration and Residential Rent Stabilization programs will no longer be provided. Instead, the City's role would primarily involve connecting residents with existing legal and support services and conducting outreach to improve awareness of tenant and landlord rights under state law and the City's Tenant Protections found in Chapter 6.08 of the Municipal Code.

The Council introduced the ordinance at the meeting on April 21, 2026, and it is now being considered for adoption. If the Council adopts the ordinance, it's provisions would become effective thirty days after adoption.

ATTACHMENTS:

1. Draft Ordinance Repealing City of Half Moon Bay Municipal Code Chapter 6.04 (Residential Rental Registration) and Chapter 6.06 (Residential Rent Stabilization) and Amending Section 6.02.020 (Definitions) to Remove Terms Relating to Residential Rental Registration and Stabilization Programs.
2. Redline of Section 6.02.020

CITY OF HALF MOON BAY
ORDINANCE NO._____

AN ORDINANCE OF THE CITY OF HALF MOON BAY REPEALING HALF MOON BAY MUNICIPAL CODE CHAPTER 6.04 (RESIDENTIAL RENTAL REGISTRATION) AND CHAPTER 6.06 (RESIDENTIAL RENT STABILIZATION) AND AMENDING SECTION 6.02.020 (DEFINITIONS) TO REMOVE TERMS RELATING RESIDENTIAL RENTAL REGISTRATION AND STABILIZATION

WHEREAS, the City Council adopted Ordinance C-2024-02, which established Chapter 6.04, Residential Rental Registration and Ordinance C-2024-05, which established Chapter 6.06, Residential Rent Stabilization in 2024; and

WHEREAS, the City Council received an update on the Residential Rental Registry and Residential Rent Stabilization programs on January 20, 2026, February 17, 2026, and on March 17, 2026; and

WHEREAS, at the meeting on March 17, 2026, after consideration of various alternatives, a majority of the Council gave direction to staff to eliminate the Residential Rental Registry and Residential Rent Stabilization programs and focus on resources to connect residents with existing legal and support services and conducting outreach to improve awareness of tenant and landlord rights under state law.

NOW THEREFORE, THE COUNCIL OF THE CITY OF HALF MOON BAY DOES ORDAIN AS FOLLOWS*:*

SECTION 1. **REPEAL OF CODE.** Chapters 6.04(Residential Rental Registration) and Chapter 6.06 (Residential Rent Stabilization) within Title 6, Housing, are hereby repealed in their entirety.

SECTION 2. AMENDMENT. Section 6.02.020 (Definitions) of Chapter 6.02 (Housing Definitions) within Title 6, Housing shall be amended by repealing and replacing Section 6.02.020 to read as follows:

“6.02.020 Definitions.

A. "Accessory dwelling unit"
("ADU") shall have the same meaning as set forth in Title 18.

B. "Administrator"

refers to the city manager or their designee.

C. "City"
means the city of Half Moon Bay.

D. "Housing services"
means those services provided and associated with the use or occupancy of a residential rental unit including, but not limited to, insurance, repairs, replacement, maintenance, effective waterproofing and weather protection, painting, providing light, heat, hot and cold water, elevator service, window shades and screens, laundry facilities and privileges, janitorial services, utilities that are paid by the landlord, refuse removal, allowing pets, telephone, parking, storage, the right to have a specified number of tenants or occupants, computer technologies, entertainment technologies, including cable or satellite television services, and any other benefits, privileges or facilities connected with the use or occupancy of such rental unit including a proportionate share of the services provided to common facilities of the building in which such residential rental unit is located and/or of the property on which such residential rental unit is located.

E. "Landlord"
means an owner, lessor, or sublessor who receives or is entitled to receive rent for the use and occupancy of any residential rental unit or portion thereof, and includes any legal entity or other individuals, employees, agents, contractors, and subcontractors that comprise or represent the landlord.

F. "Lease"
means a written contract or oral agreement used to make a legal agreement governing the occupancy of the rental unit between landlord and tenant.

G. "Owner"
means any owner of record, corporation, limited liability company, or other corporate or business entity, or separate entities in which any shareholder, partner, member, or family member of an investor in the entity owns ten percent or more of the interest in the rental unit.

H. "Primary or principal residence"
means the residence which is the individual's usual place of residence which is held in the name of the natural person claiming primary residence and cannot be held by a limited liability corporation, limited partnership or other corporate structure. Indicia of primary residence include:

1. The individual carries on basic living activities at the subject premises for extended periods;

2. The subject premises are listed with other public agencies, including federal, state and local taxing authorities as the individual's primary residence;

3. Utilities are billed to and paid by the individual at the subject premises;

4. A homeowner's tax exemption for the individual has not been filed for a different property;

5. The occupant is not registered to vote at any other location;

6. All or most of the individual's personal possessions have been moved into the subject premises;

7. The subject premises are the place the individual normally returns to as their home, exclusive of military service, hospitalization, vacation, family emergency, travel necessitated by employment or education, incarceration, or other reasonable temporary periods of absence;

8. Other relevant factors demonstrating a residence is the person's primary residence.

I. "Rent"
means compensation paid by a tenant at fixed intervals to a landlord for the possession and use of a residential rental unit or portion thereof as defined by the rental agreement between the landlord and the tenant. Rent excludes pass-through costs and ancillary costs paid separately to the landlord for parking, storage, utilities, water, garbage, or any other fee or charge associated with the residential rental unit.

J. "Rent increase"
means any additional rent demanded of or paid by a tenant for a rental unit, including any reduction in housing services without a corresponding reduction in the amount demanded or paid for rent; or a pro rata increase in costs of housing services apportioned to a rental unit.

K. "Residential rental real property"
means the residential rental unit along with associated common areas including parking lots, parks, offices, community rooms and laundry facilities.

L "Residential rental unit"
means a habitable structure or portion thereof (as defined in Title 18), offered for rent and used as a place of permanent or customary and usual abode of a tenant. Residential rental units include a single-family residence, an accessory dwelling unit, a mobile or manufactured home, a building, a group of buildings, or a portion of a building including a specific room used and/or designed as dwellings. A residential rental unit shall not include:

1. A building, structure or unit not intended for human habitation or lacking appropriate permits and improvements required for human habitation. This includes unpermitted conversions of garages, sheds, or other accessory structures for human habitation.

2. Transient housing accommodations including hotels, motels, bed and breakfast inns, recreational vehicles within or outside a park, and short-term vacation rentals as found in Title 18.

3. Group residential, supportive housing, transitional housing, and similar congregate uses as may be defined in Title 18.

4. Dormitories owned and operated by an institution of higher education or a kindergarten and grades one to twelve, inclusive, school.

M. "Tenancy"
means the right or entitlement of a tenant to use or occupy a rental unit, including a mobilehome or mobilehome space in a mobilehome park.

N. "Tenant"
means any renter, tenant, subtenant, lessee or sublessee of a residential rental unit, or any group of renters, tenants, subtenants, lessees, or sublessees of a residential rental unit, or any other person entitled to the use of occupancy of all or a portion of such residential rental unit, or any successor of any of the foregoing."

SECTION 3. CEQA

The City Council finds, under Title 14 of the California Code of Regulations, Section 15061(b)(3), that this ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) in that it is not a Project which has the potential for causing a significant effect on the environment.

SECTION 4. EFFECTIVE DATE

This Ordinance shall take effect thirty (30) days after its adoption.

SECTION 5. PUBLICATION AND POSTING

The City Clerk shall cause this ordinance to be published in accordance with the law.

The City Council of the City of Half Moon Bay, California introduced the foregoing ordinance, on April 21, 2026, and adopted the ordinance at a regular meeting held on May 5, 2026, by the following vote:

Ayes:
Noes:
Absent:
Abstain

ATTEST:

_____
Maggie Rodriguez, Interim City Clerk

APPROVED:

_____
Debbie Ruddock, Mayor

Approved as to form:

_____
Denise S. Bazzano, Interim City Attorney

SR #4874-0644-5133 v1
4934-9980-1754 v1

§ 6.02.020Definitions.

A. "Accessory dwelling unit"
("ADU") shall have the same meaning as set forth in Title 18.

C. "Administrator"
refers to the city manager or their designee.

F. "City"
means the city of Half Moon Bay.

L. "Housing services"
means those services provided and associated with the use or occupancy of a residential rental unit including, but not limited to, insurance, repairs, replacement, maintenance, effective waterproofing and weather protection, painting, providing light, heat, hot and cold water, elevator service, window shades and screens, laundry facilities and privileges, janitorial services, utilities that are paid by the landlord, refuse removal, allowing pets, telephone, parking, storage, the right to have a specified number of tenants or occupants, computer technologies, entertainment technologies, including cable or satellite television services, and any other benefits, privileges or facilities connected with the use or occupancy of such rental unit including a proportionate share of the services provided to common facilities of the building in which such residential rental unit is located and/or of the property on which such residential rental unit is located.

M. "Landlord"
means an owner, lessor, or sublessor who receives or is entitled to receive rent for the use and occupancy of any residential rental unit or portion thereof, and includes any legal entity or other individuals, employees, agents, contractors, and subcontractors that comprise or represent the landlord.

N. "Lease"
means a written contract or oral agreement used to make a legal agreement governing the occupancy of the rental unit between landlord and tenant.

S. "Owner"
means any owner of record, corporation, limited liability company, or other corporate or business entity, or separate entities in which any shareholder, partner, member, or family member of an investor in the entity owns ten percent or more of the interest in the rental unit.

T. "Primary or principal residence"
means the residence which is the individual's usual place of residence which is held in the name of the natural person claiming primary residence and cannot be held by a limited liability corporation, limited partnership or other corporate structure. Indicia of primary residence include:
1. The individual carries on basic living activities at the subject premises for extended periods;
2. The subject premises are listed with other public agencies, including federal, state and local taxing authorities as the individual's primary residence;
3. Utilities are billed to and paid by the individual at the subject premises;
4. A homeowner's tax exemption for the individual has not been filed for a different property;
5. The occupant is not registered to vote at any other location;
6. All or most of the individual's personal possessions have been moved into the subject premises;
7. The subject premises are the place the individual normally returns to as their home, exclusive of military service, hospitalization, vacation, family emergency, travel necessitated by employment or education, incarceration, or other reasonable temporary periods of absence;
8. Other relevant factors demonstrating a residence is the person's primary.

U. "Rent"
means compensation paid by a tenant at fixed intervals to a landlord for the possession and use of a residential rental unit or portion thereof as defined by the rental agreement between the landlord and the tenant. Rent excludes pass-through costs and ancillary costs paid separately to the landlord for parking, storage, utilities, water, garbage, or any other fee or charge associated with the residential rental unit.

V. "Rent increase"
means any additional rent demanded of or paid by a tenant for a rental unit, including any reduction in housing services without a corresponding reduction in the amount demanded or paid for rent; or a pro rata increase in costs of housing services apportioned to a rental unit.

X. "Residential rental real property"
means the residential rental unit along with associated common areas including parking lots, parks, offices, community rooms and laundry facilities.

AA. "Residential rental unit"
means a habitable structure or portion thereof (as defined in Title 18), offered for rent and used as a place of permanent or customary and usual abode of a tenant. Residential rental units include a single-family residence, an accessory dwelling unit, a mobile or manufactured home, a building, a group of buildings, or a portion of a building including a specific room used and/or designed as dwellings. A residential rental unit shall not include:
1. A building, structure or unit not intended for human habitation or lacking appropriate permits and improvements required for human habitation. This includes unpermitted conversions of garages, sheds, or other accessory structures for human habitation.
2. Transient housing accommodations including hotels, motels, bed and breakfast inns, recreational vehicles within or outside a park, and short-term vacation rentals as found in Title 18.
3. Group residential, supportive housing, transitional housing, and similar congregate uses as may be defined in Title 18.
4. Dormitories owned and operated by an institution of higher education or a kindergarten and grades one to twelve, inclusive, school.

CC. "Tenancy"
means the right or entitlement of a tenant to use or occupy a rental unit, including a mobilehome or mobilehome space in a mobilehome park.

DD. "Tenant"
means any renter, tenant, subtenant, lessee or sublessee of a residential rental unit, or any group of renters, tenants, subtenants, lessees, or sublessees of a residential rental unit, or any other person entitled to the use of occupancy of all or a portion of such residential rental unit, or any successor of any of the foregoing.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Todd Seeley, Interim Public Works Director

TITLE: **APPROVAL OF A MEMORANDUM OF AGREEMENT (MOU) FOR THE SAN MATEO COUNTY REGIONAL EV CHARGING PROJECT**

RECOMMENDATION:
Adopt a resolution authorizing the City Manager to execute a Memorandum of Understanding (MOU) between the City of Half Moon Bay, the City of East Palo Alto, the City of San Carlos, and the Town of Portola Valley to coordinate procurement activities for the San Mateo County Regional EV Charging Project.

FISCAL IMPACT:
The City of Half Moon Bay will receive approximately $951,723 in grant funding for the installation of EV charging infrastructure. The City will be responsible for its share of costs associated with design and project management services, as well as all costs associated with construction, operation, and maintenance of EV charging infrastructure within its jurisdiction. Construction costs for this project are currently estimated at $692,215 and the design and entitlement portion is currently estimated to cost $259,508. No additional General Fund impact is anticipated at this time. Any required matching funds or cost overruns will be addressed through future budget actions, if necessary.

STRATEGIC ELEMENT:
This purchase supports the *Inclusive Governance* and *Infrastructure and Environment* Elements of the Strategic Plan.

BACKGROUND:
The City of Half Moon Bay, in partnership with the City of East Palo Alto, the City of San Carlos, and the Town of Portola Valley, are participating in the San Mateo County Regional EV Charging Project, a coordinated effort to expand publicly accessible electric vehicle (EV) charging infrastructure across the region.

The project is funded through the Metropolitan Transportation Commission (MTC) under the Climate Program Implementation Grant, which utilizes federal transportation funds from the Federal Highway Administration through the One Bay Area Grant (OBAG 3) program. Funding is administered by the California Department of Transportation (Caltrans).

Across the four participating jurisdictions, the project will install a total of 66 publicly accessible EV charging stations, including:
62 Level 2 chargers
4 DC Fast Chargers (DCFC)

Within the City of Half Moon Bay, the project includes installation of:
9 single-port 7.6kW Level 2 chargers
6 dual-port 19.2kW Level 2 Chargers
2 dual-port 160kW DC Fast Chargers

The total project funding allocated to the City of Half Moon Bay is approximately $951,723. Charging stations will be installed at strategically selected locations, prioritizing areas near multi-unit housing (MUH), transit-oriented communities (TOCs), and neighborhood destinations such as community centers, parks, and commercial corridors. These types of locations were selected to expand access to EV charging for residents who may not have access to at-home charging, including renters. Ultimately, the actual locations will be dictated by existing PG&E and Caltrans infrastructure, targeting the downtown.

DISCUSSION:
Although each jurisdiction is receiving its own funding allocation and will be responsible for constructing and maintaining its own EV charging installations, the four jurisdictions are coordinating project implementation to improve efficiency and outcomes.

The proposed MOU establishes a framework for a coordinated procurement approach, whereby the participating jurisdictions will conduct a joint Request for Proposals (RFP) to procure a consultant or consultant team to provide design and project management services. This coordinated approach offers several benefits:

- Improved efficiency: A single, coordinated procurement process reduces duplicative staff effort across jurisdictions.
- Cost savings: Shared procurement can lower administrative costs and create economies of scale.
- More competitive bids: Coordinating across multiple jurisdictions may attract more qualified firms and encourage more competitive pricing.
- Consistency in project delivery: Standardized design and specifications can support streamlined construction and long-term maintenance.

Importantly, while procurement of design and project management services will be coordinated, each jurisdiction will:

- Enter into its own contract with the selected consultant or consultant team.

- Maintain its own project budget and scope.
- Independently bid and award construction contracts.
- Conduct California Environmental Quality Act (CEQA) analysis.

This structure allows the City to benefit from a collaborative approach while maintaining compliance with all applicable procurement requirements and retaining full control over project implementation.

ATTACHMENTS:

1. Resolution
2. Memorandum of Understanding (MOU)

Resolution No. C-2026-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY AUTHORIZING THE CITY MANAGER TO ENTER INTO AN MOU WITH THE CITY OF EAST PALO ALTO, THE CITY OF SAN CARLOS, AND THE TOWN OF PORTOLA VALLEY TO COORDINATE PROCUREMENT ACTIVITIES FOR THE SAN MATEO COUNTY REGIONAL EV CHARGING PROJECT

WHEREAS, the Participating Jurisdictions are pursuing the installation of electric vehicle (EV) charging infrastructure within their respective jurisdictions; and

WHEREAS, in December 2024, the Metropolitan Transportation Commission (MTC) awarded funding through its Climate Program Implementation Grant to support the expansion of publicly accessible electric vehicle (EV) charging infrastructure across the region; and

WHEREAS, the Participating Jurisdictions desire to coordinate certain procurement activities for specific purposes and benefits, including to improve efficiency, reduce administrative burden, increase contractor interest, and enhance competitive pricing; and

WHEREAS, the Participating Jurisdictions intend to conduct a single joint request for proposals (RFP) process to procure a qualified consultant or consultant team to provide design and project management services to support EV charging infrastructure projects across the Participating Jurisdictions; and

WHEREAS, each Jurisdiction intends to use this joint RFP to enter into its own agreement with the selected consultant or consultant team to support implementation of EV charging infrastructure projects within its jurisdiction; and

WHEREAS, the Participating Jurisdictions wish to formalize their collaborative approach through this MOU while maintaining their independent authority over project implementation.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby authorizes the City Manager to enter into an Memorandum of Understanding (MOU) with the City of East Palo Alto, the City of San Carlos, and the Town of Portola Valley to coordinate procurement activities for the San Mateo County Regional EV Charging Project.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 5th day of May 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

_____
Maggie Rodriguez, Interim City Clerk

APPROVED:

_____
Debbie Ruddock, Mayor

MEMORANDUM OF UNDERSTANDING

BETWEEN THE CITY OF HALF MOON BAY, THE CITY OF EAST PALO ALTO, THE CITY OF SAN CARLOS, AND THE TOWN OF PORTOLA VALLEY FOR COORDINATED PROCUREMENT OF DESIGN AND PROJECT MANAGEMENT SERVICES FOR EV CHARGING INFRASTRUCTURE

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is entered into on this XX day of XXX, 2026, by and between the City of Half Moon Bay, the City of East Palo Alto, the City of San Carlos, and the Town of Portola Valley (collectively referred to as the "Participating Jurisdictions" and individually as a "Jurisdiction").

W I T N E S S E T H:

WHEREAS, the Participating Jurisdictions are pursuing the installation of electric vehicle (EV) charging infrastructure within their respective jurisdictions; and

WHEREAS, in December 2024, the Metropolitan Transportation Commission (MTC) awarded funding through its Climate Program Implementation Grant to support the expansion of publicly accessible electric vehicle (EV) charging infrastructure across the region; and

WHEREAS, the funding supports the San Mateo County Regional EV Charging Project: Scaling Accessible and Sustainable Solutions, a collaborative initiative between the City of East Palo Alto, the City of San Carlos, the City of Half Moon Bay, and the Town of Portola Valley; and

WHEREAS, the project will include the installation of sixty-six (66) publicly accessible EV charging stations across the four Participating Jurisdictions; and

WHEREAS, the Participating Jurisdictions desire to coordinate certain procurement activities for specific purposes and benefits, including to improve efficiency, reduce administrative burden, increase contractor interest, and enhance competitive pricing; and

WHEREAS, the Participating Jurisdictions intend to conduct a single joint request for proposals (RFP) process to procure a qualified consultant or consultant team to provide design and project management services to support EV charging infrastructure projects across the Participating Jurisdictions; and

WHEREAS, each Jurisdiction intends to use this joint RFP to enter into its own agreement with the selected consultant or consultant team to support implementation of EV charging infrastructure projects within its jurisdiction; and

WHEREAS, each Jurisdiction will independently procure and enter into its own construction contract for EV charging infrastructure within its jurisdiction; and

WHEREAS, the Participating Jurisdictions wish to formalize their collaborative approach through this MOU while maintaining their independent authority over project implementation.

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Purpose of the MOU

The purpose of this MOU is to establish a framework for collaboration among the Participating Jurisdictions to:

A. Conduct a single, coordinated procurement process to secure the services of a consultant or consultant team to provide design and project management services, with each Jurisdiction entering into its own agreement with the selected consultant or consultant team.

B. Coordinate the preparation of plans, specifications, and other construction contract bid materials to promote consistency across Participating Jurisdictions where feasible.

C. Coordinate the timing and release of construction contract bid packages to facilitate contractor participation.

D. Facilitate collaboration while maintaining the authority of each Jurisdiction to independently procure and manage construction within its Jurisdiction.

2. Joint Procurement of Professional Services

The Participating Jurisdictions shall collaborate to conduct a joint RFP process to procure a qualified consultant or consultant team to provide design and project management services to support EV charging infrastructure projects across the Participating Jurisdictions.

The selected consultant or consultant team may provide services including, but not limited to:

A. Design Services

Design-related services may include:

- Site assessments
- Preparation of plans and specifications for EV charging installations within each Jurisdiction
- Development of standardized bid package components
- Coordination with Participating Jurisdictions regarding site-specific design requirements
- Technical support during the construction procurement process

B. Project Management Services

Project management services may include:

- Project coordination across Participating Jurisdictions
  - Coordination with contractors
  - Monitoring schedule and performance
  - Supporting grant compliance and reporting
- Submitting funding authorizations and other grant-related documentation

Each Jurisdiction will enter into its own agreement with the selected consultant or consultant team for services performed within each Jurisdiction, unless the Participating Jurisdictions mutually agree to another contracting structure.

Participation in the final contract shall remain at the discretion of each Jurisdiction.

3. Coordination of Construction Bid Packages

To the extent feasible, the Participating Jurisdictions shall coordinate the preparation and release of construction bid packages to promote consistency across Participating Jurisdictions.

Coordination may include:

- Using common or standardized sections of bid documents where feasible.
- Including language in bid materials indicating that similar projects are being bid by multiple jurisdictions.
- Aligning warranty requirements and technical standards where feasible.
- Considering inclusion of operations and maintenance (O&M) provisions or repair provisions to support proper functioning of EV charging infrastructure.
- Coordinating the timing of construction bid releases and bid notices to the extent practicable.
- Considering extended bid periods to allow contractors sufficient time to prepare bids for multiple jurisdictions.

Nothing in this section requires the Participating Jurisdictions to adopt identical bid documents if doing so conflicts with local requirements or procurement policies.

4. Independent Construction Procurement

Each Jurisdiction shall independently:

- Issue its own construction bid solicitation
- Evaluate bids and select contractors
- Enter into construction contracts
- Manage construction activities within its jurisdiction

Nothing in this MOU obligates a Jurisdiction to select the same contractor as another participating jurisdiction.

5. Lead Agency

The Participating Jurisdictions may designate one Jurisdiction to serve as Lead Agency for the purposes of coordinating the joint RFP process, described in Section 2, to procure a consultant or consultant team to provide design and project management services.

If designated, the Lead Agency may be responsible for:

- Preparing and releasing the joint RFP
- Coordinating proposal review and evaluation
- Facilitating selection of the recommended consultant or project manager

The Lead Agency shall not be responsible for oversight of contracts between consultant or contractors and each Jurisdiction, even if the joint RFP was used to select the consultant or contractor.

6. Cost Responsibilities

Each Jurisdiction shall be responsible for:

- Its share of costs associated with design and project management services, as detailed in the separate agreements developed between each Jurisdiction and the selected consultant or consultant team.
- All costs associated with construction, operation, and maintenance of EV charging infrastructure located within its jurisdiction.
- All costs associated with supporting the development of associated RFPs.

Cost-sharing arrangements for joint services may be defined in a separate agreement or written amendment to this MOU.

7. Compliance with Procurement Laws

Each Jurisdiction shall conduct its procurement activities in accordance with its applicable local policies, ordinances, and state laws governing public contracting.

Nothing in this MOU supersedes or modifies any Jurisdiction's legal procurement requirements.

8. Relationship of Parties

It is expressly understood that this MOU establishes a collaborative relationship between independent governmental entities for the specific purposes and benefits set forth above. Nothing in this MOU creates a partnership, joint venture, joint powers authority, or agency relationship between the Participating Jurisdictions.

Each Jurisdiction retains full authority over its own procurement processes, contracting decisions, and project implementation.

9. Hold Harmless

Each Jurisdiction ("Indemnifying Party") shall defend, indemnify, and hold harmless the other Participating Jurisdictions and their officers, employees, and agents from any claims, suits, or actions of every nature, kind or description, arising out of the acts or omissions of that Indemnifying Party, or its officers, employees, contractors, or agents in connection with this MOU.

Liability shall be apportioned in accordance with California law in cases involving concurrent negligence.

10. Amendment of MOU

This MOU constitutes the sole MOU of the Participating Jurisdictions hereto regarding this subject matter and correctly states the rights, duties, and obligations of each Jurisdiction as of this document's date. In the event that any term, condition, provision, requirement or specification set forth in the body of this MOU conflicts with or is inconsistent with any term, condition, provision, requirement, or specification in any exhibit and/or attachment to this MOU, the provisions of this body of the MOU shall prevail. Any prior MOU, promises, negotiations, or representations between the Participating Jurisdictions regarding the subject matter of this MOU not expressly stated in this document are not binding. All Jurisdictions may request a modification to this MOU at any time. All subsequent modifications shall be in writing and will become effective when signed by all Participating Jurisdictions.

11. Notices

Any written notice, request, demand, or other communication required or permitted hereunder shall be deemed to be properly given when deposited with the United States Postal Service, postage prepaid, or when transmitted by email communication, addressed to the following:

Attn: City Attorney
East Palo Alto City Attorney's Office
2415 University Avenue, 2nd Floor
East Palo Alto, CA 94303
cityattorney@cityofepa.org

Attn: City Attorney
Half Moon Bay Attorney's Office
501 Main Street
Half Moon Bay, CA 94019
dbazzano@bwslaw.com

Attn: City Attorney
San Carlos Attorney's Office
600 Elm Street
San Carlos, CA 94070
CA@cityofsancarlos.org

Attn: Town Attorney
Shute, Mihaly & Weinberger LLP
396 Hayes Street
San Francisco, CA 94102
engberg@smwlaw.com

12. Controlling Law and Venue

The validity of this MOU, the interpretation of its terms and conditions, and the performance of the parties hereto shall be governed by the laws of the State of California. Any action brought to enforce this MOU must be brought in the Superior Court of California in and for the County of San Mateo.

13. Term and Termination

This MOU shall become effective upon execution by all Participating Jurisdictions and shall remain in effect until two (2) years following the obligation of construction funds for the San Mateo County Regional EV Charging Project under the Metropolitan Transportation Commission Climate Program Implementation Grant, unless terminated earlier as provided herein.

Any Jurisdiction may terminate its participation in this MOU upon thirty (30) days written notice to the other Participating Jurisdictions.

14. Electronic Signatures

Participating Jurisdictions wish to permit this MOU and future documents relating to this MOU to be digitally signed in accordance with California law and County's Electronic Signature Administrative Memo. Any party to this MOU may revoke such agreement to permit electronic signatures at any time in relation to all future documents by providing notice pursuant to this Agreement.

15. Authority

The Participating Jurisdictions warrant that the signatories to the MOU have the authority to bind their respective entities.

IN WITNESS WHEREOF, the Participating Jurisdictions hereto, by their duly authorized representatives, have affixed their hands.

CITY OF HALF MOON BAY

By:

Title:

Date:

CITY OF EAST PALO ALTO

By:

Title:

Date:

CITY OF SAN CARLOS

By:

Title:

Date:

TOWN OF PORTOLA VALLEY

By:

Title:

Date:

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Dale Leda, Interim City Engineer

TITLE: **2026 HALF MOON BAY SANITARY SEWER MANAGEMENT PLAN UPDATE**

RECOMMENDATION:
Adopt a resolution approving the 2026 Sanitary Sewer Management Plan for the City of Half Moon Bay and authorizing the City Manager, or designee, to make non-substantive revisions as needed to maintain compliance with State Water Resources Control Board requirements.

FISCAL IMPACT:
There is no direct fiscal impact associated with adoption of the updated Sanitary Sewer Management Plan (SSMP). Implementation of the Plan is carried out through the City's existing sewer operations, maintenance, inspection, repair, and capital improvement activities, which are funded through the Sewer Fund. Future capital improvements identified through ongoing system evaluation will be brought forward through the annual budget process.

STRATEGIC ELEMENT:
Approval of the SSMP supports the *Infrastructure and Environment*, *Healthy Communities and Public Safety*, and *Fiscal Sustainability* Elements of the Strategic Plan.

BACKGROUND:
The State Water Resources Control Board requires public agencies that own or operate sanitary sewer systems to prepare, maintain, and periodically update a Sewer System Management Plan to support proper management, operation, and maintenance of wastewater collection systems and to minimize the risk of sanitary sewer overflows. The City's SSMP is intended to ensure compliance with the Statewide Waste Discharge Requirements and associated monitoring and reporting requirements, which go through regular updates and revised requirements. The 2026 SSMP describes the City's wastewater collection service area, regulatory framework, operational responsibilities, emergency response procedures, maintenance practices, and long-term capital planning approach.

The City's wastewater collection system serves the portion of Half Moon Bay south of Frenchman's Creek and north of Miramontes Point Road. The system includes approximately 35 miles of gravity sewer, 1.5 miles of force main, and three lift stations, and conveys wastewater to the Sewer Authority Mid-Coastside treatment plant.

DISCUSSION:
The 2026 update to the City's Sewer System Management Plan (SSMP) comprehensively revises the 2023 SSMP to align with current State Water Resources Control Board requirements under Order No. 2022-0103-DWQ and to reflect the City's most recent wastewater planning, operations, and regulatory compliance activities.

The 2026 SSMP reformats and reorganizes the document to more closely follow the structure and terminology of the current statewide SSMP requirements. The revised document is organized into eleven required elements, as follows:

- **Element 1 - Goals and Introduction:** includes the SSMP objectives, regulatory context, update schedule, and overview of the City's sewer service area and assets
- **Element 2 - Organization:** identifies staff responsibilities, organizational structure, and the chain of communication for spill reporting
- **Element 3 - Legal Authority:** summarizes the City's municipal code authority, enforcement provisions, and interagency agreements
- **Element 4 - Operation and Maintenance Program:** addresses system mapping, resources and budget, maintenance, inspections, training, and contingency equipment
- **Element 5 - Design and Performance Provisions:** describes design standards and hydraulic performance criteria for installation, repair, rehabilitation, and evaluation
- **Element 6 - Spill Emergency Response Plan:** incorporates the City's spill response procedures and emergency response plan
- **Element 7 - Sewer Pipe Blockage Control Program:** addresses FOG, wipes, debris, inspections, best management practices, and public outreach
- **Element 8 - System Evaluation and Capacity Assurance Plan:** summarizes wastewater master planning, hydraulic modeling, condition assessment, and capital planning
- **Element 9 - Monitoring, Measurement and Program Modifications:** addresses performance monitoring, spill trend evaluation, adaptive management, and updates
- **Element 10 - SSMP Program Audits:** establishes audit procedures, roles, and responsibilities
- **Element 11 - Communication Plan:** describes public and agency communication related to SSMP implementation and sewer system management

Key content updates from the 2023 SSMP include:

- Alignment of the SSMP with current State Water Resources Control Board requirements under Order No. 2022-0103-DWQ;
- Updated system inventory, sewer asset information, spill history, audit schedule, organizational responsibilities, reporting procedures, and supporting appendices;
- Incorporation of the City's current Spill Emergency Response Plan and updated spill response, monitoring, and communication procedures;
- Revisions to the Operation and Maintenance Program, including updated system mapping, preventive maintenance, inspection, condition assessment, training, and contingency equipment information;
- Incorporation of the 2025 Wastewater Master Plan Update, including updated hydraulic modeling, capacity evaluation, pump station information, and capital improvement planning;
- Expansion of the former fats, oils, and grease (FOG) section into a broader Sewer Pipe Blockage Control Program consistent with current statewide requirements and the City's updated municipal code framework;
- Adds updated discussion of compliance obligations under the Venice Beach / Pillar Point Harbor bacteria TMDL, including prioritized inspections and repairs for sewer infrastructure within one-half mile of Venice Beach; and
- Reorganization of the document to function more clearly as both a regulatory compliance document and an operational planning tool for the City's wastewater collection system.

The approval of the updated Sanitary Sewer Management Plan is not subject to review under the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21000, et seq. and the CEQA Guidelines (14 Cal. Code Regs. §§ 15000 et. seq.), including without limitation, Public Resources Code section 21065 and California Code of Regulations 15378 as this is not a "project" that may cause a direct, or reasonably foreseeable indirect, physical change in the environment. This is an administrative action to maintain regulatory compliance and does not itself authorize construction or physical changes to the environment.

ATTACHMENTS:

1. Resolution
2. 2026 Half Moon Bay Sanitary Sewer Management Plan

RESOLUTION NO. C-2026-_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY ADOPTING THE SEWER SYSTEM MANAGEMENT PLAN (SSMP) 2026 UPDATE AND AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO MONITOR AND UPDATE THE PLAN

WHEREAS, on May 2, 2006, the State Water Resources Control Board (SWRCB) issued Order No. 2006-0003-DWQ (Statewide WDR) and subsequent amendments, requiring municipalities that own and operate sanitary sewer collections systems to prepare a Sewer System Management Plan (SSMP); and

WHEREAS, on March 3, 2020, City Council adopted the Half Moon Bay 2019 SSMP and authorized the City Manager or his designee to amend as needed to maintain compliance; and

WHEREAS, on December 6, 2022, the SWRCB adopted Order No. 2022-0103-DWQ, superseding the prior order and adding new requirements for municipalities; and

WHEREAS, Order No. 2022-0103-DWQ requires the City's governing entity to approve updates to the SSMP every six years prior to certification with the State's reporting system; and

WHEREAS, the City of Half Moon Bay has developed the attached SSMP 2026 Update to meet the requirements of Order No. 2022-0103-DWQ.

NOW, THEREFORE, BE IT RESOLVED THAT that the City Council of the City of Half Moon Bay does hereby Adopt the Sewer System Management Plan 2026 Update and authorizes the City Manager or his/her designee authority monitor and update the plan from time-to-time to reflect minor changes to processes and procedures necessary to protect public health and safety.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 5th day of May 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST: APPROVED:

_____ _____

Maggie Rodriguez, Interim City Clerk Debbie Ruddock, Mayor

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SEWER SYSTEM MANAGEMENT PLAN

City of Half Moon Bay
Updated April 2026

Waste Discharge I.D. No.: 2SSO10139

Prepared by:

V.W. HOUSEN
& ASSOCIATES

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LIST OF ACRONYMS

BMP	Best Management Practice
CCTV	Closed-Circuit Television
CDFW	California Department of Fish and Wildlife
CFR	Code of Federal Regulations
CIP	Capital Improvement Plan
CITY	City of Half Moon Bay
CIWQS	California Integrated Water Quality System
CMMS	Computerized Maintenance Management System
CDFW	California Department of Fish and Wildlife
EHS	Environmental Health Services
FOG	Fats, Oils and Grease
GIS	Geographical Information System
GPM	Gallons per Minute
HGL	Hydraulic Gradeline
I/I	Inflow & Infiltration
IPS	Intertie Pipeline System
JPA	Exercise of Joint Powers Agreement
LRO	Legally Responsible Official
MRP	Monitoring and Reporting Program
MTCo	Mark Thomas and Company
NASSCO	National Association of Sewer System Companies
NOAA	National Oceanic and Atmospheric Administration
NPDES	National Pollution Discharge Elimination System
OES	California Office of Emergency Services (Previously Cal-EMA)
PACP	Pipeline Assessment and Certification Program
PM	Preventive Maintenance
PPE	Personal Protective Equipment
PWWF	Peak Wet Weather Flow
RWQCB	Regional Water Quality Control Board
SAM	Sewer Authority Mid-Coastside

SERP	Spill Emergency Response Plan
Spill	Sanitary Sewer Spill, previously known as Sanitary Sewer Overflow
SSMP	Sewer System Management Plan
SWRCB	State Water Resources Control Board
WDID	Waste Discharge ID Number
WDR	General Waste Discharge Requirements, also called the Statewide WDR

LIST OF TERMS

Blockage – An object that partially or fully hinders flow through a sewer pipeline. The blockage can be caused by debris in the sewer, grease buildup, root intrusion, or a partial or full collapse of the pipeline. Also known as a stoppage.

California Integrated Water Quality System (CIWQS) – A computer system used by the State and Regional Water Quality Control Boards to track information about spills, among other information. CIWQS is the tool used for online submittal of spill details, which are then made available to the public. Website: http://www.swrcb.ca.gov/ciwqs/

Enrollee – The legal public entity that owns a sanitary sewer system, as defined by the Statewide WDR. Also known as a sewer system agency or wastewater collection system agency.

FOG Control Program –Program implemented at the discretion of the agency, based on the identified causes of sewer spills, to reduce the discharge of fats, oils and grease into the sewer system.

Geographic Information System (GIS) – A database linked with mapping that records sewer system information. The GIS database could include sewer features such as pipe location, diameter, material, condition, or last date cleaned or repaired. GIS maps also typically contain base information such as streets and parcels.

Infiltration – The seepage of groundwater into a sewer system, including from service connections. Seepage frequently occurs through defective or cracked pipes, pipe joints, connections or manhole walls and joints.

Inflow – Water discharged into a sewer system from such sources as roof leaders, cellars, yard and area drains, foundation drains, through holes in manhole covers, cross connections from the storm system or street wash waters. Inflow differs from infiltration in that it is a direct discharge into the sewer rather than a leak through defects in the sewer.

Lateral or Private Lateral – The privately-owned sewer pipeline that conveys wastewater from the premises of a user to the City's sewer system. The upper lateral extends from the building to property line (or easement line). The lower lateral extends from the property or easement line to the connection to the City-owned sewer main pipe.

Monitoring and Reporting Program (MRP) - The program used by the City to monitor, maintain records, report issues and complete needed public notifications.

Preventive Maintenance (PM) – Regularly scheduled servicing of machinery, infrastructure or other equipment using appropriate tools, tests, and lubricants.

Rehabilitation and Replacement Plan (also referred to as a Capital Improvement Plan) – Identifies and prioritizes system deficiencies and implements short-term and long-term rehabilitation actions to address each deficiency.

San Francisco Bay Regional Water Quality Control Board – Also known as Region 2 or RWQCB. This regulatory agency preserves, enhances and restores the quality of California's water resources, and ensures their proper allocation and efficient use for the benefit of present and future generations. Website: http://www.waterboards.ca.gov/sanfranciscobay

Sanitary Sewer Spill (Spill) – Any overflow, spill, release, discharge or diversion of untreated or partially treated wastewater from a sanitary sewer system, including spills or releases that reach waters of the United States, spills or releases that *do not* reach water of the United States, and backups into buildings and/or private property caused by conditions within the publicly owned portion of the sewer system.

Sanitary Sewer System – Any system of pipes, pump stations, sewer lines, or other conveyances, upstream of a wastewater treatment plant headworks used to collect and convey wastewater to the wastewater treatment plant.

Satellite Collection System – The portion, if any, of a sanitary sewer system that is owned or operated by a different public agency or user.

Sewer System Management Plan (SSMP) – A series of written programs that address how a collection system owner/operator conducts daily business. Each SSMP is unique for an individual discharger. The plan includes provisions to provide proper and efficient management, operation, and maintenance of sanitary sewer systems, while taking into consideration risk management and cost benefit.

Spill Emergency Response Plan (SERP) – This document identifies measures that are needed to respond to sanitary sewer spills in a way that maximizes the protection of public health and the environment.

State Water Resources Control Board – Also called the State Board. This agency developed and passed the Statewide Waste Discharge Requirements for collection systems and maintains the spill reporting web site.

System Evaluation and Capacity Assurance Plan – A required component of an agency's SSMP that provides hydraulic capacity of key sanitary sewer system elements for dry weather peak flow conditions, as well as the appropriate design storm or wet weather event.

Statewide Waste Discharge Requirements – The Statewide General Waste Discharge Requirements for Sanitary Sewer Systems was adopted by the SWCRB in 2006 to provide a structure and guidance for SSMP development. Also known as Order No. 2006-0003-DWQ.

Wastewater Collection System – See Sanitary Sewer System.

ELEMENT 1 – GOALS AND INTRODUCTION

The purpose of this section is to identify the goals that the City has established for its SSMP. These goals are intended to define a program that promotes continuous improvement in the City's existing wastewater collection system management and maintenance processes.

1.1 SWRCB SSMP Requirements

Requirements for the Goal and Introduction element of the SSMP are described in the SWRCB Statewide WDR as follows:

- Provide a plan and schedule to properly manage, operate and maintain all parts of its wastewater collection system in order to reduce and prevent spills, as well as contain and mitigate any spills that occur;
- Describe the sewer system management program, including Plan implementation and updates;
- Include an SSMP update schedule; and
- Provide an overview of the sewer system assets and service area.

1.2 SSMP Objectives

The objectives of the SSMP are to accomplish the following:

1. Establish goals that align the City's sewer collection system operation, management and capacity assurance activities in a manner that achieves the intended purpose of this SSMP
2. Comply with the Statewide WDR through provision of the following:
    - Elements I through XI, following the outline of the Statewide WDR, including a description of the regulatory requirements and a summary of existing and planned documents and plans related to each element
    - Appendices that are amended over time to reflect changes in contact personnel, job descriptions, policies, procedures and programs

1.3 City of Half Moon Bay SSMP Goals

The goals of the City's SSMP are to accomplish the following:

- To properly manage, operate, and maintain all parts of the wastewater collection system, so as to preserve and protect the public's investment in that system
- To provide adequate capacity to convey peak flows to the SAM wastewater treatment plant without spills

- To minimize the frequency and duration of spills, including implementing regular, proactive maintenance of the system to remove issues that may cause sewer backups or spills
- To mitigate the impact of spills on public health and the environment
- To respond quickly and respectfully to public notifications of spills or other collection system problems
- To collect complete and accurate information regarding spills for reporting to the appropriate regulatory agencies
- To uphold the City's standards and specifications on newly constructed public and private sewers
- To provide a safe working environment for City staff
- To provide City staff with the tools and training needed to perform their work effectively and achieve the City's goals

1.4 Regulatory Context

1.4.1 State Water Resource Control Board Order No. 2022-0103-DWQ

The City's SSMP has been updated in compliance with the State Water Resource Control Board (SWRCB) pursuant to Order No. 2022-0103-DWQ, "Statewide Waste Discharge Requirements General Order for Sanitary Sewer Systems" (GWDR) and is maintained on the City's website and is available to the public upon request. The GWDR requires all public entities that own or operate a wastewater collection system greater than one mile in length to comply with the elements of the GWDR. Noncompliance with the Order constitutes a violation of the California Water Code and is grounds for enforcement action. Generally, the GWDR requires that:

- In the event of a spill, all feasible steps shall be taken to control the released volume and prevent untreated wastewater from entering storm drains and water bodies.
- If a spill occurs, it must be reported to the SWRCB using California Integrated Water Quality System (CIWQS), the online reporting system developed by the SWRCB.
- An SSMP with all mandatory elements be developed and approved by the governing body that owns or is responsible for the operation of the wastewater collection system. The SSMP must include provisions to provide proper and efficient management, operation and maintenance of the sanitary sewer system.

A copy of this Order can be found through the State Water Resources Control Board's website:

https://www.waterboards.ca.gov/water_issues/programs/sso/

1.4.2 Additional Regulatory Requirements

The following regulatory requirements also establish the need for the City to maintain and implement a comprehensive SSMP, follow procedures to minimize the potential of spills and demonstrate the proper and efficient management, operation and maintenance of its wastewater collection systems.

California Water Code Section 13271, California Code of Regulations: Section 13271 of the California Water Code, Title 23 of the California Code of Regulations, prohibits the discharge of sewage and hazardous material into the waters of the State and requires the proper notification of authorized agencies in the event of a spill. Entities which do not properly follow the requirements of this section may be found guilty of a misdemeanor and punished by fine, imprisonment, or both.

Clean Water Act, Section 1251 of Chapter 33 of the United States Code: In 1972, the federal Congress enacted the Federal Water Pollution Control Act, commonly known as the Clean Water Act (CWA). The CWA prohibits the discharge of pollutants, including sewage, into public waters of the United States. The federal government has the authority to enforce compliance with the CWA via specific permits, such as National Pollutant Discharge Elimination System (NPDES) permits, as well as court action such as administrative orders and consent decrees.

The City's SSMP is intended to be updated every six (6) years but is designed to be a living document that is continually revised to reflect current changes in sanitary sewer practices, technology, regulation and the City's collection system. The City considers its SSMP to be a critical component for short- and long-term planning and budgeting. It also helps ensure that the City complies with all applicable regional, state and federal sanitary sewer requirements established by the U.S. Environmental Protection Agency, The California State Water Resource Control Board, The San Francisco Regional Water Resources Control Board (RWQCB) and other regulatory agencies.

1.5 SSMP Organization

This SSMP has been prepared in accordance with the requirements of Order No. 2022-0103-DWQ and includes all eleven mandatory elements identified in the General Order. This document begins with this introduction to the SSMP and an overview of the City and its collection system. The body of the document is organized to discuss the eleven GWDR elements in the order that they are presented in SWRCB Order No.2022-0103-DWQ.

1. Goals and Introduction;
2. Organization;
3. Legal Authority;
4. Operation and Maintenance Program;

5. Design and Performance Provisions;
6. Spill Emergency Response Plan;
7. Sewer Pipe Blockage Control Program;
8. System Evaluation and Capacity Assurance Plan;
9. Monitoring, Measurement and Program Modifications;
10. SSMP Program Audits; and
11. Communication.

1.6 Schedule for SSMP Updates and Audits

Table 1-1 presents a schedule for Plan updates, including the schedule for conducting internal audits. The schedule includes milestones for incorporation of activities addressing prevention of sewer spills.

Table 1-1. Required Elements and Dates of Original Submittal/Adopted SSMP Update

UPDATE	REQUIRED DATE OF SUBMITTAL	ACTUAL COMPLETION DATE
3-year SSMP Audit ending May 2, 2025	November 2, 2025	10/30/2025
2026 SSMP Update including audit findings	May 2, 2026	May 2, 2026
3-year SSMP Audit ending May 2, 2028	November 2, 2028	
3-year SSMP Audit ending May 2, 2031	November 2, 2031	
2032 SSMP Update including audit findings	May 2, 2032	
3-year SSMP Audit ending May 2, 2034	November 2, 2034	
3-year SSMP Audit ending May 2, 2037	November 2, 2037	
2038 SSMP Update including audit findings	May 2, 2038	

1.7 Service Area and Sewer System Asset Overview

The City of Half Moon Bay is an incorporated City located in San Mateo County, where Highway 92 meets Highway 1. The City provides wastewater collection services to approximately 13,000 residents residing in the portion of the City that is located south of Frenchman's Creek and north of Miramontes Point Road, as shown on Figure 1-1. Sewage is conveyed to the Sewer Authority Mid-Coastside (SAM) wastewater treatment plant, located near

Kehoe Avenue in Half Moon Bay. The portion of the City that is located north of Frenchman's Creek is served by Granada Community Services District.



Figure 1-1. City of Half Moon Bay Sewer Service Area

The City's wastewater collection system includes approximately 35 miles of gravity sewer pipe and 1.5 miles of force main pipeline, as well as three lift stations. The City's system conveys approximately 1 million gallons per day of average dry weather flow to the SAM wastewater treatment plant. Figure 1-2 shows the City's sewer assets. There are no known structures that divert stormwater to the sanitary sewer system.

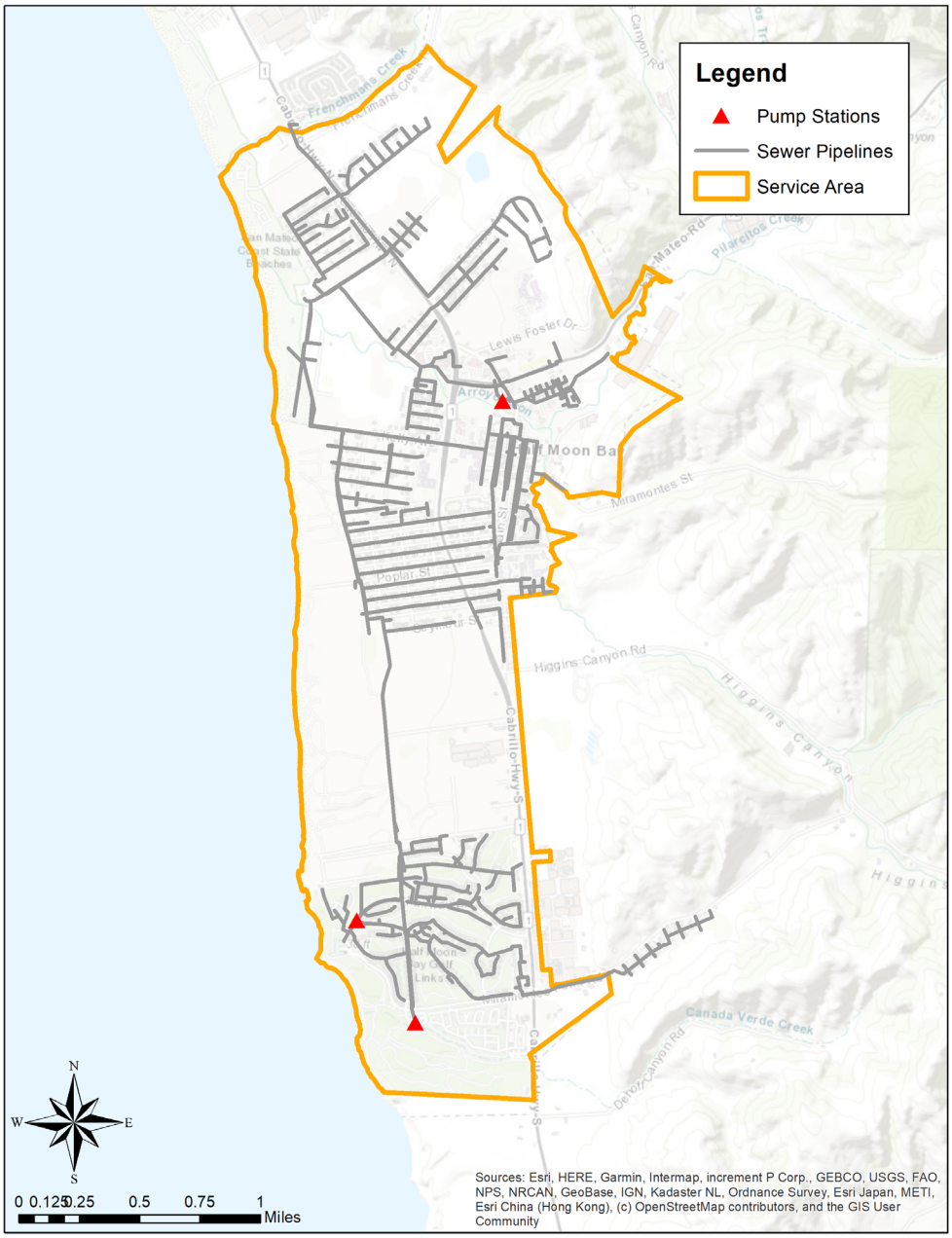


Figure 1-2. City of Half Moon Bay Sewer Assets

Table 1-2 through Table 1-4 provide information about the City's sewer collection system assets as reported in the 2024 CIWQS Annual Report, the 2025 Master Plan Update, and the Sanitary Sewer Pump Station Evaluation[1]. Some totals may not be exact due to rounding. According to

[1] The 2025 Master Plan Executive Summary and the Sanitary Sewer Pump Station Evaluation are located in Appendix G.

the 2024 Annual Report, the City does not own or have operation responsibilities for sewer laterals.

Table 1-2. Sewer Pipe Size by Percent of System from 2024 Annual Report

Pipe Diameter (inches)	Gravity Pipe Length (miles)	Percentage of Gravity System (by length)	Forcemain Pipe Length (miles)	Percentage of Forcemain System (by length)
6 or less	15.05	43%	1.5	64%
8	15.40	44%	0	0
9 to 18	3.85	11%		36%
18 or larger	0.35	1%	0	0
Unknown	0.35	1%	0	0
Total	**35**	**100%**	**1.5**	**100%**

Table 1-3. Sewer System by Construction, Replacement, or Rehabilitation Period from 2024 Annual Report

Year Range	Percent of System Updated/Installed
2020-Present	1%
2000-2019	3%
1980-1999	6%
1960-1979	16%
1940-1959	12%
1920-1939	1%
1900-1919	0%
Before 1900	0%
Unknown Age	61%
Total	**100%**

Table 1-4. Pump Station Firm Capacity from 2025 Master Plan Update

Pump Station	No. of Pumps	Peak Modeled Flow (GPM)	Firm Capacity (GPM)
Bell Moon	2	5	5
Ocean Colony	2	1451	950 (note 1)
Pelican Point	2	75.1	225

Note 1. New Ocean Colony capacity provided through 2020 Ocean Colony Pump Station upgrade project.

Table 1-5. Force Main Summary from Sanitary Sewer Pump Station Evaluation

Pump Station	Force Main Diameter (in)	Force Main Material	Force Main Length (ft)	Force Main Installation Date
Bell Moon	4	PVC	255	Unknown
Ocean Colon	10	PVC	2,520	2021
Pelican Point	6	PVC/HDPE	3,718/412	2001 & 2006

ELEMENT 2 - ORGANIZATION

The purpose of this section is to identify City staff responsible for implementing this SSMP, responding to spill events and meeting the spill reporting requirements. This section also includes the designation of the Legally Responsible Official (LRO) or Authorized Representative to meet Statewide WDR requirements for completing and certifying spill reports.

2.1 SWRCB SSMP Requirements

The requirements for the Organization element of the SSMP are described in the SWRCB Statewide WDR as follows:

The SSMP must identify:

- The name of the Legally Responsible Official as required in Section 5.1 of the Statewide WDR;
- The position titles, telephone numbers, and email addresses for management, administrative, and maintenance positions responsible for implementing specific measures in the SSMP elements;
- Organizational lines of authority through an organization chart or similar narrative document; and
- The chain of communication for reporting spills, from receipt of a complaint or other information, including the person responsible for reporting spills to the State and Regional Water Board and other agencies if applicable (such as County Health Officer, County Environmental Health Agency, Regional Water Board, and/or State Office of Emergency Services (OES).

2.2 Organization Chart and SSMP Responsibilities

The SSMP responsibility organization chart is shown in Figure 2-1. Roles and responsibilities of key personnel involved in the wastewater collection system are as noted below.

City Council: Adopts SSMP plan and policy. Approves budget to implement SSMP.

City Manager: Assists in the development, planning, and implementation of the SSMP and manages overall administrative activities and operations of the City.

Deputy City Manager: Addresses insurance claims related to public property damage caused by spills originating from the public sewer main.

Public Works Director: Develops, plan, and implement the SSMP. Monitors SSMP budget and performance. Among other responsibilities, directs contractor activities in cleaning and television

inspection of the collection system. Manages wastewater collection system staff and oversees sewer spill response. Responsible for annual work plan for maintaining, inspecting and improving the sewer system.

City Engineer. Provides support to the Public Works Director. Designs, coordinates, and reviews capital improvement program projects, perform engineering-related tasks, manages the City's engineering records, and coordinates with the Public Works Superintendent and maintenance contractors. Certifies spill reports and serves as the LRO.

Public Works Superintendent: Provides support to the Public Works Director in directing sewer system activities. Direct contractor activities in cleaning and television inspection of the collection system.

Collection System Maintenance Contractors: Provides sewer system cleaning, CCTV, pump station maintenance, and spill response as defined in the existing contract, and prepares the Spill Technical Report and serves as the CIWQS Data Submitter. SAM is the sewer maintenance contractor of the City.

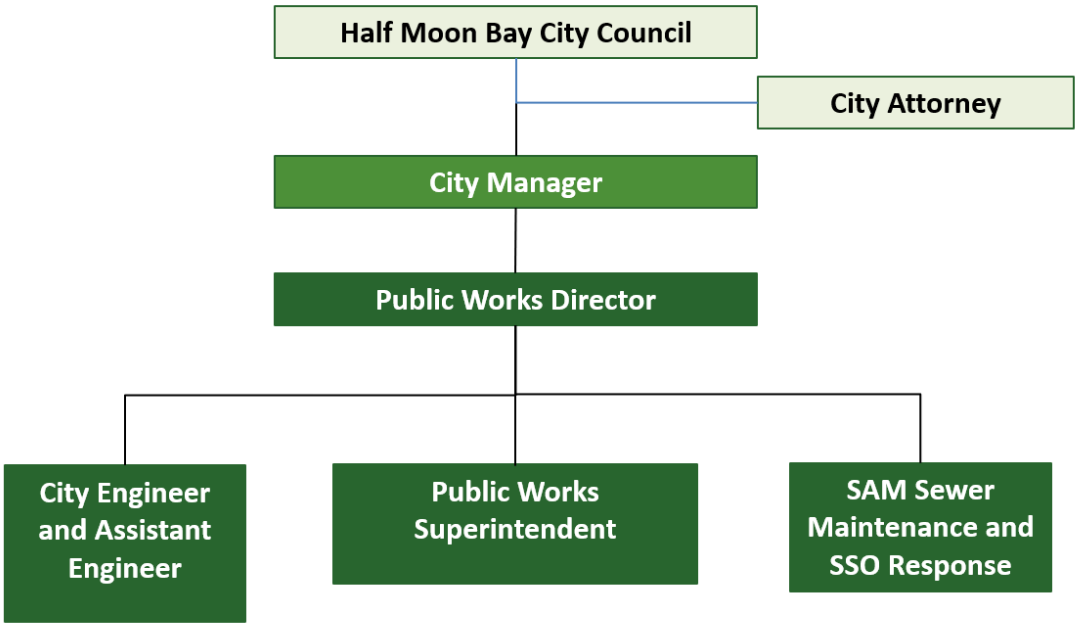


Figure 2-1. SSMP Organization Chart

Table 2-1 on the following page summarizes the individuals who are responsible for each section of the SSMP.

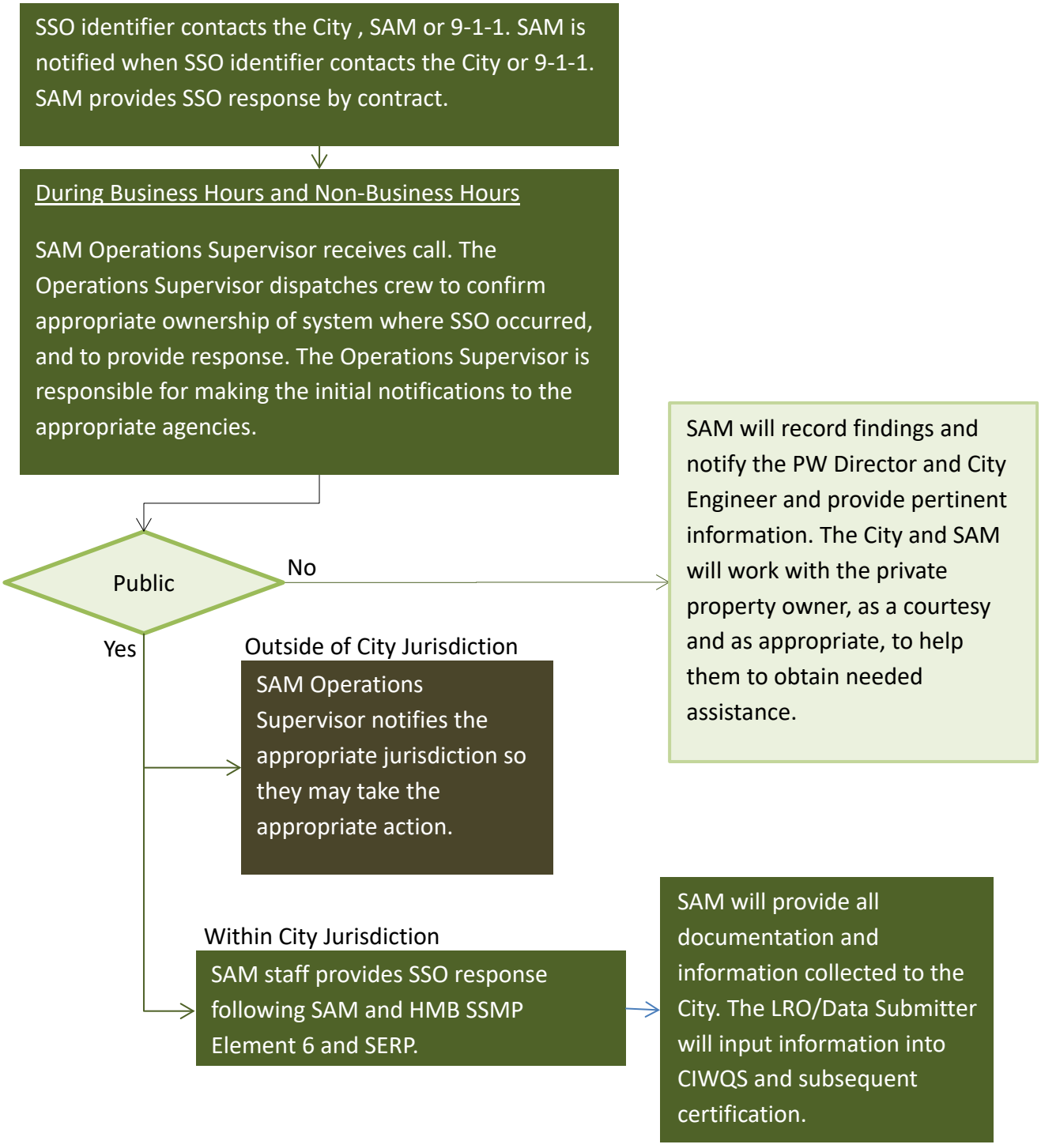
Table 2-1. SSMP Responsibilities

SSMP Element	Responsible Position
I. Goals and Introduction	The City Manager leads staff in the implementation of the SSMP goals
II. Organization	The City Council updates the organization structure. The City Manager with the help of Public Works Director manages SSMP implementation assignments, and amends spill response and reporting chains of communication, as needed.
III. Legal Authority	The City Manager and City Attorney uphold the Municipal Code and drafts new ordinances as needed.
IV. Operations & Maintenance	The Public Works Director manages resources and budget, and with support from the City Engineer and Public Works Superintendent, oversees cleaning, prioritized preventive maintenance, training of City staff, maintaining a current system map, and overseeing the schedule for inspections and condition assessment.
V. Design and Construction Standards	The City Engineer reviews design and construction documents to ensure that all construction projects meet the adopted standards. Construction inspection is managed by City engineering staff.
VI. Spill Emergency Response Plan	The City contracts with SAM for spill emergency response. The Public Works Director manages the contract between the City and its contractors.
VII. Pipe Blockage Control Program	The City is currently transitioning to a City staff supported Program in 2026.
VIII. System Evaluation and Capacity Assurance	The City Engineer or other designated appointee establishes and assesses capacity requirements, and develops the associated Capital Improvement Plan including updating budgets and schedules.
IX. Monitoring, Measurement and Program Modifications	The Public Works Director monitors implementation and assesses success of the overall SSMP program elements with the assistance of staff. This effort includes the identification of trends in spill occurrences.
X. SSMP Audits	The Public Works Director oversees triannual SSMP audits.
XI. Communication Plan	The City Council, City Manager, and Public Works Director communicate with the public and nearby agencies of the SSMP.

2.3 Chain of Communication for Reporting

Figure 2-2 shows a simplified Chain of Communication for reporting spills.

Figure 2.2. Chain of Communication



Appendix A – Element 2 Documents

Appendix A includes the following documents related to this section. The information in these documents will change from time to time, and the documents in Appendix A may have been superseded. Please contact the Public Works Director for the most recent updates to the Appendix A documents.

- SSMP and SERP Contact List
- Sewer Maintenance Agreement with Sewer Authority Mid-Coastside

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ELEMENT 3 - LEGAL AUTHORITY

This element of the SSMP discusses the City's Legal Authority and establishes wastewater discharge requirements for the users of the sanitary sewerage facilities of the City. This section fulfills the Legal Authority requirement for the SWRCB (Element 3).

3.1 SWRCB SSMP Requirements

The City must demonstrate, through collection system use ordinances, service agreements, or other legally binding procedures, that it possesses the necessary legal authority to:

- Prevent illicit discharges into its wastewater collection from inflow and infiltration (I&I); unauthorized stormwater; chemical dumping; unauthorized debris; roots; fats, oils, and grease; and trash, including rags and other debris that may cause blockages;
- Collaborate with storm sewer agencies to coordinate emergency spill responses, ensure access to storm sewer systems during spill events, and prevent unintentional cross connections of sanitary sewer infrastructure to storm sewer infrastructure;
- Require that sewers and connections be properly designed and constructed;
- Ensure access for maintenance, inspection, or repairs for portions of the lateral owned or maintained by the Public Agency;
- Enforce any violation of its sewer ordinances, service agreements, or other legally binding procedures; and
- Obtain easement accessibility agreements for locations requiring sewer system operation and maintenance, as applicable.

3.2 Legal Authority to Enforce SSMP Requirements

The City has legal authority to enforce SSMP requirements through Municipal Code Title 13, "Water and Sewer." A complete copy of Half Moon Bay's Municipal Code may be found at: https://www.halfmoonbay.gov/384/Municipal-Code. Specific sections related to the SSMP are described below.

3.2.1 Prevention of Illicit Discharges

The City's Municipal Code Chapter 13.20.090 prohibits the discharge of certain materials into sewers, including:

A. Any liquid or vapor having a temperature higher than one hundred fifty degrees Fahrenheit;

B. Any water or waste which may contain more than one hundred parts per million, by weight, of fat, oil or grease;

C. Any gasoline, benzene, naphtha, fuel oil or other flammable or explosive liquid, solid or gas;

D. Any garbage that has not been shredded to such a degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than one-half inch in any dimension;

E. Any ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood, paunch manure, or any other solid or viscous substance capable of causing obstruction to the flow in sewers or other interference with the proper operation of the sewage works;

F. Any waters or wastes having a pH lower than five and one-half or higher than nine or having any other corrosive property capable of causing damage or hazard to structures, equipment and personnel of the sewage works;

G. Any waters or wastes containing a toxic or poisonous substance in sufficient quantity to injure or interfere with any sewage treatment process, constitute a hazard to humans or animals, or create any hazard in the receiving waters of the sewage treatment plant;

H. Any waters or wastes containing suspended solids of such character and quantity that unusual attention or expense is required to handle such materials at the sewage treatment plant;

I. Any noxious or malodorous gas or substance capable of creating a public nuisance; and

J. Any septic tank sludge.

Further, Chapter 13.20.100 requires grease, oil and sand interceptors to be provided when necessary for the proper handling of liquid wastes containing grease in excessive amounts, or any flammable wastes, sand and other harmful ingredients.

3.2.2 Collaboration with Storm Sewer Agencies

The City manages the storm sewer system; the sewer and stormwater division collaborate to coordinate response efforts during sewer spills. A separate ordinance is not required for collaboration with outside storm sewer agencies.

3.2.3 Proper Design and Construction of Sewers and Connections

Chapter 13.32 of the City's Municipal Code for design and construction standards for sewer assets. Chapter 13.32 defines required permits, easements, outlines design and construction standards, provides authority for inspection, and defines criteria for project acceptance.

3.2.4 Access for Maintenance, Inspection & Repairs

Chapter 13.16.080 of the City's Municipal Code states that, "officers, inspectors, managers and any duly authorized employee of the city shall carry evidence establishing his position as an authorized representative of the city, and upon exhibiting the proper credentials and identification, as provided in Chapter 1.12 of this code, shall be permitted to enter in and upon any and all buildings, industrial facilities and properties for the purposes of inspection, reinspection, observation, measurement, sampling, testing or otherwise performing such duties as may be necessary in the enforcement of the provisions of the ordinance, rules and regulations of the City."

Additionally, Chapter 13.32.040 of the City's Municipal Code states that when an easement is necessary for the extension or connection of the sewer system, "the applicant shall procure and have accepted by the city council a proper easement or grant of right-of-way sufficient in law to allow the laying and maintenance of such extension or connection."

3.2.5 Limit Discharge of Fats, Oils & Grease and Debris

Chapter 13.52.310 of the City's Municipal Code discusses requirements for grease traps and interceptors, as follows:

A. Any type of business or establishment where grease or other objectionable materials may be discharged into a public or private sewer main or disposal system shall have a grease interceptor of a size and design to be approved by the manager and the agency.

B. Each grease interceptor shall be so installed and connected that it shall be at all times easily accessible for inspection, cleaning and removal of intercepted grease.

C. The grease interceptor shall be situated on the discharger's premises but Authority may, when such location would be impractical or cause undue hardship on the discharger, allow the facility to be constructed in the public street or sidewalk area, subject to applicable city or county codes related thereto, and located so that it will not be obstructed by landscaping or parked vehicles.

D. Buildings remodeled for use requiring grease interceptors shall be subject to these regulations.

E. Waste discharge from fixtures and equipment in the above-mentioned types of establishments which may contain grease or other objectionable materials including, but not limited to, scullery sinks, pot and pan sinks, dishwashers, soup kettles and floor drains located in areas where such objectionable materials may exist, may be drained into the sanitary waste through the interceptor when approved by the manager; provided, however, that toilets, urinals, wash basins and other fixtures containing fecal material shall not flow through the interceptor.

F. The interceptor shall be maintained in efficient operating condition by periodic removal of the accumulated grease. The use of chemicals to dissolve grease is specifically prohibited. No such accumulated grease shall be introduced into any drainage piping or public or private sewer.

G. Abandoned grease interceptors shall be emptied and filled in accordance with applicable city or county requirements for abandoned septic tanks. (Ord. 9-94 §2(part), 1994).

3.2.6 Enforcement Measures

Chapter 13.40 of the City's Municipal Code defines progressive enforcement authority in the following subsections:

13.40.010 Violation--Notice.

13.40.020 Public nuisance.

13.40.030 Disconnection.

13.40.040 Occupying disconnected premises--Nuisance.

13.40.050 Means of enforcement only.

13.40.060 Liability for violation

3.3 Interagency Agreements and Satellite Systems

The City does not receive wastewater from any satellite agencies. However, the City is a 50 percent participant in SAM, which is a Joint Powers Agency (JPA) comprised of the City, Granada Community Services District, and Montara Water and Sanitary District. The JPA was formed in 1976 through the execution of an Exercise of Joint Powers Agreement, which is included in Appendix B.

Appendix B – Element 3 Documents

Appendix B includes the following documents related to this section. The information in these documents will change from time to time, and the documents in Appendix B may have been superseded. Please contact the Public Works Director for the most recent updates to the Appendix B documents.

- City of Half Moon Bay Municipal Code Title 13 Water and Sewer
- SAM Exercise of Joint Powers "An Agreement Creating Sewer Authority Mid-Coastside"

ELEMENT 4 - OPERATION AND MAINTENANCE PROGRAM

This section of the SSMP discusses the City's mapping, operations, preventive maintenance (PM), inspection, training and outreach activities. This section fulfills the Operation and Maintenance Program SSMP requirement for the SWRCB (Element 4).

4.1 SWRCB SSMP REQUIREMENTS

The Sewer System Management Plan (SSMP) must include those elements listed below that are appropriate and applicable to the Enrollee's system:

- An up-to-date map of the sanitary sewer system, showing all gravity line segments and manholes, pumping facilities, pressure pipes and valves, and applicable stormwater conveyance facilities;
- Scheduling and data collection system for preventive operation and maintenance activities by staff and contractors, including a system for scheduling regular inspections and maintenance of the sanitary sewer system with more frequent cleaning and maintenance targeted at known problem areas including tree root areas;
- Regular visual and closed-circuit television (CCTV) inspections of manholes and sewer pipes;
- Internal and external training on a regular basis for staff and contractors in sanitary sewer system operations and maintenance; and
- Inventory of equipment and replacement parts, including identification of critical replacement parts.

The categories that are addressed in Element 4 include:

- Collection System Mapping
- Resources and Budget
- Prioritized Preventive Maintenance
- Scheduled Inspections, Condition Assessments and Replacement Planning
- Critical Equipment and Spare Parts
- Training

4.2 Collection System Mapping

4.2.1 Collection System Map Description

The City continually updates its sewer collection system map through a geographic information system called ArcGIS. Updates reflect newly added sewer pipes in the system, sewer alignment reconfigurations, and discrepancies observed in the field. The City's collection system maps include pipes and manholes with information regarding its size, length, and diameters. Updates are made by the City's consultant. The shapefiles for the sewer system are available through the City Engineer.

Once the update is completed, any changes are reflected in the Lucity computerized maintenance management system (CMMS) that is shared among the SAM member agencies. The City's mapping updates are independent of other member agency updates.

The City's storm drain collection system is maintained by the City's Department of Public Works, separate from the sanitary sewer collection system. The City currently maintains hard copy records of the storm drain system maps. ArcGIS shapefiles of the storm drain system were provided to the City by one of its consultants (Schaaf & Wheeler) in 2020, which are updated internally by the City.

4.3 Resources and Budget

4.3.1 Resources and Budget for Sewer System Management

The City prepares an annual budget, and funds improvements to the collection system as well as its share of the SAM facilities. In FY2025/26, the City adopted a $8.9M budget for the Sewer Operations and Maintenance fund, and a $2.4M budget for Sewer Capital Fund. A more detailed breakdown of the Sewer Funds is included in Appendix C.

4.4 Prioritized Preventative Maintenance

4.4.1 Prioritized Preventive Maintenance Activities

The City has held a long-term contract for sewer cleaning and spill response with SAM. SAM also conducts pump station cleaning and inspections.

Upon review of the cleaning records, in 2019, the City moved from a one year cleaning cycle to a two year cleaning cycle for pipes that had clear cleaning results in the first cycle.

The City also maintains a hot spot cleaning list that includes areas with historical maintenance issues, including areas prone to root-intrusion. This hot spot cleaning schedule is implemented by SAM during their monthly cleaning operations. The City monitors cleaning results from these lines, updates this list ongoing basis using cleaning records from the previous full year cleaning

cycle, recent CCTV records and the use of a Sewer Cleaning Matrix. The Matrix takes into account the number of cleaning passes made and debris retrieved during the pipe cleaning process. The Sewer Cleaning Matrix is included in Appendix C.

4.5 Scheduled Inspections, Condition Assessment and Rehabilitation Plan

4.5.1 CCTV Inspection Program

In 2011 and 2012, the City completed and documented two video inspection projects to identify sewer system deficiencies throughout the City. Through this program, the City inspected approximately 33 miles of system. Inspections utilized National Association of Sewer Services Companies (NASSCO) Pipeline Assessment Certification Program (PACP) standards for the coding and ranking of the defects. The results from this CCTV inspection were later utilized by a City consultant to provide repair and rehabilitation recommendations, leading to a point repair project that was completed in 2014 and in 2019.

The City initiated a new CCTV inspection program in 2018, beginning with inspection of the current hot spot pipelines. This program was completed in 2019. Following this initial inspection program, the City planned to conduct CCTV inspection of all accessible pipes greater than 20 years old within the following five years.

In 2020, MTCo performed a CCTV inspection program and condition assessment of approximately 4.3 miles of the system. Subsequently, in 2023 and 2024, MTCo carried out further inspection and condition assessment activities, evaluating an additional approximately 1.1 miles of the system.

4.5.2 Actions in Response to SWRCB Pillar Point Harbor and Venice Beach Bacteria TMDL

On February 10, 2021, the San Francisco Bay Regional Water Quality Control Board adopted Resolution No. R2-2021-0002 to amend the Water Quality Control Plan for the San Francisco Bay Region (Basin Plan amendment), to establish a TMDL for bacteria at the beaches in Pillar Point Harbor and Venice Beach. Table 7-1 of this Resolution listed implementation actions and schedules for the nearby sanitary sewer collection systems for Phase 1 of the program. The requirements related to the City of Half Moon Bay included the following:

- By August 10, 2021
    - Expand the SSMP to prioritize sewer system inspections and repairs in areas within ½ mile of Pillar Point Harbor and/or Venice Beach, including a diagram of the prioritized infrastructure
    - Develop a time schedule for implementing short- and long-term plans to address known issues

- By February 9, 2026
    - Complete inspections identified in plan
    - Schedule repairs of identified leaking or damaged infrastructure as expeditiously as feasible

This section of the SSMP has been updated to support these requirements.

Figure 4-1 on the following page shows the City's sewer infrastructure located within ½ miles of Venice Beach. The City has no infrastructure within its sewer service area that is within ½ mile of Pillar Point Harbor. Figure 4-1 also defines pipes with and without inspection records as of August 10, 2021.

The City has 81 gravity sewer pipelines within ½ mile radius of Venice Beach. Of these pipes, 61 lines or 74 percent have received inspection. The City plans to inspect, or for those lines that are not accessible for inspection, assess the remaining 20 lines by February 2027 as part of the City's annual CCTV inspection program.

The City found 15 lines with at least one National Association of Sewer Service Companies ("NASSCO") Pipeline Assessment Certification Program ("PACP") structural Grade 4 defect (on a scale of 1-5, with 5 being the most severe). NASSCO has recommended in the past that structural grade 4 defects should be repaired within approximately 10 years. In addition, one line has three NASSCO PACP Structural Grade 5 defects. The remaining 45 inspected lines do not have Structural Grade 4 or 5 defects and are recommended for continued observation.

The City plans to develop a prioritized schedule for the repair or replacement of pipes with known Grade 4 and 5 defects, which would include the repair of additional Grade 4 and 5 defects as identified through future inspections, after all inspections are completed in February 2027.

Figure 4-1 Sewer Infrastructure Within One-Half Mile of Venice Beach



4.6 Training

4.6.1 Training of City Staff and Contractors

The City conducts general operations and maintenance training on an annual basis for its employees. Training includes general safety training, and can also include spill response, volume estimation, and other collection system management training. The City and SAM received training on the SSMP and SERP upon its update in 2014. In June 2019, MTCo provided training to SAM field staff on spill response and reporting. The City's sewer maintenance contractors are responsible for regularly training their staff in all maintenance, emergency response, and safety operations necessary to perform work. This also includes training on regulatory requirement updates and reporting procedures.

The City maintains training records that include the date, time, place, content, name of trainer(s) and names of attendees.

4.7 Contingency Equipment and Replacement Inventories

4.7.1 Contingency Equipment and Replacement Inventories

SAM, as the City's contract responder, maintains contingency equipment and replacement inventories. A list of available equipment is included in Appendix C.

Appendix C – Operation and Maintenance Program Documents

Appendix C includes the following documents related to this section. The information in these documents will change from time to time, and the documents in Appendix C may have been superseded. Please contact the Public Works Director for the most recent updates to the Appendix C documents.

- City of Half Moon Bay FY 2025/26 Adopted Operating Budget
- City of Half Moon Bay FY 2024/25 to FY 2028/29 Capital Improvement Program
- City of Half Moon Bay Sewer Cleaning Matrix
- City of Half Moon Bay Redundant/Contingent Equipment List (provided by SAM)

ELEMENT 5 - DESIGN AND PERFORMANCE PROVISIONS

This section of the SSMP discusses the City's design and construction standards.

5.1 SWRCB SSMP Requirements

The City must have design and construction standards and specifications for the installation of new sewer systems, pump stations and other appurtenances, and for the rehabilitation and repair of existing sewer systems.

5.2 Standards for Installation, Rehabilitation, Repair, and Testing

Chapter 13.32.080 of the City's Municipal Code states, "Minimum standards for the design and construction of sewers within the City shall be in accordance with the "Specifications for Sewer Construction," heretofore or hereafter adopted by the City, copies of which are on file in the City office. The City may permit modifications or may require higher standards where unusual conditions are encountered."

In June 2016, the City hired BKF Engineers to develop the City of Half Moon Bay Standard Design Guidelines for Public Works Construction. These guidelines were adopted in July 2016. The City's Standard Design Guidelines are a compilation of design guidelines, specifications, and standard drawings necessary for use in construction of public works improvements and site grading within the City. The City's Standards, which are included in Appendix D, address the following:

- Manholes including requirements for covers and frames and inside drop connection
- Raising and lowering manhole
- Standard sewer lateral and cleanouts
- Trench backfill
- Overflow and backflow devices
- Sanitary sewer and water main separation details
- Pipe materials and fittings
- Concrete encasement
- Testing

Where the City's standards do not address specification construction needs, the City relies upon standards published by other agencies, such as the Central Contra Costa County Standard Specifications, including Standard Drawings and Materials List.

5.3 Design Criteria for Hydraulic Capacity Needs

In 2016, the City developed a Sewer System Master Plan. In 2023, the City updated the Master Plan using new flow data and updated software. The 2025 Master Plan Executive Summary is included in Appendix G and is further discussed in Element 8. The Master Plan utilizes a 10-year, 24-hour design storm as defined by the National Oceanic and Atmospheric Administration ("NOAA") to evaluate peak wet weather flows. The Master Plan also establishes design criteria for the evaluating existing pipelines and sizing new pipes as follows:

- For existing pipelines:
    - A pipe is considered to have a capacity deficiency when, under peak wet weather flow conditions for the design storm, the water level or hydraulic gradeline is higher than the crown of pipe and less than three feet below ground level elevation. Pipes that have less than three feet of cover and minimal surcharge are evaluated on a case-by-case basis.
    - A force main is considered capacity deficient if maximum velocity exceeds 8 feet per second (fps) during peak hourly flows.
    - A lift station is determined to require capacity upgrades if the tributary (i.e., upstream) system is surcharged to within three feet of ground surface elevation because the existing pump or pumps are undersized. This evaluation is completed with the largest pump at each pump station out of service.
- For new pipelines:
    - Under peak dry weather flow conditions and where feasible, velocity shall remain above 2.5 feet per second, and ideally 3.0 feet per second to facilitate self-cleaning.
    - Under PWWF conditions, maximum depth of flow divided by diameter ("d/D") shall be equal to or less than 0.67 for 10-inch and smaller pipes, and 0.80 for 12-inch and larger pipes.
    - Maximum allowable velocity shall be 10 feet per second. Under sustained operations, maximum velocity of 6 feet per second is recommended.

Appendix D – Design and Performance Provisions Documents

Appendix D includes the following documents related to this section. The information in these documents will change from time to time, and the documents in Appendix D may have been superseded. Please contact the City Engineer for the most recent updates to the Appendix D documents.

- City of Half Moon Bay Standard Design Guidelines for Public Works Construction

ELEMENT 6 – SPILL EMERGENCY RESPONSE PLAN

Element 6, Overflow Emergency Response Plan, has been replaced in its entirety with the Spill Emergency Response Plan which is included in Appendix E. The Spill Emergency Response Plan was completed by June 5, 2023 as required by State Water Resources Control Board ORDER WQ 2022-0103-DWQ and updated as part of the City's 2026 SSMP update.

Appendix E – Spill Emergency Response Plan

Appendix E includes a full copy of the City's Spill Emergency Response Plan. The information in this document will change from time to time, and the SERP may have been superseded. Please contact the Public Works Director for the most recent updates to the SERP.

- Spill Emergency Response Plan
- Pump Station Emergency Response Plan

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ELEMENT 7 - SEWER PIPE BLOCKAGE CONTROL PROGRAM

The intent of this section of the SSMP is to evaluate the extent and nature of spills related to potential materials that could lead to pipe blockage, including Fats, Oils and Grease (FOG), to determine the need for a Pipe Blockage Control Program, and to outline the elements of the City's Pipe Blockage Control program, if required.

The City previously received source control support from SAM, under SAM's non-domestic waste source control program. In 2019, MTCo assumed the source control inspections, also known as the FOG Control Program. In 2025, the City began transitioning from a consultant supported to a City staff supported Program, which should be in full effect in 2026.

7.1 SWRCB SSMP Requirements

7.1.1 SWRCB Requirement:

Each Enrollee shall evaluate its service area to determine whether a sewer pipe blockage control program is needed to control fats, oils, and grease (FOG), rags, and debris. If an Enrollee determines that a sewer pipe blockage control program is not needed, the Enrollee must provide justification for why it is not needed. If a program is needed, it must include:

- An implementation plan and schedule for a public education outreach program that promotes proper disposal of pipe blockage substances;
- A plan and schedule for the disposal of pipe blocking substances generated within the sanitary sewer system service area. This may include a list of acceptable disposal facilities and/or additional facilities needed to adequately dispose of substances generated within a sanitary sewer system service area;
- The legal authority to prohibit discharges to the system and identify measures to prevent spills and blockages;
- Requirements to install grease removal devices (such as traps or interceptors), design standards for the removal devices, maintenance requirements, best management practice (BMP) requirements, record keeping and reporting requirements;
- Authority to inspect grease-producing facilities, enforcement authorities, and whether the Enrollee has sufficient staff to inspect and enforce the FOG ordinance;
- An identification of sanitary sewer system sections subject to FOG blockages and establishment of a cleaning schedule for each section; and
- Implementation of source control measures for all sources of FOG reaching the sanitary sewer system for each section identified above.

7.2 Sewer Pipe Blockage Control Program

SWRCB Order No. 2022-0103-DWQ requires that wastewater collection agencies evaluate their service area to determine whether a sewer pipe blockage control program is needed to address accumulations of pipe blocking substances and materials. The City has reporting 3 spills attributed to FOG, wipes, or debris between January 1, 2021 and the current date (five full calendar years).

As a result of repeat spills related to FOG and debris, the City has implemented measures to control these discharges. In 2023, the City amended Municipal Code Title 13 to add Chapter 13.22 "Fats, Oil, Grease and Sand." This chapter defines the City's FOG Control Program, which covers the City's program to enforce the requirements of the chapter and the Statewide WDR. This chapter includes regulations for inspections and compliance with the FOG control program, requirements for grease and sand/grit control devices, and requirements for entities that discharge FOG and insoluble waste to participate in the FOG control program and obtain a FOG waste discharge permit.

7.3 Public Outreach

The City does not have a formal public outreach or education program for the proper disposal of pipe-blocking substances as part of its FOG Control Program. However, the City distributes outreach materials on a periodic basis to educate residents and facilities on proper disposal practices to prevent sewer blockages. Outreach methods have included:

- Best Management Practice (BMP) handouts for businesses and residents, as required for use by Chapter 13.22 of the Municipal Code
- A public workshop addressing the new Fats, Oils, Grease, and Sand Ordinance
- Informational resources posted on the City website: https://www.halfmoonbay.gov/933/Fats-Oils-and-Grease-FOG-and-Sand-Contro

These materials promote best practices for preventing the discharge of FOG and other non-dispersible items into the sanitary sewer system.

7.4 Legal Authority

The City's authority to regulate the discharge of pipe blocking substances is provided by Chapter 13 of the Municipal Code, which is discussed in Element 3. Relevant sections of the City's Municipal Code authorize the City to complete the following. Additional information regarding the City's legal authority is included in Element 3.

- Prohibit the discharges of fats, oils, grease (FOG), roots, wipes, rags, and other debris
- Inspect food service establishments (FSEs) and require installation and maintenance of grease control devices
- Prevent illicit discharges
- Enforce violations

These authorities enable the City to carry out inspections, require corrective actions, and take enforcements steps when discharges or maintenance failures pose a risk to the public sewer system.

7.5 Requirements for Grease Removal Devices

Requirements for the installation and design of grease removal devices are given in Chapter 13.22 of the Municipal Code. The ordinance includes the following applicable sections:

- 13.22.300: Installation of grease, oil, and sand control devices (common areas and shared facilities)
- 13.22.310: Grease, sand and grit control device type, sizing and location
- 13.22.320: Maintenance and operation of grease and sand control devices
- 13.22.692: Record keeping requirements
- 13.22.693: Monitoring and reporting conditions

7.6 Best Management Practices (BMPs)

All FSEs and entities with the potential to discharge FOG or other insoluble waste into the City's sewer system are required to implement best management practice in compliance with Chapter 13.22 of the Municipal Code. Examples of BMPs are provided in Appendix F.

7.7 Service Area FOG Evaluation

As discussed in Element 4, the City maintains a hot spot cleaning list to identify sewer pipes prone to maintenance issues such as debris and grease. SAM provides mainline cleaning to the City through an O&M agreement. The hot spot cleaning schedule is implemented during SAM's monthly sewer system cleanings to target pipes susceptible to blockages and ensure proper removal and disposal of these substances. Cleaning results are monitored, and the cleaning list is regularly updated.

The City also created a list in 2018 of facilities subject to FOG, which can be found in Appendix F. The City plans to begin FSE inspections in 2026 under the new City staff supported Program at the approximately 40 FSEs in the City.

Appendix F – Sewer Pipe Blockage Control Program Documents

Appendix F includes the following documents related to this section. The information in these documents will change from time to time, and the documents in Appendix F may have been superseded. Please contact the Public Works Director for the most recent updates to Appendix F.

- HMB FOG Inspection Form
- FOG Best Management Practices (developed by MTCo)
- FOG Kitchen Best Management Practices
- FOG Facilities List

ELEMENT 8 - SYSTEM EVALUATION AND CAPACITY ASSURANCE PLAN

This section of the SSMP discusses the City's activities related to capacity management. This section fulfills the Capacity Management requirements for SWRCB elements.

8.1 SWRCB SSMP Requirements

SWRCB Waste Discharge Requirement:

The City's capital improvement plan (CIP) that will provide hydraulic capacity of key sanitary sewer system elements from dry weather peak flow conditions, as well as the appropriate design storm or wet weather event. At a minimum, the plan must include:

- **System Evaluation and Condition Assessment**: The Plan must include procedures to evaluate the sanitary sewer system assets; identify and justify the percentage of the system for condition assessment each year; prioritize the condition assessment of system areas that hold a high level of environmental consequence or are located in or within the vicinity of surface waters, steep terrain, high groundwater elevations, environmentally sensitive areas, or are within the vicinity of a receiving water with a bacterial-related impairment on the most current Clean Water Act section 303(d) List; utilize observations/evidence of system conditions that may contribute to exiting of sewage from the system; maintain documents and recordkeeping; and identify system assets vulnerable to direct and indirect impacts of climate change.
- **Design Criteria**: The Plan must include procedures to identify system components that have a hydraulic deficiency and/or limited capacity. The plan should identify the major sources that contribute to peak flows, with consideration of data from existing system condition assessments, system inspections, system audits, spill history, and other available information, flood-prone areas, potential impacts of potentially higher-intensity storm events as a result of climate change, and increases of erosive forces in canyons and streams. The plan should also review necessary redundancy in pumping and storage capacities.
- **Prioritization of Corrective Action**: The findings of the condition assessments and capacity assessments must be used to prioritize corrective actions. Prioritization must consider the severity of the consequences of potential spills.
- **Capital Improvement Plan**: The capital improvement plan must include the project schedules, internal and external project funding sources for each project; joint coordination between operation and maintenance staff, and engineering staff/consultants during planning, design, and construction of capital improvement projects; and Interagency coordination with other impacted utility agencies.

8.2 System Evaluation and Capacity Assurance Plan

In 2025, the City completed an update to the Sewer System Master Plan that documents the following:

- Existing collection system facilities, acceptable hydraulic performance criteria, and projected wastewater flows.
- Development and calibration of the City's hydraulic sewer model using InfoWorks ICM software.
- Capacity evaluation of the existing sewer system with improvements to mitigate existing deficiencies and to accommodate future growth.
- Capital Improvement Program with an opinion of probable construction costs.

The Sewer System Master Plan also presented the City's design criteria for hydraulic capacity, dry weather flow, and wet weather flow used for identifying current system capacity deficiencies and for sizing proposed sewer mains.

8.2.1 Sewer Collection System Design Flows

The design flows most relevant in the capacity analysis of the sanitary sewer system were peak wet weather flows (PWWF). The hydraulic analysis for the PWWF condition allowed surcharging to occur during wet weather conditions under a 10-year, 24-hour design storm scenario. Under this design condition, the pipe was considered to have capacity deficiencies when the hydraulic grade line (HGL) was higher than the pipe's crown and less than three feet below ground elevation.

8.2.3 Hydraulic Model

The Master Plan included a "skeletonized" model that included all 10-inch diameter and larger pipes and associated manholes, as well as many 8-inch diameter pipes. In addition, 6-inch diameter lines in selected areas were included in the network to provide continuity. The model was calibrated to dry weather flows from the City's 2021 flow monitoring program and then recalibrated to wet weather flows from the 2014 V&A flow monitoring program. For more information on the Hydraulic Model, refer to the 2025 Wastewater Collection System Master Plan Executive Summary in Appendix G.

8.2.4 System Capacity Evaluation and Improvements

The hydraulic model determined that the sanitary sewer system has specific areas that require upsizing under the buildout PWWF scenario. The assessment found four locations with sufficient surcharge to exceed the capacity criteria. These predicted surcharges are located at Pilarcitos Avenue, Grand Blvd, Jenna Lane, and Strawflower Village Shopping Center.

The Master Plan also considered a wet weather event more severe than the design storm that the City and neighboring areas experienced on December 31, 2022. Under this design storm, the hydraulic model predicted spills from the same four locations discussed above as well as three additional manholes.

The Master Plan also reviewed pump station firm capacity. Flows from the hydraulic model were compared to the pump station firm capacity provided in the City's 2015 Sanitary Sewer Pump Station Evaluation. Additionally, expansion of the City's largest pump station, Ocean Colony pump station, was completed in 2022. The Ocean Colony pump station expansion project provided necessary firm capacity, and also provided upgraded electrical and mechanical components, a new backup generator, and new force main. The Master Plan considered the updated capacity of Ocean Colony Pump Station as provided by the project. The analysis results showed that the City has sufficient pump station capacity. The City also maintains a redundant pump for each pump station.

The Statewide WDR includes new requirements for capacity analyses. To address this, the Master Plan considered sewer system capacity in relation to increased infiltration & inflow (I&I) resulting from higher-intensity storm events associated with climate change. During the December 31, 2022 storm event, the City experienced 5.3 inches of rainfall at the SAM WWTP, exceeding the rainfall predicted for the City's design storm. Five spills were reported during and immediately after this storm event. The five spills were all located along the Railroad Avenue corridor, with one spill at 1st Avenue and Myrtle Street, one spill at Ocean Avenue and Valdez Avenue, and two spills at the horse trail and St. Francis Beach, directly upstream of the discharge to the SAM WWTP. During this same storm, the wastewater treatment plant flooded. The reported spills may have been caused by terminal conditions created by the unusually high water levels at the plant, as they are not predicted by the hydraulic model. The absence of reported spills further upstream in the collection system indicate that the system has reserve capacity to convey flows during storms that are higher in intensity than the City's design storm.

The Master Plan indicated that the City may want to further refine the hydraulic model to replicate the plant conditions and spills that were reported from the December 31, 2022 wet weather event.

The Statewide WDR requires the City to consider potential increases in erosive forces in canyons and streams that could impact the integrity of the City's gravity pipelines. No new erosion was observed following the December 31, 2022 storm event. However, the Master Plan recommends that the City conduct targeted inspections of canyon and stream locations that are in the vicinity of existing sewer infrastructure that could be vulnerable to potential future erosion.

8.2.5 Condition Assessment

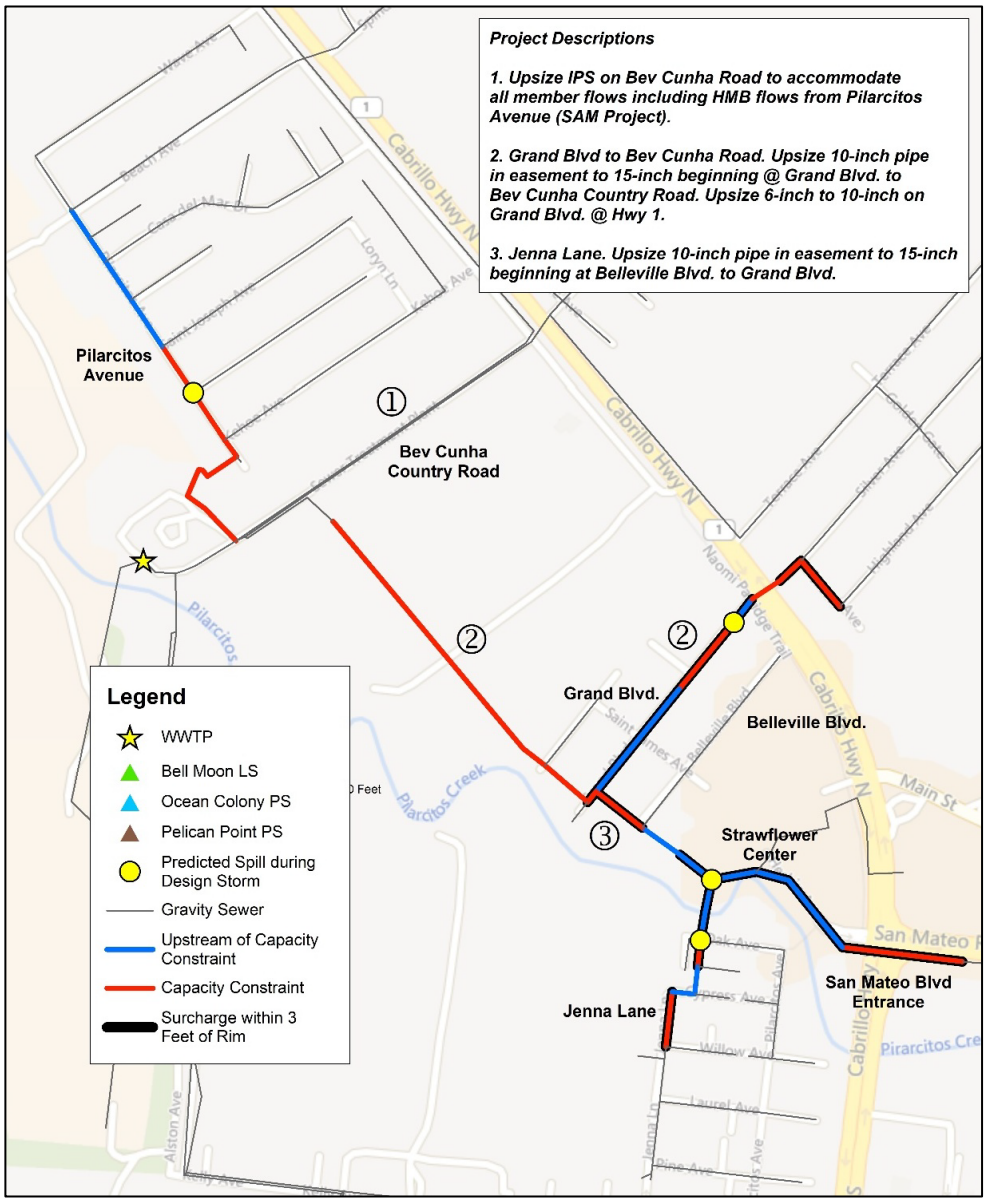
The City aims to perform a condition assessment of approximately 3% of its sewer system annually. More frequent inspections will be performed for hot spots. Assessment of system conditions is performed using video surveillance through CCTV inspections that are further described in Element 4.

In addition, the need to further prioritize additional condition assessment of system areas that: 1) hold a high level of environmental consequence; 2) are located in or within the vicinity of surface waters, steep terrain, high groundwater elevations, environmentally sensitive areas, 3) are within the vicinity of a receiving water with a bacterial-related impairment on the most current Clean Water Act section 303(d); and/or 4) might be vulnerable to direct and indirect impacts of climate change is under review. Findings that result from these additional condition assessments might be useful in identifying system conditions that could contribute to sewer spills that could discharge into a water of the State.

8.3 Capital Improvement Plan

The 2025 Master Plan includes a capital improvement program with three proposed projects and their associated conceptual costs. The locations of the three CIP projects are shown in Figure 8-1.

Figure 8-1. Capacity Improvement Projects



Project "1" will most likely be eliminated, as the hydraulic model utilized assumptions about the connection between the City and the IPS that are different than as shown in the IPS as-built drawings. Please see the Master Plan for additional information on the location of this connection. Costs for Projects "2" and "3" are provided in Table 8-1.

Table 8-1. Capacity Improvement Project Costs

Project	Base Construction Cost	Contingency (30 %)	Engineering and Admin (30%)	Total Project Cost
Grand Blvd. to Bev Cunha Country Road	$1,257,750	$377,325	$490,525	$2,125,600
Jenna Lane Capacity Improvements (added to the Grand Blvd. project above)	$171,250	$51,375	$66,800	$287,425

In addition, the five-year CIP provided in Appendix C includes the City's most recent proposed sewer improvement projects and estimated completion dates for these projects, as well as funding sources.

Projects will be further defined with joint coordination between operation and maintenance staff, and also with engineering staff and consultants during the planning, design, and construction phases. In addition, CIP projects will be further developed using a risk-based approach, prioritizing projects that have more severe consequences if potential spills occur. Interagency coordination will occur if other utility agencies are impacted by each project.

Appendix G – System Evaluation and Capacity Assurance Plan Documents

Appendix G includes the following documents related to this section. The information in these documents will change from time to time, and the documents in Appendix G may have been superseded. Please contact the Public Works Director for the most recent updates to Appendix G.

- City of Half Moon Bay Wastewater Collection System 2025 Master Plan Executive Summary (May 2025)
- City of Half Moon Bay Sanitary Sewer Pump Station Evaluation (October 2015)

ELEMENT 9 - MONITORING, MEASUREMENT AND PROGRAM MODIFICATIONS

This section of the SSMP discusses the City's Monitoring, Measurement, and Program Modifications. This section fulfills the Monitoring, Measurement, and Program Modifications requirements for SWRCB elements.

9.1 SWRCB SSMP Requirements

SWRCB Waste Discharge Requirement:

The Enrollee shall include an Adaptive Management section that addresses Plan implementation effectiveness and the steps for necessary Plan improvement, including:

- Maintaining relevant information including audit findings, to establish and prioritize appropriate Plan activities;
- Monitor the implementation and measure the effectiveness of each Plan element;
- Update Plan procedures and activities, as appropriate, based on the results of monitoring or performance evaluations; and
- Identify and illustrate spill trends, including spill frequency, locations, and estimated volumes.

9.2 Adaptive Management

The City includes adaptive management principles to ensure effective implementation and continuous improvement, as discussed below.

- Maintaining relevant information, including audit findings, to establish and prioritize appropriate Plan activities. The City conducts triannual audits as discussed in Element 10. Recommendations from the audits are incorporated into Plan updates, as shown on the schedule in Element 1.
- Monitoring the implementation and measuring the effectiveness of each Plan Element is completed through the Plan audits. Performance metrics are tracked in this Element 9.
- Assessing the success of the preventive operation and maintenance activities. The effectiveness of preventive operation and maintenance activities is assessed through the Plan audits and recommendations from the audits are included in SSMP updates per the schedule shown in Element 1.
- Updating Plan procedures and activities, as appropriate, based on results of monitoring and performance evaluations.
- Identifying and illustrating spill trends, including spill frequency, locations and estimated volumes.

The remaining information provides information on spill trends, frequency, locations, and estimated volumes.

9.3 Utility Metrics to Measure Progress and Prioritize Activities

The City has established the preventive maintenance sewer metrics that are shown in Table 9-1 for use in monitoring, measuring and adjusting sewer maintenance activities. The City will use performance indicators outlined in its Sewer System Management Plan as a basis to monitor and measure its ongoing performance. The City will compare the results of these measurements against annual stated goals and prior years' performance. The sewer metrics are available to the City's contractors, who are required to provide data needed to measure progress. The metric for Pipes Inspected and Pipe Replaced are documented by the City.

Table 9-1. Success Factors and Metrics

Sewer Maintenance Success Factor	Metric
• System Pipes	• Miles
• Pipes Cleaned	• Miles/Year
• Pipe Inspected (CCTV)	• Miles/Year
• Hot Spots Cleaned	• Number by Underlying Cause (Roots, Debris, FOG, Structural)
• Spills	• Number by Underlying Cause per 100 Miles
• Response Time	• Minutes per Spill
• Pump Station Spills	• Number by Cause
• Pipe Replaced	• Miles/Year
• Claims	• #/Year and $/Year

9.4 Spill Trends

In the past five years (2021 through 2025), the City has had nine spills with a total volume of 137,664 gallons as summarized in Table 9-2 and 9-3. The primary causes were general debris (including from natural disasters and non-disposable materials such as wipes and paper towels), root intrusion, and excessive rainfall events that exceeded the system's design capacity.

Table 9-2. Causes of Spills

Cause of Spill	2021	2022	2023	2024	2025
Debris	1	0	2	0	0
Roots	1	0	0	0	0
Grease	0	0	1[2]	0	0
Capacity	1	1	3	0	0
Total	**3**	**1**	**5**	**0**	**0**

Table 9-3. Spill Volumes and Response Time

	2021 (gal)	2022 (gal)	2023 (gal)	2024 (gal)	2025 (gal)
Total Spill Volume	29,186	87,900	20,578	0	0
Total Spill Volume Recovered	202	0	0	0	0
Total Volume to Surface Waters	28,953	0	528	0	0

9.5 SSMP Updates

It is the City's intention that the SSMP remain a living document, and that it be regularly updated to reflect program or organizational changes, new regulatory requirements and other changing conditions. The City will update critical information in the SSMP and related documents (e.g. SERP), such as contact numbers and the spill response chain of communication, as they occur. The City will update non-critical items on an annual basis or as needed. The City will perform a formal SSMP audit every three years as described in Element 10. A comprehensive SSMP update will occur every 6 years, or more frequently as needed.

Appendix H – Monitoring, Measurement and Program Modification Documents

There are no Appendix documents to accompany Section IX. However, this Appendix H is included as a placeholder for future documents.

[2] This is the same spill as one of the debris-caused spills, and is therefore excluded from the total.

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ELEMENT 10 - SSMP PROGRAM AUDITS

This section of the SSMP discusses the SSMP auditing program. This section fulfills the SSMP Audit requirement for the SWRCB elements.

10.1 SWRCB SSMP Requirements

SWRCB Waste Discharge Requirement:

As part of the Sewer System Management Plan (SSMP), the Enrollee shall include internal audit procedures, appropriate to the size and performance of the system, for the Enrollee to comply with section 5.4 (Sewer System Management Plan Audits) of this General Order.

At a minimum, these audits must occur every three years and a report must be prepared and kept on file. This audit shall focus on evaluating the effectiveness of the SSMP and the Enrollee's compliance with the SSMP requirements, including identification of any deficiencies in the SSMP and steps to correct them. The audit must:

- Evaluate the implementation and effectiveness of the Enrollee's Sewer System Management Plan in preventing spills;
- Evaluate the Enrollee's compliance with the most updated General Order;
- Identify Sewer System Management Plan deficiencies in addressing ongoing spills and discharges to waters of the State; and
- Identify necessary modifications to the SSMP Plan to correct deficiencies;
- The Enrollee shall submit a complete audit report that includes:
- Audit findings and recommended corrective actions;
- A statement that sewer system operators' input on the audit findings has been considered; and
- A proposed schedule for the Enrollee to address the identified deficiencies.

10.2 Audit Procedures, Roles and Responsibilities

The City audits its SSMP every three years, with the next audit due November 2, 2028. The SSMP audit considers any updates to the WDR or other regulatory requirements. It then compares the City's SSMP to its current sanitary sewer maintenance practices to determine whether the City is following its SSMP. Finally, it will make recommendations to adjust the SSMP and/or City sanitary sewer maintenance practices.

The audit is typically conducted in coordination with an outside consultant. Sewer Department staff form the audit team and the consultant guides the audit process. The scope of the audit covers each of the sections of the SSMP (in addition to any changes to the SSMP guidelines). The audit team compares the Sewer Department's actual performance against its performance indicators contained in Element 9 (Monitoring, Measurement and Program Modifications). The

audit uses an SSMP audit checklist, provided in Appendix I. The Audit Report evaluates the City's successes in implementing the most recent version of its SSMP elements and identifies revisions that may be needed for a more effective program. The LRO should submit an audit report to the CIQWS Database within six months of the end of the three-year audit period. The audit report should include a statement that sewer system operators were involved in the audit. Changes made as a result of the 3-year Audits are re-adopted as part of the City's 6-year SSMP update.

Changes made to the SSMP are documented in the Change Log located in Appendix I.

Appendix I – SSMP Program Audit Documents

Appendix I includes the following documents related to this section. The information in these documents will change from time to time, and the documents in Appendix I may have been superseded. Please contact the Public Works Director for the most recent updates to the Appendix I documents.

- SSMP Change Logs
- SSMP Blank Change Log
- SSMP Audit Forms
- SSMP Blank Audit Form

ELEMENT 11 - COMMUNICATION PLAN

This section of the SSMP discusses the City's Communication plan. This section fulfills the Communication Plan requirements for the SWRCB element.

11.1 SWRCB SSMP Requirements

The requirements for the Communication Plan element of the SSMP are summarized below:

11.1.1 SWRCB Requirement

SWRCB Waste Discharge Requirement:

- The Enrollee shall communicate on a regular basis with the public for spills and discharges resulting in closures of public areas, or that enter a source of drinking water; and the development, implementation, and update of its Plan (i.e., SSMP), including opportunities for public input to Plan implementation and updates;
- The Enrollee shall also create a plan of communication with owners/operators of systems that connect into the Enrollee's system, including satellite systems, for system operation, maintenance, and capital improvement-related activities.

11.2 Communication Plan

11.2.1 City Council Meetings

The City discusses updates to the SSMP, and also periodically discusses the performance of its sewer maintenance contractors at publicly noticed Council meetings. The City Council usually meets on the first and third Tuesday of each month at 7pm in the Ted Adcock Community Center. The public is invited and encouraged to attend each meeting. The City's public website features City Council meeting schedules, agendas, minutes, and videos.

11.2.2 City Newsletters

The City maintains a weekly eNewsletter, *Half Moon Bay Community News*, to update its residents regarding important topic and issues. The City also produces a quarterly newsletter, *Currents*, which is available on the City's website.

11.2.3 City Website

The City maintains a website (http://www.halfmoonbay.gov) to inform the public about its activities. Typical information available on the website includes general information about the City, ordinances and codes, permit forms, pollution prevention materials, and community links. The website also serves to update the public on the City's construction projects or as a tool to convey any late-breaking news. The City's website includes a Sewer webpage that is the repository of information related to the City's SSMP and sanitary sewer related considerations.

The Sewer webpage hosts the entire SSMP and appendices. The City also has a presence on Instagram, Facebook, and Nextdoor to provide regular updates on issues of importance to residents.

11.2.4 Public Input

The City holds bimonthly City Council meetings, where the public is invited to attend. Members of the public are invited to comment during these meetings on items not on the agenda during the "public forum" meeting portion or on items on the agenda. The public is also able to communicate with City Councilmembers via mail, email, or phone. Their addresses, phone numbers, and email addresses can be found on the City's website. Additionally, customers can call the Public Works Director at (650) 750-2029 or email the Public Works Department at publicworks@hmbcity.com to report a spill. The public is also able to report sewer-related issues by calling SAM at (650) 726-0124.

11.2.5 Satellite Systems

The City currently does not receive flows from any satellite systems. If any agencies or private systems are connected in the future, the City will establish coordination procedures to address operation, maintenance, and capital planning requirements.

Appendix J – Communication Plan Documents

There are no Appendix documents to accompany Section XI. However, this Appendix J is included as a placeholder for future documents.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Kenneth Stiles, Interim Administrative Services Director

TITLE: **AMENDMENT TO AGREEMENT WITH MAZE & ASSOCIATES FOR INDEPENDENT AUDITING SERVICES**

RECOMMENDATION:
Adopt a resolution authorizing the City Manager to execute a one-year amendment to the agreement with Maze & Associates Accountancy Corporation for independent auditing services, to extend the term of the Agreement for an additional year through April 30, 2027, and increase the compensation by $62,940 for a total not to exceed agreement amount of $325,690.

FISCAL IMPACT:
The cost for auditing services for the one-year extension is $62,940 and is included in the operating budget.

STRATEGIC ELEMENT:
This plan is consistent with the *Fiscal Sustainability* elements of the adopted Strategic Plan.

BACKGROUND:
In 2021 the City previously entered into a five-year agreement with Maze & Associates Accountancy Corporation for independent auditing services to support financial transparency and the preparation of the City's Annual Comprehensive Financial Report.

Staff recommends a one-year extension to ensure continuity of services while the City prepares to issue a Request for Proposals (RFP) for future auditing services.

DISCUSSION:
An independent audit is a core component of sound financial management and is considered a best practice for public agencies. It provides assurance that the City's financial statements are fairly presented and that appropriate internal controls are in place.

Maze & Associates has provided consistent and reliable auditing services to the City. The firm has extensive experience working with public agencies throughout California, bringing familiarity with applicable governmental accounting standards and reporting requirements.

To support auditor independence, Maze utilizes a rotating engagement partner approach. This helps ensure objectivity while maintaining institutional knowledge of the City's operations.

The scope of services includes reviewing the City's financial records and internal controls, assisting with preparation of the Annual Comprehensive Financial Report (ACFR), and supporting required state reporting. Their work helps ensure compliance with applicable standards and contributes to the transparency and accountability of the City's financial practices.

A one-year extension allows the City to maintain continuity in these services while preparing for a future competitive procurement process.

ATTACHMENTS:
Resolution

RESOLUTION NO. C-2026-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY AUTHORIZING THE CITY MANAGER TO EXECUTE A ONE-YEAR AMENDMENT TO THE AGREEMENT WITH MAZE & ASSOCIATES ACCOUNTANCY CORPORATION FOR INDEPENDENT AUDITING SERVICES, TO EXTEND THE TERM OF THE AGREEMENT FOR AN ADDITIONAL YEAR THROUGH APRIL 30, 2027, AND INCREASE THE COMPENSATION BY $62,940 FOR A TOTAL AGREEMENT AMOUNT NOT TO EXCEED $325,690

WHEREAS, in 2021 the City of Half Moon Bay entered into a five-year agreement with Maze & Associates Accountancy Corporation to provide independent auditing services; and

WHEREAS, the City desires to extend the agreement for an additional one-year term to ensure continuity of auditing services while preparing for a future competitive procurement process; and

WHEREAS, Maze & Associates has submitted a proposal to continue providing auditing services for the City; and

WHEREAS, the City has reviewed the scope of work and fee proposed by Maze & Associates and determined both reasonable and necessary to provide auditing services to the City.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby authorizes the City Manager to execute a one-year amendment to the agreement with Maze & Associates Accountancy Corporation for independent auditing services, extending the term of the agreement through April 30, 2027, and increasing the compensation by $62,940, for a total agreement amount not to exceed $325,690.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 5th day of May 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:
NOES, Councilmembers:
ABSENT, Councilmembers:
ABSTAIN, Councilmembers:

ATTEST: APPROVED:

_____ _____

Maggie Rodriguez, Interim City Clerk Debbie Ruddock, Mayor

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Todd Seeley, Interim Public Works Director

TITLE: **APPROVAL OF ADMINISTRATIVE AMENDMENT TO PARAGRAPH 2.2 OF THE PENINSULA CLEAN ENERGY JOINT POWERS AGREEMENT AND OTHER CONFORMING EDITS THROUGHOUT THE AGREEMENT TO REFLECT THE NAME CHANGE OF PENINSULA CLEAN ENERGY TO WESTLIGHT ENERGY**

RECOMMENDATION:
Adopt a Resolution authorizing the City Manager to execute an amendment to Paragraph 2.2 of the Peninsula Clean Energy Authority Joint Powers Agreement and other conforming edits throughout the Agreement to reflect the new agency name, Westlight Energy, previously approved by the Peninsula Clean Energy Authority Board of Directors on October 23, 2025.

FISCAL IMPACT:
There are no direct fiscal impacts to the City of Half Moon Bay. Costs associated with the rebranding effort are borne by the Peninsula Clean Energy Authority and were included in its adopted budget.

STRATEGIC ELEMENT:
This agenda item supports all Elements of the Strategic Plan.

BACKGROUND:
In 2006, the State Legislature adopted AB 32, the Global Warming Solutions Act, which mandated a reduction in greenhouse gas emissions by 2020 to 1990 levels. The California Air Resources Board is promulgating regulations to implement AB 32 which will require local governments to develop programs to reduce greenhouse gas emissions.

Starting February 2016, 220,000 residences and businesses throughout San Mateo County received notices in the mail to inform them that they were about to enjoy cleaner electricity and save money through Peninsula Clean Energy (PCE).

Peninsula Clean Energy is now San Mateo County's default electricity provider, reducing greenhouse gas emissions and offering customer choice at competitive rates. PCE is a joint powers authority, which means residents have local control through their representative on the PCE board. Peninsula Clean Energy purchases greener electricity for its customers, and PG&E continues to handle electricity delivery, maintenance of wires, customer billing, and natural gas services.

DISCUSSION:
On October 23, 2025, the Peninsula Clean Energy Authority Board of Directors voted to adopt a new market-facing agency name of WestLight Energy following extensive research and a lengthy stakeholder engagement process. The name was selected in part to address several challenges that limit the effectiveness of the name Peninsula Clean Energy with deeper decarbonization goals across Peninsula Clean Energy's service territory, including ongoing confusion with PG&E.

The acronym "PCE" is often mistaken for PG&E, causing persistent brand confusion. Further, Peninsula Clean Energy reflects a geographic limitation given that the word "Peninsula" no longer reflects PCE's full service territory. The Peninsula Clean Energy Board of Directors' October 23, 2025 action included direction to amend the Joint Powers Agreement (JPA) to formally reflect the new name.

The action before the City Council is not a reconsideration of the name itself. The Peninsula Clean Energy Board of Directors has already approved the name change. Member agencies are now required to approve an administrative amendment to Paragraph 2.2 of the JPA and other conforming edits throughout the agreement to formally update the agency's legal name and make other minor edits.

Approval of the Resolution ensures the City of Half Moon Bay remains aligned with the governing documents of the Joint Powers Authority and allows Peninsula Clean Energy the opportunity to implement the name transition in coordination with its 10-year anniversary and broader brand rollout.

ATTACHMENTS:
1. Resolution
2. Redlined Paragraph 2.2 of the Peninsula Clean Energy Joint Powers Agreement

Resolution No. C-2026-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY AUTHORIZING THE CITY MANAGER TO EXECUTE AN ADMINISTRATIVE AMENDMENT TO PARAGRAPH 2.2 OF THE PENINSULA CLEAN ENERGY JOINT POWERS AGREEMENT AND OTHER CONFORMING EDITS THROUGHOUT THE AGREEMENT TO REFLECT THE NAME CHANGE OF PENINSULA CLEAN ENERGY TO WESTLIGHT ENERGY

WHEREAS, the Peninsula Clean Energy Authority ("Peninsula Clean Energy" or "Authority") was formed as a community choice aggregation agency ("CCA") on February 29, 2016, under the Joint Exercise of Powers Act, California Government Code sections 6500 et seq., among the County of San Mateo and its cities and towns, and later expanded to include the City of Los Banos in Merced County; and

WHEREAS, the Authority has grown to serve a diverse customer base across San Mateo County and the City of Los Banos; and

WHEREAS, on October 23, 2025, the Board of Directors of the Peninsula Clean Energy Authority (PCEA) adopted Resolution No. 2025-36 approving the selection of the new market-facing name of WestLight Energy and authorizing the amendment of its Joint Powers Agreement to reflect the same; and

WHEREAS, Paragraph 2.2 of the Peninsula Clean Energy Joint Powers Agreement sets forth the name of the Authority; and

WHEREAS, amendment of Paragraph 2.2 of said Agreement requires approval of each Joint Powers Authority member including the City of Half Moon Bay; and

WHERAS, the City Council of the City of Half Moon Bay finds that approving the amendment to Paragraph 2.2 of the Joint Powers Agreement and other conforming edits throughout the Agreement reflecting Peninsula Clean Energy Authority's new market-facing name of WestLight Energy is in the best interest of the City and its residents.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby authorizes the City Manager to execute any documents and take any actions necessary to approve the amendment to Paragraph 2.2 of the Peninsula Clean Energy Joint Powers Agreement and other conforming edits throughout the Agreement to reflect the PCE Board of Directors adopted Resolution No. 2025-36 approving the selection of the new market-facing name of WestLight Energy.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 5th day of May 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

_____
Maggie Rodriguez, Interim City Clerk

APPROVED:

_____
Debbie Ruddock, Mayor

2.2 Formation. There is formed as of the Effective Date a public agency named ~~the Peninsula Clean Energy Authority~~ WestLight Energy. Pursuant to Sections 6506 and 6507 of the Act, the Authority is a public agency separate from the Parties. Pursuant to Sections 6508.1 of the Act, the debts, liabilities or

obligations of the Authority shall not be debts, liabilities or obligations of the individual Parties unless the governing board of a Party agrees in writing to assume any of the debts, liabilities or obligations of the Authority. A Party who has not agreed to assume an Authority debt, liability or obligation shall not be responsible in any way for such debt, liability or obligation even if a majority of the Parties agree to assume the debt, liability or obligation of the Authority. Notwithstanding Section 7.4 of this Agreement, this Section 2.2 may not be amended unless such amendment is approved by the governing board of each Party.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Maggie Rodriguez, Interim City Clerk

TITLE: **APPROVE UPDATED MAYOR'S LIST OF UPDATED CITY COUNCIL REPRESENTATIVES AND DESIGNATED ASSIGNMENTS FOR 2026**

RECOMMENDATION:
Accept Mayor Ruddock's Updated List of City Council Representatives and Designated Assignments for 2026.

FISCAL IMPACT:
There is no fiscal impact associated with this action.

STRATEGIC ELEMENT:
This recommendation supports the *Inclusive Governance* Element of the Strategic Plan.

BACKGROUND/DISCUSSION:
The updated list adds Councilmember Jonsson as a Second Alternate for the SAM (Sewer Authority Mid-Coastside) meetings, under B. City and Interagency. It also removes the monthly assignments for the Chamber/Downtown Merchants Monthly 9 AM Meeting Rotation, as that meeting has been discontinued by the Downtown Association. All other assignments remain the same.

ATTACHMENTS:
Updated Mayor's List of City Council Representatives and Designated Assignments for 2026.

CITY COUNCIL ASSIGNMENTS
2026 Updated 5/05/26

A. Council Subcommittees

Subcommittee	Designated Representative	Meeting Schedule
CSFA Grant Selection	Ruddock/Nagengast	As designated
Education	Brownstone/Nagengast	As designated
Emergency Preparedness	Jonsson/Ruddock	As designated
Finance	Ruddock/Nagengast	As designated
Human Resources/MOU	Nagengast/Ruddock	As designated
Legislative Affairs	Nagengast/Ruddock	As designated
Mobility	Nagengast/Jonsson	As designated
Public Safety	Jonsson/Brownstone	As designated

B. City and Interagency

Organization	Designated Representative	Meeting Schedule
ABAG (Association of Bay Area Governments)	Ruddock/Nagengast	Annual, 1 day
C/CAG (County/City Assoc. of Governments)	Ruddock/Nagengast	2nd Thursday evenings
Chamber Government Affairs Committee	Brownstone/Ruddock	3rd Thursdays 4:00 p.m.
Council of Cities Selection Committee	Ruddock/Penrose	4th Friday evenings
League of CA Cities – Coastal Cities Issue Group	By League Election	Quarterly, as designated
League of CA Cities – Coastal Cities Group – Leadership Committee	By League Election	As designated
League of CA Cities – Peninsula Division	Nagengast/Ruddock	Quarterly, as designated
Peninsula Clean Energy Authority	Jonsson/Nagengast	4th Thursday
Peninsula Congestion Relief Alliance (Commute.org)	Nagengast/Penrose	Quarterly, as designated

SAM (Sewer Authority Mid-Coastside)	Nagengast/Ruddock First Alt: Penrose Second Alt. Jonsson	4th Monday 7pm
SMCo Airport Community Roundtable	Jonsson	1st alt Wednesday 7 p.m.
SMCo Airport Land Use Committee	Jonsson/Nagengast	Quarterly, 4th Wednesday 4:00 pm
SMCo Council of Cities	All	4th Friday evenings
SMCo Library JPA	Penrose/Brownstone	Monday 8:00am, every other month
SMCo Office of Emergency Services	Jonsson/Ruddock	Quarterly, 4th Thursday evening

C. Council Liaisons

Organization / Ad Hoc Committee	Designated Representative	Meeting Schedule
Arts, Culture, and Events	Ruddock/Penrose	As designated
Beaches, Trails, and Parks	Ruddock/Jonsson	As designated
Board of Supervisors	Ruddock/Nagengast	2nd/4th Tuesdays, 9:00 am
Chamber of Commerce/Downtown Merchants	Rotating (see attached)	As designated
Homeless	Jonsson/Penrose	As designated
Housing and Human Services	Ruddock/Nagengast	As designated
Mid-Coast Community Council	Penrose	2nd/4th Wednesdays
Permit Streamline Process	Ruddock/Jonsson	As designated
Schools, Boys & Girls Club	Ruddock/Brownstone	As designated
Technology / Public Engagement	Ruddock/Nagengast	As designated

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Mathew Chidester, City Manager

FROM: Denise Bazzano, Interim City Attorney
Leslie Lacko, Community Development Director

TITLE: **ADOPTION OF ORDINANCE FOR THE 555 KELLY AFFORDABLE HOUSING PROJECT, APPROVING THE AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT AND GROUND LEASE AND OTHER AGREEMENTS AND ADOPTING A RESOLUTION APPROVING A GRANT AGREEMENT**

RECOMMENDATION:

1. Waive the second reading and adopt an ordinance of the City of Half Moon Bay approving the Affordable Housing and Property Disposition Agreement, Ground Lease of Real Property for a Term of 99 Years, Memorandum of Ground Lease, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement) and Other Ancillary Agreements between the City of Half Moon Bay and Mercy Housing California 110, L.P., for the Senior affordable 40-Unit Residential Project for Agricultural Workers, Located at 535 and 555 Kelly Avenue (APNs: 056-150-220 (Partial) and 056-150-200), including 2,653 square feet of Community Serving Space; Authorizing the City Manager to Execute the Agreements and Take Other Actions Necessary to Implement the Foregoing Agreements; and Finding the Approval of the Agreements and Related actions Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects).

2. Adopt a resolution approving a Grant Agreement Between the City of Half Moon Bay and Mercy Housing California for Two Million Dollars ($2,000,000) in Funding Procured in Fiscal Year 2023 by Senator Josh Becker; Authorizing the City Manager to Execute the Agreement; and finding approval of the Grant Agreement Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects).

FISCAL IMPACT:

There is no direct fiscal impact to the General Fund associated with the recommendation and approval of the Affordable Housing and Property Disposition Agreement (AHPDA), Ground Lease, Memorandum of Ground Lease, and Regulatory Agreement.

The approval of the Grant Agreement will result in a decrease in the Affordable Housing Fund (126) in an amount not to exceed $2 million. The City previously committed $1 million through a Predevelopment Loan Agreement with Mercy Housing (Mercy) from the City's Affordable Housing Fund, which was allowed to expire due to the City's receipt of $2 million in State funding for the affordable housing project located at 535-555 Kelly Avenue (Project), which is now secured in the Affordable Housing Fund. The proposed Grant Agreement would authorize Mercy to make certain expenditures related to the Project and receive reimbursement from the City utilizing the State of California (State) funding, up to $2 million.

The City received additional predevelopment funding from the County of San Mateo (County) in the amount of $1.5 million for the Project, most of which supported the design and entitlement work to date through a separate agreement with Mercy. Mercy will acquire and administer any additional funding necessary to complete the Project.

STRATEGIC ELEMENTS:
This action supports the *Healthy Communities and Public Safety* and *Inclusive Governance* Elements of the Strategic Plan.

BACKGROUND:
555 Kelly Avenue (APN 056-150-200) is a 6,200 square foot parcel, acquired by the City in September 2017. The 535 Kelly Avenue (APN 056-150-220) parcel is also owned by the City and currently used as the Ted Adcock Community Center.

In February 2022, the City issued a Request for Proposals (RFQ) to solicit affordable housing development interest for the site, which included 555 Kelly and a portion of 535 Kelly Avenue (collectively referred to as the "Site" or "Property"). The City received only one submittal from a two-agency team comprised of Mercy Housing California (Mercy) and Ayudando Latinos A Soñar (ALAS).

On October 4, 2022, the City Council declared the Site as exempt surplus land, pursuant to Government Code Sections 54221(b) and 54221(f)(1)(A), as surplus land that is to be developed for affordable housing. The California Housing and Community Development Department (HCD) confirmed this determination.

The City also entered into an Exclusive Negotiations Agreement (ENA) with Mercy to enable predevelopment activities for the proposed affordable housing and provide time in which to negotiate a ground lease and a disposition agreement between the parties. Subsequently, the City and Mercy entered into agreements related to funding from the City and the County, to financially support the predevelopment activities, which included conceptual design, community outreach, design development, public meetings, permitting, and the development agreement.

On May 14, 2024, following several public hearings, the Planning Commission conditionally approved a Coastal Development Permit (CDP) for the Project (PDP-23-034). The Planning Commission found that the Project, as modified by the conditions, was in conformance with the

Local Coastal Program with the exception of density, height, and parking requirements, which were waived by State Density Bonus Law[1]. Following the Planning Commission's action, three separate appeals to City Council were filed, challenging the Planning Commission's decision to approve the CDP. On June 26, 2024, the City Council held a hearing and voted to deny the appeals, upholding the Planning Commission's decision.

The CDP authorized the following: a new five-story building with forty (40) residential units for senior or retired (age 55 plus) farmworkers that are deed restricted affordable to extremely low and very low-income households; a lot line adjustment to reconfigure the driveway at Kelly Avenue and enlarge the development parcel by utilizing the existing parking lot for the adjacent Ted Adcock Community Center (expanding the project site to approximately 16,395 square feet); on-site property management and resident-serving facilities; an 18-space ground-floor parking garage for residents; and additional off street parking adjacent to the Community Center. The full Project plan set, details the approved site layout, architectural elevations, building renderings, material and color details, design inspiration, concept landscape and planting plans, grading and civil sheets, and exhibits illustrating the proposed lot line adjustment. Additional information is available on the City's Project page. Mercy also has a dedicated project website that includes an overview of development highlights, community outreach, and Project renderings at www.555kelly.org.

The Project is currently estimated to cost a total of $41,632,665. Funds currently committed to the development consist of over $21 million from federal, state, and county sources, some of which are administered by the City. No City General Funds are currently committed to the Project, and the financing plan does not include funding from Half Moon Bay. In fall 2025, HCD announced a commitment of $13,350,000 in Serna Farmworker Grant funds for the Project. The updated Estimated Costs and Financing Plan are included as Attachment 10.

For development to move forward on the Project, the City and Mercy's affiliate, Mercy Housing California 110, L.P. (Mercy Housing) need to enter into an Affordable Housing and Property Disposition Agreement (AHPDA), Ground Lease, and Regulatory Agreement, authorizing Mercy Housing's long-term use of the City-owned land on which the building would be constructed and imposing the affordability requirements for the Project.

Following the Council's decision to uphold the Planning Commission's approval in June 2024, the Council designated an Ad-Hoc Committee to work with Mercy on outstanding issues related to the proposed Ground Lease and AHPDA. The Committee met on multiple occasions from October 2024 through October 2025 to discuss the primary outstanding issues and reported back to the full City Council in both closed sessions and public meetings. In October 2025, the

[1] *The waivers were available under State Density Bonus Law for the 100% affordable project based on a finding of proximity to a "major transit stop." On December 16, 2024, the City Council adopted Resolution 2024-97, which recited AB 2553 (effective January 1, 2025), and resolved that, consistent with state statutory definitions, the City will no longer use on-demand transit to qualify a location as a major transit stop, unless directed otherwise by state law.*

City Council held a study session to review and discuss the terms and issues identified during the entitlement process and Ad-Hoc committee meetings.

At the October meeting, many of the terms that would be negotiated into the AHPDA and Lease were presented as well as details of discussions between the City and Mercy through the Ad Hoc process. These terms included: affordability requirements, eligibility requirements for occupancy of the units, local preferences for potential residents, age restrictions, rules for changes in tenancy, occupancy limits, the unit mix (studios, 1 and 2 bedrooms; numbers of each), building height, the proposed community resource center and community spaces, Mercy's property management office spaces, parking resources and limitations, and the Lease rent and terms. Details on discussions around each of those areas were spelled out in the October 16, 2025 Staff Report.

Also at the October meeting, questions were raised regarding ongoing work to address parking, traffic, and pedestrian safety concerns related to the Project's location in the already busy Kelly Avenue commercial district. Questions were also raised about the current funding plan for the Project and long-term feasibility, concerns about the current political and economic landscape and how they might impact the Project, and the proposed lease payment of $1 per year. Proponents continued to encourage moving the Project forward and quickly, citing the continuing need for more affordable housing in the community, especially for the targeted population of senior and retired farmworkers.

Ultimately, the Council directed Staff to continue to work with Mercy on the terms, and to return at a future meeting with drafts of the AHPDA and Lease incorporating the terms so that Council and the community could review the proposed terms in the context of the legal agreements.

On March 18, 2026, a Study Session was held to review the draft AHPDA and draft Ground Lease. The templates for the documents had been significantly revised since they were provided to City staff in October, 2025. Some of the major revisions to the documents were highlighted in the presentation, including but not limited to, specifying a term for the Ground Lease of 99 years, clarifications to financing requirements, and adding a separate regulatory agreement requirement. The staff report and associated documents from the March 18 meeting, as well as the presentation (Attachment 7) contain additional details on discussions up to that point, and steps being taken to address traffic, bike and pedestrian safety, and parking.

At the March meeting Councilmembers asked a number of questions relating to the terms of the draft AHPDA and Ground Lease and provided direction for improvements in a number of areas, including among other things, adding additional definitions to clarify some of the terms used in the AHPDA and Ground Lease.

Following the March meeting, City staff, the City Attorney's Office, and Mercy had multiple meetings and discussed further revisions to the AHPDA and Ground Lease as well as the draft Regulatory Agreement and draft Grant Agreement, to address the comments from Council and to ensure clarity and consistency among the documents. Some of the major revisions to the

draft Ground Lease and AHPDA between the March 18, 2026 and the April 28, 2026 meeting are identified below.

AHPDA:

- Added various definitions including “Agricultural Employment”, “Agricultural Worker”, “Disability”, “Senior”, and “Work Week”;
- Changed references from “Director” to “City Manager” or “City”;
- Revised the termination date of AHPDA from issuance of Temporary Certificate of Occupancy to recordation of Memorandum of Ground Lease;
- Revised the provisions for the Community Serving Space and clarified its use, including language that the space be used for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy, Mercy Housing and the City Manager will collaborate to determine appropriate activities and scheduling of the space;
- Removed specific details about insurance requirements and added reference to insurance requirements in the Ground Lease to avoid duplication;
- Revised compliance with prevailing wage requirements to specify that Mercy Housing shall pay prevailing wages;
- Removed “reasonable” from a number of provisions requiring City or City Manager approval and added new provision in section 16.2 that specifies that City approvals shall mean the City Council unless it specifically states the City Manager shall approve. Section 16.2 also provides how phrases such as “shall not be unreasonably withheld,” “reasonable discretion” and “reasonably consider” are to be interpreted; and
- Added a new provision in section 17.15 to specify that access to private, non-public areas of the property shall only be accessed by the County, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access. It also specifies that Mercy Housing would be responsible for compliance with applicable laws relating to immigration and would defend and indemnify the City from any legal challenges resulting from an alleged violation.

Ground Lease Agreement:

- Added various definitions including definitions of “Agricultural Employment”, “Agricultural Worker”, “Disability”, “Senior”, “Sublease”, and “Work Week”;
- Changed references from “Director” to “City Manager” or “Landlord”;
- Revised the provisions for the Community Serving Space and clarified its use, including language that the space be used for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy, Mercy Housing and the City Manager will collaborate to determine appropriate activities and scheduling of the space;
- Clarified provisions relating to Subleases by defining “Resource Center Subleases” and “Resident Subleases,” which are Subleases entered into between Mercy Housing and tenants and specified that the Landlord (City Council) would approve the final form of the Subleases;
- Added language to require that the form of each Resident Sublease and the Resource Center Sublease also contain a provision prohibiting each subtenant from sub-subleasing;

- Removed “reasonable” from a number of provisions requiring Landlord or City Manager approval and added new provision in section 22.27 that specifies that Landlord approvals shall mean the City Council unless it specifically states the City Manager shall approve. Section 22.27 also provides how phrases such as “shall not be unreasonably withheld,” “reasonable discretion” and “reasonably consider” are to be interpreted;
- Added a new provision in section 22.28 to specify that access to private, non-public areas of the property shall only be accessed by the County, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access. It also specifies that Mercy Housing would be responsible for compliance with applicable laws relating to immigration and would defend and indemnify the City from any legal challenges resulting from an alleged violation; and
- The Legal Description of the Property attached as Exhibit A to the Ground Lease was updated.

DISCUSSION:
The City Council held a public hearing on April 28, 2026, to consider introduction of the proposed ordinance. At that meeting, the City Council considered the four agreements that would be approved by the ordinance, if adopted. Below is a summary of those four agreements that the Council is being asked to approve.

AHPDA

The proposed AHPDA and the Ground Lease are drafted to run sequentially. Initially, the AHPDA is the controlling document. The AHPDA controls the relationship between the City and Mercy during the pre-development period and establishes conditions precedent that must be met by Mercy Housing in order for Mercy Housing to be allowed to enter into the Ground Lease for the Property with the City. Those conditions precedent are identified in section 7.2 of the AHPDA and summarized as follows:

- Submission of Mercy Housing’s organizational documents;
- Submission of documents evidencing the required liability insurance;
- Evidence of project financing sufficient to cover the Project’s Costs as shown in the Final Project Budget;
- Construction Contract;
- Final Construction Documents;
- Building Permit;
- Evidence that construction is ready to commence;
- Management Agreement for management of Project;
- Executed Regulatory Agreement;
- Executed Ground Lease and Memorandum of Ground Lease;
- Title Policy;
- Approval of Proposed Final Project Budget and confirmation of total Project Cost; and
- Submission of proposed program for the Community Serving Space.

Section 7.2 provides that the foregoing conditions would be reviewed and determined by the City Manager. If any of the conditions precedent in section 7.2 are not satisfied, then the City may terminate the AHPDA and the Ground Lease would not commence. If, however, the conditions are satisfied, then the recordation of the Memorandum of Ground Lease would proceed. Once the Memorandum of Ground Lease is recorded, the AHPDA terminates and the Ground Lease becomes effective.

Ground Lease

The proposed Ground Lease is the document that establishes the contractual obligations imposed on Mercy Housing (as the Tenant) by the City (as the Landlord). The Ground Lease term would be for a period of 99 years and during that time, the City would act as the Landlord in leasing the Site. The Ground Lease requires that Mercy Housing pay rent to the City at a rate of $1 per year for the duration of the Ground Lease as consideration for the lease of real property.

The draft Ground Lease requires Mercy Housing to among other things, construct and maintain the improvements on the Site. Mercy Housing is also required to perform a number of duties including obtaining certain insurance for the duration of the Ground Lease and operate the programs that serve the project's residents.

The draft Ground Lease also includes specific covenants relating to the affordability restrictions and the Preference Program, which are also evidenced in the Regulatory Agreement, and occupancy limitations. The Preference Program specifies how the pool of applicants for the units will be processed. Prior to leasing the units, the City Council will need to consider and adopt an ordinance or resolution establishing preferences for affordable housing. The Ground Lease also includes an annual reporting requirement to confirm the affordability and occupancy provisions are being fulfilled.

Additionally, the draft Ground Lease identifies the Sublease requirements for the Residential Sublease and the Resource Center Sublease and provides certain terms and conditions for the Community Serving Space and the Operational Program including that the community space can be used by the City for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to the occupancy of the Project, the Developer and City Manager must collaborate in good faith to determine appropriate activities and scheduling of the space.

Given that the leasing of real property generally transfers certain property rights to a tenant, the terms of the lease are very important to document the rights and obligations of each party. As such, the proposed Ground Lease includes a number of provisions that are intended to provide assurances that Mercy Housing's use of the Property will be consistent with the City's desired use of the Property and that the City's fee interest in the Property will be preserved and protected for the duration of the term of the Ground Lease. Some of those provisions include:

- Section 4.6 provides that the City has the right to examine and conduct an independent audit of Mercy Housing's books of accounts, records and other pertinent data;

- Section 5.3 provides that if Mercy Housing receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan, or any mortgage, deed of trust or other security instrument secured by the leasehold interest, then the City can prepare any legal documents necessary to preserve the City's interests;
- Section 5.3.2 requires that on expiration of the term or earlier termination of the Ground Lease, the Property must be surrendered and with the Improvements to the City in good order, condition, and repair and in compliance with the Maintenance Standards;
- Article 9 requires Mercy Housing to secure and maintain various insurance coverages including commercial general liability insurance, worker's compensation, employer's liability, automobile insurance, builder's risk, fire and other perils, hazards and risk ("all risk"), business interruption, and boiler and machinery insurance. General contractors performing work on the Property shall also be required to obtain certain specified coverages. The City Manager is authorized to increase, reduce, or otherwise modify the insurance requirements;
- Section 9.8 requires Mercy Housing to indemnify the City for any liabilities arising from Mercy Housing's failure to perform any obligation or requirement under the Ground Lease or the Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance, work and the like under or in connection with the Ground Lease;
- Article 10 provides the Maintenance Standards for the Property. If Mercy Housing is not maintaining the Property in accordance with the Maintenance Standards, the City can demand that the maintenance be corrected;
- Section 11.3 provides that Mery Housing is prohibited from committing or suffering any waste of the Property or the Improvements and must keep the Property clear of graffiti, refuse and obstructions and shall keep the Property in a clean and sanitary manner;
- Section 12.1(B) requires that Mercy Housing comply with applicable Environmental Laws and not conduct any Hazardous Materials Activity;
- Section 17.1.1 requires that each Resident Sublease and the Resource Center Sublease shall include a provision in the Sublease prohibiting each subtenant from further subleasing the unit;
- Section 19.1 provides the Events of Default (which include a failure to meet the requirements of the Regulatory Agreement or AHPDA, any decree or order for relief by any bankruptcy court), that would allow a termination of the Ground Lease;
- Section 22.6 specifies that the City nor any City Personnel shall be personally liable to Mercy Housing in the event of a City default or breach and Mercy Housing waives and releases any claims it may have with regard to any potential default or breach;
- Section 22.7 authorizes the City to enter the Property and Project to inspect the Property or Improvements, upon providing notice of inspection (unless in the case of emergencies); and
- Section 22.28 provides that Mercy Housing will be responsible for compliance with all applicable State and Federal laws relating to immigration and shall defend and indemnify the City and City Personnel to the extent any Loss arises from alleged violations.

Memorandum of Ground Lease

This draft document is recorded in the official records of San Mateo County against the property to alert any interested party about the existence of the Ground Lease and how they can obtain a copy of the Ground Lease.

Regulatory Agreement

The draft Regulatory Agreement is a document that is recorded against the property, and causes the affordability covenants to encumber the Project. Because the Regulatory Agreement is recorded, it serves to provide notice of the affordability covenants and the obligation related thereto imposed on Mercy by the City.

Revisions Made at the April 28, 2026 Meeting

At the meeting on April 28, 2026, a number of revisions to the agreements and proposed ordinance were discussed.

During the presentation, Staff identified two areas that were recommended to be revised:

1) Regulatory Agreement-Section 3.4 (Affordable Rent). This section generally defines the maximum "Monthly Rent" for various levels of affordability. Section 3.4 previously included references to 3-bedroom units, which are not contemplated as part of the Project and are not identified as part of the Unit Mix in the Ground Lease that specifies the mix of residential units for the Project (three (3) studio units, thirty-four (34) 1-bedroom units, and three (3) 2-bedroom units). As such, Staff recommended the removal of the references to 3-bedroom units in section 3.4 to avoid any confusion. (Attachment 7-Redline of Regulatory Agreement);
2) California Environmental Quality Act (CEQA)-Section 2 of the proposed ordinance included a determination that the approval of the agreements qualified for the Class 32 categorical exemption (Infill Projects). City staff recommended slight revisions to clarify the language. The revised language is as follows:

> "The Planning Commission and City Council have already determined that the Project (PDP-23-034) was exempt from CEQA in accordance with Guidelines Section 15332 (Class 32 categorical exemption for In-Fill Development Projects) and no legal challenge to that determination, timely or otherwise, has been filed to date. Mercy has not proposed any substantial changes to the Project since then and thus the approval of the Affordable Housing and Property Disposition Agreement, Ground Lease, Memorandum of Ground Lease, and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants are consistent with the Project as previously approved. Thus, the City can and does continue to rely on the previous CEQA determination, the approval of the agreements qualifies for a Class 32 categorical exemption and no further environmental review is required for the Project."

During the subsequent deliberations on April 28, 2026, the City Council identified revisions to the agreements that they believed needed to be made to clarify and strengthen the documents prior to introduction of the proposed ordinance. After further discussion and agreement by Mercy representatives, the Council made the following revisions, in addition to the two revisions recommended by staff, as part of the introduction of the ordinance:

1) Termination of AHPDA- City Council expressed concern about not having a specific end date in the AHPDA and wanted certainty on the duration of the AHPDA in case Mercy was not able to obtain certain funding. As such, section 17.16 of the AHPDA was revised to add a date certain of December 31, 2028 to specify that the AHPA will automatically terminate upon the earlier date of either of the following: 1) recordation of the Memorandum of Ground Lease, which is the date upon which the Ground Lease commences; or 2) December 31, 2028. The City and Mercy will meet and confer no later than ninety days prior to December 31, 2028, to discuss a potential extension of the AHPDA beyond the December 31, 2028 date (Attachment 9-Redline of AHPDA);
2) Periodic Review of the Ground Lease – Council indicated that the proposed periodic review period of ten years was too long and desired review every seven years. Council also indicated that they wanted to include language regarding the periodic review in the Ground Lease. As such, section 6 of the proposed ordinance and a new section 22.30 of the Ground Lease provides that the City Manager will review the terms of the Ground Lease, including but not limited to, the insurance coverages, costs, current rent charges, and community resource center use and use of the property, at least every seven years (Attachment 8-Redline of Ground Lease);
3) Prevailing Wages-Council desired more precise language regarding Mercy's obligation to pay prevailing wages in section 10.9(b) of the AHPDA. As such, that section was revised to clarify the language that Mercy is required to pay Prevailing Wages in accordance with State Law (Attachment 9-Redline of AHPDA);
4) Approval and Requests- City Council also desired clarification of the City Manager's ability to consult with others before making determinations or taking certain actions delegated to the City Manager in the Ground Lease and AHPDA. As such, section 22.7[2] of the Ground Lease and section 16.1 of the AHPDA were added to state that City Manager may consult with City Staff, the City Attorney and City Council prior to making any determinations or taking any actions (Attachments 8 and 9-Redlines of Ground Lease and AHPDA);
5) Retention of Records and Audits- City Council expressed a desire to lengthen the requirements for Mercy's maintenance of certain records and expand the City's ability to audit those records. As such, section 4.6 of the Ground Lease was revised to require

[2] The sections identified at the meeting (section 16 of the Ground Lease and 5.8 of the AHPDA) were incorrect. The correct sections are 16.1 of the AHPDA and section 22.7 of the Ground Lease.

Mercy to keep full and accurate books of account, records and other pertinent data with respect to operations of the Project for at least seven (7) years and to authorize the City to, at any time, examine and audit Tenant's books of account, records and other pertinent data (Attachment 8-Redline of Ground Lease);

6) Surrender of Property- City Council wanted to specify that at the termination of the Ground Lease, Mercy would surrender all items necessary for the City to access and manage the Property such as keys, passcodes, etc., to take over possession and maintenance of building. As such, a new subsection was added to section 5.3 of the Ground Lease to specify that requirement (Attachment 8-Redline of Ground Lease);
7) Definition of Disability- City Council desired a more succinct definition of the term "Disability." The definition was revised in the AHPDA, Ground Lease, and Regulatory Agreement to define "Disability" to be consistent with the definition in Government Code section 12926 to mean any mental or physical impairment that limits a major life activity, or as otherwise stated defined in state or federal law (Attachments 7,8, and 9-Redline of Ground Lease, AHPDA, Regulatory Agreement).

The proposed ordinance is now being considered for adoption. If the City Council wishes to make any substantive edits to the proposed ordinance and the agreements referenced in the ordinance, then the ordinance would need to be re-introduced for another first reading.

Grant Agreement

Due to the late hour of the meeting on April 28, 2026, the City Council continued the consideration of the Grant Agreement agenda item to May 5, 2026.

Senator Josh Becker secured $2 million in the 2023-24 California State Budget for the City to support the development of farmworker housing, specifically the 555 Kelly project. The City received the funds and deposited them into the Affordable Housing Fund (Fund 126) to be held until needed for the 555 Kelly project. At the time, Mercy was utilizing the $1.5 million ARPA funding received by the City from the County for the project, pursuant to a funding agreement which ended in late 2025. Previously, the City had committed, through a predevelopment loan agreement, to use $1 million from the City's affordable housing fund, to support the Project. That agreement expired without Mercy drawing on any of the funds, and no City funds are currently committed to the Project. At this time, Mercy continues to incur costs related to the project, and seeks an agreement with the City to allow a draw on the funds received from the State for this project. Staff has negotiated the draft Grant Agreement to be similar to the previously approved ARPA funding agreement, which would allow Mercy to obtain reimbursements from the City for actual costs incurred in relation to the Project, not to exceed $2 million. The draft Grant Agreement is included as Attachment 5.

The draft Grant Agreement is the document pursuant to which the City sets out the obligations imposed on Mercy with respect to the $2 Million from the State that the City will pass through

to Mercy, if Mercy adheres to the obligations contained in the Grant Agreement. The Grant Agreement provides a process for the disbursement of funds whereby a request for reimbursement is submitted to the City Manager, who will review the request and confirm that the reimbursement would be for Eligible Development Costs. The Grant Agreement also requires quarterly cost reporting to the City Manager, which must include any current or anticipated Project Obstacles (e.g., regulatory issues, litigation, inability to obtain sufficient funding, etc.). The City Manager can terminate any further disbursements of the Grant and require return of any unspent funds if the City Manager makes a determination that the Project Obstacles warrant termination.

CONCLUSION:
Staff is recommending that the City Council consider proceeding with adoption of the proposed ordinance and consider approval of the Grant Agreement

If the ordinance is adopted, Mercy would continue planning for the project by finalizing the construction documents, pursuing the remaining funding, and addressing other Project requirements such as easement and encroachment agreements, as necessary. The City would also need to prepare an ordinance to establish preferences for affordable housing.

ATTACHMENTS:
1. Ordinance and Resolution
2. Affordable Housing and Property Disposition Agreement (AHPDA)
3. Ground Lease
4. Regulatory Agreement
5. Grant Agreement
6. Memorandum of Ground Lease
7. Redline of Regulatory Agreement
8. Redline of Ground Lease (showing revisions from 4/28/26)
9. Redline of AHPDA (showing revisions from 4/28/26)

ORDINANCE NO. 2026-XX

AN ORDINANCE OF THE CITY OF HALF MOON BAY APPROVING THE AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT, GROUND LEASE OF REAL PROPERTY FOR A TERM OF 99 YEARS, MEMORANDUM OF GROUND LEASE, AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AND OTHER ANCILLARY AGREEMENTS BETWEEN THE CITY OF HALF MOON BAY AND MERCY HOUSING CALIFORNIA 110, L.P. FOR THE SENIOR AFFORDABLE 40-UNIT RESIDENTIAL PROJECT FOR AGRICULTURAL WORKERS, LOCATED AT 535 AND 555 KELLY AVENUE (APNS: 056-150-220 (PARTIAL) AND 056-150-200), INCLUDING 2,653 SQUARE FEET OF COMMUNITY SERVING SPACE; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENTS AND TAKE OTHER ACTIONS NECESSARY TO IMPLEMENT THE FOREGOING AGREEMENTS; AND FINDING THE APPROVAL OF THE AGREEMENTS AND RELATED ACTIONS EXEMPT FROM REVIEW UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO CEQA GUIDELINES SECTION 15332 (INFILL PROJECTS)

WHEREAS, the City of Half Moon Bay (City) owns real property (two parcels) located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) (collectively referred to as the Site); and

WHEREAS, the City Council has identified affordable housing as a strategic priority; and

WHEREAS, the Site has been identified as a Housing Opportunity Site in the City's 2023-2031 6th Cycle Housing Element; and

WHEREAS, the City sought to develop the Site to create affordable housing and on February 15, 2022, the City issued a Request for Qualifications (RFQ) to seek a developer through a competitive process to develop the Site for affordable housing; and

WHEREAS, as a result of the RFQ process, the City selected the proposal submitted by Mercy Housing California, a California non-profit public benefit corporation (Mercy); and

WHEREAS, on October 4, 2022, the City Council declared the Site as exempt surplus land, pursuant to Government Code Sections 54221(b) and 54221(f)(1)(A), which was confirmed by the California Housing and Community Development Department; and

WHEREAS, the City and Mercy entered into an Exclusive Negotiations Agreement on November 3, 2022, that was extended twice and expired on October 30, 2024; and

WHEREAS, on May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit (CDP) for the Project (PDP-23-034), which was later upheld by the City Council on June 26, 2024, after consideration and denial of three separate appeals; and

WHEREAS, the Planning Commission and City Council found that the Project (PDP-23-034) was exempt from CEQA review pursuant to the Class 32 categorical exemption for in-fill development projects in CEQA Guidelines section 15332; and

WHEREAS, a Notice of Exemption was timely filed with and posted for the requisite period by the San Mateo County Clerk and the State Clearinghouse (SCH 2024050914) and no legal challenge, timely or otherwise, to the City's CEQA exemption determination for the Project has been filed to date; and

WHEREAS, the City and Mercy entered into a new Exclusive Negotiations Agreement dated January 30, 2025 (ENA), in order to enable Mercy and its affiliate developer, Mercy Housing California 110 LLC, a California limited liability company (Developer) to carry out pre-development and development activities associated with the Project; and

WHEREAS, Mercy is the sole member/manager of its Developer; and

WHEREAS, the ENA has been amended to extend the term to December 31, 2026; and

WHEREAS, the City and Mercy have negotiated the terms and conditions of the Ground Lease (for a term of 99 years), the Memorandum of Ground Lease, the Affordable Housing and Property Disposition Agreement, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants; and

WHEREAS, pursuant to Government Code section 37364, a city is authorized to sell, lease, or otherwise transfer property for the development of affordable housing at less than fair market value, to provide for affordable housing under whatever terms and conditions a city deems best suited to the provision of such housing provided the following conditions are met:

A) Not less than 80 percent of the area of the parcel will be used for the development of housing; and
B) Not less than 40 percent of the total number of those housing units developed on the parcel shall be affordable to household whose incomes are equal to, or less than, 75 percent of the maximum income of lower income households, and at least half of which shall be affordable to very low income households; and
C) Dwelling units produced for persons or families of low and moderate income under Government Code section 37364 shall be restricted by a regulatory agreement to remain continually affordable to those persons and families for the longest feasible time, but not less than thirty years, with such regulatory agreement recorded in the office of the county recorder in which the housing development is located; and

WHEREAS, the Project meets the foregoing requirements of Government Code section 37364 as not less than 80 percent of the area of the Site will be used for the development of housing, thirty-nine of the housing units on the Site shall be restricted for occupancy by extremely low and very low-income households (one unit will be for on-site manager), and a regulatory

agreement has been prepared and will be recorded to restrict the affordability requirements for more than thirty years; and

WHEREAS, the City issued notice of a public hearing to consider introduction of this ordinance pursuant to Government Code section 6066 and provided notice of the hearing to those persons requesting special notice and all owners of land adjoining the property; and

WHEREAS, on April 28, 2026, the City Council conducted a public hearing and considered the staff report and other documentation and information presented and public comments.

NOW THEREFORE, THE COUNCIL OF THE CITY OF HALF MOON BAY DOES ORDAIN AS FOLLOWS*:*

SECTION 1. **RECITALS**. The foregoing Recitals are true and correct and are an integral part of the City Council's decision and are hereinafter incorporated as findings.

SECTION 2. **CEQA**. The Planning Commission and City Council have already determined that the Project (PDP-23-034) was exempt from CEQA in accordance with Guidelines Section 15332 (Class 32 categorical exemption for In-Fill Development Projects) and no legal challenge to that determination, timely or otherwise, has been filed to date. Mercy has not proposed any substantial changes to the Project since then and thus the approval of the Affordable Housing and Property Disposition Agreement, Ground Lease, Memorandum of Ground Lease, and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants are consistent with the Project as previously approved. Thus, the City can and does continue to rely on the previous CEQA determination, the approval of the agreements qualifies for a Class 32 categorical exemption and no further environmental review is required for the Project.

SECTION 3. **AFFORDABLE HOUSING.** The City Council finds that the Site will be used to provide affordable housing consistent with Government Code section 37364 and that this use as affordable housing is in the City's best interests, pursuant to the terms and conditions of the Affordable Housing and Property Disposition Agreement, Ground Lease, Memorandum of Ground Lease, and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants approved herein.

SECTION 4. **AGREEMENTS.**

A. The City Council hereby approves the Affordable Housing and Property Disposition Agreement between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit A.

B. The City Council hereby approves the Ground Lease between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit B.

C. The City Council hereby approves the Memorandum of Ground Lease between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit C.

D. The City Council hereby approves the Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit D.

SECTION 5. EXECUTION

The City Council hereby authorizes the City Manager to execute the foregoing agreements identified in Section 4, with minor edits that may be approved by the Interim City Attorney. The City Manager is further authorized to execute any ancillary agreements or documents referenced in, and consistent with, the Affordable Housing and Property Disposition Agreement, the Ground Lease, Memorandum of Ground Lease, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants, as specified therein.

SECTION 6. PERIODIC REVIEW

The City Manager shall review the terms of this Ground Lease, including but not limited to, the insurance coverages, costs, current rent charges, and community resource center use and use of the Property, at least every seven years, commencing on the Effective Date of this Ground Lease.

SECTION 7. RECORDING

The City Council hereby directs the City Manager or his designee to record the Memorandum of Ground Lease and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants at the appropriate time during the transaction in the office of the San Mateo County Recorder's Office. The documents shall be recorded in the grantor-grantee index in accordance with applicable law.

SECTION 8. SEVERABILITY

If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining sections, subsections, sentences, clauses or phrases of the Ordinance.

SECTION 9. EFFECTIVE DATE

This Ordinance shall take effect thirty (30) days after its adoption.

SECTION 10. PUBLICATION AND POSTING

The City Clerk shall cause this ordinance to be published and posted in accordance with the law.

The City Council of the City of Half Moon Bay, California introduced the foregoing ordinance, on April 28, 2026, and adopted the ordinance at a regular meeting held on May 5, 2026, by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST: APPROVED:

_____ _____

Maggie Rodriguez, Interim City Clerk Debbie Ruddock, Mayor

APPROVED TO AS FORM:

_____

Denise Bazzano, Interim City Attorney

** SEE ATTACHMENT 2 – AFFORDABLE HOUSIN AND PROPERTY DISPOSITION AGREEMENT, ATTACHMENT 3 – GROUND LEASE, ATTACHENT 4 – REGULATORY AGREEMENT AND ATTACHMENT 6 – MEMORANDUM OF LEASE REFERENCED IN THE STAFF REPORT FOR MORE INFORMATION

RESOLUTION NO. C-2026-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY APPROVING A GRANT AGREEMENT BETWEEN THE CITY OF HALF MOON BAY AND MERCY HOUSING CALIFORNIA FOR TWO MILLION DOLLARS ($2,000,000) IN FUNDING PROCURED IN FISCAL YEAR 2023 BY SENATOR JOSH BECKER; AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENT; AND FINDING APPROVAL OF THE GRANT AGREEMENT EXEMPT FROM REVIEW UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO CEQA GUIDELINES SECTION 15332 (INFILL PROJECTS)

WHEREAS, the City of Half Moon Bay (City) has received Two Million Dollars ($2,000,000) in State funds to support pre-development and development work for an affordable housing project; and

WHEREAS, the City owns real property (two parcels) located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) (collectively referred to as the Site); and

WHEREAS, the City Council has identified affordable housing as a strategic priority; and

WHEREAS, the Site has been identified as a Housing Opportunity Site in the City's 2023-2031 6th Cycle Housing Element; and

WHEREAS, the City sought to develop the Site to create affordable housing and on February 15, 2022, the City issued a Request for Qualifications (RFQ) to seek a developer through a competitive process to develop the Site for affordable housing; and

WHEREAS, as a result of the RFQ process, the City selected the proposal submitted by Mercy Housing California, a California non-profit public benefit corporation (Mercy); and

WHEREAS, on October 4, 2022, the City Council declared the Site as exempt surplus land, pursuant to Government Code Sections 54221(b) and 54221(f)(1)(A), which was confirmed by the California Housing and Community Development Department; and

WHEREAS, the City and Mercy entered into an Exclusive Negotiations Agreement on November 3, 2022, that was extended twice and expired on October 30, 2024; and

WHEREAS, on May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit (CDP) for the affordable housing project (PDP-23-034) (Project), which was later upheld by the Council on June 26, 2024, after consideration and denial of three separate appeals; and

WHEREAS, the Planning Commission and City Council found that the Project (PDP-23-034) was exempt from CEQA review pursuant to the Class 32 categorical exemption for in-fill development projects in CEQA Guidelines section 15332; and

WHEREAS, a Notice of Exemption was timely filed with and posted for the requisite period by the San Mateo County Clerk and the State Clearinghouse (SCH 2024050914) and no legal challenge, timely or otherwise, to the City's CEQA exemption determination for the Project has been filed to date; and

WHEREAS, the City and Mercy entered into a new Exclusive Negotiations Agreement dated January 30, 2025 (ENA), in order to enable Mercy and its affiliate developer, Mercy Housing California 110 LLC, a California limited liability company (Developer) to carry out pre-development and development activities associated with the Project; and

WHEREAS, Mercy is the sole member/manager of its Developer; and

WHEREAS, the ENA has been amended to extend the term to December 31, 2026; and

WHEREAS, the City and Mercy have negotiated the terms and conditions of the Ground Lease (for a term of 99 years), the Memorandum of Ground Lease, the Affordable Housing and Property Disposition Agreement (AHPDA), Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants; and

WHEREAS, upon execution, the terms and conditions of the AHPDA, the Ground Lease and the Regulatory Agreement those terms shall be incorporated into the Grant Agreement by reference and the Grant Agreement shall govern the terms and conditions on the distribution of the Two Million Dollars ($2,000,000) in State funds to support pre-development and development work for the Project; and

WHEREAS, the City issued notice of a public hearing to consider introduction of this ordinance pursuant to Government Code section 6066 and provided notice of the hearing to those persons requesting special notice and all owners of land adjoining the property; and

WHEREAS, on April 28, 2026, the City Council conducted a public hearing and considered the staff report and other documentation and information presented and public comments.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby makes the following findings:

1. The foregoing Recitals are true and correct and are an integral part of the Council's decision and are hereinafter incorporated as findings.

2. The Planning Commission and City Council have already determined that the Project (PDP-23-034) was exempt from CEQA in accordance with Guidelines Section 15332 (Class 32 categorical exemption for In-Fill Development Projects) and no legal challenge to that determination, timely or otherwise, has been filed to date. Mercy has not proposed any substantial changes to the Project since then and thus the approval of the Affordable Housing and Property Disposition Agreement, Ground Lease, Memorandum of Ground Lease, and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants are consistent with the Project as previously approved. Thus, the City can and does continue to rely on the previous CEQA determination, the approval of the agreements qualifies for a Class 32 categorical exemption and no further environmental review is required for the Project.

BE IT FURTHER RESOLVED, that the City Council hereby authorizes a Grant Agreement between the City of Half Moon Bay and Mercy for Two Million Dollars ($2,000,000) in funding procured in Fiscal Year 2023 by Senator Josh Becker, the form of which shall be substantially as attached hereto as Exhibit A.

BE IT FURTHER RESOLVED, that the City Manager is hereby authorized to execute the Grant Agreement, with minor edits that may be approved by the Interim City Attorney.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 5th day of May 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST: APPROVED:

_____ _____

Maggie Rodriguez, Interim City Clerk Debbie Ruddock, Mayor

** SEE ATTACHMENT 5 – GRANT AGREEMENT REFERENCED IN THE STAFF REPORT FOR MORE INFORMATION

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AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

By and Between

CITY OF HALF MOON BAY

and

MERCY HOUSING CALIFORNIA 110, L.P.

Dated as of _____ __, 2026

AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

THIS AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT ("**Agreement**") is made and entered into as of _____, 2026 ("**Effective Date**"), by and between CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer are sometimes referred to hereinafter individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. City owns fee title to that unimproved certain real property located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**").

B. On February 15, 2022, City issued a Request for Qualifications ("**RFQ**") to select a developer to develop an affordable housing development, consistent with the general goals and requirements contained in the RFQ, on the Property.

C. Through the RFQ process, Mercy Housing California, a California nonprofit public benefit corporation ("**Mercy**"), was selected to potentially develop, pending subsequent negotiations, the proposed development on the Property. Mercy was established to develop and operate safe, decent affordable housing in California.

D. Developer is a California limited partnership, the general partner of which is Mercy Housing California 110 LLC, a California limited liability company, of which Mercy Housing California, a California nonprofit public benefit corporation, is its sole member/manager.

E. On May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit ("**CDP**") for the Project (PDP-23-034). Following the Planning Commission action, three separate appeals to City Council were filed, challenging the Planning Commission decision to approve the CDP. On June 26, 2024, the City Council held a hearing and voted to deny the appeals, upholding the CDP.

F. The Parties now desire to enter into this Agreement to set forth the terms and conditions on which City will ground lease the Property to Developer for Developer to: (i) construct and operate a forty (40) unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 of the form of Ground Lease attached to this Agreement as Attachment No. 6, (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**"). The Property consists of approximately 16,395 square

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feet, and is more particularly described in Attachment No. 1 to this Agreement. The terms and conditions of this Agreement will govern until the date (if such occurs) that the Ground Lease becomes effective, which shall occur upon the recordation of the Memorandum of Ground Lease.

G. The ground lease of the Property to Developer and the development and subsequent operation of the Project on the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in furtherance of City's goals to provide permanent affordable housing in the City of Half Moon Bay, are in the vital and best interests of the City of Half Moon Bay and the welfare of its residents, and are in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements under which the Project has been undertaken.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer hereto agree as follows:

1. DEFINITIONS

As used in this Agreement, capitalized terms are defined where first used or as set forth in this Section 1. Capitalized terms used in an attachment attached hereto and not defined therein shall also have the meanings set forth in this Section 1.

"**Adjusted AMI**" has the meaning given to it in Section 11.

"**Affiliate**" means any Person, directly or indirectly, Controlling or Controlled by or under common Control with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

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"**Building Permit**" means all permits issued by City and required for commencement of construction of the Project.

"**California Prevailing Wage Law**" has the definition given it in Section 10.9(b)(i)).

"**Cash Flow Projection**" means a financial forecast estimating future cash inflows and outflows over the term of the Ground Lease.

"**CDLAC**" means the California Debt Limit Allocation Committee.

"**CDP**" is defined in Recital E.

"**City**" means the City of Half Moon Bay, California.

"**City Manager**" means the person duly appointed to the position of City Manager, or his or her designee.

"**City Title Policy**" has the meaning set forth in Section 7.2(k) of this Agreement.

"**Condition of Property Title**" has the meaning set out in Section 5.8.

"**Construction Lender**" means the lender that provides construction financing for the Project. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Lender shall be understood to mean the institution or institutions that hold such Tax-Exempt Bonds through the construction period (e.g., until the Conversion Date). The Construction Lender may or may not also be the Take-Out Lender.

"**Construction Loan**" means the construction loan for the Project secured by the Construction Loan Security Documents, in the amount set forth in the Final Project Budget. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Construction Loan Security Documents**" means the documents and instruments required by the Construction Lender to secure the Construction Loan.

"**Conversion Date**" has the meaning set forth in the Construction Loan Security Documents, or, if such term is not defined therein, means the date the Construction Loan converts from a construction loan to a permanent loan.

"**Developer**" has the meaning set forth in the opening paragraph of this Agreement.

"**Developer Title Policy**" has the meaning set forth in Section 7.3(e) of this Agreement.

"Disability" means any mental or physical impairment that limits a major life activity, or as otherwise defined in state or federal law.

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"**Environmental Inquiries**" has the meaning given to it in Section 5.6.

"**Escrow**" means the escrow through which the Property Closing is conducted.

"**Escrow Holder**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607 or such other escrow company as may be agreed to by Developer and City Manager.

"**Event of Default**" has the meaning set forth in Section 13.1 of this Agreement.

"**Final Construction Documents**" means the final plans, drawings and specifications upon which the Building Permit is issued.

"**Final Project Budget**" shall mean the final budget for the Project, as more fully discussed in Section 6.3 below.

"**First Year Operating Budget**" means a detailed financial plan projecting the Project's expected revenues and expenses for its first year of operation.

"**Governmental Requirements**" means all laws, ordinances, statutes, codes, rules, regulations, requirements, orders and decrees, of the United States, the State of California, the City of Half Moon Bay, the County of San Mateo, and of any other political subdivision, agency or instrumentality exercising jurisdiction over City, Developer, the Property, and/or the Project, including common law.

"**Ground Lease**" means a ground lease substantially in the form attached hereto and incorporated herein as Attachment No. 6, to be executed by Developer and City to set forth the terms and conditions for City's lease of the Property to Developer.

"**Hazardous Materials**" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42

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U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"**Hazardous Materials Contamination**" means the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time emanating from the Property.

"**IIG**" is defined in Section 6.1(d).

"**Indemnitees**" means City, and its respective directors, officers, officials, members, employees, representatives, agents and volunteers.

"**Investor**" means the low income housing tax credit limited partner of the Developer.

"**Land Use Entitlements**" has the meaning set forth in Section 4 of this Agreement.

"**Liabilities**" has the meaning set forth in Section 5.3 of this Agreement.

"**Management Agreement**" has the meaning set forth in Section 7.2(h) of this Agreement.

"**Memorandum of Ground Lease**" means the Memorandum of Unrecorded Ground Lease to record in the Official Records pursuant to Section 1.4 of the Ground Lease.

"**Mercy**" has the meaning set forth in Recital C.

"**Notices**" has the meaning set forth in Section 14 of this Agreement.

"**Official Records**" means the Official Records of the County of San Mateo.

"**Outside Closing Date**" means the date that is one hundred ninety-four (194) days after the first date on which Developer has received an allocation of Tax Credits from TCAC, provided, however, that such date may be extended to the extent the required closing date is extended by CDLAC and/or TCAC.

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"**Partnership Agreement**" means the limited partnership agreement for Developer.

"**Preliminary Project Budget**" shall mean that certain preliminary project budget attached hereto and incorporated herein as Attachment No. 5.

"**Preliminary Title Report**" has the meaning given it in Section 5.8.

"**Project**" has the meaning set forth in Recital F, above, all in accordance with this Agreement, including, without limitation, the Scope of Development, the Land Use Entitlements, and the Final Construction Documents.

"**Project Costs**" means all costs of any nature incurred in connection with the planning, design, and development of the Project.

"**Project Documents**" means, collectively, this Agreement, the Ground Lease, the Memorandum of Ground Lease, and any other agreement, document or instrument that Developer and City enter into pursuant to this Agreement or in order to effectuate the purposes of this Agreement.

"**Property**" means that certain real property referred to in Recital A and legally described in Attachment No. 1 and depicted in Attachment No. 2, both of which attachments are attached hereto and incorporated herein by this reference. The Property comprises approximately 16,395 square feet of land.

"**Property Closing**" means closing of the construction sources of Project Financing, execution of the Ground Lease and delivery of possession of the Property to Developer pursuant thereto.

"**Project Financing**" has the meaning set forth in Section 6.1 of this Agreement.

"**Regulatory Agreement**" is defined in Section 7.3(i).

"**Response Action**" is defined in Section 5.5 of this Agreement.

"**RFQ**" has the meaning give it in Recital A.

"**Schedule of Performance**" means the Schedule of Performance attached hereto and incorporated herein as Attachment No. 3.

"**Scope of Development**" means the Scope of Development attached hereto and incorporated herein as Attachment No. 4.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

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"**Site Map**" means the site map attached hereto and incorporated herein as Attachment No. 2.

"**Sources and Uses of Funds Statement**" means a statement attached to each of the Preliminary Project Budget and Final Project Budget detailing the sources of capital for the Project and uses for which those funds will be spent.

"**Sublease**" means an agreement pursuant to which Developer, as tenant under the Ground Lease, leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of the Ground Lease.

"**Take-Out Lender**" means the lending institution that makes the Take-Out Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Lender shall be understood to mean the institution that holds or institutions that hold such Tax-Exempt Bonds from and after the construction period (e.g., from and after the Conversion Date). The Take-Out Lender may or may not also be the Construction Lender.

"**Take-Out Loan**" means the long-term loan made by the Take-Out Lender to Developer to take out the Construction Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Tax Credits**" has the meaning set forth in Section 6.1(b) of this Agreement.

"**Tax Credit Program**" means the low-income housing tax credit program authorized pursuant to Internal Revenue Code Section 42, California Health and Safety Code Sections 50199.6-50199.19, Revenue and Taxation Code Sections 17057.5, 17058, 23610.4, 23610.5, and applicable federal and State regulations such as 4 California Code of Regulations Sections 10300-10340.

"**Tax-Exempt Bonds**" means tax-exempt multifamily housing mortgage revenue bonds.

"**TCAC**" means the California Tax Credit Allocation Committee.

"**Title Company**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607, or such other title insurance company as may be agreed to by Developer and City Manager.

"**Title Exceptions**" has the meaning given to it in Section 5.8.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

"**Weekend**" means the days of Saturday and Sunday during a Week.

"**Work Week**" means the days of Monday through Friday during a Week.

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2. DEVELOPER

Developer is a California limited partnership, the general partner of which is Mercy Housing California 110, LLC, a California limited liability company, of which Mercy is its sole member/manager.

3. SCHEDULE OF PERFORMANCE

The Schedule of Performance sets forth the times by which the parties are required to perform certain obligations set forth in this Agreement.

4. LAND USE ENTITLEMENTS

Developer and City acknowledge and agree that prior to the Effective Date, Developer obtained all discretionary governmental permits and approvals necessary to allow Developer to develop the Project in the manner required by this Agreement (collectively, "**Land Use Entitlements**"), and that Developer has accepted all of the Land Use Entitlements, including all of the terms and conditions pertaining thereto.

5. RIGHT TO ENTER PROPERTY; AS-IS; PHYSICAL AND ENVIRONMENTAL CONDITION

5.1 Right to Enter Property. Developer acknowledges and agrees that Developer has had ample opportunity to examine, inspect, and investigate the physical and environmental condition of the Property, and has approved the physical and environmental condition of the Property and determined it is acceptable to Developer and suitable for Developer's intended use. Commencing as of the Effective Date and until the Property Closing, Developer and Developer's representatives and agents shall be entitled to enter onto the Property to conduct additional examinations and investigations as provided herein. For avoidance of doubt, such additional examinations and investigations shall not affect Developer's approval of the physical and environmental condition of the Property or Developer's determination that the Property is suitable for Developer's intended use.

Developer shall provide to City a copy of all reports, studies and test results prepared by Developer's consultants as a result of such additional examinations and/or investigations, without representation or warranty. Developer shall submit a written request to and receive the approval of City prior to any proposed entry by Developer or Developer's representatives on the Property. City Manager shall reasonably consider any such request and shall endeavor to provide a response to Developer within one (1) business day. Any such entry shall occur during normal business hours. City Manager or his or her designee shall have the right, but not the obligation, to accompany Developer during any such additional examinations and/or investigations. As a condition of such entry, Developer shall (i) conduct all additional examinations and/or investigations in a diligent, expeditious, and safe manner and not allow any dangerous or hazardous conditions to occur on the Property during or after the additional examinations and/or investigations; (ii) obtain any required governmental permits and comply with all applicable laws and governmental regulations; (iii) keep the Property free and clear of all

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materialmen's liens, lis pendens and other liens arising out of the entry and additional examinations and/or investigations under this paragraph; (iv) maintain or assure maintenance of workers' compensation insurance (or state approved self-insurance) for all persons entering the Property in the amounts required by the State of California; and (v) provide to City Manager prior to initial entry a certificate of insurance evidencing that Developer and/or the persons entering the Property have procured and have in effect commercial general liability insurance that satisfies the requirements set forth in Section 10.5 hereof. Developer shall, in a timely manner, repair any and all damage to the Property caused by such additional examinations and/or investigations, and shall indemnify, defend, and hold harmless the Indemnitees from and against any claims, liabilities, and losses arising from the entry of Developer or its representatives or agents on the Property pursuant to this Section 5.1, except to the extent that such claims liabilities and losses arise out of the intentional misconduct or gross negligence of any of the Indemnitees.

5.2 AS-IS; Release. Developer acknowledges and agrees that Developer is leasing the Property from City solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR CITY'S AGREEMENT TO LEASE THE PROPERTY TO DEVELOPER, DEVELOPER AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY INDEMNITEES WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR DEVELOPER'S INTENDED DEVELOPMENT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. DEVELOPER ACKNOWLEDGES THAT DEVELOPER WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Property Closing, Developer will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Developer concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Developer under California Civil Code Section 1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE

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MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Developer Initials _____

This Section 5.2 shall survive termination of the Agreement.

5.3 Developer Indemnity. Developer shall save, protect, defend (with counsel reasonably acceptable to City), indemnify, and hold harmless the Indemnitees from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (collectively, "**Liabilities**") which may now or in the future be incurred or suffered by any of the Indemnitees by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Developer's failure to comply with all applicable Governmental Requirements; (ii) Developer's placement on, under or about the Property of any Hazardous Materials or Hazardous Materials Contamination; or (iii) Developer's breach of its obligations under this Article 5. Except for obligations assumed by Developer in this Article 5, Developer shall have no indemnity obligation to any of the Indemnitees for any Liabilities arising from or related to Hazardous Materials Contamination of the Property that existed prior to the Property Closing, except to the extent such contamination is exacerbated by Developer or any of its Affiliates, agents, contractors, consultants or employees.

5.4 Duty to Prevent Hazardous Materials Contamination. Developer shall take commercially reasonable actions to prevent the exacerbation of an existing release of any Hazardous Materials located on the Property and the release of new Hazardous Materials to the Property after the Property Closing. For the avoidance of ambiguity, nothing in the previous sentence shall limit Developer from maintaining Hazardous Materials existing on the Property prior to the Property Closing or consolidating such Hazardous Materials on the Property, all to the extent such actions will not exacerbate any existing release of such Hazardous Materials and are permitted by law. Developer's duty to prevent Hazardous Materials Contamination shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall comply with any state or local Government Requirements pertaining to apartment complexes in San Mateo County, California, as respects the disclosure, permitting, notification, storage, use, removal, and disposal of Hazardous Materials.

5.5 Obligation to Remediate Premises. Developer acknowledges that, as of the Property Closing, City shall have no obligation to undertake any action to address or respond to Hazardous Materials present on, under, or about the Property regardless of when the Hazardous Materials first occurred or when they were first discovered. After the Property Closing, any remediation, investigation, mitigation or other response action (collectively "**Response Action**") shall be performed by Developer at Developer's sole cost and expense without any reimbursement from City, including without limitation (i) all Response Actions required by any federal, state, regional, or local governmental agency

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or political subdivision or to fulfill any Governmental Requirements and (ii) all actions necessary to use the Property for the purposes contemplated by the Regulatory Agreement, this Agreement, and the Ground Lease. Developer shall bear sole responsibility, cost and expense for any Response Action regardless of whether the Hazardous Materials or Hazardous Materials Contamination that is the subject of such Response Action arose before or after the Property Closing and regardless of when it was first discovered. Such Response Actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies, risk assessments or other reports, and the performance of any cleanup, remedial, removal, mitigation or restoration work.

5.6 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination from any governmental agency, or when Developer is required by any regulatory authority to report any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination (collectively, "**Environmental Inquiries**"), shall promptly provide City Manager a copy or copies of the Environmental Inquiries received or reported.

In the event of a release of any Hazardous Materials into the environment in violation of law, Developer shall, as soon as possible after it becomes aware of the release, furnish to City Manager a notification that the release occurred and a copy of any and all test results and final reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of City Manager, Developer shall furnish to City Manager a copy or copies of any and all other Environmental Inquires relating to or affecting the Property including, but not limited to, all environmental permit applications for permits, test results and final environmental reports, including, without limitation, those reports and other matters which may be characterized by Developer as confidential. For the avoidance of ambiguity, Developer shall be under no obligation to furnish any attorney-client privileged documents; provided, however, that Developer may not withhold from City facts regarding a violation of law that affects the Property.

5.7 Materiality. Developer acknowledges and agrees that the defense, indemnification, protection and hold harmless obligations of Developer for the benefit of Indemnitees set forth in this Agreement are a material element of the consideration to City under this Agreement, and that City would not have entered into this Agreement unless Developer's obligations were as provided for herein.

5.8 Review of Title of Site. Developer acknowledges and agrees that City provided Developer preliminary title reports prepared by the Title Company on November 10, 2025, as its Order Nos. 111703064 and 1117030644 ("**Preliminary Title Report**") with respect to the title to the Property, together with legible copies of the documents underlying the exceptions ("**Title Exceptions**") set forth in the Preliminary Title Report, and that Developer, through its Affiliate, Mercy, has had ample opportunity to review the Preliminary Title Report and Title Exceptions, and has approved the Preliminary Title Report and Title Exceptions and determined the condition of title to the Property

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("**Condition of Property Title**") is acceptable to Developer and suitable for Developer's intended use. From and after the date of the approved Preliminary Title Report, and continuing until the earlier of (i) the Property Closing, or (ii) termination of this Agreement, City shall not further encumber the Property with additional Title Exceptions without Developer's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

6. FINANCING PLAN FOR THE PROJECT

6.1 Financing Plan. As of the date of this Agreement, it is contemplated that Developer will finance the Project ("**Project Financing**") through a combination of funds from the proceeds of the following:

(a) Construction Loan. The Construction Loan;

(b) Tax Credits. Developer equity, consisting of equity raised by the syndication to reputable investors of state and/or federal low-income housing credit and obtained pursuant to 26 U.S.C. §42 ("**Tax Credits**");

(c) Take-Out Loan. The Take-Out Loan;

(d) IIG Grant. A grant of Infill Infrastructure Grant ("**IIG**") funds from the California Department of Housing and Community Development in the amount of $2,756,304;

(e) State Funds. $2,000,000 in funds from the State of California, to be provided as either a grant or loan;

(f) ARPA Grant. A grant of funds from the County of San Mateo to the City of Half Moon Bay to provide American Rescue Plan Act (ARPA) funds to Developer, in an amount to be set forth in the Final Project Budget; and

(g) Serna Loan. A loan of Joe Serna Farmworker funds from the California Department of Housing and Community Development, in the amount of $13,350,000.

Notwithstanding the foregoing, (i) Developer shall continue to use commercially reasonable efforts to pursue additional sources of funds that may be available to assist with the costs of developing the Project; and (ii) the Project Financing above may be changed by Developer in its discretion prior to Property Closing, subject to City Manager's advance written approval, which shall not be unreasonably withheld; and (iii) Developer shall not accept federal Section 8 Housing Choice Vouchers or other federal funds as a source of funding

6.2 Tax Credits; Applications to TCAC. Developer shall, at the times described in the Schedule of Performance, prepare and submit a complete application to TCAC for an allocation of Tax Credits, and apply to reputable institutional investors and syndicators qualified to act as the Investor.

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Developer agrees to promptly submit to City Manager all of the following documents at such time as the same are submitted by Developer to TCAC or other applicable body or when such documents are received by Developer, as applicable:

(1) A true and correct copy of the preliminary reservation letter from TCAC, a copy of the letter of intent from the Investor reflecting the total amount of the syndication proceeds and the timing of the payment of such proceeds.

(2) A complete copy of the tax credit regulatory agreement required by TCAC.

(3) Complete copies of all correspondence or transmittals from TCAC or other jurisdiction (such as the Internal Revenue Service) containing any notification regarding the Project's noncompliance with applicable provisions of the Tax Credit Program.

6.3 Preliminary Project Budget; Final Project Budget. The Preliminary Project Budget includes a Sources and Uses of Funds Statement; the "**Final Project Budget**" will include all of the following: (i) a Sources and Uses of Funds Statement; (iii) a Cash Flow Projection; and (iv) a First Year Operating Budget. The Parties acknowledge and agree that (a) the Preliminary Project Budget represents the financing that, as of the Effective Date, Developer contemplates it will obtain for development of the Project, and (b) at such time as Developer has obtained commitments for all of the financing necessary for Developer to develop the Project, Developer shall submit to City Manager for its written approval the Final Budget.

6.4 Developer Submittals. Promptly upon Developer's receipt of a notification of an award of any of the financing described in the Preliminary Project Budget or any other sources of financing, Developer shall submit to the City Manager copies of the award documentation received in connection with the same.

6.5 Financing Commitments. Developer shall submit to the City Manager, for informational purposes, preliminary commitments for the Project Financing, including, without limitation, bids received from qualified investors for the Tax Credits.

7. GROUND LEASE OF PROPERTY

7.1 Agreement. City, subject to the conditions set forth in Section 7.2 below, agrees to ground lease the Property to Developer pursuant to the Ground Lease, and Developer, subject to the conditions set forth in Section 7.3 below, agrees to ground lease the Property from City for a term of ninety-nine (99) years. Subject to each party's reserved rights hereunder, the parties shall cooperate with one another and shall exercise commercially reasonable diligence in an effort to ensure that the conditions precedent set forth in Sections 7.2 and 7.3 are timely satisfied.

7.2 Conditions for City's Benefit. City's obligation to ground lease the Property to Developer shall be subject to (i) satisfaction of all of the following conditions precedent; or (ii) City's written waiver of such conditions precedent:

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(a) Organizational Documents. City Manager shall have received and approved a copy of such portions of the organizational documents of Developer or Developer's successor-in-interest as City Manager deems reasonably necessary to document the power and authority of Developer to perform its obligations set forth in this Agreement. Developer shall have made full disclosure to City of the names and addresses of all persons and entities that have a beneficial interest in Developer.

(b) Insurance. Developer shall have submitted to City Manager and City Manager shall have approved Developer's evidence of the liability insurance required pursuant to Section 10.5.

(c) Evidence of Project Financing. City Manager shall have received commitments from all Project Financing sources, as evidenced by letters of commitment and/or true and complete copies of loan documents, the form and substance of which shall be acceptable to City Manager and the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(d) Construction Contract. City Manager shall have received a true and complete copy of a contract by and between Developer and the general contractor pursuant to which the general contractor has agreed to construct the Project at a cost that is no greater than the costs set forth therefor in the Final Project Budget.

(e) Final Construction Documents. City Manager shall have approved the Final Construction Documents for the Project and City Manager shall have received a full set thereof.

(f) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(g) Construction to Commence. City Manager shall be satisfied, based on evidence provided by Developer, that construction of the Project will commence not later than thirty (30) days after the Property Closing and thereafter will be pursued to completion in a diligent and continuous manner.

(h) Management Agreement. Developer shall have submitted an executed agreement by and between Developer and Mercy Housing Management Group, a Nebraska nonprofit corporation, or another property manager approved by City Manager for management of the Project ("**Management Agreement**"), which Management Agreement shall be consistent with this Agreement, and City Manager shall have approved the same, which approval shall not be unreasonably withheld.

(i) Regulatory Agreement. Developer shall have submitted an executed regulatory agreement with signatures acknowledged by and between Developer and City, which will be recorded as an encumbrance on title to the Property and evidence the obligations of Developer with respect to the Affordability Restrictions (as defined in the Ground Lease) which shall continue for the term of the Ground Lease ("**Regulatory Agreement**").

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(j) Documents Executed. Developer shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

(k) Title Policy. If requested by City Manager, Title Company is prepared to issue an owner's policy of title insurance, the form and substance of which shall be reasonably acceptable to City, naming City as the insured, showing Developer as holding leasehold title to the Property ("**City Title Policy**").

(l) Approval of Proposed Final Project Budget. Developer shall have submitted a proposed Final Project Budget to City Manager, and City Manager shall have approved the same.

(m) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost that is no more than stated in the Final Project Budget and, if there has been such an indication, Developer has provided evidence reasonably satisfactory to City Manager, of the availability of funding sources other than City to complete the Project. If Developer becomes aware of any such information, Developer shall promptly give written notice thereof to City.

(n) Community Serving Space. Developer shall have submitted to City Manager a proposed program for the community-serving space, which outlines ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential subtenants of the Project in accordance with requirements of City and Project funders. The operational program shall also include the provision of a multi-purpose community space to be used at the sole discretion of City, for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and the community space operator's proposed use of the space. The program operator shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager.

(o) Representations and Warranties. The representations of Developer contained in this Agreement shall be correct in all material respects as of the Property Closing as though made on and as of that date and, if requested by City Manager, City shall have received a certificate to that effect signed by Developer.

(p) No Default. No Event of Default by Developer shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer and, if requested by City Manager, City shall have received a certificate to that effect signed by Developer.

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7.3 Conditions for Developer's Benefit. Developer's obligation to ground lease the Property from City shall be subject to satisfaction of all of the following conditions precedent or Developer's written waiver of such conditions precedent in its sole and absolute discretion:

(a) Condition of Property. No material changes shall have occurred after the Effective Date with respect to the condition of the Property, which would cause the Property to be unusable for the Project. For avoidance of doubt, the discovery of new information about the condition of the Property as of the Effective Date is not a material change in the condition of the Property for purposes of this paragraph.

(b) Evidence of Project Financing. Developer shall have received commitments for all Project Financing, the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(c) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost substantially consistent with the Final Project Budget and, if there has been such an indication, Developer has provided evidence reasonably satisfactory to City Manager of the availability of funding sources other than City to complete the Project.

(d) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(e) Title Insurance. The Title Company shall be prepared to issue its ALTA leasehold form policy of title insurance, with liability in the amount not less than the total of the equity raised from the sale of the Tax Credits plus the principal amount of the Take-Out Loan, showing leasehold title to the Property and fee title to the improvements located thereon vested in Developer, in the Condition of Property Title, with no other encumbrances or title exceptions, except (i) the Project Documents being recorded at the Property Closing pursuant to the terms of this Agreement, (ii) the lien of the Construction Loan Security Documents, (iii) the standard conditions and exceptions contained in an ALTA standard owner's policy of title insurance that is regularly issued by the Title Company in transactions similar to the one contemplated by this Agreement, and (iv) such other exceptions reasonably acceptable to Developer ("**Developer Title Policy**"). The Title Company shall provide City with a copy of the Developer Title Policy.

(f) No Default. No Event of Default by City shall then exist, and no event shall then exist which, with only the giving of notice or the passage of time or both, would constitute an Event of Default by City.

(g) Documents Executed. City shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

7.4 Developer Right to Terminate. If, by the Outside Closing Date, any of the conditions set forth in Section 7.3 have not been satisfied, or waived by Developer, then

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Developer, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to City.

7.5 City Right to Terminate. If, by the Outside Closing Date, any of the conditions set forth in Section 7.2 have not been satisfied, or waived by City, then City, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Developer.

7.6 Waiver of Conditions. The conditions set forth in Section 7.2 are for City's benefit only and City may waive all or any part of such rights by written notice to Developer. The conditions set forth in Section 7.3 are for Developer's benefit only and Developer may waive all or any part of such rights by written notice to City.

8. PROPERTY CLOSING; ESCROW EXPENSES

8.1 Property Closing. Upon receipt by the Escrow Holder of (i) counterparts of the Ground Lease executed by City and Developer, (ii) counterparts of the Memorandum of Ground Lease executed and acknowledged by City and Developer, (iii) the Regulatory Agreement executed by Developer, and (iv) all other funds and documents required to conduct the Property Closing in accordance with this Agreement, and when City Manager has notified Escrow Holder that the conditions precedent described in Section 7.2 have been satisfied, or waived by City , and Developer has notified Escrow Holder that the conditions precedent described in Section 7.3 have been satisfied, or waived by Developer, the Escrow Holder shall take all of the following actions:

(a) Recordation. Escrow Holder shall record the following documents in the Official Records in an order or priority to be determined by the Parties prior to the Property Closing:

(i) the Regulatory Agreement,

(ii) the Memorandum of Ground Lease; and

(iii) such other documents required to close the Escrow in accordance with this Agreement or other Project funding sources.

(b) Deliveries to City. Escrow Holder shall deliver to City:

(i) the original of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) City Title Policy.

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(c) Deliveries to Developer. Escrow Holder shall deliver to Developer:

(i) a copy of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) Developer Title Policy.

8.2 Property Closing Expenses. Developer shall pay from one or more of the sources identified in the Project Budget all Property Closing Expenses, including, among others: (a) any and all documentary transfer taxes and recording fees arising from the leasehold conveyance of the Property from City to Developer by the Ground Lease, (b) the Escrow fee, (c) the premium for the City Title Policy and Developer Title Policy, (d) all such other costs and expenses related to the Escrow and not expressly provided for herein, and (e) all of City's legal fees related to or arising from the Property Closing and City's review and preparation of documents and information related thereto.

8.3 Instruction to Escrow Holder Regarding Waiver of Transfer Taxes and Recording Fees. The Escrow Holder is hereby instructed to seek such waivers and exemptions from transfer taxes and recording fees as are available pursuant to Revenue and Taxation Code Section 11922 and Government Code Sections 6103 and 27383, respectively.

8.4 Broker's Commissions. Developer represents and warrants to City that Developer has not engaged any broker, agent or finder in connection with this Agreement, and Developer agrees to indemnify, protect, hold harmless, and defend the Indemnitees from any claim by any brokers, agents or finders retained by Developer. City represents and warrants to Developer that City has not engaged any broker, agent, or finder in connection with this Agreement, and City agrees to indemnify, protect, hold harmless, and defend Developer and its officers, officials, members, employees, representatives, agents, and volunteers from any claim by any brokers, agents, or finders retained by City.

9. INTENTIONALLY OMITTED

10. DEVELOPMENT OF THE PROJECT

10.1 Scope of Development. As further described in the Ground Lease, Developer shall construct the Project on the Property in accordance with all applicable Governmental Requirements, the approved Land Use Entitlements, and the Scope of Development. In the event of any conflict between the approved Land Use Entitlements and the Scope of Development, the approved Land Use Entitlements shall govern and control. Subject to Section 17.12 below, Developer shall commence and complete construction of the Project on the Property by the respective times established therefor in the Schedule of Performance. The Scope of Development shall be deemed to include any plans and specifications submitted to City for approval, and shall incorporate or show compliance with all mitigation measures.

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10.2 Additional Governmental Permits and Approvals.

(a) Before commencement of construction or development of any buildings, structures or other works of improvement upon the Property by Developer, Developer shall, at its own expense, secure or cause to be secured any and all permits and approvals not included in the Land Use Entitlements which may be required by City or any other governmental agency affected by or with jurisdiction over such construction, development or work.

(b) Developer shall pay all necessary fees and timely submit to City Final Construction Documents with final corrections required by City to obtain a Building Permit.

10.3 Cost of Development. Developer acknowledges and agrees that all Project Costs shall be borne exclusively by Developer. Developer shall also bear all costs related to discharging the duties of Developer set forth in this Agreement. Developer shall also be responsible for all fees associated with development of the Project, including, but not limited to, school facilities fees and development impact fees.

10.4 Indemnity. Developer shall defend (by counsel reasonably satisfactory to City Manager), indemnify, and hold harmless the Indemnitees from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorney's fees and costs), to the extent arising out of the activities and/or performance of Developer or any of Developer's employees, agents, representatives, contractors, subcontractors or consultants under or with respect to (i) this Agreement, the Ground Lease or the Regulatory Agreement, (ii) a claim, demand or cause of action that any person has or asserts against Developer and/or any of the indemnitees; (iii) any act or omission of Developer, any of Developer's contractors, subcontractors or material suppliers, engineers, architects or other persons with respect to the Property; or (iv) the lease, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer's indemnification obligations pursuant to this Section 10.4 shall not apply to the extent that such claims, suits, or damages arise out of the intentional misconduct or gross negligence of any of the Indemnitees. The obligations and indemnifications in this Section 10.4 shall constitute covenants running with the land.

10.5 Insurance Requirements. Commencing on the date of the Property Closing and continuing throughout the term of the Ground Lease, Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City Manager, the policies of insurance described in and required by the Ground Lease.

10.6 Remedies for Defaults Regarding Insurance. In addition to any other remedies City may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may obtain such insurance and invoice Developer for the amount of said premium, which sums shall be due from Developer to City upon receipt of the invoice.

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10.7 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall, subject to the rights of the Construction Lender, promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as it existed prior to the casualty, and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this Agreement. City Manager shall cooperate with Developer, at no expense to City, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

10.8 Rights of Access. For purposes of assuring compliance with this Agreement, representatives of City shall have the right of access to the Property without charges or fees, at normal business hours during the construction of the Project (subject to reasonable job safety rules as may be imposed by Developer or the Developer's general contractor), including, but not limited to, the inspection of the work being performed in constructing the Project, so long as they comply with all safety rules. Such representatives of City shall be those who are so identified in writing by City Manager.

10.9 Compliance with Laws; Compliance with Prevailing Wage Laws.

(a) Compliance with Laws. Developer shall carry out the construction, development and operation of the Project in conformity with all Governmental Requirements, including without limitation, all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

(b) Compliance with Prevailing Wage Laws.

(i) Developer shall carry out the construction through completion of the Project and the overall development of the Property in conformity with all applicable Governmental Requirements and shall pay prevailing wages in compliance with California law (Labor Code Section 1720, et seq.) ("**California Prevailing Wage Law**").

(ii) Developer shall be solely responsible, expressly or impliedly, and legally and financially, for determining and effectuating compliance with all applicable federal, state, and local public works requirements, prevailing wage laws, and labor laws and standards, and City makes no representation, either legally and/or financially, as to the applicability or non-applicability of any

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federal, state, and local laws to the construction of the Project. Developer expressly, knowingly, and voluntarily acknowledges and agrees that City has not previously represented to Developer or to any representative, agent, or Affiliate of Developer, or any contractor(s) or any subcontractor(s) for the demolition work, construction, or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work and construction of the Project is (or is not) a "public work," as defined in Section 1720 of the Labor Code.

(iii) Developer knowingly and voluntarily agrees that Developer, and not City, shall have the obligation to provide any and all disclosures or identifications to any contractor for the Project as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. Developer shall indemnify, protect, pay for, defend, and hold harmless the Indemnitees, with legal counsel reasonably acceptable to City Manager, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including reasonable attorney's fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer or its agents or contractor with any applicable local, state, and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including, without limitation, if applicable, the requirement to pay state and/or federal prevailing wages and hire apprentices); (ii) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the demolition work, development, and construction (as defined by applicable law or regulation) of the Project, including, without limitation, any and all public works (as defined by applicable law or regulation), Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state, and local law or regulation and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law or regulation. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Project by Developer.

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(iv) "**Increased costs**," as used in this Section 10.9, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

10.10 Anti-Discrimination. Developer for itself and its successors and assigns, agrees, that in the construction of the Project on the Property or other performance under this Agreement, Developer shall not discriminate against any employee or applicant for employment on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code.

10.11 Taxes and Assessments. After the Property Closing, Developer shall pay prior to delinquency all real estate taxes and assessments on the Property so long as Developer retains any interest therein. Notwithstanding the above, Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to Developer in respect thereto, or obtain any available exemptions, provided that Developer does so in a diligent manner.

10.12 Right of City to Satisfy Other Liens on the Property(s). If Developer obtains written notice or actual knowledge of any lien or encumbrance on the Property which is not permitted under this Agreement, and Developer has failed after a reasonable time (but not less than forty-five (45) days) thereafter to challenge, cure, adequately bond against, or satisfy such lien or encumbrance, City shall have the right (but not the obligation) to satisfy any such lien or encumbrance, and Developer shall be liable to City, upon written demand, for all costs incurred by City in pursuit thereof, including without limitation City's reasonable attorneys' fees and costs. Nothing in the foregoing sentence shall be construed as limiting any right available to Developer to contest the validity or amounts of any tax, assessment, or encumbrance on the Property. This Section 10.12 shall survive termination of the Agreement.

10.13 Non-liability of City. Developer acknowledges and agrees that:

(a) City neither undertakes nor assumes any responsibility to review, inspect, supervise, approve (other than for aesthetics) or inform Developer of any matter in connection with the Project, including matters relating to: (i) the Final Construction Documents, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, (iii) the Final Project Budget, and/or (iv) the progress of the Project and its conformity with the Final Construction Documents; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledge that any review, inspection, supervision, approval or information supplied to Developer by City in connection with such matters is solely for the protection of City and that neither Developer nor any third party is entitled to rely on it;

(b) City is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and City does

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not intend to ever assume any such status; and City shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) City shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Property whether arising from: (i) any defect in any building, grading, landscaping or other onsite or offsite improvement or condition; (ii) any act or omission of Developer or any of Developer's agents, employees, contractors, consultants, licensees or invitees; or (iii) from and after the Property Closing any accident on the Property or any fire or other casualty or hazard thereon; and

(d) By accepting or approving anything required to be performed or given to City under this Agreement, including any certificate, financial statement, survey, appraisal or insurance policy, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

11. AFFORDABILITY COVENANTS

As more particularly provided in Ground Lease, ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size ("**Adjusted AMI**"), and twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI; with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. Notwithstanding the foregoing, however, if Developer or its Investor reasonably determines prior to the Property Closing that based on the Project's residual analysis test, maximum rent levels would need to be increased after the fifty-fifth (55th) year of operation, then the Ground Lease shall permit such increase after the fifty-fifth (55th) year of operation, but only to the extent necessary to satisfy the residual analysis test and subject to the reasonable approval of City Manager. By way of clarification, City and Developer agree that to the extent the rent levels need to be increased, as described above, such increase shall cause the rent to remain within an affordable level and shall not cause the rent to increase to a market rate rent.

12. GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 Developer's Formation, Qualification and Compliance. Developer represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon Developer in accordance with its terms, and (e) the individuals executing this Agreement on behalf of Developer are duly authorized to execute and deliver this Agreement on behalf of Developer.

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12.2 Litigation. Developer represents and warrants that there are no actions, lawsuits or proceedings pending or, to the best of Developer's knowledge, threatened against or affecting Developer, the outcome of which could have a material adverse effect on Developer's ability to perform its obligations under this Agreement.

12.3 City. City represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon City in accordance with its terms, and (e) the individuals executing this Agreement on behalf of City are duly authorized to execute and deliver this Agreement on behalf of City.

13. DEFAULTS AND REMEDIES

13.1 Event of Default. Any of the following events or occurrences with respect to either Party shall constitute a material breach of this Agreement and, after the expiration of any applicable cure period, shall constitute an "**Event of Default**" by such party:

(a) The failure by either Party to pay any amount in full when it is due under this Agreement, if the failure has continued for a period of ten (10) days after the Party entitled to payment demands in writing that the other Party cure that failure.

(b) The failure by either Party to perform any other obligation under this Agreement, if the failure has continued for a period of thirty (30) days after demand in writing that such Party cure the failure, or such shorter time period as may be provided for in one of the other Project Documents. If, however, by its nature the failure cannot reasonably be cured within said time period, such Party may have such longer period of time as is reasonably necessary to cure the failure, provided that such Party commences said cure within said thirty (30)-day period, and thereafter diligently prosecutes said cure to completion within a period of no more than ninety (90) days.

13.2 Remedies. The occurrence of any Event of Default shall give City the right to proceed with an action in equity to require Developer to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

13.3 No Waiver. Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default, or of any such rights or remedies, or deprive any such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

13.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the

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exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other Party.

13.5 Attorneys' Fees. If either Party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing Party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees.

13.6 Reimbursement of City. Within thirty (30) days after its receipt of written demand from City, Developer shall reimburse City for all costs reasonably incurred by City (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants) in connection with City enforcement of the Project Documents and all related matters, including, without limitation, the following: (a) City's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the Parties to any Project Document; and (b) all claims, demands, causes of action, liabilities, losses, and other costs against which any of the Indemnitees is indemnified under the Project Documents. Such reimbursement obligations shall bear interest from the date occurring fifteen (15) days after City makes written demand to Developer at the rate of ten percent (10%) per annum or the maximum legal rate, whichever is less. Such reimbursement obligations shall survive termination of this Agreement.

14. NOTICES

All notices, consents, demands, approvals and other communications ("**Notices**") that are given pursuant to this Agreement shall be in writing to the appropriate Party and shall be deemed to have been fully given when delivered, including delivery by reputable commercial delivery service that provides a receipt with the time and date of delivery, or if deposited in the United States mail, certified or registered, postage prepaid, within two (2) days after deposit. All Notices shall be addressed as follows:

If to Developer:	Mercy Housing California 110, L.P. 1256 Market Street San Francisco, CA 94102 Attn: Kelly Hollywood Email: kelly.hollywood@mercyhousing.org
with a copy to:	Gubb & Barshay LLP 235 Montgomery St., Suite 1110 San Francisco, CA 94104 Attn: CJ Higley and Evan Gross Email: cjhigley@gubbandbarshay.com; egross@gubbandbarshay.com

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If to City:	City of Half Moon Bay 501 Main Street, Half Moon Bay, CA 94019 Attn: City Manager Reference: 555 Kelly Email: mchidester@halfmoonbay.gov
with a copy to	Half Moon Bay City Attorney's Office c/o Burke, Williams & Sorensen 1999 Harrison Street, Suite 1650 Oakland, CA 94612 Attn: Denise Bazzano, Esq.

Addresses for notice may be changed from time to time by notice to the other Party. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending Party was not notified shall be deemed receipt of such Notice.

15. ASSIGNMENT

15.1 Generally Prohibited. Except as otherwise expressly provided to the contrary in this Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation, stock transfers, or transfers, sales or issuances of membership or ownership interests, or statutory conversions, without the prior written consent of City, which consent may be withheld in his or her sole and absolute discretion. Any such assignment or delegation without such consent shall, at City's option, be void. Notwithstanding the foregoing, however, (i) the Investor may be admitted to the Developer as a 99.99% Tax Credit limited partner without obtaining any consent, and such Investor may assign any or all of its interests as a 99.99% Tax Credit limited partner without any consent, provided notice thereof is delivered in writing to City concurrently with such assignment; (ii) the Investor may remove the general partner for a default under the Partnership Agreement; and (iii) Developer may transfer and assign its rights and duties hereunder to Mercy or an Affiliate of Mercy pursuant to the purchase option and/or right of first refusal entered into between Mercy (or an Affiliate of Mercy) and Developer, provided notice thereof is delivered in writing to City concurrently with such assignment. This Section 15.1 shall not be applicable to the leasing of individual dwelling units to income eligible households in accordance with the Ground Lease or to the leasing of the Project's commercial space in accordance with the Ground Lease.

15.2 Release of Developer. Upon any such assignment made in compliance with Section 15.1 above which is evidenced by a written assignment and assumption agreement in a form approved by City in its sole and absolute discretion, the transferor

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shall be released from any liability under this Agreement arising from and after the effective date of such assignment.

16. ADMINISTRATION/APPROVALS/REQUESTS

16.1 Administration. Following approval of this Agreement by City Council, this Agreement shall be administered and executed on behalf of City by City Manager. City Manager shall have the authority to issue interpretations, waive terms and conditions, enter into subordination agreements with other Project funding sources, and enter into implementing agreements and amendments to this Agreement (including, without limitation, to the Schedule of Performance) on behalf of City, provided that such actions do not substantially change the uses or development permitted on the Property, materially add to the costs or obligations, increase the risk of liability, or impair the rights or remedies of City provided herein, or materially decrease the revenues or other compensation to be received by City hereby. All other waivers or amendments shall require the formal approval of the City Council. The City Manager may consult with City Staff, the City Attorney and City Council prior to making any determinations or taking any actions.

16.2 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as expressly described in Section 16.1 and elsewhere in this Agreement. As used in this Agreement, the phrase “shall not be unreasonably withheld” (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her “reasonable discretion” (or comparable language) or that a “reasonable request” (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall “reasonably consider” (or comparable language) a request or make a determination that a request is “reasonably acceptable” (or comparable language) or “reasonable necessary” (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for approving such determination or request. This Section 16.2 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation”

17. MISCELLANEOUS

17.1 Counterparts. This Agreement may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

17.2 Prior Agreements; Amendments. This Agreement contains the entire agreement between City and Developer with respect to the Project and the Property, and all prior negotiations, understandings and agreements are superseded by this Agreement. No modification of this Agreement (including waivers of rights and conditions) shall be

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effective unless in writing and signed by the Party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given. City agrees to consider in good faith making reasonable modifications to this Agreement that are necessary to finance the development of the Project.

17.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to conflict of law principles.

17.4 Acceptance of Service of Process. In the event that any legal action is commenced by Developer against City, service of process on City shall be made by personal service upon City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by City against Developer, service of process on Developer shall be made in such manner as may be provided by law.

17.5 Severability of Provisions. No provision of this Agreement that is held to be unenforceable or invalid shall affect the remaining provisions if and to the extent that the primary purposes of this Agreement can still be accomplished without materially impairing the rights or increasing the obligations or risks of each Party, as reasonably determined by that Party, and to that extent all provisions of this Agreement are hereby declared to be severable.

17.6 Interpretation. Both Parties have participated in the drafting of this Agreement and any ambiguities in this Agreement shall not be construed for or against either Party on account of the authorship or presumed authorship hereof. Article and Section headings are included in this Agreement for convenience of reference only and shall not be used in construing this Agreement. Any defined term used in the plural in this Agreement shall refer to all members of the relevant class and any defined term used in the singular shall refer to any of the members of the relevant class. References herein to Articles, Sections, and Attachments shall be construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The terms “including” and “include” mean “including (include) without limitation.”

17.7 Accounting Principles. Any accounting term used and not specifically defined in this Agreement shall be construed, and all financial data required to be submitted under this Agreement shall be prepared, in conformity with generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to City Manager.

17.8 Attachments Incorporated. All attachments to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

17.9 Time of the Essence. Time is of the essence of this Agreement.

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17.10 Warranty Against Payment of Consideration. Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

17.11 Non-liability of City Officials and Employees. No member, director, officer, employee, or volunteer of City shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer or successor, or on any obligation under the terms of this Agreement.

17.12 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; pandemics; quarantine restrictions; freight embargoes; litigation beyond the reasonable control of a Party; referendum; unusually severe weather; inability, despite commercially reasonable efforts, to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier beyond the reasonable control of a Party; acts or the failure to act of any public or governmental entity (except that acts or the failure to act of City shall not excuse performance by City); or any other acts or causes beyond the reasonable control of the Party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause. Force Majeure shall serve also to extend the time by which any condition, for the benefit of either Party, shall be satisfied under this Agreement. Notwithstanding any provision of this Agreement to the contrary, in no event shall adverse market conditions, interest rates, the lack of funding or difficulty obtaining the financing necessary to complete the Project constitute a Force Majeure event under this Section.

17.13 Nondiscrimination Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

Developer shall refrain from restricting the rental, sale or lease of the Property on any of the bases listed above in this Section 17.13. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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(a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

> "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Section 17.13 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its

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successors and assigns, and shall remain in effect in perpetuity. Notwithstanding the foregoing, Developer acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Developer's only rights with respect to the Property and Project shall arise under the Ground Lease pursuant to which it is the ground lessee.

17.14 No Third Party Beneficiary. No person or entity other than City and Developer, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

17.15 U.S. Immigration and Customs Enforcement. Developer agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Developer or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Developer, Developer shall confirm identification of the County, State or Federal official and shall observe and document the locations accessed by the official and provide City with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Developer shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Agreement, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Indemnitees in accordance with Section 5.3 to the extent any Liabilities arises from alleged violations of State and Federal immigration laws.

17.16 Termination. This Agreement shall automatically terminate upon the earlier date of either of the following: 1) recordation of the Memorandum of Ground Lease, which is the date upon which the Ground Lease commences; or 2) December 31, 2028. The City and Mercy will meet and confer no later than ninety days prior to December 31, 2028, to discuss a potential extension of the this Agreement beyond the December 31, 2028 date. Such termination shall not terminate any indemnification obligations set forth in this Agreement, whether or not their survival is expressly stated, or any other provisions in this Agreement which are expressly stated in this Agreement to survive termination of this Agreement.

[***SIGNATURES ON FOLLOWING PAGE***]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

"City"

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to form:

By: _____
Denise Bazzano, Interim City Attorney

"Developer"

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its: General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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ATTACHMENTS

1 - Legal Description of Property

2 - Site Map

3 - Schedule of Performance

4 - Scope of Development

5 - Preliminary Project Budget

6 - Form of Ground Lease

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ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

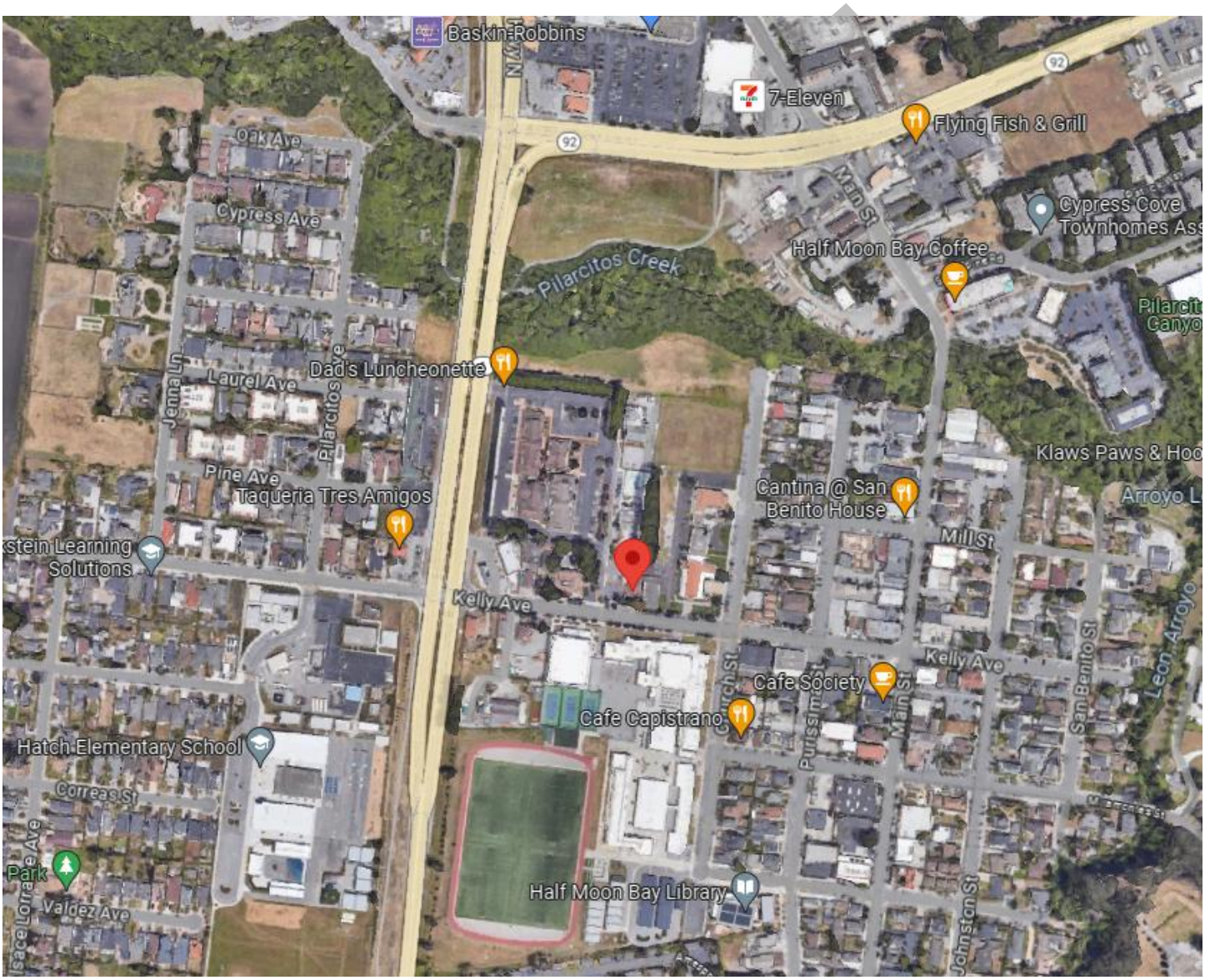
PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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ATTACHMENT NO. 2

SITE MAP



ATTACHMENT NO. 3

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits applications for State of California Infrastructure Infill Grant and Joe Serna Jr. Farmworker financing	Completed: IIG funding secured in 2023 Serna funding secured in 2025
2.	Developer prepares and submits application to TCAC for a preliminary reservation of Tax Credits and applies to reputable institutional investors and syndicators qualified to act as the Investor	Next available TCAC round immediately following Developer securing financing commitments to be competitive for Tax Credits and Developer determines that City's Building Permit will be issued no later than 180 days after a Tax Credit award.
3.	If the first application for Tax Credits is not successful, Developer submits second application for Tax Credits	Next available TCAC round immediately following disapproval of previous application.
4.	Developer submits Final Project Budget to City	Immediately after Developer secures final financing terms and credit approval from Construction Lender and Tax Credit Investor
5.	Property Closing occurs	Upon satisfaction or waiver of conditions set forth in Section 7.2 and 7.3, but in no event later than the Outside Closing Date.
6.	Developer obtains Building Permit and commences construction of the Project.	No later than 30 days after Property Closing.
7.	Developer completes construction of the Project	Within 25 months after commencement of construction.

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ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
8.	Developer provides quarterly progress reports to City.	Until Project is 100% occupied at initial lease up; after lease up, Developer to provide annual reports. Developer's obligation to provide quarterly reports shall survive termination of this Agreement.

It is expressly understood and agreed by the Parties that the foregoing schedule of performance is subject to all of the terms and conditions set forth in the text of the Agreement including, without limitation, extension due to Force Majeure. Times of performance under the Agreement may be extended by request of any Party memorialized by a mutual written agreement between the Parties, which agreement may be granted or denied in the non-requesting Party's sole and absolute discretion (subject to events of Force Majeure set forth in this Agreement).

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ATTACHMENT NO. 4

SCOPE OF DEVELOPMENT

The proposed Project, located at 535-555 Kelly Avenue, includes the construction of a 40-unit Senior Agricultural Worker multifamily housing affordable housing complex. All of the units, except one manager's unit in the proposed Project, will be affordable and income-restricted to households earning from thirty (30%) to fifty (50%) of the Adjusted AMI, and will be set aside for Agricultural Workers who are Seniors. The project also includes 2,358 sq. ft. of residential common space, a 2,658 sq. ft. community-serving space, a 717 sq. ft. property management office space, 18 on-site parking spaces for residents and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces.

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ATTACHMENT NO. 5

PRELIMINARY PROJECT BUDGET

555 Kelly Financing Plan

Development Sources

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,141,234	Secured
San Mateo County AHF	$	6,563,763	Application in 2026
Federal Earmark: Anna Eshoo	$	1,800,000	Secured
Low Income Housing Tax Credit Program	$	14,021,364	Application in 2026-2027
Total Sources	**$**	**41,632,665**	

Development Uses (Costs)

Demolition, TACC Parking Reconfiguration and Infrastructure Required for Project	$	2,756,304
New Building Construction	$	27,407,963
Architecture, Engineering, Construction Supervision	$	2,017,665
Local Permit and Utility Fees	$	1,730,431
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	7,345,302
Furnishings, Marketing and Lease Up	$	375,000
	$	**41,632,665**

ATTACHMENT NO. 6

GROUND LEASE

[to be inserted]

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GROUND LEASE

By and Between

CITY OF HALF MOON BAY

"Landlord"

and

MERCY HOUSING CALIFORNIA 110, L.P.

"Tenant"

Dated as of _____ __, 2026

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GROUND LEASE

This **GROUND LEASE** ("**Ground Lease**") dated as of _____ ("**Effective Date**"), is entered into by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.,** a California limited partnership ("**Tenant**").

R E C I T A L S

A. Landlord owns fee title to that certain real property located at 535 and 555 Kelly Avenue, in the City of Half Moon Bay, State of California more particularly described in Exhibit A, which is attached hereto and incorporated herein by this reference ("**Property**").

B. Tenant is controlled by an experienced owner, developer and manager of affordable housing for low and moderate-income families.

C. Landlord entered into an Affordable Housing and Property Disposition Agreement with Tenant, dated as of _____ __, 2026 ("**Agreement**"). Landlord will also enter into a regulatory agreement with Tenant ("**Regulatory Agreement**"), which will be recorded as an encumbrance on title to the Property and evidence the obligations of Tenant with respect to the Affordability Restrictions (as defined below).

D. The Agreement provides for Landlord to ground lease the Property to Tenant, and for Tenant to (i) construct and operate a forty (40) unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 ("**Affordability Restrictions**"), (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**").

E. All conditions precedent to the parties entering into this Ground Lease have been satisfied or waived by the applicable party.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, Landlord and Tenant agree as follows:

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ARTICLE 1. LEASE OF THE PROPERTY

1.1 Ground Lease of the Property; Acquisition of Improvements. Landlord leases the Property to Tenant, and Tenant leases the Property from Landlord, on the terms and conditions as set forth in this Ground Lease. Pursuant to the Agreement and subject to the provisions of Section 5.3 hereof, concurrent with the Effective Date of this Ground Lease Tenant will acquire title to all Improvements on the Property and hold title to such Improvements during the Term hereof. For purposes of this Ground Lease, the Property is the leased premises.

1.2 Purpose of Ground Lease. The purpose of this Ground Lease is to provide for the construction, maintenance, repair, management and operation of the Project as a forty (40) unit Senior Agricultural Worker multifamily apartment project, encumbered by the Regulatory Agreement, with a ground floor community serving space and a property management office. Tenant will not occupy or use the Property, nor permit the Property to be occupied or used, nor do or permit anything to be done in or on the Property, in whole or in part, for any other purpose.

1.3 Recorded Encumbrances. This Ground Lease, the interests of Landlord and Tenant hereunder, and the Property, are in all respects subject to and bound by all of the covenants, conditions, restrictions, reservations, rights, rights-of-way, and easements of record prior to the recordation of this Ground Lease.

1.4 Memorandum of Ground Lease. A short form Memorandum of Ground Lease referring to this Ground Lease, substantially in the form attached hereto and incorporated herein as Exhibit B, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records of the County of San Mateo, California ("**Official Records**").

1.5 Regulatory Agreement. The Regulatory Agreement, substantially in the form attached hereto and incorporated herein as Exhibit C, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records.

ARTICLE 2. DEFINITIONS.

Capitalized terms used herein are defined where first used in this Ground Lease and/or as set forth in this Article 2. All capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement. For the purpose of supplying such definitions, the Agreement, notwithstanding anything contained therein or herein to the contrary, shall not merge with this Ground Lease.

"**Adjusted AMI**" has the meaning in Section 8.1.1.

"Affiliate" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of

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any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"Affordability Restrictions" has the meaning set forth in Recital D.

"Agreement" has the meaning set forth in Recital C.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code*.*

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"ALAS" means Ayudando Latinos A Soñar (ALAS), the currently approved operator of the ground-floor community serving space.

"Assignee" has the meaning set forth in Section 19.1.4.

"Base Rent" means the sum of One Dollar ($1.00) per year.

"Certificate of Occupancy" means the temporary or final certificate of occupancy issued by City for the Project.

"**City**" means the City of Half Moon Bay.

"City Manager" means the person duly appointed to the position of City Manager, or his or her designee.

"Commencement Date" means the date upon which the Memorandum of Ground Lease is recorded in the Official Records.

"CPI Adjustment" means the percentage increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, San Francisco-Oakland-Hayward statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") between the CPI figure in effect as of the date on which the final Certificate of Occupancy is issued and the CPI figure in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to

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obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

"Disability" means any mental or physical impairment that limits a major life activity, or as otherwise defined in state or federal law.

"Environmental Laws" has the meaning set forth in Section 12.1(B).

"Event of Default" has the meaning set forth in Article 19.

"First Preference," "Second Preference" and "Third Preference" each have the meaning set forth in Section 8.5.

"Foreclosure Transferee" means any Mortgagee or other transferee of the leasehold interest under this Ground Lease as a result of a judicial foreclosure, non-judicial foreclosure or assignment of the leasehold in lieu of foreclosure.

"Governmental Requirements" means all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, the City, or any other political subdivision in which the Property is located, and any other state, county city, political subdivision, agency, instrumentality or other entity exercising jurisdiction over the Property, including common law.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii)

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perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"Hazardous Materials Activity" has the meaning set forth in Section 12.1(C).

"**HCD**" means the California Department of Housing and Community Development.

"**Head of Household**," means, for purposes of this Agreement, a Senior Agricultural Worker who submits an application to Reside in the Project.

"HUD" means the U.S. Department of Housing and Urban Development.

"Impositions" means all taxes (including, without limitation, sales and use taxes); assessments (including, without limitation, all assessments for public improvements or benefits whether or not commenced or completed prior to the Commencement Date and whether or not to be completed within the Term); water, sewer or other rents, rates and charges; excises; levies; license fees; permit fees; inspection fees and other authorization fees and other charges; in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interests and penalties thereon), which are attributable or applicable to any portion of the Term and may be assessed, levied, confirmed, or imposed on or in respect of, or be a lien upon (a) the Property or the Improvements, or any part thereof, or any estate, right, or interest therein, (b) any occupancy, use, or possession of or activity conducted on the Property or the Improvements, or any part thereof, or (c) this Ground Lease. The term "Impositions" shall also include any and all increases in the foregoing, whether foreseen or unforeseen, ordinary or extraordinary, including, without limitation, any increase in Real Property Taxes resulting from a sale of the Property by Landlord.

"Improvements" means all buildings, structures and other improvements, including the building fixtures thereon, now located on the Property or hereafter constructed on the Property; all landscaping, fencing, walls, paving, curbing, drainage facilities, lighting, parking areas, roadways, and similar site improvements now located or hereafter placed upon the Property.

"Landlord and Landlord Personnel" means Landlord and its respective directors, officers, officials, members, employees, agents, representatives, and volunteers.

"Loss" has the meaning set forth in Section 9.8.

"Maintenance Standards" means those standards set forth in Article 10.

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"Memorandum of Ground Lease" refers to the memorandum of ground lease which has been recorded as described in Section 1.4.

"Mortgage" has the meaning set forth in Section 16.1 of this Ground Lease. The term "Mortgage" shall include the deed of trust recorded in favor of _____ as the senior construction lender, _____, as construction loan [TO INSERT AT CLOSING] secured by Tenant's leasehold interest in the Property.

"Mortgagee" has the meaning set forth in Section 16.1 of this Ground Lease and shall include the Mortgage in favor of construction lender .

"Notices" has the meaning set forth in Section 22.1.

"Official Records" has the meaning set forth in Section 1.4.

"Partnership Agreement" means the agreement which sets forth the terms of Tenant's limited partnership, as such agreement may be amended from time to time.

"Plans" means the plans and specifications for the construction of the Project, a set of which, initialed by Tenant, are on file in the offices of Landlord.

"Project" has the meaning set forth in Recital D above and includes and all on-site improvements necessary to serve the development, all as more particularly described in the Agreement.

"Property" has the meaning set forth in Recital A above.

"Real Property Tax" has the meaning set forth in Section 4.4.3 of this Ground Lease.

"Regulatory Agreement" has the meaning set forth in Recital C.

"Rent" means the rent payable pursuant to Article 4 of this Ground Lease.

"**Reside**" means the location of an individual's permanent residence.

"**Resident Subleases**" has the meaning in Article 17.

"Resource Center Sublease" has the meaning in Article 17.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Spouse**" means, for purposes of this Ground Lease, a person legally married to another, as recognized by the State of California, and includes same-sex marriages and registered domestic partners.

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"**Sublease**" means an agreement pursuant to which Tenant leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of this Ground Lease.

"TCAC" means the California Tax Credit Allocation Committee.

"**Tenant Party**" has the meaning given to it in Section 12.3.

"Term" has the meaning set forth in Article 3 of this Ground Lease.

"Transaction Documents" means, collectively, the Agreement (until such time as the Agreement, by its terms, terminates), and the Ground Lease.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

"**Weekend**" means the days of Saturday and Sunday during a Week.

"Work" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

"**Work Week**" means the days of Monday through Friday during a Week.

ARTICLE 3. TERM.

The term of this Ground Lease ("**Term**") shall commence on the date of recordation of the Memorandum of Ground Lease in the Official Records ("**Commencement Date**") and, subject to the provisions set forth in this Ground Lease and applicable law that may result in an earlier termination of this Ground Lease, shall continue until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

ARTICLE 4. RENT.

4.1 Rent. On the Effective Date, Tenant shall pay to Landlord Base Rent.

4.2 Payment of Rent. All Rent that becomes due and payable pursuant to this Ground Lease shall be paid to Landlord at the address listed in Section 21.1 or such other place as Landlord may from time to time designate by written notice to Tenant without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction. Except as expressly provided herein or in the Agreement, under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or to perform any act or obligation whatsoever or be under any obligation or liability hereunder or with respect to the Property.

4.3 Utilities. Tenant shall be responsible for the payment of and shall establish accounts for all and each of water, gas, electricity, refuse collection and disposal, internet service, broadband coverage, and/or other communication system fees, and all other

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utilities or services used by Tenant on or at the Property. Landlord expressly has no obligation regarding provision of or payment for any utilities serving the Property.

4.4 Taxes and Assessments.

4.4.1 Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property. In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord notices Tenant that by entering into this Ground Lease, a possessory interest subject to assessment and collection of property taxes may be created. Tenant or other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. If possessory interest taxes are assessed, Tenant agrees it is responsible for payment thereof and Landlord has no obligation or liability of any kind or nature relating to payment of property taxes. Tenant shall, at its sole cost and expense, seek exemption from, or contest the payment of, assessments and the collection of property taxes pursuant to Revenue and Taxation Code Section 214, or a successor statute. During the pendency of such contest or request for exemption, Tenant's non-payment of assessments or taxes when due shall not constitute a default hereunder if (i) the validity of such assessments and taxes is actively contested in good faith and by appropriate proceedings, (ii) Tenant has demonstrated to Landlord's reasonable satisfaction that leaving such assessments or taxes unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such assessments or taxes or otherwise impair Landlord's estate in the Property, (iii) Tenant has furnished Landlord with a bond or other security satisfactory to Landlord in an amount not less than 100% of the applicable claim (including interest and penalties), and (iv) upon the final disposition of such proceedings, Tenant shall promptly pay all taxes and assessments then due, inclusive of any unpaid accrued penalties and interest. Landlord is a political subdivision of the State of California, and no property taxes will be or are legally assessable against its fee interest.

4.4.2 Payment of Taxes and Impositions. Subject to any applicable exemptions, Tenant is responsible for and shall pay the real property and/or possessory interest taxes and other Impositions applicable to the Property during the Term of this Ground Lease. Except as provided in Section 4.4.1, all such payments shall be made prior to the delinquency date of such payment. Tenant shall promptly furnish Landlord with satisfactory evidence that such taxes and Impositions have been paid or that an exemption from such taxes has been obtained. If any such taxes and Impositions paid by Tenant shall cover any period of time prior to or after the expiration of the Term, Tenant shall have sole responsibility for seeking any reimbursement due from the appropriate taxing entity. If Tenant fails to pay any such taxes or Impositions, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord within ten (10) days after demand from Landlord together with interest at the rate set forth in Section 4.5.

4.4.3 Definition. As used herein, the term "**Real Property Tax**" shall include any form of real estate tax or assessment (including, without limitation, on possessory interests), general, special, ordinary, or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance,

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personal income, or estate taxes) imposed on the Property or any interest (including, without limitation, possessory interests) therein by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord or Tenant in the Property or in the real property of which the Property are a part, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Property. The term "Real Property Tax" shall also include any tax, fee, levy, assessment, or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "Real Property Tax," or (ii) the nature of which was hereinbefore included within the definition of "Real Property Tax," or (iii) which is imposed as a result of a transfer, either partial or total, of Landlord's interest in the Property or which is added to a tax or charge hereinbefore included within the definition of Real Property Tax by reason of such transfer, or (iv) which is imposed by reason of this lease transaction, any modifications or changes hereto, or any transfers hereof.

4.4.4 Personal Property. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment, and all other personal property of Tenant contained in the Property or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

4.4.5 Apportionment. If any of Tenant's said personal property shall be assessed with Landlord's real property, first Tenant shall advise the County of San Mateo Tax Assessor and Tax Collector of the same in writing, and Tenant shall pay Landlord the taxes attributable to Tenant not later than the later of (a) ten (10) days after receipt of a written statement setting forth the taxes applicable to Tenant's property, or (b) thirty (30) days prior to the date said taxes are due and payable.

4.5 Overdue Interest. Any amount due to Landlord, if not paid when due and on or before expiration of the period for cure as set forth herein, after Landlord's delivery of notice thereof to Tenant, shall bear interest from the date due until paid at the lower of: (a) the reference or prime rate of Bank of America, N.T. & S.A., in effect from time to time plus three percent (3%); or (b) the highest rate of interest allowed under applicable usury law.

4.6 Right to Audit. Tenant shall keep full and accurate books of account, records, and other pertinent data with respect to operations of the Project. Such books of account, records, and other pertinent data shall be kept for at least seven (7) years. At any time, Landlord shall be entitled to examine and conduct an independent audit of all of Tenant's books of account, records, and other pertinent data.

ARTICLE 5. POSSESSION OF PROPERTY.

5.1 Acceptance of Premises. As further described in Section 6.3, Tenant hereby accepts the Property as-is and acknowledges that the Property is in the condition called for by the Agreement and this Ground Lease.

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5.2 Ownership of Improvements. Unless otherwise provided herein, during the Term of this Ground Lease, as it may be extended pursuant to the terms hereof, title to all Improvements, now existing or later made, on the Property are and shall be vested in Tenant as set forth in Article 11.

5.3 Surrender of Property.

5.3.1 Expiration or Termination. Tenant agrees that on the expiration or earlier termination of the Term, the leasehold estate hereby granted to Tenant shall terminate unless extended by mutual agreement of Landlord and Tenant. Upon such termination, the leasehold estate shall be forfeited and shall revert to Landlord, its successors and assigns, and all Improvements on the Property shall become the property of Landlord, its successors and assigns, free and clear from any liens or claims whatsoever (other than non-monetary liens previously approved or otherwise accepted in writing by Landlord), in good condition and repair and in compliance with the Maintenance Standards described in Section 10, reasonable wear and tear excepted, without further compensation therefor from Landlord to Tenant or any other person. Following any such expiration or termination, Tenant shall execute, acknowledge and deliver to Landlord a quitclaim deed, or other document required by a reputable title company and reasonably acceptable to Landlord, conveying all Tenant's right, title, and interest in and to the Property and the Improvements to Landlord. In the event Tenant receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan, or any mortgage, deed of trust, or security instrument secured by the leasehold interest granted hereunder, the Property or the Improvements, or from HCD, the California Debt Limit Allocation Committee, the Internal Revenue Service, or any other agency or entity that provided any form of financing to the Project, then Tenant shall provide written notice of such alleged default to City Manager within five (5) days of receipt thereof. Tenant hereby irrevocably appoints Landlord as Tenant's agent and attorney-in-fact (such agency being coupled with an interest), and as such agent and attorney-in-fact Landlord may, without the obligation to do so, in Tenant's name, or in the name of Landlord, prepare, execute and file or record such statements, applications, and other documents necessary to create, perfect, or preserve any of Landlord's interests and rights in or to the Property and any of the Improvements, and, upon the expiration or earlier termination of the Term, take any other action required of Tenant.

5.3.2 Condition. On expiration or earlier termination of the Term and in furtherance of the provisions relating to surrender of the Property set forth in Section 5.3.1 above, Tenant shall peaceably and quietly leave and surrender the Property and the Improvements to Landlord in good order, condition, and repair and in compliance with the Maintenance Standards, reasonable wear and tear excepted, free of debris, waste and Hazardous Materials. Tenant shall leave in place and in good order, condition, and repair, all fixtures and machinery; except (if Tenant is not then in default under this Ground Lease) Tenant shall have the right to remove only Tenant-owned appliances, other unattached equipment, furniture and merchandise, to the extent installed by Tenant, which removal must be done without damage to the Property or Improvements. Tenant shall remove any such appliances, unattached equipment, furniture and merchandise prior to expiration or termination of the Term. Landlord shall have the right to have the

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Property and the Improvements inspected at Tenant's cost to determine whether the Property and the Improvements have been properly maintained, repaired, and restored in accordance with the Maintenance Standards and the terms of this Ground Lease. If it is determined by Landlord that, at the expiration or earlier termination of this Ground Lease, the condition of all or any portion of the Property is not in compliance with the Maintenance Standards or other provisions of this Ground Lease, including, without limitation, those contained in Article 12 with respect to Hazardous Materials, then Landlord may elect to either (i) require Tenant to hold over possession of the Property until Tenant can surrender the Property to Landlord in the condition required herein, or (ii) undertake the required work to place the Property in the condition required under this Ground Lease and Tenant shall immediately reimburse Landlord for all such costs upon demand from Landlord.

5.3.3 Delivery of Documents. Contemporaneous with the expiration or earlier termination of the Term, as it may be extended pursuant to the terms hereof, and subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, Tenant shall immediately deliver to Landlord, at Tenant's sole cost, the following:

(a) Such documents, instruments, and conveyances as Landlord may reasonably request to enable Landlord's ownership of the Property and the Improvements to be reflected of record, including, without limitation, a quitclaim deed in recordable form to the Property and the Improvements.

(b) An owner's policy of title insurance, surety bond, or other security reasonably acceptable to Landlord insuring against all claims and liens against the Property and the Improvements other than those incurred by Landlord or accepted by Landlord in writing.

(c) All construction plans, surveys, permits, existing contracts for services, maintenance, operation, and any other documents relating to use, operation, management, and maintenance of the Improvements as may be in effect and/or in the possession of Tenant at the time and from time to time thereafter.

(d) All documents and instruments required to be delivered by Tenant to Landlord pursuant to this Section shall be in form satisfactory to Landlord, including without limitation such documents and instruments shall be complete, originals or true copies, and legible.

5.3.4 Surrender. On, or prior to the termination of the Term, Tenant shall surrender to Landlord copies of all keys, key cards and passcodes and other information or tangible property, within their possession that allows access to buildings or structures on the Property.

5.4 Abandonment. Tenant shall not abandon or vacate the Property or the Improvements at any time during the Term. If Tenant shall abandon, vacate, or otherwise surrender the Property or the Improvements, or be dispossessed (other than dispossession as the result of condemnation, which shall be subject to Section 20.1

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below) thereof by process of law or otherwise, the same shall constitute a default under this Ground Lease on the part of Tenant and, in addition to any other remedy available on the part of Landlord, (i) Landlord may relet the Property and Tenant shall be responsible for all of Landlord's costs in connection therewith, including without limitation Landlord's attorneys' fees, and (ii) any of Tenant's property left in, upon or about the Property or the Improvements (except for underground storage tanks) shall, at Landlord's option, be deemed to be abandoned and shall become the property of Landlord. The appointment of a receiver pursuant to a Mortgagee's exercise of its rights under a Mortgage, or the foreclosure of a Mortgage, shall not be a default under this Section.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

6.1 Landlord's Representations. Landlord represents and warrants to Tenant it owns the Property in fee simple and has the power and authority to enter into this Ground Lease and perform all obligations and agreements incidental or pertinent to this Ground Lease. Landlord makes no representation or warranty with respect to the condition of the Property or its fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein. Landlord represents and warrants to Tenant as follows:

(A) Landlord. Landlord is a political subdivision of the State of California. The execution, performance, and delivery of this Ground Lease by Landlord has been fully authorized by all requisite actions on the part of Landlord.

(B) No Conflict. To Landlord's actual, present knowledge, Landlord's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement, or order to which Landlord is a party or by which it is bound.

(C) No Landlord Bankruptcy. Landlord is not the subject of a bankruptcy proceeding.

As used herein, "Landlord's knowledge" shall be limited to the actual knowledge of City Manager, with no duty of inquiry or investigation.

6.2 Tenant's Representations. Tenant represents and warrants to Landlord as follows:

(A) Tenant. Tenant is a duly organized limited partnership formed within and in good standing under the laws of the State of California. Upon request by Landlord or a title company, Tenant shall deliver to Landlord and the title company true and complete copies of the original documents evidencing the organization of Tenant, as amended to the date of this Ground Lease. Tenant has full right, power and lawful authority to undertake all obligations as provided herein and the execution, performance and delivery of this Ground Lease by Tenant have been fully authorized by all requisite actions on the part of Tenant.

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(B) No Conflict. To the best of Tenant's knowledge, Tenant's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement or order to which Tenant is a party or by which it is bound.

(C) No Tenant Bankruptcy. Tenant is not the subject of a bankruptcy proceeding.

Tenant shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true, immediately give written notice of such fact or condition to Landlord.

6.3 AS-IS; Release. Tenant acknowledges and agrees that Tenant is leasing the Property from Landlord solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S AGREEMENT TO LEASE THE PROPERTY TO TENANT, TENANT AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY LANDLORD WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR TENANT'S INTENDED DEVELOPMENT OR PROJECT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. TENANT ACKNOWLEDGES THAT TENANT WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Effective Date, Tenant will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Tenant concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Tenant under California Civil Code §1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

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Tenant Initials _____

This Section 6.3 shall survive termination of the Agreement.

ARTICLE 7. CONSTRUCTION OF THE IMPROVEMENTS.

7.1 Construction. Tenant shall construct the Improvements within the times and subject to all of the terms and conditions set forth in the Agreement, the Regulatory Agreement and this Ground Lease and in accordance with plans and specifications, including the Final Construction Documents (as defined in the Ground Lease) (collectively, "**Plans**") approved by Landlord. All Improvements shall be constructed in a good and workmanlike manner using materials of good quality, and shall comply with all applicable Governmental Requirements. Tenant shall keep the Property and its leasehold interest free of all liens arising out of any work performed, materials or services furnished, or obligations incurred by Tenant or any of its contractors or agents.

7.2 Construction Cost. Tenant and not Landlord shall bear the entire and sole cost of planning, designing, engineering, entitling, permitting, financing, constructing, supervising, and inspecting the Improvements, including all fees, costs, assessments and mitigation measures arising from or related thereto.

7.3 Landlord's Right to Discharge Lien. If Tenant does not, within forty-five (45) days of obtaining knowledge of a lien, cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Property or Tenant's leasehold interest under any alternative or successor statute and in a manner reasonably acceptable to Landlord, Landlord shall have the right, but not the duty, subject to the notice and cure rights of Mortgagees set forth elsewhere in this Ground Lease, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien or both. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section, together with all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees, and costs from the date of payment until the date of reimbursement at the rate set forth in Section 4.5.

7.4 Notice of Non-Responsibility. After the filing of a notice of completion pursuant to Section 7.5, Tenant shall provide Landlord with prior written notice of not less than thirty (30) days before commencing construction of any structural alteration of the Improvements, or any non-structural alteration which will cost more than One Hundred Thousand Dollars ($100,000), and shall permit Landlord to record and post appropriate notices of non-responsibility on the Property. This One Hundred Thousand Dollar ($100,000) limitation shall be recalculated each calendar year after the calendar year in which the final COO is issued by applying the CPI Adjustment to the One Hundred Thousand Dollar ($100,000) limitation.

7.5 Notice of Completion. Promptly after completion of construction of the Improvements, Tenant shall file or cause to be filed a notice of completion. Tenant hereby appoints Landlord as Tenant's attorney-in-fact to file the notice of completion, at Tenant's cost and expense, if Tenant fails to do so.

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7.6 Subsequent Alterations. Following completion of the construction of the Improvements in accordance with the Plans, Tenant may from time to time, at its sole expense, make improvements and other alterations to the Property which Tenant reasonably determines to be beneficial, subject to compliance with all applicable Governmental Requirements and with no obligation on Landlord's part to allow any variances or deviations from the Land Use Entitlements or the Scope of Development. As used in this Section, the terms "**alterations**" and "**improvements**" shall not apply to repairs of existing improvements. Notwithstanding the foregoing, any improvement which will cost more than One Hundred Thousand Dollars ($100,000) shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 8. USE OF THE PROPERTY.

8.1 Covenants Regarding Affordability, Occupancy, and Unit Mix.

8.1.1 Affordability. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof, that Tenant shall comply during the Term of this Ground Lease with the Affordability Restrictions which specifically means that ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size, as published by HUD ("**Adjusted AMI**"), and (ii) twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI, with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. The Affordability Restrictions described above and Tenant's obligation to comply therewith shall be evidence in the Regulatory Agreement, which shall be recorded as an encumbrance on the Property.

8.1.2 Unit Mix. The Project will contain three (3) studio units, thirty-four (34) 1-bedroom units, and three (3) 2-bedroom units. One 2-bedroom unit will be a manager's unit and not subject to Affordability restrictions.

8.1.3 Occupancy. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof that, except as otherwise required by federal, state, or local law or any Project funding source:

(a) With the exception of the one manager's unit, the Head of Household for each unit must be a Senior and an Agricultural Worker residing in the City of Half Moon Bay or San Mateo County, and shall be selected based on the preference program described in Section 8.5, below.

(b) household members in addition to the Head of Household shall be limited to persons who are 45 years of age or older, or are the Spouse, or person providing primary physical or economic support to the Senior; including hired healthcare workers. Children (i.e., persons under the age of 18) may occupy a unit only in the event

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that the child is disabled and is the child or grandchild of the Senior and needs to live with the Senior because of the disabling condition.

(c) if the Senior Head of Household in a unit dies or is permanently relocated to another residence or care facility, the other qualified residents of the units will be allowed to continue to Reside in the unit for one (1) year but live-in health care aids must vacate the unit within ninety (90) days.

(d) occupancy in the Project shall be limited to 2 persons maximum per studio and 1-bedroom unit, and 4 persons maximum per 2-bedroom unit. Landlord is imposing these occupancy limits in compliance with HUD's two person per sleeping area standard in order to (1) provide the Senior community that Reside in the Project with a quieter home environment free of overcrowding in order to prevent accidents/falls and to promote physical recovery and mental health; and (2) alleviate demands on available parking given that the Project provides limited on site parking; and (3) prevent wear and tear of publicly funded housing.

8.1.4 Covenants Running With the Land. The foregoing covenants in this Section 8.1 shall run with the land for the duration of the Term.

8.2 Annual Reporting. Tenant will provide Landlord with an annual report to confirm that the above requirements for Affordability and Occupancy are being fulfilled. Landlord may rely on reports produced by Tenant to fulfill Project funding source reporting requirements, if applicable.

8.3 Covenant to Pay Taxes and Assessments. Tenant shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Tenant's right to contest any such tax in good faith and any property tax exemptions.

8.4 Covenants Regarding Nondiscrimination. Tenant covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, or any part thereof, nor shall Tenant, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land for the duration of the Term.

Tenant agrees for itself and any successor in interest that Tenant shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or

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national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(A) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(B) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(C) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, Tenants, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the foregoing, Tenant acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Tenant's only rights with respect to the Property and Project shall arise under this Ground Lease as a tenant.

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8.5 Preference Program. Except to the extent prohibited by applicable federal or state law or any Project funding sources, Tenant shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time.

When the units are constructed and ready for occupancy, Tenant will create an application process that will result in a pool of applicants. The pool of applicants will be sorted according to this preference order for the Head of Household in the following manner:

1. "**First Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in Half Moon Bay.

2. "**Second Prefere**nce": Prospective Senior resident is an Agricultural Worker who Resides or Works in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in County of San Mateo.

Tenant will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Tenant will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Tenant will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

The covenants established in this Ground Lease and the Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of Landlord, its successors and assigns, Landlord and any successor in interest to the Property. The covenants against discrimination shall remain in effect in perpetuity.

ARTICLE 9. INSURANCE.

9.1 Tenant's Insurance. Without limiting Landlord's right to indemnification, Tenant shall secure and maintain insurance coverage as set forth in this Article 9.

9.2 Commercial General and Automobile Liability; Worker's Compensation. Commencing on the Effective Date and continuing throughout the Term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, the following policies of insurance:

(A) Commercial General Liability Insurance covering bodily injury, property damage, personal injury, and advertising injury written on an occurrence basis with coverage at least as broad as Insurance Services Office (ISO) form CG 00 01,

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containing the following minimum limits: (i) general aggregate limit (including excess coverage) of Ten Million Dollars ($10,000,000.00); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000.00); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000.00); and (iv) each occurrence limit of Three Million Dollars ($3,000,000.00). Said policy shall include the following coverages: (I) products and completed operations; (II) independent contractors; (III) Owner's broad form property damage; (IV) severability of interest; (V) cross liability; and (VI) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(B) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for Landlord and Tenant against any loss, claim, or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Tenant in the course of carrying out the work or services contemplated in this Ground Lease, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(C) A policy of comprehensive automobile liability insurance written on an occurrence basis using ISO Business Automobile Coverage form CA 00 01 (or equivalent), in an amount not less than Two Million Dollars ($2,000,000.00) each accident covering all owned, non-owned, leased, and hired vehicles used in connection with the Project; provided, however, that if Tenant does not own vehicles it may satisfy this provision through a rider to its general liability coverage for non-owned/hired vehicles.

9.3 Builders Risk. Commencing on the Effective Date and continuing until Landlord issues a temporary Certificate of Occupancy, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as the City of Half Moon Bay issues a temporary Certificate of Occupancy, and storage and transportation risks. Such insurance shall protect/insure the interests of Tenant/owner and all of Tenant's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

9.4 Property; Business Interruption; Boiler and Machinery Insurance. Commencing on the date Landlord issues a temporary Certificate of Occupancy and continuing throughout the term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City Manager, the following insurance:

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(A) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in San Mateo County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(B) Business interruption and extra expense insurance to protect Tenant and Landlord covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay, or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(C) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

9.5 Contractor Insurance Requirements. Tenant shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure and maintain insurance that satisfies all of the requirements of Section 9.2 and Section 9.6 prior to the general contractor commencing any activities on the Property.

9.6 Additional Requirements. The following additional requirements shall apply to all of the above policies of insurance:

(A) All of the above policies of insurance shall allow and be endorsed primary insurance, except the Worker's Compensation, Employer Liability insurance. The commercial general liability and automobile liability insurance, shall be endorsed to name all of Landlord and Landlord Personnel as additional insureds. The commercial general liability shall be endorsed on an ISO Form CG 20 10 for ongoing operations and CG 20 37 for completed operations (current version) or equivalent forms. Tenant waives its right to recover against Landlord and all Landlord Parties and their respective insurers for all claims and losses covered by the insurance policies required by this Ground Lease, and shall cause its insurers to waive all rights of subrogation and contribution it may have against Landlord and Landlord Personnel and their respective insurers and shall provide an endorsement affecting such. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to Landlord. If a carrier will not provide the required notice of cancellation, the Tenant shall provide written notice to the Landlord of a cancellation no later than ten (10) business days before cancellation. In the event any of said policies of insurance are cancelled, Tenant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to City Manager. Not later than the Effective Date, Tenant shall provide City Manager with Certificates of Insurance or appropriate insurance

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binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the approval of City Manager.

(B) The policies of insurance required by this Ground Lease shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by City Manager due to unique circumstances.

(C) City Manager is hereby authorized to increase, reduce, or otherwise modify Tenant's insurance requirements set forth herein in the event he or she determines, in his or her sole and absolute discretion, that such increase, reduction, or modification is warranted by changes in construction costs, inflationary changes after the Effective Date, or otherwise, and is consistent with commercial practices.

(D) Any available insurance proceeds broader than, or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements are sufficient to cover the obligations of the Tenant.

(E) Tenant agrees that the provisions of this Section shall not be construed as limiting in any way Landlord's right to indemnification or the extent to which Tenant may be held responsible for the payment of damages to any persons or property resulting from Tenant's activities or the activities of any person or persons for which Tenant is otherwise responsible.

9.7 Remedies for Defaults Re: Insurance. In addition to any other remedies Landlord may have if Tenant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, Landlord may, at its sole option, after fifteen (15) days' Notice to Tenant:

(A) Obtain such insurance and charge Tenant the amount of the premium for such insurance, in which event Tenant shall promptly remit such sum to Landlord;

(B) Withhold any payment(s) which become due to Tenant hereunder until Tenant demonstrates compliance with the requirements hereof; and

(C) Declare Tenant in Default and exercise its rights and remedies under this Ground Lease.

Exercise of any of the above remedies, however, is an alternative to other remedies Landlord may have and is not the exclusive remedy for Tenant's failure to maintain insurance or secure appropriate endorsements.

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Nothing herein contained shall be construed as limiting in any way the extent to which Tenant may be held responsible for payment of damages to persons or property resulting from Tenant's contractors or any subcontractor's performance under this Ground Lease.

9.8 Indemnification. Tenant shall defend (with counsel acceptable to Landlord), indemnify, assume all responsibility for, and hold Landlord and Landlord Personnel harmless from, all claims, demands, damages, defense costs (including attorneys' fees and costs) and liability of any kind or nature (any of the foregoing, a "**Loss**") arising out of or in connection with Tenant's failure to perform any obligation or requirement under this Ground Lease or the Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance, work and the like under or in connection with this Ground Lease, whether such activities, performance or the like thereof be by Tenant or by anyone directly or indirectly employed, controlled, or contracted by Tenant and whether such damage shall accrue or be discovered before or after termination of this Ground Lease, including but not limited to any damages to property or injuries to persons, including accidental death, to the extent arising out of or in connection with any of the foregoing. Tenant shall not be liable for any such Loss or indemnification therefore to the extent occasioned by the gross negligence or willful misconduct of any of Landlord and Landlord Personnel.

ARTICLE 10. MAINTENANCE; REPAIRS

Tenant shall, throughout the entire Term of this Ground Lease, maintain the Property and all improvements thereon, including, without limitation, lighting and signage, in good condition and repair, free of debris, waste, and graffiti, and in compliance with all applicable laws and regulations. Tenant shall maintain the Improvements and landscaping on the Property strictly in accordance with the Maintenance Standards (defined below). Such Maintenance Standards shall apply to all buildings, walls, systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property. To accomplish the maintenance, Tenant shall either staff or contract with and hire licensed and qualified personnel to perform all such work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Ground Lease.

Tenant and its maintenance staff, contractors, consultants, agents or subcontractors shall comply with the following standards ("**Maintenance Standards**"):

(A) The Property, including, without limitation, all buildings, walls systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property, shall be maintained in conformance and in compliance with the approved Plans and permits, and maintenance standards for similar, neighboring structures, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curb line. The Property shall be maintained in good condition and repair and in

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accordance with the custom and practice generally applicable to comparable market-rate apartment complexes located in San Mateo County.

(B) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(C) Clean-up maintenance shall include, but not be limited to: regular maintenance of all sidewalks, paths and other paved areas in a clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris, or other matter which is unsafe or unsightly; removal of all graffiti, trash, litter, and other debris from improvements; removal of all trash, litter, and other debris from landscaping prior to mowing; and clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves, and other debris are properly disposed of by maintenance workers.

Upon Landlord's written notification to Tenant of any maintenance deficiency, Tenant shall have thirty (30) days within which to correct, remedy, or cure the deficiency, or such longer period as is reasonably necessary to complete the cure (not to exceed ninety (90) days), provided such correction, remedy, or cure is commenced within such thirty (30) day period and diligently prosecuted to completion. If the written notification states the problem is urgent relating to the public health and safety of Landlord, then Tenant shall have three (3) business days to rectify the problem, or such longer period as is reasonably necessary to complete the cure (not to exceed ten (10) business days). In the event Tenant does not maintain the Property in the manner set forth herein and in accordance with the Maintenance Standards (as determined by Landlord), Landlord shall have, in addition to any other rights and remedies hereunder, the right to maintain the Property, or to contract for the correction of such deficiencies, after Notice to Tenant, and Tenant shall be responsible for the payment of all such costs incurred by Landlord within thirty (30) days of Landlord's demand for payment.

ARTICLE 11. OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS.

11.1 Ownership During Term.

11.1.1 Improvements. Subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, all Improvements on the Property as permitted or required by this Ground Lease shall, during the Term, be and remain the property of Tenant, and Landlord shall not have title thereto. Tenant shall not, however, demolish, remove, sell, encumber, lease, assign, or otherwise convey any Improvements from the Property except as permitted herein.

11.1.2 Personal Property. All personal property, furnishings, fixtures and equipment, including, without limitation, Tenant-owned appliances, which are not so

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affixed to the Property or the buildings thereon as to require substantial damage to the buildings upon removal thereof shall constitute personal property. If Tenant is not then in default under this Ground Lease, at any time during the Term and at termination thereof, Tenant shall have the right to remove any and all such personal property, furnishings, fixtures and equipment; provided, that Tenant repairs any damage to the Property or the Improvements caused by such removal.

11.1.3 Basic Building Systems. For purposes of this Ground Lease, the personal property, furnishings, fixtures and equipment described in this Section 11.1 shall not include those major building components or fixtures necessary for operation of the basic building systems such as, but not limited to, the elevators, plumbing, sanitary fixtures, lighting fixtures, electrical fixtures, and the heating and central air-cooling systems.

11.2 Ownership at Expiration or Termination.

11.2.1 Property of Landlord. In accordance with provisions of Sections 5.3.1 and 5.3.2 hereof, and except as provided in Section 11.2.2, all Improvements which constitute or are a part of the Property shall, upon termination of this Ground Lease, become (without the payment of compensation to Tenant or others) the property of Landlord free and clear of all claims and encumbrances on such Improvements by Tenant, and anyone claiming under or through Tenant, except for such title exceptions permitted or required during the Term with Landlord's prior written consent. Tenant shall then quitclaim to Landlord any and all rights, interests and claims to the Improvements. Tenant agrees to and shall defend (with counsel acceptable to Landlord), indemnify, and hold Landlord harmless from and against all claims, liability, and loss which may arise from the assertion of any such claims and any encumbrances on such Improvements (except to the extent such claims arise due to Landlord's gross negligence or intentional misconduct) and except for such title exceptions permitted or required during the Term and approved in advance and in writing by Landlord.

11.2.2 Removal by Tenant. Tenant shall not be required or permitted to remove the Improvements, or any of them, at the expiration or sooner termination of the Term unless otherwise directed by Landlord in writing no less than thirty (30) days prior to the expiration of the Term or within thirty (30) days of any earlier termination thereof; provided, however, that, subject to the provisions of Section 5.3.2 hereof, within thirty (30) days following the expiration or sooner termination of the Term, Tenant shall remove all personal property, furniture, and equipment.

11.2.3 Unremoved Property. Any personal property, furnishings or equipment not removed by Tenant pursuant to Section 11.2.2 hereof, shall, without compensation to Tenant, become Landlords' property, free and clear of all claims to or against them by Tenant or any third person, firm or entity arising by, through or under Tenant. Landlord shall have no duty to store such items, provide any notices to Tenant, sell or dispose of such items, and/or remit any proceeds from any such sale or disposal to Tenant in accordance with otherwise applicable statutory procedures, and Tenant hereby waives any statutory or other right Tenant might have with respect thereto.

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11.2.4 Maintenance and Repair of Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alterations, repair, damage, and destruction, Tenant agrees to assume full responsibility for the operation, repair and maintenance of the Property and the Improvements and all fixtures and furnishings thereon or therein throughout the Term hereof without expense to Landlord, and to perform all repairs and replacements necessary to maintain and preserve the Property, the Improvements, fixtures, and furnishings in a decent, safe, sanitary and operational condition consistent with good practices and in compliance with all applicable laws. Tenant agrees that Landlord shall not be required to perform any maintenance, repairs, or services, or to assume any expense in connection with the Property and the Improvements thereon unless specifically required under the terms of this Ground Lease. Except as otherwise provided in this Section 11.2 and in Section 11.4, the condition of the Improvements required to be maintained hereunder upon completion of the work of maintenance or repair shall be equal or better in quality and use to the condition of such Improvements before the event giving rise to the work.

11.3 Waste. Subject to the alteration rights of Tenant set out in this Ground Lease and damage, destruction, or condemnation of the Property or any part thereof as further described herein, Tenant shall not commit or suffer to be committed any waste of the Property or the Improvements, or any part thereof. Tenant agrees at all times to keep the Property and the Improvements clean and clear of graffiti, refuse, and obstructions, to store all garbage, trash, and rubbish in a safe and sanitary manner, and to promptly and properly dispose of all garbage, trash, and rubbish.

11.4 Alteration of Improvements. Except as provided in Section 7.1, Tenant shall not make or permit to be made any material exterior alteration of, addition to or change in, the Improvements which would affect the exterior elevations (including materials selection and color) or the size, bulk, and scale of the Property, other than routine maintenance and repairs, nor demolish all or any part of the Improvements, without the prior written consent of Landlord, which consent Landlord may withhold in its reasonable discretion. Nothing herein shall prohibit interior alterations or decorations, or the removal and replacement of interior improvements consistent with the specified use of the Property. In requesting consent for such exterior improvements as required by the foregoing, Tenant shall submit to Landlord detailed plans and specifications of the proposed work and an explanation of the need and reasons thereof. Tenant may make such other improvements, alterations, additions or changes to the Improvements which do not materially affect the exterior elevations (including materials selection and color) or the size, bulk, and scale thereof without Landlord's prior written consent, which consent Landlord may withhold in its sole and absolute discretion, and provided that Tenant has obtained all required governmental permits and approvals therefor and such improvements, alterations, additions, or changes comply with applicable laws.

Notwithstanding the prohibition in this Section 11.4, Tenant may make such changes, repairs, alterations, improvements, renewals or replacements to the exterior elevations, materials, size, bulk, or scale of the Improvements as are required (a) by reason of any law, ordinance, regulation, or order of a competent government authority, or (b) to continue to receive any government funding that may be available to the Project.

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ARTICLE 12. HAZARDOUS MATERIALS.

12.1 Definitions of "Hazardous Materials", "Environmental Laws" and "Hazardous Materials Activity."

(A) Hazardous Materials. The term "**Hazardous Materials**" is defined in Article 2.

(B) Environmental Laws. The term "**Environmental Laws**" means any and all present and future federal, state and local laws (whether under common law, statute, rule, regulation or otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment, health or safety, or to any Hazardous Materials or Hazardous Materials Activity (defined below).

(C) Hazardous Materials Activity. The term "**Hazardous Materials Activity**" means any actual, proposed or threatened storage, holding, existence or suspected existence, release or suspected release, emission, discharge, generation, processing, abatement, removal, disposition, handling or transportation of any Hazardous Materials from, under, into, on, or across the Project, Improvements, or surrounding property, or any other use of or operation on the Project, Improvements, or surrounding property that creates a risk of Hazardous Materials contamination of the Project or Improvements thereon.

12.2 Tenant's Covenants. Tenant shall: (i) comply with all applicable Environmental Laws; (ii) not engage in, permit or acquiesce to any Hazardous Materials Activity on, under, over, or about the Property, Project or the Improvements thereon, except in strict accordance with all Environmental Laws, and all applicable best practices, (iii) promptly advise Landlord in writing of (1) the receipt by Tenant of notice of any and all Hazardous Materials claims or Hazardous Materials Activity, (2) any knowledge by Tenant of any Hazardous Materials claim or Hazardous Materials Activity related to the Property, Project or the Improvements thereon, (3) any remedial action to be taken or in the case of an imminent emergency, taken by Tenant or others in response to any Hazardous Materials on, under or about the Property, Project or the Improvements thereon, or to any Hazardous Materials claims or any Hazardous Materials Activity, (4) any enforcement, cleanup, or other regulatory action taken or threatened with respect to the presence of any Hazardous Material on, under, or around the Property, Project or the Improvements thereon, or (5) Tenant's discovery of the presence of any Hazardous Materials or Hazardous Materials Activity on, under or about the Property, Project or the Improvements thereon whether or not the same requires notice to be given to any governmental entity or agency under Environmental Laws; (iv) submit to Landlord, promptly upon receipt or preparation, copies of any and all reports, studies, analyses, correspondence, governmental comments or approvals, proposed removal or other remedial work contracts and similar information prepared or received by Tenant in connection with any remedial work or Hazardous Materials relating to the Property,

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Project or the Improvements thereon; and (v) provide for periodic inspections of the Property, Project and the Improvements thereon and for periodic meetings with representatives of Landlord and, upon request, Landlord may, but shall not be required to, review the results of such inspections.

12.3 Environmental Cleanup.

(A) Tenant's Compliance. Throughout the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, comply, and cause each Tenant Party to comply with, any and all Environmental Laws with respect to any Hazardous Materials used, generated, stored or disposed of at the Project or the Improvements during the Term.

(B) Environmental Authority. Tenant shall, at Tenant's sole cost and expense, make, and require and use commercially reasonable efforts to cause each Tenant Party to make, all required submissions to, provide all information required by, and comply with any and all requirements of any and all Governmental Authority having jurisdiction over the environmental condition of the Property, Project or the Improvements thereon.

(C) Cleanup Plan. Should any Governmental Authority having jurisdiction over the Project or the Improvements thereon demand in accordance with Environmental Laws that a cleanup plan be prepared and that a cleanup be undertaken in accordance with Environmental Laws because of any Hazardous Materials Activity that Tenant or any of its agents, assignees, subtenants, contractors, consultants, subcontractors or employees (each, a "**Tenant Party**") caused during the Term in violation of Environmental Laws or this Ground Lease, at, on, or from the Property, Project or the Improvements thereon, or which arises at any time as a result of Tenant's or any Tenant Party's use or occupancy of the Project or the Improvements thereon, then Tenant shall, at Tenant's sole cost and expense and subject to Force Majeure Delay, prepare and submit the required plans and all bonds and other financial assurances required under Environmental Laws to Landlord for written approval. Following Tenant's receipt of Landlord's written approval, Tenant shall carry out all such cleanup plans in a timely manner, all as may be required by any such Governmental Authority in accordance with Environmental Laws and this Ground Lease. Landlord's consent to any remediation action by Tenant or its agents shall not constitute Landlord's endorsement, ratification or liability therefor and shall not constitute a waiver of any default of this Lease.

(D) Reporting. Tenant shall promptly provide all information regarding the any Hazardous Materials Activity, including the use, generation, storage, transportation, or disposal of Hazardous Material by Tenant on or about the Project or the Improvements thereon, as requested by Landlord in writing

12.4 Landlord's Self-Help Right. If Tenant fails to comply with the provisions of this Article 12 and such failure continues and becomes a Tenant Event of Default, Landlord may, at its option and in its sole discretion, take all reasonably necessary actions to remedy the Tenant Event of Default at Tenant's sole expense, which sums shall be

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payable to Landlord within thirty (30) days of written demand. The obligations of Tenant under this Article 12 shall survive the expiration or termination of this Ground Lease.

12.5 Tenant Indemnification for Hazardous Materials. Tenant shall defend (with counsel acceptable to Landlord), indemnify and hold harmless Landlord and all Landlord Personnel from and against all threatened or actual liability, suits, proceedings, liens, orders, judgments, fines, encumbrances, actions, claims, including third party claims, environmental requirements and damages, environmental claims, costs of investigation and cleanup, expenses, penalties, fines, and losses (including, without limitation, diminution in value of Landlord's fee interest in the Property and Project and reversionary interest in Improvements after the Term of this Lease) of whatever kind or nature, which result from or are in any way connected with the release, escape, seepage, leakage, receipt, deposit, spill, handling, use, storage, accumulation, transportation, generation, discharge, or disposal of any Hazardous Materials which occurs in, on, under, from or about the Property, Project or the Improvements thereon during the Term of this Ground Lease or to the extent caused by Tenant or any Tenant Party, except to the extent caused by the gross negligence or willful misconduct of any Landlord.

ARTICLE 13. DAMAGE OR DESTRUCTION OF PROPERTY OR IMPROVEMENTS.

13.1 Tenant's Repair Obligation.

13.1.1 In case of damage to or destruction of the Property or the Improvements, or any part thereof, by fire or other cause at any time during the Term of this Ground Lease, Tenant, if and to the extent insurance proceeds are available, shall restore the same as nearly as possible to their value, condition, and character immediately prior to such damage or destruction. Such restoration shall be commenced with due diligence and in good faith, and prosecuted with due diligence and in good faith, unavoidable delays excepted.

13.1.2 In case of damage to or destruction of the Improvements by fire or other cause resulting in a loss exceeding in the aggregate Ten Thousand Dollars ($10,000), Tenant shall promptly give written notice thereof to Landlord.

13.1.3 In the event insurance proceeds are insufficient to restore the Property or the Improvements to substantially its condition, and character immediately prior to such damage or destruction such that the Property may be operated in a manner comparable to prior to such damage or destruction, then, subject to the rights of the Mortgagees, either Tenant or Landlord shall have the right to terminate this Ground Lease by providing written notice thereof to the other party.

13.2 Tenant's Restoration of Project.

13.2.1 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss does not exceed thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld. The proceeds shall be paid directly to a Mortgagee (if

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required by Mortgagee), if any, and if there is not a Mortgagee, to Landlord, for the sole purpose of making the restoration of the Improvements in accordance with this Article 13.

13.2.2 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss exceeds thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld, and the insurance company shall immediately pay the proceeds to a Mortgagee (if required by Mortgagee), if any, and if there is not a Mortgagee, then to a bank, trust company or escrow company selected by Landlord and approved by Tenant ("**Insurance Trustee**"), which approval shall not be unreasonably withheld, conditioned or delayed. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

(a) The sums shall be paid in installments by Insurance Trustee to the contractor retained by Tenant and approved by Landlord as construction progresses, for payment of the cost of restoration. A ten percent (10%) retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Property and the Improvements are free of all mechanics' liens and lienable claims;

(b) Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Tenant and approved by Landlord (which approval shall not be unreasonably withheld) showing the amount due. If Insurance Trustee determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Tenant, Insurance Trustee shall have the right to appoint an architect or an engineer to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by Insurance Trustee. The expenses and charges of the architect or engineer retained by Insurance Trustee shall be paid by Insurance Trustee out of the trust fund;

(c) If, after the work of restoration has commenced, the sums held by Insurance Trustee are not sufficient to pay the actual cost of restoration, Tenant shall deposit the amount of the deficiency with Insurance Trustee within ten (10) days after receipt of request for payment of such amount from Insurance Trustee, which request shall be made by Insurance Trustee promptly after it is determined there will be a deficiency;

(d) If Insurance Trustee has received notice from Landlord that Tenant is in default under this Ground Lease, then, subject to the lien of a Mortgagee's Mortgage and the Mortgagee's prior written consent, Insurance Trustee shall pay itself an amount sufficient to cure such default as specified in Landlord's notice to the Insurance Trustee;

(e) Any amounts remaining after making the payments hereinabove referred to in clauses (a), (b), (c), and (d) shall be paid to any leasehold

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Mortgagee to the extent (x) required by any Mortgage and (y) such leasehold Mortgagee makes written demand therefor to the Insurance Trustee;

(f) Any undisbursed funds remaining after compliance with all of the provisions of this Section 13.2 shall, if and to the extent required by any Mortgage, be delivered to the Mortgagee, and if there is no leasehold Mortgagee, to Tenant; and

(g) All actual costs and charges of Insurance Trustee in administering such funds shall be paid by Tenant. If any Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord shall substitute a new Insurance Trustee in the manner described in this Section.

13.2.3 Both parties shall promptly execute all documents and perform all acts reasonably required by Insurance Trustee to perform its obligations under this Section 13.2.

13.3 Procedure for Restoring Improvements.

13.3.1 If and to the extent Tenant is obligated to restore the Improvements pursuant to this Article 13, Tenant shall restore the Improvements substantially in accordance with the Plans and otherwise in conformance with this Article 13. Within forty-five (45) days after the date of such damage or destruction, Tenant, at its cost, shall prepare and deliver to Landlord final plans and specifications and working drawings complying with applicable laws that will be necessary for such restoration. Such plans and specifications shall specify differences from the Plans. The plans and specifications and working drawings are subject to the approval of Landlord only insofar as they vary from the Plans; provided that nothing in this Ground Lease is intended or shall be interpreted to release Tenant from the obligations to obtain any applicable governmental permits or comply with applicable laws with respect thereto. Landlord shall have thirty (30) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Tenant. If Landlord disapproves the plans and specifications and working drawings, Landlord shall notify Tenant of its objections in writing, specifying the objections clearly and stating what modifications are required for Landlord's approval. Tenant acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

13.3.2 The restoration shall be accomplished as follows:

(a) Tenant shall complete the restoration with reasonable diligence and in all events within eighteen (18) months after final plans and specifications and working drawings have been approved by the appropriate government bodies and all required permits have been obtained.

(b) Tenant shall retain a licensed contractor that is bondable. The contractor shall be required to carry public liability and property damage insurance, builders risk insurance, standard fire and extended coverage insurance, with vandalism

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and malicious mischief endorsements, during the period of construction in accordance with Article 9. Such insurance shall contain waiver of subrogation clauses in favor of Landlord and Tenant in accordance with the provisions of and to the extent required by Section 9.6.

(c) Tenant shall notify Landlord of the date of commencement of the restoration not later than thirty (30) days before commencement of the restoration to enable Landlord to post and record notices of non-responsibility. The contractor retained by Tenant shall not commence construction until a completion bond and a labor and materials bond have been delivered to Landlord to insure completion of the construction.

(d) Tenant shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the Property, Project and the Improvements.

(e) On completion of the restoration, Tenant shall immediately record a notice of completion, or else Landlord shall have the right to do so.

(f) The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with Landlord or the escrow company (if any) as provided in Section 13.2.

13.4 Mortgagee Protection. The following provisions are for the protection of a Mortgagee and shall, notwithstanding anything contained in this Ground Lease to the contrary, control:

13.4.1 Insurance. Any insurance proceeds payable from any policy of insurance (other than liability insurance) required by the Ground Lease shall be paid to and applied by the Mortgagees, if any, in accordance with their respective Mortgage. Each Mortgagee, if any, shall have the right to participate in all adjustments, settlements, negotiations, or actions with the insurance company regarding the amount and allocation of any such insurance proceeds. Any insurance policies permitted or required by this Ground Lease shall name each Mortgagee, if any, as an additional insured or loss payee, as appropriate, if required by such Mortgagees.

13.4.2 Restoration Tenant shall have no obligation to restore or repair the Improvements following the occurrence of any casualty for which insurance is not required under this Ground Lease**.** The Mortgagee, if any, and if it exercises any of its remedies set forth in this Ground Lease to acquire the leasehold estate hereunder, shall have no obligation to restore or repair damage to the Improvements that cost in excess of available insurance proceeds. Tenant shall have no obligation to restore or repair damage to the Improvements if the casualty occurs during the last five (5) years of the Ground Lease term. In the event such a loss occurs in the last five (5) years, then, at the election of Tenant, with the prior written consent of Mortgagee, if any, insurance proceeds shall be used, first, to clear the Property of the damaged Improvements and any debris, and second, to reduce or pay in full the Mortgage, with any excess being payable as provided in this Ground Lease.

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ARTICLE 14. CONDEMNATION.

14.1 Parties' Rights and Obligations to be Governed by Agreement. If, during the term of this Ground Lease, there is any condemnation of all or any part of the Property or any interest in Tenant's leasehold estate is taken by condemnation, the rights and obligations of the parties will be determined under this Article 14, subject to the rights of any lender. Accordingly, Tenant waives any right to terminate this Ground Lease upon the occurrence of a partial condemnation under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure, as those Sections may from time to time be amended, replaced, or restated

14.2 Notice. In case of the commencement of any proceedings or negotiations that might result in a condemnation of all or any portion of the Property during the Term, the party learning of such proceedings will promptly give written notice of the proceedings or negotiations to the other party. The notice will describe with as much specific specificity as is reasonable, the nature and extent of such condemnation or the nature of such proceedings or negotiations and of the condemnation that might result, as the case may be.

14.3 Total Taking. If a condemnation takes the entirety of the Property, this Ground Lease will terminate on the date the condemnor has the right to possession of the Property.

14.4 Partial Taking. If any portion of the Property is taken by condemnation, but less than the entire Property, this Ground Lease will remain in effect, except that Tenant may, with lender's written consent, elect to terminate this Ground Lease if, in Tenant's reasonable judgment, the remaining portion of the Improvements, after taking into account any compensation awarded to Tenant and any repairs or reconstruction of the Improvements that can reasonably be undertaken, is rendered physically unsuitable for Tenant's continued operation of the Project, or is not capable of producing a reasonable net annual income. If Tenant elects to terminate this Ground Lease, Tenant must exercise its right to terminate under this paragraph by giving notice to Landlord within thirty (30) days after Landlord notifies Tenant of the nature and the extent of the taking. Tenant's termination notice must include the date of termination, which date may not be earlier than thirty (30) days or later than six (6) months after the date of Tenant's notice; except that this Ground Lease will terminate on the date the condemnor has the right to possession of the Property and Project if that date falls on a date before the date of termination as designated by Tenant. If Tenant does not terminate this Ground Lease within the thirty (30) day notice period, this Ground Lease will continue in full force and effect.

14.5 Restoration of Improvements. If there is a partial taking of the Property and Project and this Ground Lease remains in full force and effect under Section 14.4, then Tenant shall, subject to the terms of any Mortgage, use the proceeds of the taking first to accomplish any necessary restoration to the Improvements.

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14.6 Award and Distribution. Any compensation awarded, paid, or received on a total or partial condemnation of the Project or threat of condemnation of the Project will belong to and be distributed in the following order (except that, in the case of a partial taking, the following distributions shall be made after payment of any necessary restoration costs as provided in Section 14.5):

14.6.1 First, to pay the balance due on any outstanding Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals, and lease residuals, to the extent provided therein; and

14.6.2 Second, to Landlord in an amount equal to the then fair market value of Landlord's fee interest in the Property and the reversionary interest in the Improvements, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the site; and

14.6.3 Third, to Tenant in an amount equal to the then fair market value of Tenant's interest in the Project, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the Site.

14.6.4 Notwithstanding anything to the contrary set forth in this Section, any portion of the compensation awarded that has been specifically designated by the condemning authority or in the judgment of any court to be payable to Landlord or Tenant on account of any interest in the Property or the Improvements separate and apart from the condemned land value, the value of Landlord's reversionary interest in the Improvements, Tenant's leasehold estate, or the value of the Improvements on the Property for the remaining unexpired portion of the Term, will be paid to Landlord or Tenant, as applicable, as so designated by the condemning authority or judgment.

14.7 Payment to Lenders. In the event the Improvements are subject to the lien of a Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Tenant, the award will be disposed of as provided in the Mortgage(s), except to the extend provided in Section 14.5.

14.8 Temporary Condemnation. If there is a condemnation of all or any portion of the Property for a temporary period lasting less than the remaining Term, this Ground Lease will remain in full force and effect, and the entire award will be payable to Tenant.

14.9 Personal Property; Goodwill. Notwithstanding Section 14.6, Landlord will not be entitled to any portion of any award payable in connection with the condemnation of the personal property of Tenant or any of its subtenants, or any moving expenses, loss of goodwill or business loss or interruption of Tenant, severance damages with respect to any portion of the Property and Improvements remaining under this Ground Lease, or other damages suffered by Tenant.

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ARTICLE 15. ASSIGNMENT.

Because of the importance that Landlord places on Tenant's qualification, expertise and identity, and the reliance Landlord makes upon Tenant's ability to construct and operate the Project, during the Term, Tenant shall not assign or attempt to assign this Ground Lease, the Agreement or the Regulatory Agreement or any right herein. Notwithstanding the foregoing, however, Tenant may do the following without consent: (i) transfer limited partner interests; (ii) remove the general partner for a default under the Partnership Agreement; and (iii) transfer and assign its rights and duties hereunder to Mercy Housing California or an Affiliate of Mercy Housing California pursuant to the purchase option and/or right of first refusal entered into between Mercy Housing California (or an Affiliate of Mercy Housing California) and Tenant.

ARTICLE 16. MORTGAGES.

16.1 Ground Leasehold Mortgages. Notwithstanding anything to the contrary contained elsewhere herein, at all times during the Term, Tenant shall have the right to mortgage, pledge, deed in trust, assign rents, issues, and profits and/or collaterally (or absolutely for purposes of security if required by any lender) assign its leasehold interest in this Ground Lease, or otherwise encumber this Ground Lease, and/or the interest of Tenant hereunder, in whole or in part, and any interests or rights appurtenant to this Ground Lease, and to assign or pledge the same as security for any debt (the holder of any such mortgage, pledge, or other encumbrance, and the beneficiary of any such deed of trust being hereafter referred to as "**Mortgagee**" and the mortgage, pledge, deed of trust, or other instrument hereafter referred to as "**Mortgage**"), upon and subject to each and all of the terms and conditions listed in Paragraphs (A), (B), and (C) below:

(A) Tenant shall be limited in purpose to and the principal amount of all such Mortgages shall not exceed the amount necessary and appropriate to develop the Improvements, and to acquire and install equipment and fixtures thereon. Said amount shall include all hard and soft costs of acquisition, development, construction, lease-up, and operation of the Improvements.

(B) Any permitted Mortgages entered into by Tenant are to be originated only by Project lenders.

(C) All rights acquired by said Mortgagee shall be subject to each and all of the covenants, conditions and restrictions set forth in this Ground Lease, the Regulatory Agreement and the Agreement, and to all rights of Landlord thereunder, none of which covenants, conditions, and restrictions is or shall be waived by Landlord by reason of the giving of such Mortgage. By way of clarification, Tenant shall have no right to encumber all or any portion of Landlord's fee interest in the Property.

If Tenant encumbers its leasehold estate by way of a Mortgage as permitted herein, and should Landlord be advised in writing of the name and address of the Mortgagee, then this Ground Lease shall not be terminated or canceled on account of any Event of Default by Tenant in the performance of the terms, covenants or conditions

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hereof until Landlord shall have complied with the provisions of this Ground Lease as to the Mortgagee's rights to cure, so long as Landlord has been given written notice of the name and address of the Mortgagee, as required above. In addition, after the creation of any Mortgage permitted by this Ground Lease, no agreement by Landlord and Tenant to cancel, surrender, terminate, amend, or modify this Ground Lease shall be effective without the written consent of each Mortgagee; provided that this sentence is not intended to prohibit Landlord from exercising its rights and remedies for a Tenant default as provided herein.

16.2 Landlord's Forbearance and Right to Cure Defaults on Ground Leasehold Mortgages. Landlord will give to any Mortgagee, at such address as is specified by the Mortgagee in accordance with Section 22.1 hereof, a copy of each notice or other communication with respect to any claim that a default exists or is about to exist from Landlord to Tenant hereunder at the time of giving such notice or communication to Tenant, and Landlord will give to the Mortgagee a copy of each notice of any rejection of this Ground Lease by any trustee in bankruptcy of Tenant; provided, however, that a failure by Landlord to provide any such notice to Mortgagee shall not excuse a default by Tenant or extend Tenant's time to perform its obligations hereunder or effectuate a cure of said default. Each such notice to a Mortgagee shall be given by U.S. certified mail, postage prepaid, return receipt requested, and shall be effective upon receipt.

16.3 Landlord Cooperation. Landlord covenants and agrees that it will act and fully cooperate with Tenant in connection with Tenant's right to grant leasehold mortgages as hereinabove provided, provided such is at no cost to Landlord. At the request of Tenant or any proposed or existing Mortgagee, Landlord shall promptly execute and deliver (i) any documents or instruments reasonably requested to evidence, and/or acknowledge the rights of the Mortgagees as herein provided; and (ii) an estoppel certificate certifying the status of this Ground Lease and Tenant's interest herein and such matters relating thereto as are reasonably requested by Tenant or such Mortgagees. Such estoppel certificate shall include, but not be limited to, certification by Landlord that (a) this Ground Lease is unmodified and in full force and effect (or, if modified, a statement as to the nature of such modification and certification that this Ground Lease, as so modified, is in full force and effect, if applicable), (b) all rents currently due under the Ground Lease have been paid (or, if unpaid, the period and amount of any arrearages, penalties, interest and other charges), (c) there are not, to Landlord's actual, present knowledge, any uncured Events of Default on the part of Tenant under the Ground Lease or facts, acts or omissions which, with the giving of notice or passing of time, or both, would constitute an Event of Default (or, if there is a default, the nature and scope of the default). Any such estoppel certificate may be conclusively relied upon by any proposed or existing leasehold Mortgagee or assignee of Tenant's interest in this Ground Lease. As a condition to Landlord's obligation to execute and deliver any such document, instrument, or estoppel certificate, Tenant or the proposed or existing Mortgagee requesting the same shall be responsible to pay all of Landlord's actual and costs, including in-house payroll and administrative costs and out-of-pocket costs for third party consultants and attorneys, to investigate and respond to such request.

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16.4 No Subordination of Landlord's Interest. Landlord's fee interest in the Property shall be senior to, and not be subordinated to, any financing obtained by Tenant in connection with the Property.

16.5 Priority. This Ground Lease, and any extensions, renewals or replacements thereof, and any Sublease entered into by Tenant as sublessor, and any Mortgage or other encumbrance now or hereafter recorded by any Mortgagee shall be superior to any future mortgages, deeds of trust or similar encumbrances placed by Landlord on the Property and to any lien right of Landlord on the buildings or any furniture, fixtures, equipment or other personal property of Tenant upon the Property or any interest of Landlord in Sublease rentals or similar agreements. For avoidance of doubt, any rights of Landlord created by this Ground Lease, including without limitation any rights in the leasehold, the Improvements, the personal property of Tenant, or Sublease rentals, shall be superior to the rights of any Mortgagee.

16.6 Claims. Landlord and Tenant shall deliver to each Mortgagee written notice of any litigation or arbitration proceedings between the parties or involving the Property, Project, the Regulatory Agreement, the Agreement or this Ground Lease. Any Mortgagee shall have the right, at its option and its expense, to intervene and become a party to any such proceedings. If a Mortgagee elects not to intervene or become a party, Landlord and Tenant shall deliver to said Mortgagee prompt written notice of and a written copy of any award, decision or settlement agreement made in connection with any such proceeding.

16.7 Further Amendments. Landlord and Tenant shall reasonably consider including in this Ground Lease by suitable amendment from time to time any provision which may be reasonably requested by any proposed Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Ground Lease and allowing the Mortgagee reasonable means to protect or preserve the lien of its Mortgage upon the occurrence of a default under the terms of this Ground Lease. Landlord and Tenant each agree to execute and deliver (and to acknowledge for recording purposes, if necessary) any agreement reasonably required to effect any such amendment.

16.8 [reserved]

16.9 Liens and Encumbrances Against Tenant's Interest in the Leasehold Estate

(A) Tenant (and Foreclosure Transferee) shall have the right to encumber the leasehold estate created by this Ground Lease and the Improvements with one or more deeds of trust or mortgages in conformance with the requirements of Section 16.1 hereof.

(B) Tenant shall not have the right to encumber Landlord's fee interest in the Property or Landlord's reversionary interest in the Improvements, provided, however, that Landlord shall permit the following to be recorded on the fee interest, provided such are each in a form and substance that is acceptable to Landlord: (i) the covenant required in connection with the California Department of Housing and

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Community Development Infill Infrastructure Grant; (ii) the covenant required in connection with Joe Serna Farmworker funds from the California Department of Housing and Community Development; (iii) any required lease rider to the extent required by HCD; and (iv) any required lease rider to the extent required by TCAC.

(C) For as long as there is any lien securing any permitted Mortgage loan:

(1) Each permitted Mortgagee which has an outstanding Mortgage loan secured by Tenant's leasehold interest in the Property shall have the right, but not the obligation, at any time to pay any or all of the Rent due pursuant to the terms of this Ground Lease, and do any other act or thing required of Tenant by the terms of this Ground Lease, to prevent termination of this Ground Lease. Each Mortgagee and its agents and contractors shall have a right to enter the Property for purposes of accomplishing the foregoing, so long as such Mortgagee indemnifies and holds Landlord harmless from any and all liability arising from such entry upon the Property. Each Mortgagee shall have thirty (30) days after receipt of written notice from Landlord describing a default by Tenant to cure any default in the payment of Rent (including any monetary obligation of Tenant hereunder) and any other default the cure of which does not require physical possession of the Property.

This Ground Lease shall not be deemed terminated as to Mortgagee, and any payments so made and all things so done by or on behalf of a permitted Mortgagee shall be as effective to prevent a termination of this Ground Lease as the same would have been if made and performed by Tenant instead of by Mortgagee(s). If Tenant's default is such that possession of the Property is reasonably necessary to remedy the default, each permitted Mortgagee which has an outstanding Mortgage loan shall have such additional time after the expiration of such thirty (30) day period as such Mortgagee may reasonably require to remedy such default, provided that (i) such Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease within such thirty (30) day period and shall continue to pay currently such monetary obligations when the same are due, and (ii) within one hundred twenty (120) days after receipt of Landlord's notice of default, such Mortgagee shall have acquired Tenant's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings, shall be diligently prosecuting the same, and, after such Mortgagee acquires Tenant's leasehold estate hereunder such Mortgagee performs all of Tenant's obligations under this Ground Lease and the Agreement and promptly completes cure of Tenant's default.

(2) If a Mortgagee is prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified in subparagraph (1) above for commencing or prosecuting such foreclosure or other proceedings and completing a cure that requires possession of the Property shall be extended for the period of such stay prohibition or injunction; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease and shall continue to pay currently such monetary obligations

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when the same fall due (subject to the notice and cure provision contained herein).

(3) Landlord shall deliver, by U.S. certified mail, postage prepaid, return receipt requested, to each permitted Mortgagee which has any outstanding Mortgage loan a duplicate copy of all notices which Landlord may from time to time give to Tenant pursuant to this Ground Lease.

(4) If this Ground Lease is terminated, whether by foreclosure, order of a bankruptcy court, or otherwise, upon written request by any permitted Mortgagee given within sixty (60) days after Landlord gives written notice of such termination to each permitted Mortgagee, Landlord shall enter into a new lease of the Property with the permitted Mortgagee for the remainder of the Term with the same agreements, covenants, reversionary interests, and conditions (except for any requirements which have been fulfilled by Tenant prior to termination) as are contained in this Ground Lease and with priority equal to this Ground Lease, which new lease shall be effective as of the date of termination of the original Ground Lease; provided, however, that a requesting Mortgagee shall promptly cure any defaults by Tenant reasonably susceptible to cure by the Mortgagee. Tenant under the new lease shall have the same right, title, and interest in and to all Improvements located on the Property as Tenant had under the terminated Ground Lease immediately prior to its termination. Landlord shall by quitclaim deed or by the terms of the new lease convey to the permitted Mortgagee, title to the improvements, if any, which become vested in Landlord as a result of the termination of the Ground Lease. The permitted Mortgagee shall be responsible for all costs reasonably incurred by Landlord in connection with the preparation and execution of such new lease. The rights and obligations in this paragraph shall survive termination of this Ground Lease.

(5) No Mortgagee shall be required to perform any act which is not susceptible to performance by a Mortgagee, such as to cure a filing or condition of bankruptcy or insolvency.

(D) Any Mortgage created pursuant to subsection (A) of this Section shall be subject to the provisions of this Ground Lease and all rights of Landlord under this Ground Lease.

(E) On transfer of this Ground Lease at any foreclosure sale, or upon creation of a new Ground Lease, any or all of the following Events of Default relating to the prior owner of the Ground Lease shall be deemed cured:

(1) Attachment, execution, or other judicial levy upon the Ground Lease;

(2) Assignment of the Ground Lease for the direct or indirect benefit of creditors of the prior Tenant;

(3) Judicial appointment of a receiver or similar officer to take possession of the Ground Lease;

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(4) Filing a petition by, for, or against Tenant under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended; and

(5) Any other defaults personal to Tenant and/or not otherwise reasonably curable by Mortgagee.

(F) A Foreclosure Transferee shall succeed to all interest of Tenant in any security or other deposits or other impound payments paid by Tenant to Landlord, except to the extent such security or other deposit or impound payment is used by Landlord to cure an Event of Default of Tenant hereunder.

(G) Foreclosure of any Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power of sale contained in such Mortgage, or any conveyance of the leasehold estate under this Ground Lease from Tenant to a Foreclosure Transferee in lieu of foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision or a default under this Ground Lease. Landlord shall recognize the Foreclosure Transferee as Tenant under this Ground Lease following any such transfer, subject to the obligations of the Foreclosure Transferee to comply with this Ground Lease.

16.10 Cost of Loans to be Paid by Tenant. Tenant affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Mortgage loans, (ii) the delivery of any instruments and documents and their filing and recording, if required, (iii) all taxes and charges payable in connection with the Mortgage loans, and (iv) all costs reasonably incurred by Landlord in making any amendments of this Lease requested by Tenant or Mortgagees.

16.11 No Merger. There shall be no merger, without the consent of the permitted Mortgagee under any Mortgage, of the leasehold estate and the fee estate in the Property merely because both estates are acquired or become vested in the same person or entity.

16.12 Transfer Rights. Foreclosure of any permitted Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Mortgage, or any conveyance of the leasehold estate hereunder from Tenant to any Mortgagee or an affiliate of Mortgagee or entity controlled by Mortgagee, through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof (any of the foregoing, a "**Foreclosure Action**"), shall not require the consent of Landlord or constitute a breach of any provision of or a default under this Ground Lease, and upon such foreclosure, sale, or conveyance, Landlord shall recognize the purchaser or other transferee in connection therewith as Tenant hereunder. Further, with respect to the first subsequent transfer of the Property following a Foreclosure Action, Landlord shall recognize such transferee, provided that prior to such transfer the transferee has provided evidence reasonably acceptable to Landlord that the transferee has experience in owning and operating affordable housing rental developments of similar scale as the Project and with income and rent restrictions similar to the restrictions set forth in the Ground Lease, and a business reputation and record of fair dealing that is similar to that of Tenant as of the

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Commencement Date. Any further assignments shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 17. SUBLEASING.

17.1 Subleasing of Property. Tenant will Sublease individual residential units to income-qualified Heads of Household in accordance with the Affordability Restrictions and occupancy covenants set forth in this Ground Lease and the Regulatory Agreement. The Tenant will Sublease the approximately 2,658 square foot tenant space on the ground floor of the Project for the operation of community serving space ("**Resource Center Sublease**"). All Subleases entered into by Tenant with residents of the individual residential units in the Project ("**Resident Subleases**") shall be in compliance with the any applicable regulations of HCD, the Regulatory Agreement and any other applicable regulatory agreement required in connection with Project funding. The form and substance of the Resource Center Sublease and the Resident Subleases shall be reviewed and approved by the Landlord prior to implementation and execution, and shall include the following provisions and restrictions:

17.1.1 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall contain a provision, satisfactory to Landlord, requiring the subtenant to attorn to Landlord upon (a) an Event of Default by Tenant under this Ground Lease, and (b) receipt by such sublessee of written notice of such Event of Default and instructions to make such sublessee's rental payments to Landlord. Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall also contain a provision, satisfactory to Landlord, prohibiting each subtenant from sub-subleasing its space.

17.1.2 On any termination of this Ground Lease prior to the expiration of the Term, all of Tenant's interest as sublessor under any and all existing valid and enforceable Resident Subleases and Resource Center Sublease for which Landlord has issued a non-disturbance agreement shall be deemed automatically assigned, transferred, and conveyed to Landlord and subtenants under such Resident Subleases and Resource Center Sublease shall be deemed to have attorned to Landlord. Landlord shall thereafter be bound on such Resident Subleases and Resource Center Sublease to the same extent Tenant, as sublessor, was bound thereunder and Landlord shall have all the rights under such Resident Subleases and Resource Center Sublease that Tenant, as sublessor, had under such Resident Subleases and Resource Center Sublease; provided, however, that any amendments to any such Resident Sublease and Resource Center Sublease made after the issuance of a non-disturbance agreement to a subtenant shall not be binding on Landlord.

17.1.3 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall expressly provide that it is subject to each and all of the covenants, conditions, restrictions, and provisions of this Ground Lease. On expiration of the Term, all Subleases shall terminate.

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17.2 Operator of Community-Serving Space and Operational Program. ALAS will be the initial operator of the community serving space, operating an Agricultural Worker resource center subject to the terms, conditions and operational requirements in the Community Resource Center Sublease entered into by ALAS and Tenant. The operational program consists of providing ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential tenants of the Project in accordance with requirements of City and Project funders. The operational program also includes the provision of a multi-purpose community space to be used at the sole discretion of City for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and ALAS's proposed use of the space. ALAS (and any successor) shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by the City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager. In the event that ALAS's subtenancy with Tenant is terminated, Tenant shall replace ALAS with an operator that provides services to the residents, consistent with the approved program described above. Tenant shall submit the proposed replacement community serving space subtenant and its proposed operational program to City Manager for review and approval.

17.3 Rights of Mortgagees. Notwithstanding anything contained in this Ground Lease to the contrary, all attornment provisions applicable to Landlord shall also be applicable to a permitted Mortgagee and, as between Landlord and the permitted Mortgagee, the permitted Mortgagee shall have priority in any attornment situation.

ARTICLE 18. PERFORMANCE OF TENANT'S COVENANTS.

18.1 Right of Performance. If Tenant shall at any time fail to pay any Imposition or other charge in accordance with Article 4 hereof, within the time period therein permitted, or shall fail to pay for or maintain any of the insurance policies provided for in Article 9 hereof, within the time therein permitted, or to make any other payment or perform any other act on its part to be made or performed hereunder, within the time permitted by this Ground Lease, then Landlord, after ten (10) days' written notice to Tenant (or, in case of an emergency, on such notice, or without notice, as may be reasonable under the circumstances) and without waiving or releasing Tenant from any obligation of Tenant hereunder, may (but shall not be required to):

(A) pay such Imposition or other charge payable by Tenant pursuant to the provisions of Article 4 hereof, or

(B) pay for and maintain such insurance policies provided for in Article 9 hereof, or

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(C) make such other payment or perform such other act on Tenant's part to be made or performed as in this Ground Lease provided.

18.1.1 Rights of Mortgagees. Notwithstanding anything in this Ground Lease to the contrary, all of the performance rights available to Landlord under Section 19.1 shall also be available to any Mortgagee.

18.2 Reimbursement and Damages. All sums paid by Landlord pursuant to Section 18.1 and all costs and expenses incurred by Landlord in connection with the performance of any such act, together with interest thereon at the rate provided in Section 4.5 from the respective dates of Landlord's making of each such payment or incurring of each such cost or expense, shall constitute additional Rent payable by Tenant under this Ground Lease and shall be paid by Tenant to Landlord on demand. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as aforesaid, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable upon such insurance, but Landlord shall also be entitled to recover as damages for such breach, the uninsured amount of any loss (to the extent required to be insured against pursuant to the terms of this Ground Lease), damages, costs and expenses of suit, including reasonable attorneys' fees, suffered or incurred by reason of damage to, or destruction of, the Improvements, occurring during any period in which Tenant shall have failed or neglected to provide insurance as aforesaid.

ARTICLE 19. EVENTS OF DEFAULT; REMEDIES.

19.1 Events of Default. Any one or all of the following events shall, subject to Section 21.1, constitute an "**Event of Default**" hereunder:

19.1.1 If Tenant shall default in the payment of any Rent when and as the same becomes due and payable and such default shall continue for more than ten (10) days after Landlord shall have given written notice thereof to Tenant; or

19.1.2 If Tenant shall materially default under this Ground Lease, the Regulatory Agreement or under the Agreement, and such default is not timely cured within the time provided for herein or therein; or

19.1.3 The abandonment or vacation of the Property by Tenant for a period of thirty (30) days after prior written notice thereof by Landlord; or

19.1.4 The entry of any decree or order for relief by any court with respect to Tenant, or any assignee or transferee of Tenant ("**Assignee**"), in any involuntary case under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, liquidator, assignee, trustee, sequestrator or other similar official of Tenant or any Assignee (unless such appointment is in connection with a permitted Mortgagee's exercise of its remedies under its Mortgage), or of any substantial part of the property of Tenant or such Assignee, or the ordering or winding up or liquidating of the affairs of Tenant or any Assignee and the continuance of such decree or order unstayed and in effect for a period of ninety (90)

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days or more (whether or not consecutive); or the commencement by Tenant or any such Assignee of a voluntary proceeding under the Federal Bankruptcy Code or any other applicable state or federal law, or consent by Tenant or any such Assignee to the entry of any order for relief in an involuntary case under any such law, or consent by Tenant or any such Assignee to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, sequestrator, or other similar official of Tenant or any such Assignee, or of any substantial property of any of the foregoing, or the making by Tenant or any such Assignee of any general assignment for the benefit of creditors; or Tenant or any such Assignee takes any other voluntary action related to the business of Tenant or any such Assignee or the winding up of the affairs of any of the foregoing.

19.2 Remedies.

19.2.1 If an Event of Default shall occur and continue as aforesaid, then in addition to any other remedies available to Landlord at law or in equity, but subject to Article 16, Landlord shall have the immediate option to terminate this Ground Lease and bring suit against Tenant and recover as an award in such suit or arbitration proceeding the following:

(a) the worth at the time of award of the unpaid rent and all other sums due hereunder which had been earned at the time of termination;

(b) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Ground Lease and/or any of the Transaction Documents, as applicable, or which in the ordinary course of things could be likely to result therefrom; and

(e) such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

19.2.2 The "worth at the time of the award" of the amounts referred to in Subparagraphs 19.2.1(a) and 19.2.1(b) above shall be computed by allowing interest at the rate provided in Section 4.5 as of the date of the award. The "worth at the time of award" of the amount referred to in subparagraph 19.2.1(c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

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19.3 Receipt of Rent, No Waiver of Default. No failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power, or remedy consequent upon a default under this Ground Lease, and no acceptance of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. Not by way of limitation of the foregoing, the receipt by Landlord of the rents or any other charges due to Landlord, with knowledge of any breach of this Ground Lease by Tenant or of any default on the part of Tenant in the observance or performance of any of the conditions or covenants of this Ground Lease, shall not be deemed to be a waiver of any provisions of this Ground Lease. No acceptance by Landlord of a lesser sum than the rents or any other charges then due shall be deemed to be other than on account of the earliest installment of the rents or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent or charges due be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Ground Lease. The receipt by Landlord of any rent or any other sum of money or any other consideration paid by Tenant after the termination of this Ground Lease, or after giving by Landlord of any notice hereunder to effect such termination, shall not, except as otherwise expressly set forth in this Ground Lease, reinstate, continue, or extend the term of this Ground Lease, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by Landlord to Tenant prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Landlord. Neither acceptance of the keys nor any other act or thing done by Landlord or by its agents or employees during the Term shall be deemed to be an acceptance of a surrender of the Property or the Improvements, excepting only an agreement in writing signed by Landlord accepting or agreeing to accept such a surrender.

19.4 Effect on Indemnification. Notwithstanding the foregoing, nothing contained in this Article 19 shall be construed to limit Landlord's right to indemnification as otherwise provided in this Ground Lease.

19.5 Remedies Cumulative. The various rights, options, elections, and remedies of Landlord and Tenant, respectively, contained in this Ground Lease shall be cumulative and no one of them shall be construed as exclusive of any other, or of any right, priority, or remedy allowed or provided for by law and not expressly waived in this Ground Lease.

ARTICLE 20. PERMITTED CONTESTS.

Tenant, at no cost or expense to Landlord, may contest (after prior written notice to Landlord), by appropriate legal proceedings conducted with due diligence, the amount or validity or application, in whole or in part, of any Imposition or lien, provided that (a) in the case of liens of mechanics, materialmen, suppliers or vendors, or Impositions or liens therefor, such proceedings shall suspend the collection thereof from Landlord, and shall suspend a foreclosure against the Property and/or the Improvements, or any interest therein, or any Rent, if any, (b) neither the Property or the Improvements, nor any part thereof or interest therein, or the Rent, if any, or any portion thereof, would be in any danger of being sold, forfeited, or lost by reason of such proceedings, and (c) Tenant shall

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have furnished to Landlord, if requested, a bond or other security, satisfactory to Landlord. If Tenant shall fail to contest any such matters, or to give Landlord security as hereinabove provided, Landlord may, but shall not be obligated to, contest the matter or settle or compromise the same without inquiring into the validity or the reasonableness thereof. Landlord, at the sole cost and expense of Tenant, will cooperate with Tenant and execute any documents or pleadings legally required for any such contest.

ARTICLE 21. FORCE MAJEURE.

21.1 Delay of Performance. Subject to Section 21.2 below, Tenant's performance of its obligations set forth in Article 7, Sections 11.2.4 and 11.4, Article 13, and Article 14 to timely make any required improvements, additions, changes, repairs, and replacements to the Property shall be excused during the period of time that Tenant, after and despite its exercise of commercially reasonable diligence to perform such work, is prohibited, prevented, or materially delayed from proceeding with the work due to any of the following causes: any regulation, order, act, restriction, or requirement or limitation imposed by any federal, state, municipal, or foreign government or any department or agency thereof, or civil or military authority; acts of God; fire, explosion, or floods (subject to Tenant's obligations herein to promptly repair and restore the damage caused thereby); strikes, walkouts, or inability to obtain materials; war, terrorism, riots, sabotage or civil insurrection; epidemics or pandemics; or any other causes without the fault and beyond the reasonable control of Tenant following Tenant's exercise of good faith efforts to resolve. In no event shall adverse economic or market conditions, Tenant's inability to obtain financing, increases in interest rates, or similar causes justify an extension of Tenant's obligation to timely perform any of such obligations.

21.2 Notice and Cure Requirements. No prevention, delay, or stoppage of performance shall be excused unless:

(A) Tenant notifies Landlord within thirty (30) days of such prevention, delay, or stoppage that it is claiming excuse of its obligations under this Article 21; and

(B) Tenant diligently proceeds within thirty (30) days of the conclusion of such prevention, delay, or stoppage to cure the condition causing the prevention, delay or stoppage; and

(C) Tenant effects such cure within a reasonable time.

ARTICLE 22. GENERAL PROVISIONS.

22.1 Notices. Written notices, demands and communications between Landlord and Tenant ("**Notices**") shall be sufficiently given if (i) delivered by hand, (ii) delivered by reputable same-day or overnight messenger service that provides a receipt showing date and time of delivery, or (iii) dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Landlord and Tenant at the addresses specified in this Section 22.1. Such Notices may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section 22.1.

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Any Notice shall be deemed received immediately if delivered by hand or delivered by messenger in accordance with the preceding paragraph, and shall be deemed received on the third (3rd) day from the date it is postmarked if delivered by registered or certified mail in accordance with the preceding paragraph.

If to Tenant: Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102
Attn: Kelly Hollywood
Email: kelly.hollywood@mercyhousing.org

with a copy to: Gubb and Barshay LLP
235 Montgomery St., Suite 1110
San Francisco, CA 94104
Attn: CJ Highley, Evan Gross
Email: cjhigley@gubbandbarshay.com;
egross@gubbandbarshay.com

If to Landlord: Landlord of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager
Reference: 555 Kelly
Email: mchidester@halfmoonbay.gov

with a copy to Half Moon Bay City Attorney's Office
c/o Burke, Williams & Sorensen
1999 Harrison Street, Suite 1650
Oakland, CA 94612
Attn: Denise Bazzano, Esq.

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Addresses for Notice may be changed from time to time by delivery of a Notice to all other parties in compliance herewith. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending party was not notified shall be deemed receipt of such Notice.

22.2 Certificates. Landlord or Tenant, as the case may be, shall execute, acknowledge, and deliver to the other, promptly upon request by Landlord, Tenant, or a Mortgagee, an estoppel certificate of Landlord or Tenant, as the case may be, certifying, to the knowledge of the certifying party (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that the Ground Lease is in full force and effect, as modified, and stating the date of each instrument so modifying the Ground Lease), (b) the date, if any, through which the Rent, if any, has been paid, (c) whether there are then existing any offsets or defenses against the enforcement of any term hereof on the part of Tenant to be performed or complied with (and, if so, specifying

the same), and (d) whether any default exists hereunder and, if any such default exists, specifying the nature and period of existence thereof and what action Landlord or Tenant, as the case may be, is taking or proposes to take with respect thereto and whether notice thereof has been given to the party in default. Any Certificate may be relied upon by any prospective purchaser, transferee, mortgagee, or trustee under a deed of trust or leasehold estate in the Property or any part thereof or of Landlord's or Tenant's interest under this Ground Lease. Tenant will also deliver to Landlord, promptly upon request, such information with respect to the Property or any part thereof as from time to time may reasonably be requested. Tenant or the existing or prospective Mortgagee requesting an estoppel certificate from Landlord shall, as a condition to receipt of such estoppel certificate, pay Landlord for Landlord's actual and reasonable costs incurred to investigate and respond to the same, including Landlord's in-house payroll and administrative costs and the amounts paid by Landlord to consultants and attorneys.

22.3 No Merger of Title. There shall be no merger of this Ground Lease or the leasehold estate created by this Ground Lease with any other estate in the Property or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly:(a) this Ground Lease or the leasehold estate created by this Ground Lease or any interest in this Ground Lease or in any such leasehold estate, and (b) any other estate in the Property and the Improvements or any part thereof or any interest in such estate, and no such merger shall occur unless and until all persons, corporations, firms and other entities, including any leasehold Mortgagee or leasehold Mortgagees, having any interest (including a security interest) in (i) this Ground Lease or the leasehold estate created by this Ground Lease, and (ii) any other estate in the Property or the Improvements or any part thereof shall join in a written instrument effecting such merger and shall duly record the same.

22.4 Quiet Enjoyment. Tenant, upon paying the Rent, if any, and other charges herein provided for and upon performing and complying with all covenants, agreements, terms and conditions of this Ground Lease to be performed or complied with by it, shall lawfully and quietly hold, occupy and enjoy the Property during the Term of this Ground Lease without hindrance or molestation by Landlord, or any person or persons claiming through Landlord.

22.5 No Claims Against Landlord. Nothing contained in this Ground Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or its interest in the Property in respect thereof.

22.6 Non-Liability of Landlord or Landlord Officials and Employees. Neither Landlord or any Landlord Personnel shall be personally liable to Tenant, including any successor in interest of Landlord or any Landlord Personnel, in the event of any default or breach by Landlord or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement

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and the Regulatory Agreement. Tenant hereby waives and releases any claim it may have against Landlord and all Landlord Personnel with respect to any default or breach by Landlord or any of the Landlord Personnel or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement or the Regulatory Agreement. Tenant makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."
>
> _____
> Tenant's Initials

22.7 Inspection. Landlord and its authorized representatives may enter the Property and Project or any part thereof at all times for the purpose of inspecting, servicing, or posting notices, protecting the Property, Project or the Improvements, or for any other lawful purposes; provided, that except in cases of emergency Landlord shall provide Tenant prior telephonic or other notice of Landlord's intent to enter onto the Property or Project, Landlord's entries shall occur only during normal business hours (8 AM-6 PM Monday-Friday), and Landlord may only enter an occupied residential unit after giving the sublessee three (3) days prior written notice and either obtaining the consent of the occupant(s) or obtaining an inspection warrant, if required by law.

22.8 Holding Over. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements with the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a tenancy for month-to-month only, upon the same terms and conditions as are herein set forth so far as the same are applicable. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements without the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a hold over tenancy, upon the same terms and conditions as are herein set forth so far as the same are applicable, except that Rent shall be adjusted to the then fair market value rent, as reasonably determined by Landlord.

22.9 Relationship Between Landlord and Tenant. It is hereby acknowledged by Tenant that the relationship between Landlord and Tenant is not that of a partnership or joint venture and that Landlord and Tenant shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, with the exception of any provisions expressly set forth to the contrary herein, in the Agreement, or in the attachments or exhibits hereto, Landlord shall have no rights, powers, duties, or obligations with respect

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to the development, operation, maintenance, repair or management of the Project. Tenant agrees to indemnify, defend (with counsel acceptable to Landlord), and hold harmless Landlord from and against any and all claims, liabilities, and losses arising from a claimed relationship of partnership, joint venture, or agency between Landlord and Tenant with respect to the development, operation, maintenance, repair or management of the Property or the Project, except to the extent occasioned by the gross negligence or willful misconduct of Landlord or its designated agents or employees.

22.10 Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

22.11 Venue for Legal Actions. All legal actions by either party to enforce this Agreement or seeking any remedy arising out of or related to this Agreement must be instituted and maintained in the Superior Court of the County of San Mateo, State of California, or in the United States District Court for the Northern District of California.

22.12 Service of Process. In the event that any legal action is commenced by Tenant against Landlord, service of process on Landlord shall be made by personal service upon City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by Landlord against Tenant, service of process on Tenant shall be made by personal service upon the general partner of Tenant or in such other manner as may be provided by law. Service shall be effective regardless of whether it is made within the State of California.

22.13 Attorney's Fees. In the event of a dispute between the parties arising out of or in connection with this Ground Lease, the Agreement or the Regulatory Agreement whether or not such dispute results in arbitration or litigation, the prevailing party (whether resulting from settlement before or after arbitration or litigation is commenced) shall be entitled to have and recover from the losing party reasonable attorneys' fees and costs of suit, including expert witness fees, incurred by the prevailing party.

22.14 Time Is of The Essence. Time is of the essence of this Ground Lease and all of the terms, provisions, covenants, and conditions hereof.

22.15 Survival of Representations, Warranties and Covenants. The respective representations, warranties, and covenants contained herein shall survive the Commencement Date and continue throughout the Term.

22.16 Construction of Agreement. This Ground Lease shall be construed in accordance with the internal laws of the State of California, without regard to the choice of law rules thereof. The rule of construction that a document be construed strictly against its drafter shall have no application to this Ground Lease. Titles and captions are for convenience of reference only and do not define, describe, or limit the scope or the intent

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of this Ground Lease or of any of its terms. Reference to Section numbers are to Sections in this Ground Lease unless expressly stated otherwise.

22.17 Severability. If one or more of the provisions of this Ground Lease shall be held to be illegal or otherwise void or invalid, the remainder of this Ground Lease shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted under applicable laws and regulations.

22.18 Entire Agreement; Modification. This Ground Lease, the Regulatory Agreement and the Agreement collectively contain the entire agreement of the parties with respect to the matters discussed herein and supersede all prior discussions and negotiations between the parties with respect thereto. This Ground Lease may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extensions, or discharge is sought.

22.19 Binding Effect and Benefits. This Ground Lease and the Regulatory Agreement shall inure to the benefit of and be binding on the parties hereto and their respective successors and assigns. Except as otherwise set forth herein, nothing in this Ground Lease, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Ground Lease.

22.20 No Third-Party Rights. Except as may otherwise be expressly set forth herein, the parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Ground Lease or of any covenant, duty, obligation, or undertaking established herein.

22.21 Real Estate Brokerage Commissions. Landlord and Tenant each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and each agrees to defend and hold harmless the other from any claim to any such commission or fee resulting from any action on its part.

22.22 Computation of Time. The time in which any act is to be done under this Ground Lease is computed by excluding the first day and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

22.23 Counterparts. This Ground Lease may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Ground Lease.

22.24 Number and Gender. Whenever the singular number is used in this Ground Lease and required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

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22.25 Conflicts. To the extent conflicting provisions exist in this Ground Lease and the Agreement, the provisions of this Ground Lease shall control over any conflicting provision in the Agreement.

22.26 Incorporation by Reference. Every Exhibit attached to this Ground Lease and referred to herein is hereby incorporated by reference.

22.27 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of Landlord, such approval shall not be unreasonably withheld and shall be given on behalf of Landlord by City Council, except as expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required of Landlord by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request of Landlord may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request made to Landlord or make a determination made to Landlord that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. The City Manager may consult with City Staff, the City Attorney and City Council prior to making any determinations or taking any actions. This Section 22.27 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

22.28 U.S. Immigration and Customs Enforcement. Landlord agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Tenant, Tenant shall confirm identification of the County of San Mateo, State or Federal official and shall observe and document the locations accessed by the official and provide Landlord with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Tenant shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Ground lease, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Landlord and Landlord Personnel in accordance with Section 9.8 to the extent any Loss arises from alleged violations of State and Federal immigration laws.

22.29 Legal Advice. Each party represents and warrants to the other party the following: such party has carefully read this Ground Lease and in signing this Ground Lease it does

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so with full knowledge of any right which it may have; it has received independent legal advice from its respective legal counsel as to the matters set forth in this Ground Lease, or it has knowingly chosen not to consult legal counsel as to the matters set forth in this Ground Lease and it has freely signed this Ground Lease without any reliance upon any agreement, promise, statement, or representation by or on behalf of the other party, or its respective agents, employees, or attorneys, except as specifically set forth in this Ground Lease, and without duress or coercion, whether economic or otherwise.

22.30 Periodic Review**.** The City Manager shall review the terms of this Ground Lease, including but not limited to, the insurance coverages, costs, current rent charges, and community resource center use and use of the Property, at least every seven years, commencing on the Effective Date of this Ground Lease.

[*Remainder of page intentionally left blank; signatures on next page*]

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IN WITNESS WHEREOF, the undersigned have executed this Ground Lease as of the date first above written.

"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

Date: _____, 2026

By: _____
Matthew Chidester, City Manager

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its: Sole member/manager

Date: _____, 2026

By: _____
Ramie Dare
Vice President

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EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT B

MEMORANDUM OF LEASE

(See following document)

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Exempt From Recording Fee Pursuant to
Government Code Sections 6103 and 27383

MEMORANDUM OF GROUND LEASE

This **MEMORANDUM OF GROUND LEASE** ("**Memorandum**") is hereby entered into as of [Date] by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.**, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant have entered into a "Ground Lease" dated concurrently herewith for that certain real property owned by Landlord ("**Property**"), which provides for the construction, maintenance, management and operation of a forty (40) unit Senior Agricultural Worker multifamily apartment project, to be made available long term at an affordable housing cost, property management office space, a community serving space and parking ("**Project**"). The Property is legally described in Exhibit A, which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the Landlord, 501 Main Street, Half Moon Bay, CA 94019.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of San Mateo County ("**Commencement Date**") and, subject to the provisions set forth in the Ground Lease and applicable law that may result in an earlier termination of the Ground Lease, continues until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of San Mateo County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

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"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

By: _____

Matthew Chidester, City Manager

Date:

Approved as to form:

_____

Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its sole member/manager

By: _____
Ramie Dare
Vice President

Date: _____

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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 _____)

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)

DRAFT

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 _____)

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)

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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 _____)

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)

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EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT C

REGULATORY AGREEMENT

(See following document)

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

EXEMPT FROM RECORDING FEES
PER GOVERNMENT CODE §§6103, 27383

Space above this line for Recorder's use.

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AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This **AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS** ("**Agreement**") is entered into as of _____, 2026 ("**Effective Date**"), by and between the CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer may be referred to individually as a "**Party**" or together as "**Parties**."

RECITALS

A. City is the owner of that certain real property located at 535 Kelly Avenue and 555 Kelly Avenue, Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**"), as more particularly described in Exhibit A, attached hereto and incorporated herein by this reference.

B. City and Developer are parties to that certain Affordable Housing and Property Disposition Agreement ("**AHPDA**") and Ground Lease ("**Ground Lease**") both of even date. The terms and conditions of the AHPDA and Ground Lease are incorporated herein by reference. Accordingly, terms not otherwise defined in this Agreement shall have the meaning given to them in the AHPDA or the Ground Lease.

C. Pursuant to the Ground Lease, Developer is the holder of a leasehold interest in the Property. As further described in the AHPDA and Ground Lease, Developer shall develop the Property with a new multifamily residential project with thirty nine (39) affordable rental units for current or Senior Agricultural Workers, plus one (1) unrestricted manager's unit (collectively, "**Project**").

D. The AHPDA and Ground Lease require Developer to develop the Project and to make thirty-nine (39) of the Project's units affordable to extremely low income and very low income households ("**Restricted Units**"). The Restricted Units consist of ten (10) units affordable to households earning up to 30% of AMI (as defined in Section 3.2.a), and twenty-nine (29) units affordable to households earning up to 50% of AMI, as further set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer agree as follows.

1. CONSTRUCTION OF THE PROJECT.

1.1. Construction of the Project. Developer agrees to construct the Project in accordance with the AHPDA and Ground Lease, including the Schedule of Performance attached to the AHPDA, and all applicable state and local building codes, development standards, ordinances and zoning ordinances.

1.2. City and Other Governmental Permits. As further described in the AHPDA and Ground Lease, before commencement of the Project, Developer shall secure or cause its contractor to secure any and all permits which may be required by City or any other governmental agency, including without limitation building permits. Developer shall pay all necessary fees and timely submit to City final drawings with final corrections to obtain such permits; City staff will, without incurring liability or expense therefore, process applications in the ordinary course of business for the issuance of building permits and certificates of occupancy for construction that meets the requirements of all applicable laws and regulations.

1.3. Compliance with Laws. As further described in the AHPDA and Ground Lease, Developer shall carry out the design, construction and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.,* Government Code Section 4450, *et seq.,* Government Code Section 11135, *et seq.,* and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

2. OPERATION OF THE RESTRICTED UNITS

2.1. Affordability Period. The Property shall be subject to the requirements of this Agreement from the Effective Date until the expiration of the Ground Lease term of ninety-nine (99) years. The duration of this requirement shall be known as the "**Affordability Period**."

2.2. Maintenance. Developer shall comply with every condition of the AHPDA and Ground Lease applicable to the Project and shall, at all times, maintain the Project and the Property in good repair and working order, reasonable wear and tear excepted, and in a safe and sanitary condition, and from time to time shall make all necessary and proper repairs, renewals, and replacements to keep the Project and the Property in a good, clean, safe, and sanitary condition.

2.3. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall maintain sufficient records to demonstrate compliance with this Agreement, the AHPDA and the Ground Lease. City shall have the right to inspect the books and records of Developer and its rental agent or bookkeeper upon reasonable notice during normal business hours. Representatives of City shall be entitled to enter the Property, upon at least 48-hour prior written notice, which can be provided via email, to monitor compliance with this Agreement, the AHPDA and the Ground Lease to inspect the records of the Project with respect to the Restricted Units, and to conduct, or cause to be conducted, an independent audit or inspection of such records. Developer agrees to cooperate with City in making the Property available for such inspection or audit. Developer agrees to maintain records in businesslike manner, and to maintain such records for Affordability Period.

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2.4. Non-Discrimination Covenants. Developer covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. Notwithstanding the foregoing, with respect to familial status, this shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code nor shall it be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Developer shall include such provision in all deeds, leases, contracts and other instruments executed by Developer, and shall enforce the same diligently and in good faith.

a. In deeds, the following language shall appear:

(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

b. In leases, the following language shall appear:

(1) The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns, and all persons claiming under the lessee or through the lessee, that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the property herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination of segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the property herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9

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of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

c. In contracts pertaining to management of the Project, the following language, or substantially similar language prohibiting discrimination and segregation shall appear:

(1) There shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to selection, location, number, use or occupancy of tenants, lessee, subtenants, sublessees or vendees of the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

3. AFFORDABILITY REQUIREMENTS.

3.1. Restricted Units. Developer agrees to make available, restrict occupancy to, and lease not less than thirty-nine (39) Restricted Units to Qualifying Households, as hereinafter defined, at an affordable rent, pursuant to the terms set forth below.

a. Until the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include ten (10) Extremely Low-Income Units (as defined below), and twenty-nine (29) Very Low-Income Units (as defined below).

b. After the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include thirty-nine (39) Low-Income Units.

3.2. Qualifying Households. For purposes of this Agreement, "**Qualifying Households**" shall mean those households with incomes as follows:

a. "**AMI**" means the median income for San Mateo County, California, adjusted for actual household size, as determined by California Tax Credit Allocation Committee ("**TCAC**") regulations, and as published from time to time by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations or successor provision.

b. "**Extremely Low-Income Unit**": means units restricted to households with incomes of not more than thirty percent (30%) of AMI.

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c. "**Very Low Income Unit**": means units restricted to households with incomes of not more than fifty percent (50%) of AMI.

d. "**Low-Income Unit**": means units restricted to households with incomes of not more than eighty percent (80%) of AMI.

3.3. Income Verification and Annual Report. On or before July 1 of each year, commencing with the calendar year that the first residential unit in the Project is rented to a subtenant, and annually thereafter, Developer shall obtain from each household occupying a Restricted Unit and submit to City an income computation and certification form, completed by a subtenant of such unit, which shall certify that the income of each Qualifying Household is truthfully set forth in the income certification form, in the form required by TCAC ("**Annual Report**"). Developer shall make a good faith effort to verify that each household leasing a Restricted Unit meets the income and eligibility restrictions for the Restricted Unit by taking by taking the following steps as a part of the verification process: (a) obtain a minimum of the three (3) most current pay stubs for all adults age eighteen (18) or older; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain the three (3) most current savings and checking account bank statements; (e) obtain an income verification form from the applicant's current employer; (f) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (g) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of subtenant income certifications shall be available to City upon request. The Annual Report shall, at a minimum, include the following information for each Restricted Unit: unit number, number of bedrooms, current rent and other charges, dates of any vacancies during the reporting period, number of people residing in the unit, total household Gross Income (as defined below), and lease commencement and termination dates. The Annual Report shall also provide a statement of the owner's management policies, communications with the subtenants and maintenance of the Restricted Unit, including a statement of planned repairs to be made and the dates for the repairs.

3.4. Affordable Rent. The maximum Monthly Rent, defined below, chargeable for the Restricted Units and paid by the occupants shall be as follows:

a. "**Extremely Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed thirty percent (30%) of the AMI. The Monthly Rent for an Extremely Low-Income Unit rented to an Extremely Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one-bedroom unit, and 3 persons for a two-bedroom unit.. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Extremely Low-Income Households.

b. "**Very Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed fifty percent (50%) of the AMI. The Monthly Rent for a Very Low-Income Unit rented to a Very Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, and 3 persons for a two-bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Very Low-Income Households.

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c. "**Low-Income Household**": shall be 1/12th of thirty percent (30%) of not to exceed eighty percent (80%) of the AMI. The Monthly Rent for a Low-Income Unit rented to a Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, 3 persons for a two-bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Low-Income Households.

For purposes of this Agreement, "**Monthly Rent**" means the total of monthly payments actually made by the household for (a) use and occupancy of each Restricted Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all subtenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in subsections (a) or (b) above, and which are not paid directly by Developer, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone or internet service, which reasonable allowance for utilities is set forth in the County of San Mateo's Utility Allowance Schedule for detached homes, apartments, condominiums and duplexes, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer.

For purposes of this Agreement, "**Gross Income**" means the total anticipated annual income of all persons in a household calculated using the methods set forth in TCAC regulations, or if TCAC regulations do not address such matter, the total anticipated annual income of all persons in a household as defined in Title 24 of the Code of Federal Regulations, Section 5.609.

Notwithstanding the foregoing, no subtenant qualifying for a Restricted Unit shall be denied continued occupancy of a unit in the Project because, after admission, such subtenant's household Gross Income increases to exceed the qualifying limit for such Restricted Unit. A household which at initial occupancy qualifies in a particular income category shall be treated as continuing to be of such income category so long as the household's Gross Income does not exceed one hundred forty percent (140%) of the applicable income limit. In the event a subtenant's household Gross Income exceeds the limits specified in this Section, Developer shall apply the rules applicable to the Project pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and the federal regulations applicable thereto.

In the event that recertification of subtenant incomes indicates that the number of Restricted Units actually occupied by Qualifying Households falls below the number reserved for each income group as specified in Sections 3.1, Developer shall rectify the condition by renting the next available dwelling unit(s) in the Project to Qualifying Household(s) until the required income mix is achieved.

In the event of inconsistency between the provisions of this Section and the rules applicable to the Project in connection with low-income housing tax credits, tax-exempt bonds, or other sources of public financing provided for the Project, the rules and regulations applicable to such other financing sources shall prevail.

3.5. **Sublease Requirements**. No later than one hundred eighty (180) days prior to the initial lease up of the Restricted Units, Developer shall submit a standard sublease form ("**Sublease**") to City for approval by City Manager after review by City Council. City Council shall reasonably approve the Sublease within sixty (60) business days of City's receipt thereof

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upon finding that the Sublease is consistent with this Agreement and contains all of the provisions required pursuant to the Ground Lease. City's failure to respond to Owner's request for approval of the standard lease form within sixty (60) business days of City's receipt of such Sublease form shall be deemed City's approval of the Sublease form. Developer shall enter into a written Sublease, in the form approved by City Council, with each new subtenant of a Restricted Unit prior to a subtenant or subtenant household's occupancy of a Restricted Unit. Each Sublease shall be for an initial term of not less than one (1) year which may be renewed pursuant to applicable local and State laws, and shall not contain any of the provisions which are prohibited pursuant to the TCAC regulations, local, state and Federal laws.

3.6. **Preference Program.** Except to the extent prohibited by applicable federal or state law or any Project funding sources, Developer shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time. For the purposes of this Agreement, the following terms shall have the following meanings:

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"Disability" means any mental or physical impairment that limits a major life activity, or as otherwise defined in state or federal law.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Work**" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

When the units are constructed and ready for occupancy, Developer will create an application process that will result in a pool of applicants. The pool of applicants to be sorted according to this preference order for the head of household:

1. "**First Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in Half Moon Bay.

2. "**Second Preferen**ce": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

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3. "**Third Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in County of San Mateo.

Developer will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Developer will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Developer will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

4. DEFAULT AND REMEDIES

4.1. Events of Default. The following shall constitute an "**Event of Default**" by Developer under this Agreement: there shall be a breach of any condition, covenant, warranty, promise or representation contained in this Agreement and such breach shall continue for a period of thirty (30) days after written notice thereof to the defaulting Party without the defaulting Party curing such breach, or if such breach cannot reasonably be cured within such thirty (30) day period, commencing the cure of such breach within such thirty (30) day period and thereafter diligently proceeding to cure such breach through completion; provided, however, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Agreement, the specific provision shall control, provided that no cure period or any extension thereof applicable to Developer in this Agreement shall be longer than one hundred twenty (120) days.

4.2. Remedies. The occurrence of any Event of Default under Section 4.1 shall give the non-defaulting Party the right to proceed with any remedy available to it in law or in equity, including, without limitation, an action in equity to require the defaulting Party to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

4.3. Obligations Personal to Developer. The liability of Developer under this Agreement to any person or entity is limited to Developer and Developer's interest in the Project, and City and any other such persons and entities shall look exclusively thereto for the satisfaction of obligations arising out of this Agreement or any other agreement securing the obligations of Developer under this Agreement.

4.4. Force Majeure. Subject to a Party's compliance with the notice requirements as set forth below, performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the Party claiming an extension of time to perform, but where such Party required to perform has exercised good faith commercially reasonable efforts and due diligence to perform the particular obligation, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other Party, or acts or failures to act of any public or governmental entity (except that City's acts or failure to act shall not excuse performance of City

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hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause.

4.5. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either Party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing Party shall be entitled to recover from the other Party its costs of suit and reasonable attorneys' fees. This Section shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

4.6. Remedies Cumulative. No right, power, or remedy given by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given by the terms of any such instrument, or by any statute or otherwise.

4.7. Waiver of Terms and Conditions. City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

4.8. Non-Liability of City Officials and Employees. No member, official, employee or agent of City shall be personally liable to Developer or any tenant, subtenant, or occupant of any Restricted Unit, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer, its successors, any tenant, subtenant or occupant of any Restricted Unit, or on any obligations under the terms of this Agreement.

4.9. Cure Rights. Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by Developer's mortgage lender, shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer.

5. GENERAL PROVISIONS

5.1. Time. Time is of the essence in this Agreement.

5.2. Notices. Unless otherwise indicated in this Agreement, any notice requirement set forth herein shall be deemed to be satisfied three days after mailing of the notice first-class United States certified mail, postage prepaid, or by personal delivery, addressed to the appropriate Party as follows:

DEVELOPER:

Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102

CITY:

City of Half Moon Bay
501 Main Street,

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Half Moon Bay, CA 94019
Attn: City Manager

Such addresses may be changed by notice to the other Party given in the same manner as provided above.

5.3. Successors and Assigns. This Agreement constitutes a covenant and legal restriction on the Property and shall run with the land, provided the Project remains on the Property, and all of the terms, covenants and conditions of this Agreement shall be binding upon Developer and the permitted successors and assigns of Developer.

5.4. Intended Beneficiaries. City is the intended beneficiary of this Agreement and shall have the sole and exclusive power to enforce this Agreement. It is intended that City may enforce this Agreement to satisfy its obligations to improve, increase and preserve affordable housing within City, as required by the AHPDA and Ground Lease, and to provide that a certain percentage of new housing is made available at affordable housing cost. No other person or persons, other than City and Developer and their assigns and successors, shall have any right of action hereon.

5.5. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

5.6. Governing Law. This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto. The venue for any action shall be the County of San Mateo.

5.7. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Developer and City.

5.8. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as otherwise expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 5.8 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

5.9. Indemnification. To the greatest extent permitted by law, Developer shall indemnify, defend (with counsel reasonably approved by City) and hold City, its elected and appointed officials, employees, directors, officials, members, agents, volunteers, successors

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and assigns ("**Indemnitees**") harmless from and against any and all demands. losses, claims, costs and expenses, and any other liability whatsoever, including without limitation, reasonable accountants' and attorneys' fees, charges and expense (collectively, "**Claims**") arising directly or indirectly, in whole or in part, as a result of or in connection with Developer's entitlement, construction, management, leasing, maintenance, repair, operation, condition or other of mater with respect to the Property and the Project or any failure to perform any obligation as and when required by this Agreement, the AHPDA and/or the Ground Lease. Developer's indemnification obligations under this Section 5.9 shall not extend to Claims to the extent resulting from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 5.9 shall survive the expiration or earlier termination of this Agreement, but only as to claims arising from events occurring during the Affordability Period.

5.10. Transfer and Encumbrance.

5.10.1. Restrictions on Transfer and Encumbrance. During the term of this Agreement, except as permitted pursuant to this Agreement, Developer shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (other than a lease of a Restricted Unit) (collectively, "**Transfer**") of the whole or any part of any Restricted Unit, the Property or Project, without the prior written consent of City, which approval shall not be unreasonably withheld. In addition, prior to the expiration of the term of this Agreement, except as expressly permitted by this Agreement, Developer shall not undergo any significant change of ownership without the prior written approval of City, which shall not be unreasonably withheld. For purposes of this Agreement, a "significant change of ownership" shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Developer, taking all transfers into account on a cumulative basis; provided however, neither the admission of an investor limited partner, nor the transfer by the investor limited partner to subsequent limited partners shall be restricted by this provision.

5.10.2. Permitted Transfers. Subject to Section 5.10.1, the prohibitions on Transfer set forth herein shall not be deemed to prevent: (i) the granting of easements or permits to facilitate development of the Property; (ii) assignments creating security interests for the purpose of financing the acquisition, construction, or permanent financing of the Project or the Property, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (iii) transfer of any limited partner interests in Developer; (iv) removal and replacement of the general partner of Developer; or (v) transfers between entities owned or controlled by Mercy Housing California.

5.10.3. Requirements for Proposed Transfers. City may, in the exercise of its discretion, which approval shall not be unreasonably withheld, consider the following in determining whether or not to consent to a Transfer; provided however, the requirements of this Section 5.10.3 shall not apply to Transfers described in 5.10.2.

(i) The proposed transferee demonstrates to City's satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be determined by City to competently complete and manage the Project and to otherwise fulfill the obligations undertaken by Developer under this Agreement.

(ii) Developer and the proposed transferee shall submit for City review and approval all instruments and other legal documents proposed to effect any Transfer of all or any part of or interest in the Restricted Unit or this Agreement together with such documentation of the proposed transferee's qualifications and development capacity as City may request.

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(iii) The proposed transferee shall expressly assume all of the rights and obligations of Developer under this Agreement arising after the effective date of the Transfer and all obligations of Developer arising prior to the effective date of the Transfer (unless Developer expressly remains responsible for such obligations) and shall agree to be subject to and assume all of Developer's obligations pursuant to conditions, and restrictions set forth in this Agreement.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to City in form and substance and recordable in the Official Records.

City will have sixty (60) days to accept or reject a proposed Transfer or request additional information regarding a proposed Transfer in writing.

5.11. Effect of Transfer without City Consent. In the absence of specific written agreement by City, no Transfer of any Restricted Unit, the Property or the Project shall be deemed to relieve Developer or any other Party from any obligation under this Agreement. This Section 5.11 shall not apply to Transfers described in Section 5.10.2.

5.12. Recovery of City Costs. Developer shall reimburse City for all reasonable City costs, including but not limited to reasonable attorneys' fees (whether in-house or outside attorneys), incurred in reviewing instruments and other legal documents proposed to effect a Transfer under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee within ten (10) days following City's delivery to Developer of an invoice detailing such costs.

IN WITNESS WHEREOF, Developer and City have executed this Agreement as of the Effective Date.

CITY:

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to Form:

_____
Denise Bazzano, Interim City Attorney

[***SIGNATURES ON FOLLOWING PAGE***]

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DEVELOPER:

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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Exhibit A
Property Description

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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GRANT AGREEMENT
BETWEEN THE CITY OF HALF MOON BAY AND MERCY HOUSING

This Grant Agreement ("**Agreement**") is entered into as of the Effective Date (defined herein) by and between the City of Half Moon Bay, a municipal corporation ("**Grantor**" or "**City**"), and Mercy Housing California, a California non-profit public benefit corporation ("**Grantee**"). City and Grantee may be collectively referred to herein as "**Parties**" and individually as "**Party**".

* * *

WHEREAS, City has received Two Million Dollars and Zero Cents ($2,000,000) in State funds to support pre-development and development work for an affordable housing project; and

WHEREAS, Grantee is seeking to construct an affordable housing project located at 555 Kelly Avenue and a portion of the property located at 553 Kelly Avenue in Half Moon Bay for local agricultural households with extremely low income (30% of the area median income for San Mateo, adjusted for household size ("**Adjusted AMI**")) or low income (50% of Adjusted AMI) ("**Project**"); and

WHEREAS, City has entered into an Exclusive Negotiations Agreement, as such may have been extended, with Grantee in order to enable Grantee's affiliate, Mercy Housing California 110, L.P., a California limited partnership ("**Developer**"), to carry out pre-development and development activities associated with the Project; and

WHEREAS, in connection with this Project, City and Developer may also enter into an Affordable Housing and Property Disposition Agreement ("**AHPDA**"), a Ground Lease ("**Ground Lease**"), and an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants ("**Regulatory Agreement**"); and

WHEREAS, upon execution, the terms and conditions of the AHPDA, the Ground Lease and the Regulatory Agreement shall be incorporated herein by reference. Accordingly, terms not otherwise defined in this Agreement shall have the meaning given to them in the AHPDA, the Ground Lease and/or the Regulatory Agreement, as applicable.

WHEREAS, City, by resolution of its City Council on April 28, 2026, has authorized the City Manager to enter into this Agreement to grant to Developer funds in the amount of Two Million Dollars and Zero Cents ($2,000,000) to support pre-development and development work for the Project; and

WHEREAS, City, in furtherance of its efforts to develop the Project, desires to enter into this Agreement with Developer to fund expenses incurred in connection with the Project.

NOW, THEREFORE, in consideration of the foregoing, which are incorporated herein by reference, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed by the Parties to this Agreement as follows:

1. Attachments.

The following exhibits are attached hereto and incorporated by reference as if fully set forth herein and Grantee shall be required to comply in all respects with the terms and conditions contained in the exhibits:

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Exhibit A – Grant Disbursement; and

Exhibit B – Reporting and Process.

2. Grant.

Subject to the terms and conditions specified herein, City hereby grants to Grantee a grant in a total amount not to exceed Two Million Dollars and Zero Cents ($2,000,000.00) ("**Grant**"), provided that (i) in no event shall City's total fiscal obligation under this Agreement exceed the amount of the Grant; and (ii) Grantee shall only use the Grant for the Grant Purpose, as set forth in Section 3.

3. Grant Purpose.

a. The Parties agree that the purpose of the Grant is to provide funding solely and exclusively for expenses reasonably and necessarily incurred in connection with pre-development and development activities for the Project ("**Grant Purpose**"). The Grant shall not be used by Grantee or Developer for any other purpose without the prior written consent of City, which City may withhold or grant in its sole and absolute discretion.

b. Grantee agrees that at no time will any Grant funds be used: (i) to attempt to influence the outcome of any specific public election, or to participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office; (ii) to attempt to influence the selection, nomination, election or appointment of any individual to any public office or office in a political organization within the meaning of Internal Revenue Code Section 527(e)(2); and/or (iii) for any activity that is in violation of federal, state, or local law or any effort to induce or encourage violations of law or public policy.

4. Grant Disbursement. City Manager shall be solely responsible for disbursing the Grant to Grantee pursuant to the terms and conditions of this Agreement and terms and conditions of the disbursement process attached hereto as Exhibit A.

5. Grantee's Representations and Warranties.

Grantee represents and warrants to City the following:

a. Grantee shall use best efforts to (i) cause the Project to be completed and when completed, to serve households with extremely low income (30% of Adjusted AMI) or low income (50% of Adjusted AMI) in full compliance with all terms and conditions of this Agreement, the AHPDA, the Ground Lease and the Regulatory Agreement, and (ii) ensure that the Project is developed in compliance with applicable law and regulations.

b. Grantee has full power, authority, and legal right to execute and deliver this Agreement and all other agreements, documents, and instruments contemplated hereby or thereby and to incur and perform its obligations hereunder and thereunder.

c. Grantee is not in default under or in violation of any indenture or agreement to which it is a party or by which it is bound, or any order, regulation, ruling, or requirement of a court or other public body or authority. No creditor has given Grantee a notice or threatened to give it any notice of default under any agreement. No event has occurred and is continuing

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and no condition exists that would constitute an event of default or an event which, with the lapse of time or the giving of notice, or both, would become an event of default.

d. As of the Effective Date, to the best of Grantee's knowledge, no action, suit or proceeding is pending against Grantee before any court or administrative agency, (i) the outcome of which, by itself or taken together with other such action, suit or litigation, would be reasonably expected to have a material adverse effect on Grantee's business, assets, operations, or financial condition, or (ii) which purports to affect the legality, enforceability, or validity of this Agreement, the AHPDA, the Ground Lease or the Regulatory Agreement.

e. Grantee is in compliance with all federal, state and local laws, rules, regulations, ordinances, and orders applicable to it, including, without limitation, all applicable health and safety, environmental, and building and zoning laws.

f. Grantee will submit to City an IRS W-9 Form and such other documentation as requested by City to facilitate disbursement of the Grant.

Grantee agrees to provide records sufficient to substantiate its representations and warranties upon City's request. Grantee understands and agrees that the foregoing representations and warranties are material to City's approval of the Grant.

6. Relationship of Parties

Notwithstanding any publicity or other references to City, the Parties understand and agree that any activities funded by the Grant are not performed by Grantee or any other person or entity as an independent contractor of City, or as an employee of City, and that neither Grantee, nor its employees, officers, agents, representatives, contractors or subsidiaries acquire any of the rights, privileges, powers, or advantages of City contactors or City employees. Grantee acknowledges and agrees that it is not, and will not hold itself out as, an agent, partner, or co-venturer of City, and that this Agreement is not intended to and does not create an agency, partnership, or joint venture between the Parties. This Agreement is entered into for the sole benefit of the Parties and is not for the benefit of, nor may any provision hereof, be enforced by any other person or entity; thus nothing contained herein or in the Parties' course of dealings shall be construed as conferring any third-party beneficiary status on any person or entity not a party to this Agreement.

7. Term & Termination

Subject to compliance with all terms and conditions of this Agreement, the term of this Agreement shall commence on the Effective Date and continue through the date the Project receives a temporary certificate of occupancy under the building permit(s) for the Project ("**Expiration Date**"). Grantee's reporting/auditing obligations under the Agreement, as well as such other obligations hereunder that expressly survive expiration or termination, shall survive the expiration or termination of the Agreement. This Agreement will not automatically renew, nor shall it create any reliance on or expectation of the possibility of future grants. Grantee understands and agrees that, to the extent that all Grant funds are not expended or disbursed by the Expiration Date, Grantee must promptly return all unexpended funds to City, and any unexpended or undisbursed funds at the time of termination shall be forfeited.

City may suspend and/or terminate this Agreement if (a) Grantee fails to comply with the terms and conditions of this Agreement (including, among other reasons, breach of any representation and warranty provided herein), (b) prior to the Expiration Date, Grantee defaults (beyond applicable notice and cure periods) under the AHPDA, Ground Lease or Regulatory Agreement,

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or (c) City exercises its Obstacle Termination Right, as described in Exhibit B. Thereafter, City may, in its sole discretion, withhold or cancel pending and future disbursements of funds and/or require Grantee to immediately return some or all funds disbursed under this Agreement. Notwithstanding anything to the contrary contained herein, in the event that the State of California requires City to return funds disbursed under this Agreement due to Grantee's actions or omissions in connection with this Agreement and/or the Project, City may require Grantee to immediately return funds in the amount required to be returned to the State.

8. Duty to Defend, Indemnify and Hold Harmless

Grantee shall indemnify, defend (with counsel acceptable to City) and save harmless City and its directors, officers, officials, members, employees, representatives, agents and volunteers from all claims, suits, or actions of every name, kind, and description resulting from or arising in connection with this Agreement, the performance of any work or services funded under this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following:

(A) injuries to or death of any person, including City or Grantee or any of their respective directors, officers, members, employees, officers, agents and representatives;

(B) damage to any property of any kind whatsoever and to whomsoever belonging;

(C) any sanctions, penalties, or claims of damages resulting from Grantee's failure to comply, if applicable, with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended;

(D) Grantee's breach or default (beyond applicable notice and cure periods) under this Agreement; or

(E) any other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of City and/or its directors, officers, officials, members, employees, representatives, agents and volunteers. However, Grantee's duty to indemnify, defend and save harmless under this Section shall not apply to injuries or damage for which City has been found in a court of competent jurisdiction to be solely liable by reason of its own gross negligence or willful misconduct.

The duty of Grantee to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

9. Insurance

a. **General Requirements**. Grantee shall not commence work funded under this Agreement unless and until all insurance required under this Section has been obtained and such insurance has been approved by City Manager. Grantee shall use best efforts to obtain such insurance and the approval of City Manager. Grantee shall furnish City with certificates of insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending coverage to include the contractual liability assumed by Grantee pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' written notice must be given to City of any pending change in the limits of liability or of any cancellation or modification of the policy. Grantee shall ensure that any of its contractors, consultants, or subgrantees engaged in connection with the Project obtains and maintains all insurance required under this Section and that such insurance has been approved by City Manager.

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b. **Workers' Compensation and Employer's Liability Insurance**. Grantee shall ensure that any of its contractors, consultants, or subgrantees engaged in connection with the Project have in effect during the entire term of this Agreement workers' compensation and employer's liability insurance providing full statutory coverage. In signing this Agreement, Grantee certifies, as required by Section 1861 of the California Labor Code, that (a) it is aware of the provisions of Section 3700 of the California Labor Code, which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of the Labor Code, and (b) it will ensure compliance with such provisions before commencing the performance of work funded under this Agreement.

c. **Liability Insurance**. Grantee shall ensure that such bodily injury liability and property damage liability insurance as shall protect Grantee and all of its employees/officers/agents while performing work funded by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from Grantee's operations under this Agreement, whether such operations be by Grantee, any contractor, anyone directly or indirectly employed by them, or an agent of either of them is maintained during the term of this Agreement. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than the amounts specified below:

(A) Comprehensive General Liability……. $1,000,000

(B) Motor Vehicle Liability Insurance……. $1,000,000

(C) Professional Liability……. $1,000,000

City and its officers, agents, employees, and servants shall be named as additional insured on any such policies of insurance (or equivalent proof of statutory self-insurance), which shall also contain a provision that (a) the insurance afforded thereby to City and its officers, elected and appointed officials, agents, employees, and servants shall be primary insurance to the full limits of liability of the policy, and (b) if City or its officers, elected and appointed officials, agents, employees, and servants have other insurance against the loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this Section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, City, at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further payment under this Agreement.

Grantee shall ensure that any of its contractors, consultants, or subgrantees engaged in connection with the Project obtains and maintains all insurance required under this Section and that such insurance has been approved by City Manager.

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10. Assignability and Subcontracting

Grantee shall not assign this Agreement or any portion of it to a third party. Any such assignment or subcontract without City's prior written consent shall give City the right to automatically and immediately terminate this Agreement without penalty or advance notice and City shall have the right to an immediate refund of all funds disbursed under this Agreement.

11. Compliance With Laws

Grantee, shall cause all services to be performed by its contractors, consultants and subgrantees in connection with this Agreement be performed in accordance with all applicable Federal, State, County, and municipal laws, ordinances, and regulations, including but not limited to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Federal Regulations promulgated thereunder, as amended (if applicable), the Business Associate requirements set forth in Attachment H (if attached), the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of disability in programs and activities receiving any Federal or City financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including but not limited to appropriate licensure, certification regulations, and provisions pertaining to confidentiality of records. In the event of a conflict between the terms of this Agreement and any applicable State, Federal, City, or municipal law or regulation, the requirements of the applicable law or regulation will take precedence over the requirements set forth in this Agreement. Grantee will timely and accurately complete, sign, and submit all necessary documentation of compliance.

12. Notices

Any notice, request, demand, or other communication required or permitted under this Agreement shall be deemed to be properly given when both: (1) transmitted via email to the email address listed below (with a copy promptly delivered pursuant to another delivery method described herein); and (2) sent to the physical address listed below by either being deposited in the United States mail, postage prepaid, or deposited for overnight delivery, charges prepaid, with an established overnight courier that provides a tracking number showing confirmation of receipt.

In the case of City, to:	In the case of Grantee, to:
City of Half Moon Bay 501 Main Street, Half Moon Bay, CA 94019 Attn: City Manager Reference: 555 Kelly Email: mchidester@halfmoonbay.gov	Kelly Hollywood 1256 Market Street San Francisco, CA 94102 (415) 355-7132 kelly.hollywood@mercyhousing.org
Half Moon Bay City Attorney's Office c/o Burke, Williams & Sorensen 1999 Harrison Street, Suite 1650 Oakland, CA 94612 Attn: Denise Bazzano, Esq.	Gubb and Barshay LLP 235 Montgomery St., Suite 1110 San Francisco, CA 94104 Attn: CJ Higley, Evan Gross Email: cjhigley@gubbandbarshay.com; egross@gubbandbarshay.com

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13. Electronic Signature

The Parties wish to permit this Agreement and future documents relating to this Agreement to be digitally signed in accordance with California law and City's electronic signature policy. Any party to this Agreement may revoke such agreement to permit electronic signatures at any time in relation to all future documents by providing notice pursuant to this Agreement.

14. Reporting Requirements

In addition to Grantee's reporting and/or auditing requirements set forth in Exhibit B, Grantee shall provide City with written quarterly reports, submitted electronically on Grantee's official letterhead to the attention of the City Manager, or designee, detailing: (a) Project status and progress toward meeting the Grant Purpose, including as to any Project Obstacles; (b) expenditures to which the Grant funds have been applied; and (c) any further reporting reasonably requested by City Manager with respect to the Grant. For purposes of this Agreement, the quarterly reporting periods while the Agreement remains in place are from January 1 through March 31, from April 1 through June 30, from July 1 through September 30, and from October 1 through December 31, and Grantee's quarterly reporting shall be due within seven (7) days after end of each quarter.

15. Payment of Permits/Licenses

Grantee shall cause any contractor, consultant, or subgrantee engaged in connection with the Project to obtain any license, permit, or approval required from any agency for work/services to be funded under this Agreement prior to commencement of said work/services. Failure to do so will result in forfeit of any right to reimbursement under this Agreement and shall constitute a default hereunder.

16. Approval/Request

Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as expressly set forth in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 16 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

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17. Effective Date

This Agreement shall be effective upon the last date that all signatories have executed the Agreement ("**Effective Date**").

THIS AGREEMENT IS NOT VALID UNTIL SIGNED BY ALL PARTIES. NO FUNDS WILL BE DISTRIBUTED UNTIL THIS DOCUMENT HAS BEEN SIGNED BY CITY'S AUTHORIZED DESIGNEE AND GRANTEE HAS PROVIDED CITY MANAGER WITH EVIDENCE THAT IT HAS OBTAINED ALL INSURANCE REQUIRED HEREIN, WHICH EVIDENCE SHALL BE ACCEPTABLE TO CITY MANAGER.

For Grantee:

Mercy Housing California, a California non-profit public benefit corporation

_____ _____
(Signature) Date

_____
Job Title (please print)

_____
(Print Name)

For City:

The City of Half Moon Bay, a municipal corporation

_____
Date

_____
Mathew Chidester
City Manager
City of Half Moon Bay

Approved as to form:

_____
Date

_____
Denise Bazzano
Interim City Attorney
City of Half Moon Bay

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Exhibit A – Grant Disbursement

Disbursement Requests. Grantee shall submit to City Manager for approval verified copies of contracts, invoices, and other documents as may be requested by City Manager to confirm the need to expend portions of the Grant funds on Project pre-development and development expenses, which may include the following expenses, as well as other expenses approved in writing by City Manager: architect, engineering, survey, environmental, construction manager, financial consultant, market study, appraisal, application and permit fees, legal, administrative costs, community outreach, and financing costs and fees ("**Eligible Development Costs**").

I. Grantee shall, in writing, request City to make disbursements to Grantee of a portion of the Grant. No disbursements shall be made by City unless and until the City Manager or his or her designee ("**City Manager**"):

(a) receives each of the following, the form and substance of which shall be acceptable to the City Manager: (i) invoices for the Eligible Development Costs for which payment is due or has been made, (ii) documentary evidence that the activities for which such Eligible Predevelopment Costs are requested have been performed in accordance with the contractor's, consultant's or vendor's contract, (iii) if applicable, written certification from an officer of Grantee that lien releases in compliance with applicable law have been obtained from all contractors, consultants and vendors, and if requested by City Manager, copies of all such lien releases, and (iv) such other documentation and evidence as the City Manager may reasonably request; and

(b) Determines, in the City Manager's reasonable discretion, that the costs for which Grant funds have been requested are Eligible Development Costs.

II. Notwithstanding the provision of Grant funds, Grantee and not City shall be solely responsible for all payments due any contractor, subcontractor, supplier or vendor engaged by Grantee for any work, services or the provision of materials. City shall provide disbursements to Developer within a reasonable period of time (consistent with City's customary payment procedures) after the City Manager receives all information described in clause (a) above and makes the determinations described in clause (b) above. Without prior written approval of the City Manager, Borrower shall not submit more than one (1) request for a disbursement of Grant funds per month, and no individual request for a disbursement of Grant funds shall exceed Five Hundred Thousand Dollars ($500,000).

III. Grantee shall ensure all requests are dated and reference the Grant Agreement.

IV. Grantee shall annually deliver to City, within fifteen (15) days of completion thereof, a copy of Grantee's internal audit report related to use of the Grant funds.

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* * * *

Exhibit B – Reporting and Process

a. **Project Obstacles**. The Parties understand and agree that, as of the Effective Date, the Project is currently in its predevelopment stage and that future events and conditions (including as specified in reports generated in connection with predevelopment and development work funded by the Grant) could prevent the Project from being fully developed or completed or lead to a reasonable belief that the Project will not be fully developed or completed, including, without limitation, issues arising from or related to construction, regulatory issues, litigation, inability to obtain sufficient Project funding and/or lack of feasibility of the Project or other issues ("**Project Obstacles**"). Grantee shall include with its quarterly reporting required under Section 14 of this Agreement a written report detailing any current or anticipated Project Obstacles and their impact (or potential impact) on the Project and its development and completion. Notwithstanding any other provision in this Agreement, including, without limitation, the Grant disbursement process specified herein, City Manager will make a determination in his/her reasonable discretion as to whether any Project Obstacles warrant termination of any further disbursements of the Grant and return of any unspent Grant funds to City ("**Obstacle Termination Right**"). Grantee agrees to return any unspent Grant funds within thirty (30) days of City's notification under this provision that it is exercising its Obstacle Termination Right. For the avoidance of doubt, any exercise by City of the Obstacle Termination Right under this specific provision shall not require Grantee to return any already disbursed Grant funds, unless demanded by the State of California, as described in Section 7 of the Agreement.

a. **Quarterly Cost Reporting**. Grantee's quarterly reporting required under Section 14 of this Agreement shall also include Grantee's actual costs incurred for the Project for the preceding quarter with supporting documentation for such costs to which the Grant funds have been applied, including without limitation, invoices, receipts, payroll, and activity logs sufficient to substantiate the costs. Invoice documentation must be accompanied by a line-item accounting for monthly expenses and evidence of work performed, or costs incurred, including, but not limited to, timesheets, copies of bills, and/or packing slips. Grantee shall include a written certification that the costs were actually incurred for the Project and that the supporting documentation is true, correct and complete.

b. **True-Up Process**. City Manager shall review Grantee's quarterly cost reporting and supporting documentation and periodically reconcile the actual Project costs reported and substantiated with the amount of the disbursed installments of the Grant. To the extent that Grantee's reasonable and necessary, actual costs of the Project incurred *exceed* the amount of the prior installment of the Grant, the excess amounts may be applied or otherwise credited against future installments of the Grant; to the extent that Grantee's reasonable and necessary, actual costs of the Project incurred are *less than* the amount of the prior installment of the Grant, City may adjust the amount of later installments accordingly. In no event, however, shall City's total disbursements exceed the total amount of the Grant (i.e., $2,000,000). City's disbursement of any installment of the Grant is conditioned upon Grantee's compliance with its quarterly cost reporting obligations and other terms and conditions of this Agreement. Grantee shall promptly return to City any amount of the Grant that has not been spent as of the Expiration Date stated in the Agreement.

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Exempt From Recording Fee Pursuant to
Government Code Sections 6103 and 27383

MEMORANDUM OF GROUND LEASE

This **MEMORANDUM OF GROUND LEASE** ("**Memorandum**") is hereby entered into as of [Date] by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.**, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant have entered into a "**Ground Lease**" dated concurrently herewith for that certain real property owned by Landlord ("**Property**"), which provides for the construction, maintenance, management and operation of a forty (40) unit Senior Agricultural Worker multifamily apartment project, to be made available long term at an affordable housing cost, property management office space, a community serving space and parking ("**Project**"). The Property is legally described in Exhibit A, which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the Landlord, 501 Main Street, Half Moon Bay, CA 94019.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of San Mateo County ("**Commencement Date**") and, subject to the provisions set forth in the Ground Lease and applicable law that may result in an earlier termination of the Ground Lease, continues until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of San Mateo County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

DRAFT

"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

By:_____
Matthew Chidester, City Manager

Date: _____

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its sole member/manager

By: _____
Ramie Dare
Vice President

Date: _____

DRAFT

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 _____)

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)

DRAFT

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 _____)

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)

DRAFT

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 _____)

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)

DRAFT

EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel “A”, as shown on that certain Map entitled “Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California”, filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13’ 55” East 649.12 feet (called North 8° 10’ East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31’ 07” West (called North 81° 18’ West in said Deed) 20.00 feet; thence leaving said line South 8° 13’ 55” West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30’ East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

EXEMPT FROM RECORDING FEES
PER GOVERNMENT CODE §§6103, 27383

Space above this line for Recorder's use.

AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This **AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS** ("**Agreement**") is entered into as of _____, 2026 ("**Effective Date**"), by and between the CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer may be referred to individually as a "**Party**" or together as "**Parties**."

RECITALS

A. City is the owner of that certain real property located at 535 Kelly Avenue and 555 Kelly Avenue, Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**"), as more particularly described in Exhibit A, attached hereto and incorporated herein by this reference.

B. City and Developer are parties to that certain Affordable Housing and Property Disposition Agreement ("**AHPDA**") and Ground Lease ("**Ground Lease**") both of even date. The terms and conditions of the AHPDA and Ground Lease are incorporated herein by reference. Accordingly, terms not otherwise defined in this Agreement shall have the meaning given to them in the AHPDA or the Ground Lease.

C. Pursuant to the Ground Lease, Developer is the holder of a leasehold interest in the Property. As further described in the AHPDA and Ground Lease, Developer shall develop the Property with a new multifamily residential project with thirty nine (39) affordable rental units for current or Senior Agricultural Workers, plus one (1) unrestricted manager's unit (collectively, "**Project**").

D. The AHPDA and Ground Lease require Developer to develop the Project and to make thirty-nine (39) of the Project's units affordable to extremely low income and very low income households ("**Restricted Units**"). The Restricted Units consist of ten (10) units affordable to households earning up to 30% of AMI (as defined in Section 3.2.a), and twenty-nine (29) units affordable to households earning up to 50% of AMI, as further set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer agree as follows.

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1. CONSTRUCTION OF THE PROJECT.

1.1. Construction of the Project. Developer agrees to construct the Project in accordance with the AHPDA and Ground Lease, including the Schedule of Performance attached to the AHPDA, and all applicable state and local building codes, development standards, ordinances and zoning ordinances.

1.2. City and Other Governmental Permits. As further described in the AHPDA and Ground Lease, before commencement of the Project, Developer shall secure or cause its contractor to secure any and all permits which may be required by City or any other governmental agency, including without limitation building permits. Developer shall pay all necessary fees and timely submit to City final drawings with final corrections to obtain such permits; City staff will, without incurring liability or expense therefore, process applications in the ordinary course of business for the issuance of building permits and certificates of occupancy for construction that meets the requirements of all applicable laws and regulations.

1.3. Compliance with Laws. As further described in the AHPDA and Ground Lease, Developer shall carry out the design, construction and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.,* Government Code Section 4450, *et seq.,* Government Code Section 11135, *et seq.,* and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

2. OPERATION OF THE RESTRICTED UNITS

2.1. Affordability Period. The Property shall be subject to the requirements of this Agreement from the Effective Date until the expiration of the Ground Lease term of ninety-nine (99) years. The duration of this requirement shall be known as the "**Affordability Period**."

2.2. Maintenance. Developer shall comply with every condition of the AHPDA and Ground Lease applicable to the Project and shall, at all times, maintain the Project and the Property in good repair and working order, reasonable wear and tear excepted, and in a safe and sanitary condition, and from time to time shall make all necessary and proper repairs, renewals, and replacements to keep the Project and the Property in a good, clean, safe, and sanitary condition.

2.3. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall maintain sufficient records to demonstrate compliance with this Agreement, the AHPDA and the Ground Lease. City shall have the right to inspect the books and records of Developer and its rental agent or bookkeeper upon reasonable notice during normal business hours. Representatives of City shall be entitled to enter the Property, upon at least 48-hour prior written notice, which can be provided via email, to monitor compliance with this Agreement, the AHPDA and the Ground Lease to inspect the records of the Project with respect to the Restricted Units, and to conduct, or cause to be conducted, an independent audit or inspection of such records. Developer agrees to cooperate with City in making the Property available for such inspection or audit. Developer agrees to maintain records in businesslike manner, and to maintain such records for Affordability Period.

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2.4. Non-Discrimination Covenants. Developer covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. Notwithstanding the foregoing, with respect to familial status, this shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code nor shall it be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Developer shall include such provision in all deeds, leases, contracts and other instruments executed by Developer, and shall enforce the same diligently and in good faith.

a. In deeds, the following language shall appear:

(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

b. In leases, the following language shall appear:

(1) The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns, and all persons claiming under the lessee or through the lessee, that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the property herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination of segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the property herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9

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of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

c. In contracts pertaining to management of the Project, the following language, or substantially similar language prohibiting discrimination and segregation shall appear:

(1) There shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to selection, location, number, use or occupancy of tenants, lessee, subtenants, sublessees or vendees of the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

3. AFFORDABILITY REQUIREMENTS.

3.1. Restricted Units. Developer agrees to make available, restrict occupancy to, and lease not less than thirty-nine (39) Restricted Units to Qualifying Households, as hereinafter defined, at an affordable rent, pursuant to the terms set forth below.

a. Until the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include ten (10) Extremely Low-Income Units (as defined below), and twenty-nine (29) Very Low-Income Units (as defined below).

b. After the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include thirty-nine (39) Low-Income Units.

3.2. Qualifying Households. For purposes of this Agreement, "**Qualifying Households**" shall mean those households with incomes as follows:

a. "**AMI**" means the median income for San Mateo County, California, adjusted for actual household size, as determined by California Tax Credit Allocation Committee ("**TCAC**") regulations, and as published from time to time by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations or successor provision.

b. "**Extremely Low-Income Unit**": means units restricted to households with incomes of not more than thirty percent (30%) of AMI.

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c. "**Very Low Income Unit**": means units restricted to households with incomes of not more than fifty percent (50%) of AMI.

d. "**Low-Income Unit**": means units restricted to households with incomes of not more than eighty percent (80%) of AMI.

3.3. Income Verification and Annual Report. On or before July 1 of each year, commencing with the calendar year that the first residential unit in the Project is rented to a subtenant, and annually thereafter, Developer shall obtain from each household occupying a Restricted Unit and submit to City an income computation and certification form, completed by a subtenant of such unit, which shall certify that the income of each Qualifying Household is truthfully set forth in the income certification form, in the form required by TCAC ("**Annual Report**"). Developer shall make a good faith effort to verify that each household leasing a Restricted Unit meets the income and eligibility restrictions for the Restricted Unit by taking by taking the following steps as a part of the verification process: (a) obtain a minimum of the three (3) most current pay stubs for all adults age eighteen (18) or older; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain the three (3) most current savings and checking account bank statements; (e) obtain an income verification form from the applicant's current employer; (f) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (g) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of subtenant income certifications shall be available to City upon request. The Annual Report shall, at a minimum, include the following information for each Restricted Unit: unit number, number of bedrooms, current rent and other charges, dates of any vacancies during the reporting period, number of people residing in the unit, total household Gross Income (as defined below), and lease commencement and termination dates. The Annual Report shall also provide a statement of the owner's management policies, communications with the subtenants and maintenance of the Restricted Unit, including a statement of planned repairs to be made and the dates for the repairs.

3.4. Affordable Rent. The maximum Monthly Rent, defined below, chargeable for the Restricted Units and paid by the occupants shall be as follows:

a. "**Extremely Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed thirty percent (30%) of the AMI. The Monthly Rent for an Extremely Low-Income Unit rented to an Extremely Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one-bedroom unit, and 3 persons for a two-bedroom unit ~~and 4.5 persons for a three-bedroom unit~~. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Extremely Low-Income Households.

b. "**Very Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed fifty percent (50%) of the AMI. The Monthly Rent for a Very Low-Income Unit rented to a Very Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, and 3 persons for a two-bedroom unit ~~and 4.5 persons for a three- bedroom unit~~. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Very Low-Income Households.

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c. "**Low-Income Household**": shall be 1/12th of thirty percent (30%) of not to exceed eighty percent (80%) of the AMI. The Monthly Rent for a Low-Income Unit rented to a Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, and 3 persons for a two-bedroom unit ~~and 4.5 persons for a three- bedroom unit~~. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Low-Income Households.

For purposes of this Agreement, "**Monthly Rent**" means the total of monthly payments actually made by the household for (a) use and occupancy of each Restricted Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all subtenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in subsections (a) or (b) above, and which are not paid directly by Developer, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone or internet service, which reasonable allowance for utilities is set forth in the County of San Mateo's Utility Allowance Schedule for detached homes, apartments, condominiums and duplexes, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer.

For purposes of this Agreement, "**Gross Income**" means the total anticipated annual income of all persons in a household calculated using the methods set forth in TCAC regulations, or if TCAC regulations do not address such matter, the total anticipated annual income of all persons in a household as defined in Title 24 of the Code of Federal Regulations, Section 5.609.

Notwithstanding the foregoing, no subtenant qualifying for a Restricted Unit shall be denied continued occupancy of a unit in the Project because, after admission, such subtenant's household Gross Income increases to exceed the qualifying limit for such Restricted Unit. A household which at initial occupancy qualifies in a particular income category shall be treated as continuing to be of such income category so long as the household's Gross Income does not exceed one hundred forty percent (140%) of the applicable income limit. In the event a subtenant's household Gross Income exceeds the limits specified in this Section, Developer shall apply the rules applicable to the Project pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and the federal regulations applicable thereto.

In the event that recertification of subtenant incomes indicates that the number of Restricted Units actually occupied by Qualifying Households falls below the number reserved for each income group as specified in Sections 3.1, Developer shall rectify the condition by renting the next available dwelling unit(s) in the Project to Qualifying Household(s) until the required income mix is achieved.

In the event of inconsistency between the provisions of this Section and the rules applicable to the Project in connection with low-income housing tax credits, tax-exempt bonds, or other sources of public financing provided for the Project, the rules and regulations applicable to such other financing sources shall prevail.

3.5. **Sublease Requirements**. No later than one hundred eighty (180) days prior to the initial lease up of the Restricted Units, Developer shall submit a standard sublease form ("**Sublease**") to City for approval by City Manager after review by City Council. City Council

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shall reasonably approve the Sublease within sixty (60) business days of City's receipt thereof upon finding that the Sublease is consistent with this Agreement and contains all of the provisions required pursuant to the Ground Lease. City's failure to respond to Owner's request for approval of the standard lease form within sixty (60) business days of City's receipt of such Sublease form shall be deemed City's approval of the Sublease form. Developer shall enter into a written Sublease, in the form approved by City Council, with each new subtenant of a Restricted Unit prior to a subtenant or subtenant household's occupancy of a Restricted Unit. Each Sublease shall be for an initial term of not less than one (1) year which may be renewed pursuant to applicable local and State laws, and shall not contain any of the provisions which are prohibited pursuant to the TCAC regulations, local, state and Federal laws.

3.6. **Preference Program.** Except to the extent prohibited by applicable federal or state law or any Project funding sources, Developer shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time. For the purposes of this Agreement, the following terms shall have the following meanings:

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"Disability" means any mental or physical impairment that limits a major life activity, or as otherwise defined in state or federal law. ~~means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.~~

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Work**" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

When the units are constructed and ready for occupancy, Developer will create an application process that will result in a pool of applicants. The pool of applicants to be sorted according to this preference order for the head of household:

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1. "**First Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in Half Moon Bay.

2. "**Second Preferen**ce": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in County of San Mateo.

Developer will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Developer will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Developer will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

4. DEFAULT AND REMEDIES

4.1. Events of Default. The following shall constitute an "**Event of Default**" by Developer under this Agreement: there shall be a breach of any condition, covenant, warranty, promise or representation contained in this Agreement and such breach shall continue for a period of thirty (30) days after written notice thereof to the defaulting Party without the defaulting Party curing such breach, or if such breach cannot reasonably be cured within such thirty (30) day period, commencing the cure of such breach within such thirty (30) day period and thereafter diligently proceeding to cure such breach through completion; provided, however, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Agreement, the specific provision shall control, provided that no cure period or any extension thereof applicable to Developer in this Agreement shall be longer than one hundred twenty (120) days.

4.2. Remedies. The occurrence of any Event of Default under Section 4.1 shall give the non-defaulting Party the right to proceed with any remedy available to it in law or in equity, including, without limitation, an action in equity to require the defaulting Party to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

4.3. Obligations Personal to Developer. The liability of Developer under this Agreement to any person or entity is limited to Developer and Developer's interest in the Project, and City and any other such persons and entities shall look exclusively thereto for the satisfaction of obligations arising out of this Agreement or any other agreement securing the obligations of Developer under this Agreement.

4.4. Force Majeure. Subject to a Party's compliance with the notice requirements as set forth below, performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the Party claiming an extension of time to perform, but where such Party required to perform has

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exercised good faith commercially reasonable efforts and due diligence to perform the particular obligation, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other Party, or acts or failures to act of any public or governmental entity (except that City's acts or failure to act shall not excuse performance of City hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause.

4.5. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either Party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing Party shall be entitled to recover from the other Party its costs of suit and reasonable attorneys' fees. This Section shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

4.6. Remedies Cumulative. No right, power, or remedy given by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given by the terms of any such instrument, or by any statute or otherwise.

4.7. Waiver of Terms and Conditions. City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

4.8. Non-Liability of City Officials and Employees. No member, official, employee or agent of City shall be personally liable to Developer or any tenant, subtenant, or occupant of any Restricted Unit, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer, its successors, any tenant, subtenant or occupant of any Restricted Unit, or on any obligations under the terms of this Agreement.

4.9. Cure Rights. Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by Developer's mortgage lender, shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer.

5. GENERAL PROVISIONS

5.1. Time. Time is of the essence in this Agreement.

5.2. Notices. Unless otherwise indicated in this Agreement, any notice requirement set forth herein shall be deemed to be satisfied three days after mailing of the notice first-class United States certified mail, postage prepaid, or by personal delivery, addressed to the appropriate Party as follows:

DEVELOPER:

Mercy Housing California 110, L.P.

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1256 Market Street
San Francisco, CA 94102

CITY:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Such addresses may be changed by notice to the other Party given in the same manner as provided above.

5.3. Successors and Assigns. This Agreement constitutes a covenant and legal restriction on the Property and shall run with the land, provided the Project remains on the Property, and all of the terms, covenants and conditions of this Agreement shall be binding upon Developer and the permitted successors and assigns of Developer.

5.4. Intended Beneficiaries. City is the intended beneficiary of this Agreement and shall have the sole and exclusive power to enforce this Agreement. It is intended that City may enforce this Agreement to satisfy its obligations to improve, increase and preserve affordable housing within City, as required by the AHPDA and Ground Lease, and to provide that a certain percentage of new housing is made available at affordable housing cost. No other person or persons, other than City and Developer and their assigns and successors, shall have any right of action hereon.

5.5. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

5.6. Governing Law. This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto. The venue for any action shall be the County of San Mateo.

5.7. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Developer and City.

5.8. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as otherwise expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall

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indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 5.8 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

5.9. Indemnification. To the greatest extent permitted by law, Developer shall indemnify, defend (with counsel reasonably approved by City) and hold City, its elected and appointed officials, employees, directors, officials, members, agents, volunteers, successors and assigns ("**Indemnitees**") harmless from and against any and all demands. losses, claims, costs and expenses, and any other liability whatsoever, including without limitation, reasonable accountants' and attorneys' fees, charges and expense (collectively, "**Claims**") arising directly or indirectly, in whole or in part, as a result of or in connection with Developer's entitlement, construction, management, leasing, maintenance, repair, operation, condition or other of mater with respect to the Property and the Project or any failure to perform any obligation as and when required by this Agreement, the AHPDA and/or the Ground Lease. Developer's indemnification obligations under this Section 5.9 shall not extend to Claims to the extent resulting from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 5.9 shall survive the expiration or earlier termination of this Agreement, but only as to claims arising from events occurring during the Affordability Period.

5.10. Transfer and Encumbrance.

5.10.1. Restrictions on Transfer and Encumbrance. During the term of this Agreement, except as permitted pursuant to this Agreement, Developer shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (other than a lease of a Restricted Unit) (collectively, "**Transfer**") of the whole or any part of any Restricted Unit, the Property or Project, without the prior written consent of City, which approval shall not be unreasonably withheld. In addition, prior to the expiration of the term of this Agreement, except as expressly permitted by this Agreement, Developer shall not undergo any significant change of ownership without the prior written approval of City, which shall not be unreasonably withheld. For purposes of this Agreement, a "significant change of ownership" shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Developer, taking all transfers into account on a cumulative basis; provided however, neither the admission of an investor limited partner, nor the transfer by the investor limited partner to subsequent limited partners shall be restricted by this provision.

5.10.2. Permitted Transfers. Subject to Section 5.10.1, the prohibitions on Transfer set forth herein shall not be deemed to prevent: (i) the granting of easements or permits to facilitate development of the Property; (ii) assignments creating security interests for the purpose of financing the acquisition, construction, or permanent financing of the Project or the Property, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (iii) transfer of any limited partner interests in Developer; (iv) removal and replacement of the general partner of Developer; or (v) transfers between entities owned or controlled by Mercy Housing California.

5.10.3. Requirements for Proposed Transfers. City may, in the exercise of its discretion, which approval shall not be unreasonably withheld, consider the following in determining whether or not to consent to a Transfer; provided however, the requirements of this Section 5.10.3 shall not apply to Transfers described in 5.10.2.

(i) The proposed transferee demonstrates to City's satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be

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determined by City to competently complete and manage the Project and to otherwise fulfill the obligations undertaken by Developer under this Agreement.

(ii) Developer and the proposed transferee shall submit for City review and approval all instruments and other legal documents proposed to effect any Transfer of all or any part of or interest in the Restricted Unit or this Agreement together with such documentation of the proposed transferee's qualifications and development capacity as City may request.

(iii) The proposed transferee shall expressly assume all of the rights and obligations of Developer under this Agreement arising after the effective date of the Transfer and all obligations of Developer arising prior to the effective date of the Transfer (unless Developer expressly remains responsible for such obligations) and shall agree to be subject to and assume all of Developer's obligations pursuant to conditions, and restrictions set forth in this Agreement.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to City in form and substance and recordable in the Official Records.

City will have sixty (60) days to accept or reject a proposed Transfer or request additional information regarding a proposed Transfer in writing.

5.11. Effect of Transfer without City Consent. In the absence of specific written agreement by City, no Transfer of any Restricted Unit, the Property or the Project shall be deemed to relieve Developer or any other Party from any obligation under this Agreement. This Section 5.11 shall not apply to Transfers described in Section 5.10.2.

5.12. Recovery of City Costs. Developer shall reimburse City for all reasonable City costs, including but not limited to reasonable attorneys' fees (whether in-house or outside attorneys), incurred in reviewing instruments and other legal documents proposed to effect a Transfer under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee within ten (10) days following City's delivery to Developer of an invoice detailing such costs.

IN WITNESS WHEREOF, Developer and City have executed this Agreement as of the Effective Date.

CITY:

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to Form:

_____
Denise Bazzano, Interim City Attorney

[***SIGNATURES ON FOLLOWING PAGE***]

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DEVELOPER:

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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Exhibit A
Property Description

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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GROUND LEASE

By and Between

CITY OF HALF MOON BAY

"Landlord"

and

MERCY HOUSING CALIFORNIA 110, L.P.

"Tenant"

Dated as of _____ __, 2026

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GROUND LEASE

This **GROUND LEASE** ("**Ground Lease**") dated as of _____ ("**Effective Date**"), is entered into by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.,** a California limited partnership ("**Tenant**").

R E C I T A L S

A. Landlord owns fee title to that certain real property located at 535 and 555 Kelly Avenue, in the City of Half Moon Bay, State of California more particularly described in Exhibit A, which is attached hereto and incorporated herein by this reference ("**Property**").

B. Tenant is controlled by an experienced owner, developer and manager of affordable housing for low and moderate-income families.

C. Landlord entered into an Affordable Housing and Property Disposition Agreement with Tenant, dated as of _____ __, 2026 ("**Agreement**"). Landlord will also enter into a regulatory agreement with Tenant ("**Regulatory Agreement**"), which will be recorded as an encumbrance on title to the Property and evidence the obligations of Tenant with respect to the Affordability Restrictions (as defined below).

D. The Agreement provides for Landlord to ground lease the Property to Tenant, and for Tenant to (i) construct and operate a forty (40) unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 ("**Affordability Restrictions**"), (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**").

E. All conditions precedent to the parties entering into this Ground Lease have been satisfied or waived by the applicable party.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, Landlord and Tenant agree as follows:

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ARTICLE 1. LEASE OF THE PROPERTY

1.1 Ground Lease of the Property; Acquisition of Improvements. Landlord leases the Property to Tenant, and Tenant leases the Property from Landlord, on the terms and conditions as set forth in this Ground Lease. Pursuant to the Agreement and subject to the provisions of Section 5.3 hereof, concurrent with the Effective Date of this Ground Lease Tenant will acquire title to all Improvements on the Property and hold title to such Improvements during the Term hereof. For purposes of this Ground Lease, the Property is the leased premises.

1.2 Purpose of Ground Lease. The purpose of this Ground Lease is to provide for the construction, maintenance, repair, management and operation of the Project as a forty (40) unit Senior Agricultural Worker multifamily apartment project, encumbered by the Regulatory Agreement, with a ground floor community serving space and a property management office. Tenant will not occupy or use the Property, nor permit the Property to be occupied or used, nor do or permit anything to be done in or on the Property, in whole or in part, for any other purpose.

1.3 Recorded Encumbrances. This Ground Lease, the interests of Landlord and Tenant hereunder, and the Property, are in all respects subject to and bound by all of the covenants, conditions, restrictions, reservations, rights, rights-of-way, and easements of record prior to the recordation of this Ground Lease.

1.4 Memorandum of Ground Lease. A short form Memorandum of Ground Lease referring to this Ground Lease, substantially in the form attached hereto and incorporated herein as Exhibit B, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records of the County of San Mateo, California ("**Official Records**").

1.5 Regulatory Agreement. The Regulatory Agreement, substantially in the form attached hereto and incorporated herein as Exhibit C, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records.

ARTICLE 2. DEFINITIONS.

Capitalized terms used herein are defined where first used in this Ground Lease and/or as set forth in this Article 2. All capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement. For the purpose of supplying such definitions, the Agreement, notwithstanding anything contained therein or herein to the contrary, shall not merge with this Ground Lease.

"**Adjusted AMI**" has the meaning in Section 8.1.1.

"Affiliate" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of

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any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"Affordability Restrictions" has the meaning set forth in Recital D.

"Agreement" has the meaning set forth in Recital C.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code*.*

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"ALAS" means Ayudando Latinos A Soñar (ALAS), the currently approved operator of the ground-floor community serving space.

"Assignee" has the meaning set forth in Section 19.1.4.

"Base Rent" means the sum of One Dollar ($1.00) per year.

"Certificate of Occupancy" means the temporary or final certificate of occupancy issued by City for the Project.

"**City**" means the City of Half Moon Bay.

"City Manager" means the person duly appointed to the position of City Manager, or his or her designee.

"Commencement Date" means the date upon which the Memorandum of Ground Lease is recorded in the Official Records.

"CPI Adjustment" means the percentage increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, San Francisco-Oakland-Hayward statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") between the CPI figure in effect as of the date on which the final Certificate of Occupancy is issued and the CPI figure in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to

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obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

"Disability" means any mental or physical impairment that limits a major life activity, or as otherwise defined in state or federal law. ~~means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.~~

"Environmental Laws" has the meaning set forth in Section 12.1(B).

"Event of Default" has the meaning set forth in Article 19.

"First Preference," "Second Preference" and "Third Preference" each have the meaning set forth in Section 8.5.

"Foreclosure Transferee" means any Mortgagee or other transferee of the leasehold interest under this Ground Lease as a result of a judicial foreclosure, non-judicial foreclosure or assignment of the leasehold in lieu of foreclosure.

"Governmental Requirements" means all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, the City, or any other political subdivision in which the Property is located, and any other state, county city, political subdivision, agency, instrumentality or other entity exercising jurisdiction over the Property, including common law.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section

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311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"Hazardous Materials Activity" has the meaning set forth in Section 12.1(C).

"**HCD**" means the California Department of Housing and Community Development.

"**Head of Household**," means, for purposes of this Agreement, a Senior Agricultural Worker who submits an application to Reside in the Project.

"HUD" means the U.S. Department of Housing and Urban Development.

"Impositions" means all taxes (including, without limitation, sales and use taxes); assessments (including, without limitation, all assessments for public improvements or benefits whether or not commenced or completed prior to the Commencement Date and whether or not to be completed within the Term); water, sewer or other rents, rates and charges; excises; levies; license fees; permit fees; inspection fees and other authorization fees and other charges; in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interests and penalties thereon), which are attributable or applicable to any portion of the Term and may be assessed, levied, confirmed, or imposed on or in respect of, or be a lien upon (a) the Property or the Improvements, or any part thereof, or any estate, right, or interest therein, (b) any occupancy, use, or possession of or activity conducted on the Property or the Improvements, or any part thereof, or (c) this Ground Lease. The term "Impositions" shall also include any and all increases in the foregoing, whether foreseen or unforeseen, ordinary or extraordinary, including, without limitation, any increase in Real Property Taxes resulting from a sale of the Property by Landlord.

"Improvements" means all buildings, structures and other improvements, including the building fixtures thereon, now located on the Property or hereafter constructed on the Property; all landscaping, fencing, walls, paving, curbing, drainage facilities, lighting, parking areas, roadways, and similar site improvements now located or hereafter placed upon the Property.

"Landlord and Landlord Personnel" means Landlord and its respective directors, officers, officials, members, employees, agents, representatives, and volunteers.

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"Loss" has the meaning set forth in Section 9.8.

"Maintenance Standards" means those standards set forth in Article 10.

"Memorandum of Ground Lease" refers to the memorandum of ground lease which has been recorded as described in Section 1.4.

"Mortgage" has the meaning set forth in Section 16.1 of this Ground Lease. The term "Mortgage" shall include the deed of trust recorded in favor of _____ as the senior construction lender, _____, as construction loan [TO INSERT AT CLOSING] secured by Tenant's leasehold interest in the Property.

"Mortgagee" has the meaning set forth in Section 16.1 of this Ground Lease and shall include the Mortgage in favor of construction lender .

"Notices" has the meaning set forth in Section 22.1.

"Official Records" has the meaning set forth in Section 1.4.

"Partnership Agreement" means the agreement which sets forth the terms of Tenant's limited partnership, as such agreement may be amended from time to time.

"Plans" means the plans and specifications for the construction of the Project, a set of which, initialed by Tenant, are on file in the offices of Landlord.

"Project" has the meaning set forth in Recital D above and includes and all on-site improvements necessary to serve the development, all as more particularly described in the Agreement.

"Property" has the meaning set forth in Recital A above.

"Real Property Tax" has the meaning set forth in Section 4.4.3 of this Ground Lease.

"Regulatory Agreement" has the meaning set forth in Recital C.

"Rent" means the rent payable pursuant to Article 4 of this Ground Lease.

"**Reside**" means the location of an individual's permanent residence.

"**Resident Subleases**" has the meaning in Article 17.

"Resource Center Sublease" has the meaning in Article 17.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

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"**Spouse**" means, for purposes of this Ground Lease, a person legally married to another, as recognized by the State of California, and includes same-sex marriages and registered domestic partners.

"**Sublease**" means an agreement pursuant to which Tenant leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of this Ground Lease.

"TCAC" means the California Tax Credit Allocation Committee.

"**Tenant Party**" has the meaning given to it in Section 12.3.

"Term" has the meaning set forth in Article 3 of this Ground Lease.

"Transaction Documents" means, collectively, the Agreement (until such time as the Agreement, by its terms, terminates), and the Ground Lease.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

"**Weekend**" means the days of Saturday and Sunday during a Week.

"Work" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

"**Work Week**" means the days of Monday through Friday during a Week.

ARTICLE 3. TERM.

The term of this Ground Lease ("**Term**") shall commence on the date of recordation of the Memorandum of Ground Lease in the Official Records ("**Commencement Date**") and, subject to the provisions set forth in this Ground Lease and applicable law that may result in an earlier termination of this Ground Lease, shall continue until the ninety-ninth (99th) anniversary of the Commencement Date.

ARTICLE 4. RENT.

4.1 Rent. On the Effective Date, Tenant shall pay to Landlord Base Rent.

4.2 Payment of Rent. All Rent that becomes due and payable pursuant to this Ground Lease shall be paid to Landlord at the address listed in Section 21.1 or such other place as Landlord may from time to time designate by written notice to Tenant without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction. Except as expressly provided herein or in the Agreement, under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or to perform any act or obligation whatsoever or be under any obligation or liability hereunder or with respect to the Property.

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4.3 Utilities. Tenant shall be responsible for the payment of and shall establish accounts for all and each of water, gas, electricity, refuse collection and disposal, internet service, broadband coverage, and/or other communication system fees, and all other utilities or services used by Tenant on or at the Property. Landlord expressly has no obligation regarding provision of or payment for any utilities serving the Property.

4.4 Taxes and Assessments.

4.4.1 Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property. In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord notices Tenant that by entering into this Ground Lease, a possessory interest subject to assessment and collection of property taxes may be created. Tenant or other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. If possessory interest taxes are assessed, Tenant agrees it is responsible for payment thereof and Landlord has no obligation or liability of any kind or nature relating to payment of property taxes. Tenant shall, at its sole cost and expense, seek exemption from, or contest the payment of, assessments and the collection of property taxes pursuant to Revenue and Taxation Code Section 214, or a successor statute. During the pendency of such contest or request for exemption, Tenant's non-payment of assessments or taxes when due shall not constitute a default hereunder if (i) the validity of such assessments and taxes is actively contested in good faith and by appropriate proceedings, (ii) Tenant has demonstrated to Landlord's reasonable satisfaction that leaving such assessments or taxes unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such assessments or taxes or otherwise impair Landlord's estate in the Property, (iii) Tenant has furnished Landlord with a bond or other security satisfactory to Landlord in an amount not less than 100% of the applicable claim (including interest and penalties), and (iv) upon the final disposition of such proceedings, Tenant shall promptly pay all taxes and assessments then due, inclusive of any unpaid accrued penalties and interest. Landlord is a political subdivision of the State of California, and no property taxes will be or are legally assessable against its fee interest.

4.4.2 Payment of Taxes and Impositions. Subject to any applicable exemptions, Tenant is responsible for and shall pay the real property and/or possessory interest taxes and other Impositions applicable to the Property during the Term of this Ground Lease. Except as provided in Section 4.4.1, all such payments shall be made prior to the delinquency date of such payment. Tenant shall promptly furnish Landlord with satisfactory evidence that such taxes and Impositions have been paid or that an exemption from such taxes has been obtained. If any such taxes and Impositions paid by Tenant shall cover any period of time prior to or after the expiration of the Term, Tenant shall have sole responsibility for seeking any reimbursement due from the appropriate taxing entity. If Tenant fails to pay any such taxes or Impositions, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord within ten (10) days after demand from Landlord together with interest at the rate set forth in Section 4.5.

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4.4.3 Definition. As used herein, the term "**Real Property Tax**" shall include any form of real estate tax or assessment (including, without limitation, on possessory interests), general, special, ordinary, or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income, or estate taxes) imposed on the Property or any interest (including, without limitation, possessory interests) therein by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord or Tenant in the Property or in the real property of which the Property are a part, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Property. The term "Real Property Tax" shall also include any tax, fee, levy, assessment, or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "Real Property Tax," or (ii) the nature of which was hereinbefore included within the definition of "Real Property Tax," or (iii) which is imposed as a result of a transfer, either partial or total, of Landlord's interest in the Property or which is added to a tax or charge hereinbefore included within the definition of Real Property Tax by reason of such transfer, or (iv) which is imposed by reason of this lease transaction, any modifications or changes hereto, or any transfers hereof.

4.4.4 Personal Property. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment, and all other personal property of Tenant contained in the Property or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

4.4.5 Apportionment. If any of Tenant's said personal property shall be assessed with Landlord's real property, first Tenant shall advise the County of San Mateo Tax Assessor and Tax Collector of the same in writing, and Tenant shall pay Landlord the taxes attributable to Tenant not later than the later of (a) ten (10) days after receipt of a written statement setting forth the taxes applicable to Tenant's property, or (b) thirty (30) days prior to the date said taxes are due and payable.

4.5 Overdue Interest. Any amount due to Landlord, if not paid when due and on or before expiration of the period for cure as set forth herein, after Landlord's delivery of notice thereof to Tenant, shall bear interest from the date due until paid at the lower of: (a) the reference or prime rate of Bank of America, N.T. & S.A., in effect from time to time plus three percent (3%); or (b) the highest rate of interest allowed under applicable usury law.

4.6 Right to Audit. Tenant shall keep full and accurate books of account, records, and other pertinent data with respect to operations of the Project. Such books of account, records, and other pertinent data shall be kept for at least ~~five (5)~~ seven (7) years. At any time, Landlord shall be entitled to examine and conduct an independent audit of all of Tenant's books of account, records, and other pertinent data ~~for the prior three (3) years~~.

ARTICLE 5. POSSESSION OF PROPERTY.

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5.1 Acceptance of Premises. As further described in Section 6.3, Tenant hereby accepts the Property as-is and acknowledges that the Property is in the condition called for by the Agreement and this Ground Lease.

5.2 Ownership of Improvements. Unless otherwise provided herein, during the Term of this Ground Lease, as it may be extended pursuant to the terms hereof, title to all Improvements, now existing or later made, on the Property are and shall be vested in Tenant as set forth in Article 11.

5.3 Surrender of Property.

5.3.1 Expiration or Termination. Tenant agrees that on the expiration or earlier termination of the Term, the leasehold estate hereby granted to Tenant shall terminate unless extended by mutual agreement of Landlord and Tenant. Upon such termination, the leasehold estate shall be forfeited and shall revert to Landlord, its successors and assigns, and all Improvements on the Property shall become the property of Landlord, its successors and assigns, free and clear from any liens or claims whatsoever (other than non-monetary liens previously approved or otherwise accepted in writing by Landlord), in good condition and repair and in compliance with the Maintenance Standards described in Section 10, reasonable wear and tear excepted, without further compensation therefor from Landlord to Tenant or any other person. Following any such expiration or termination, Tenant shall execute, acknowledge and deliver to Landlord a quitclaim deed, or other document required by a reputable title company and reasonably acceptable to Landlord, conveying all Tenant's right, title, and interest in and to the Property and the Improvements to Landlord. In the event Tenant receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan, or any mortgage, deed of trust, or security instrument secured by the leasehold interest granted hereunder, the Property or the Improvements, or from HCD, the California Debt Limit Allocation Committee, the Internal Revenue Service, or any other agency or entity that provided any form of financing to the Project, then Tenant shall provide written notice of such alleged default to City Manager within five (5) days of receipt thereof. Tenant hereby irrevocably appoints Landlord as Tenant's agent and attorney-in-fact (such agency being coupled with an interest), and as such agent and attorney-in-fact Landlord may, without the obligation to do so, in Tenant's name, or in the name of Landlord, prepare, execute and file or record such statements, applications, and other documents necessary to create, perfect, or preserve any of Landlord's interests and rights in or to the Property and any of the Improvements, and, upon the expiration or earlier termination of the Term, take any other action required of Tenant.

5.3.2 Condition. On expiration or earlier termination of the Term and in furtherance of the provisions relating to surrender of the Property set forth in Section 5.3.1 above, Tenant shall peaceably and quietly leave and surrender the Property and the Improvements to Landlord in good order, condition, and repair and in compliance with the Maintenance Standards, reasonable wear and tear excepted, free of debris, waste and Hazardous Materials. Tenant shall leave in place and in good order, condition, and repair, all fixtures and machinery; except (if Tenant is not then in default under this Ground Lease) Tenant shall have the right to remove only Tenant-owned appliances, other

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unattached equipment, furniture and merchandise, to the extent installed by Tenant, which removal must be done without damage to the Property or Improvements. Tenant shall remove any such appliances, unattached equipment, furniture and merchandise prior to expiration or termination of the Term. Landlord shall have the right to have the Property and the Improvements inspected at Tenant's cost to determine whether the Property and the Improvements have been properly maintained, repaired, and restored in accordance with the Maintenance Standards and the terms of this Ground Lease. If it is determined by Landlord that, at the expiration or earlier termination of this Ground Lease, the condition of all or any portion of the Property is not in compliance with the Maintenance Standards or other provisions of this Ground Lease, including, without limitation, those contained in Article 12 with respect to Hazardous Materials, then Landlord may elect to either (i) require Tenant to hold over possession of the Property until Tenant can surrender the Property to Landlord in the condition required herein, or (ii) undertake the required work to place the Property in the condition required under this Ground Lease and Tenant shall immediately reimburse Landlord for all such costs upon demand from Landlord.

5.3.3 Delivery of Documents. Contemporaneous with the expiration or earlier termination of the Term, as it may be extended pursuant to the terms hereof, and subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, Tenant shall immediately deliver to Landlord, at Tenant's sole cost, the following:

(a) Such documents, instruments, and conveyances as Landlord may reasonably request to enable Landlord's ownership of the Property and the Improvements to be reflected of record, including, without limitation, a quitclaim deed in recordable form to the Property and the Improvements.

(b) An owner's policy of title insurance, surety bond, or other security reasonably acceptable to Landlord insuring against all claims and liens against the Property and the Improvements other than those incurred by Landlord or accepted by Landlord in writing.

(c) All construction plans, surveys, permits, existing contracts for services, maintenance, operation, and any other documents relating to use, operation, management, and maintenance of the Improvements as may be in effect and/or in the possession of Tenant at the time and from time to time thereafter.

(d) All documents and instruments required to be delivered by Tenant to Landlord pursuant to this Section shall be in form satisfactory to Landlord, including without limitation such documents and instruments shall be complete, originals or true copies, and legible.

5.3.4 Surrender. On, or prior to the termination of the Term, Tenant shall surrender to Landlord copies of all keys, key cards and passcodes and other information or tangible property, within their possession that allows access to buildings or structures on the Property.

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5.4 Abandonment. Tenant shall not abandon or vacate the Property or the Improvements at any time during the Term. If Tenant shall abandon, vacate, or otherwise surrender the Property or the Improvements, or be dispossessed (other than dispossession as the result of condemnation, which shall be subject to Section 20.1 below) thereof by process of law or otherwise, the same shall constitute a default under this Ground Lease on the part of Tenant and, in addition to any other remedy available on the part of Landlord, (i) Landlord may relet the Property and Tenant shall be responsible for all of Landlord's costs in connection therewith, including without limitation Landlord's attorneys' fees, and (ii) any of Tenant's property left in, upon or about the Property or the Improvements (except for underground storage tanks) shall, at Landlord's option, be deemed to be abandoned and shall become the property of Landlord. The appointment of a receiver pursuant to a Mortgagee's exercise of its rights under a Mortgage, or the foreclosure of a Mortgage, shall not be a default under this Section.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

6.1 Landlord's Representations. Landlord represents and warrants to Tenant it owns the Property in fee simple and has the power and authority to enter into this Ground Lease and perform all obligations and agreements incidental or pertinent to this Ground Lease. Landlord makes no representation or warranty with respect to the condition of the Property or its fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein. Landlord represents and warrants to Tenant as follows:

(A) Landlord. Landlord is a political subdivision of the State of California. The execution, performance, and delivery of this Ground Lease by Landlord has been fully authorized by all requisite actions on the part of Landlord.

(B) No Conflict. To Landlord's actual, present knowledge, Landlord's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement, or order to which Landlord is a party or by which it is bound.

(C) No Landlord Bankruptcy. Landlord is not the subject of a bankruptcy proceeding.

As used herein, "Landlord's knowledge" shall be limited to the actual knowledge of City Manager, with no duty of inquiry or investigation.

6.2 Tenant's Representations. Tenant represents and warrants to Landlord as follows:

(A) Tenant. Tenant is a duly organized limited partnership formed within and in good standing under the laws of the State of California. Upon request by Landlord or a title company, Tenant shall deliver to Landlord and the title company true and complete copies of the original documents evidencing the organization of Tenant, as amended to the date of this Ground Lease. Tenant has full right, power and lawful

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authority to undertake all obligations as provided herein and the execution, performance and delivery of this Ground Lease by Tenant have been fully authorized by all requisite actions on the part of Tenant.

(B) No Conflict. To the best of Tenant's knowledge, Tenant's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement or order to which Tenant is a party or by which it is bound.

(C) No Tenant Bankruptcy. Tenant is not the subject of a bankruptcy proceeding.

Tenant shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true, immediately give written notice of such fact or condition to Landlord.

6.3 AS-IS; Release. Tenant acknowledges and agrees that Tenant is leasing the Property from Landlord solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S AGREEMENT TO LEASE THE PROPERTY TO TENANT, TENANT AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY LANDLORD WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR TENANT'S INTENDED DEVELOPMENT OR PROJECT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. TENANT ACKNOWLEDGES THAT TENANT WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Effective Date, Tenant will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Tenant concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Tenant under California Civil Code §1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE

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RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Tenant Initials _____

This Section 6.3 shall survive termination of the Agreement.

ARTICLE 7. CONSTRUCTION OF THE IMPROVEMENTS.

7.1 Construction. Tenant shall construct the Improvements within the times and subject to all of the terms and conditions set forth in the Agreement, the Regulatory Agreement and this Ground Lease and in accordance with plans and specifications, including the Final Construction Documents (as defined in the Ground Lease) (collectively, "**Plans**") approved by Landlord. All Improvements shall be constructed in a good and workmanlike manner using materials of good quality, and shall comply with all applicable Governmental Requirements. Tenant shall keep the Property and its leasehold interest free of all liens arising out of any work performed, materials or services furnished, or obligations incurred by Tenant or any of its contractors or agents.

7.2 Construction Cost. Tenant and not Landlord shall bear the entire and sole cost of planning, designing, engineering, entitling, permitting, financing, constructing, supervising, and inspecting the Improvements, including all fees, costs, assessments and mitigation measures arising from or related thereto.

7.3 Landlord's Right to Discharge Lien. If Tenant does not, within forty-five (45) days of obtaining knowledge of a lien, cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Property or Tenant's leasehold interest under any alternative or successor statute and in a manner reasonably acceptable to Landlord, Landlord shall have the right, but not the duty, subject to the notice and cure rights of Mortgagees set forth elsewhere in this Ground Lease, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien or both. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section, together with all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees, and costs from the date of payment until the date of reimbursement at the rate set forth in Section 4.5.

7.4 Notice of Non-Responsibility. After the filing of a notice of completion pursuant to Section 7.5, Tenant shall provide Landlord with prior written notice of not less than thirty (30) days before commencing construction of any structural alteration of the Improvements, or any non-structural alteration which will cost more than One Hundred Thousand Dollars ($100,000), and shall permit Landlord to record and post appropriate notices of non-responsibility on the Property. This One Hundred Thousand Dollar ($100,000) limitation shall be recalculated each calendar year after the calendar year in which the final COO is issued by applying the CPI Adjustment to the One Hundred Thousand Dollar ($100,000) limitation.

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7.5 Notice of Completion. Promptly after completion of construction of the Improvements, Tenant shall file or cause to be filed a notice of completion. Tenant hereby appoints Landlord as Tenant's attorney-in-fact to file the notice of completion, at Tenant's cost and expense, if Tenant fails to do so.

7.6 Subsequent Alterations. Following completion of the construction of the Improvements in accordance with the Plans, Tenant may from time to time, at its sole expense, make improvements and other alterations to the Property which Tenant reasonably determines to be beneficial, subject to compliance with all applicable Governmental Requirements and with no obligation on Landlord's part to allow any variances or deviations from the Land Use Entitlements or the Scope of Development. As used in this Section, the terms "**alterations**" and "**improvements**" shall not apply to repairs of existing improvements. Notwithstanding the foregoing, any improvement which will cost more than One Hundred Thousand Dollars ($100,000) shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 8. USE OF THE PROPERTY.

8.1 Covenants Regarding Affordability, Occupancy, and Unit Mix.

8.1.1 Affordability. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof, that Tenant shall comply during the Term of this Ground Lease with the Affordability Restrictions which specifically means that ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size, as published by HUD ("**Adjusted AMI**"), and (ii) twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI, with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. The Affordability Restrictions described above and Tenant's obligation to comply therewith shall be evidence in the Regulatory Agreement, which shall be recorded as an encumbrance on the Property.

8.1.2 Unit Mix. The Project will contain three (3) studio units, thirty-four (34) 1-bedroom units, and three (3) 2-bedroom units. One 2-bedroom unit will be a manager's unit and not subject to Affordability restrictions.

8.1.3 Occupancy. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof that, except as otherwise required by federal, state, or local law or any Project funding source:

(a) With the exception of the one manager's unit, the Head of Household for each unit must be a Senior and an Agricultural Worker residing in the City of Half Moon Bay or San Mateo County, and shall be selected based on the preference program described in Section 8.5, below.

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(b) household members in addition to the Head of Household shall be limited to persons who are 45 years of age or older, or are the Spouse, or person providing primary physical or economic support to the Senior; including hired healthcare workers. Children (i.e., persons under the age of 18) may occupy a unit only in the event that the child is disabled and is the child or grandchild of the Senior and needs to live with the Senior because of the disabling condition.

(c) if the Senior Head of Household in a unit dies or is permanently relocated to another residence or care facility, the other qualified residents of the units will be allowed to continue to Reside in the unit for one (1) year but live-in health care aids must vacate the unit within ninety (90) days.

(d) occupancy in the Project shall be limited to 2 persons maximum per studio and 1-bedroom unit, and 4 persons maximum per 2-bedroom unit. Landlord is imposing these occupancy limits in compliance with HUD's two person per sleeping area standard in order to (1) provide the Senior community that Reside in the Project with a quieter home environment free of overcrowding in order to prevent accidents/falls and to promote physical recovery and mental health; and (2) alleviate demands on available parking given that the Project provides limited on site parking; and (3) prevent wear and tear of publicly funded housing.

8.1.4 Covenants Running With the Land. The foregoing covenants in this Section 8.1 shall run with the land for the duration of the Term.

8.2 Annual Reporting. Tenant will provide Landlord with an annual report to confirm that the above requirements for Affordability and Occupancy are being fulfilled. Landlord may rely on reports produced by Tenant to fulfill Project funding source reporting requirements, if applicable.

8.3 Covenant to Pay Taxes and Assessments. Tenant shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Tenant's right to contest any such tax in good faith and any property tax exemptions.

8.4 Covenants Regarding Nondiscrimination. Tenant covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, or any part thereof, nor shall Tenant, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land for the duration of the Term.

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Tenant agrees for itself and any successor in interest that Tenant shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(A) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(B) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(C) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, Tenants, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the foregoing, Tenant acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and

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that Tenant's only rights with respect to the Property and Project shall arise under this Ground Lease as a tenant.

8.5 Preference Program. Except to the extent prohibited by applicable federal or state law or any Project funding sources, Tenant shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time.

When the units are constructed and ready for occupancy, Tenant will create an application process that will result in a pool of applicants. The pool of applicants will be sorted according to this preference order for the Head of Household in the following manner:

1. "**First Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in Half Moon Bay.

2. "**Second Prefere**nce": Prospective Senior resident is an Agricultural Worker who Resides or Works in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in County of San Mateo.

Tenant will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Tenant will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Tenant will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

The covenants established in this Ground Lease and the Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of Landlord, its successors and assigns, Landlord and any successor in interest to the Property. The covenants against discrimination shall remain in effect in perpetuity.

ARTICLE 9. INSURANCE.

9.1 Tenant's Insurance. Without limiting Landlord's right to indemnification, Tenant shall secure and maintain insurance coverage as set forth in this Article 9.

9.2 Commercial General and Automobile Liability; Worker's Compensation. Commencing on the Effective Date and continuing throughout the Term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, the following policies of insurance:

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(A) Commercial General Liability Insurance covering bodily injury, property damage, personal injury, and advertising injury written on an occurrence basis with coverage at least as broad as Insurance Services Office (ISO) form CG 00 01, containing the following minimum limits: (i) general aggregate limit (including excess coverage) of Ten Million Dollars ($10,000,000.00); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000.00); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000.00); and (iv) each occurrence limit of Three Million Dollars ($3,000,000.00). Said policy shall include the following coverages: (I) products and completed operations; (II) independent contractors; (III) Owner's broad form property damage; (IV) severability of interest; (V) cross liability; and (VI) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(B) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for Landlord and Tenant against any loss, claim, or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Tenant in the course of carrying out the work or services contemplated in this Ground Lease, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(C) A policy of comprehensive automobile liability insurance written on an occurrence basis using ISO Business Automobile Coverage form CA 00 01 (or equivalent), in an amount not less than Two Million Dollars ($2,000,000.00) each accident covering all owned, non-owned, leased, and hired vehicles used in connection with the Project; provided, however, that if Tenant does not own vehicles it may satisfy this provision through a rider to its general liability coverage for non-owned/hired vehicles.

9.3 Builders Risk. Commencing on the Effective Date and continuing until Landlord issues a temporary Certificate of Occupancy, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as the City of Half Moon Bay issues a temporary Certificate of Occupancy, and storage and transportation risks. Such insurance shall protect/insure the interests of Tenant/owner and all of Tenant's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

9.4 Property; Business Interruption; Boiler and Machinery Insurance. Commencing on the date Landlord issues a temporary Certificate of Occupancy and continuing throughout the term of this Ground Lease, Tenant shall procure and maintain,

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at its sole cost and expense, in a form and content satisfactory to City Manager, the following insurance:

(A) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in San Mateo County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(B) Business interruption and extra expense insurance to protect Tenant and Landlord covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay, or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(C) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

9.5 Contractor Insurance Requirements. Tenant shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure and maintain insurance that satisfies all of the requirements of Section 9.2 and Section 9.6 prior to the general contractor commencing any activities on the Property.

9.6 Additional Requirements. The following additional requirements shall apply to all of the above policies of insurance:

(A) All of the above policies of insurance shall allow and be endorsed primary insurance, except the Worker's Compensation, Employer Liability insurance. The commercial general liability and automobile liability insurance, shall be endorsed to name all of Landlord and Landlord Personnel as additional insureds. The commercial general liability shall be endorsed on an ISO Form CG 20 10 for ongoing operations and CG 20 37 for completed operations (current version) or equivalent forms. Tenant waives its right to recover against Landlord and all Landlord Parties and their respective insurers for all claims and losses covered by the insurance policies required by this Ground Lease, and shall cause its insurers to waive all rights of subrogation and contribution it may have against Landlord and Landlord Personnel and their respective insurers and shall provide an endorsement affecting such. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to Landlord. If a carrier will not provide the required notice of cancellation, the Tenant shall provide written notice to the Landlord of a cancellation no later than ten (10) business days before cancellation. In the event any of said policies of insurance are cancelled, Tenant shall, prior to the cancellation date, submit new evidence of insurance

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in conformance with this Section to City Manager. Not later than the Effective Date, Tenant shall provide City Manager with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the approval of City Manager.

(B) The policies of insurance required by this Ground Lease shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by City Manager due to unique circumstances.

(C) City Manager is hereby authorized to increase, reduce, or otherwise modify Tenant's insurance requirements set forth herein in the event he or she determines, in his or her sole and absolute discretion, that such increase, reduction, or modification is warranted by changes in construction costs, inflationary changes after the Effective Date, or otherwise, and is consistent with commercial practices.

(D) Any available insurance proceeds broader than, or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements are sufficient to cover the obligations of the Tenant.

(E) Tenant agrees that the provisions of this Section shall not be construed as limiting in any way Landlord's right to indemnification or the extent to which Tenant may be held responsible for the payment of damages to any persons or property resulting from Tenant's activities or the activities of any person or persons for which Tenant is otherwise responsible.

9.7 Remedies for Defaults Re: Insurance. In addition to any other remedies Landlord may have if Tenant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, Landlord may, at its sole option, after fifteen (15) days' Notice to Tenant:

(A) Obtain such insurance and charge Tenant the amount of the premium for such insurance, in which event Tenant shall promptly remit such sum to Landlord;

(B) Withhold any payment(s) which become due to Tenant hereunder until Tenant demonstrates compliance with the requirements hereof; and

(C) Declare Tenant in Default and exercise its rights and remedies under this Ground Lease.

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Exercise of any of the above remedies, however, is an alternative to other remedies Landlord may have and is not the exclusive remedy for Tenant's failure to maintain insurance or secure appropriate endorsements.

Nothing herein contained shall be construed as limiting in any way the extent to which Tenant may be held responsible for payment of damages to persons or property resulting from Tenant's contractors or any subcontractor's performance under this Ground Lease.

9.8 Indemnification. Tenant shall defend (with counsel acceptable to Landlord), indemnify, assume all responsibility for, and hold Landlord and Landlord Personnel harmless from, all claims, demands, damages, defense costs (including attorneys' fees and costs) and liability of any kind or nature (any of the foregoing, a "**Loss**") arising out of or in connection with Tenant's failure to perform any obligation or requirement under this Ground Lease or the Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance, work and the like under or in connection with this Ground Lease, whether such activities, performance or the like thereof be by Tenant or by anyone directly or indirectly employed, controlled, or contracted by Tenant and whether such damage shall accrue or be discovered before or after termination of this Ground Lease, including but not limited to any damages to property or injuries to persons, including accidental death, to the extent arising out of or in connection with any of the foregoing. Tenant shall not be liable for any such Loss or indemnification therefore to the extent occasioned by the gross negligence or willful misconduct of any of Landlord and Landlord Personnel.

ARTICLE 10. MAINTENANCE; REPAIRS

Tenant shall, throughout the entire Term of this Ground Lease, maintain the Property and all improvements thereon, including, without limitation, lighting and signage, in good condition and repair, free of debris, waste, and graffiti, and in compliance with all applicable laws and regulations. Tenant shall maintain the Improvements and landscaping on the Property strictly in accordance with the Maintenance Standards (defined below). Such Maintenance Standards shall apply to all buildings, walls, systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property. To accomplish the maintenance, Tenant shall either staff or contract with and hire licensed and qualified personnel to perform all such work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Ground Lease.

Tenant and its maintenance staff, contractors, consultants, agents or subcontractors shall comply with the following standards ("**Maintenance Standards**"):

(A) The Property, including, without limitation, all buildings, walls systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property, shall be maintained in conformance and in compliance

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with the approved Plans and permits, and maintenance standards for similar, neighboring structures, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curb line. The Property shall be maintained in good condition and repair and in accordance with the custom and practice generally applicable to comparable market-rate apartment complexes located in San Mateo County.

(B) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(C) Clean-up maintenance shall include, but not be limited to: regular maintenance of all sidewalks, paths and other paved areas in a clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris, or other matter which is unsafe or unsightly; removal of all graffiti, trash, litter, and other debris from improvements; removal of all trash, litter, and other debris from landscaping prior to mowing; and clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves, and other debris are properly disposed of by maintenance workers.

Upon Landlord's written notification to Tenant of any maintenance deficiency, Tenant shall have thirty (30) days within which to correct, remedy, or cure the deficiency, or such longer period as is reasonably necessary to complete the cure (not to exceed ninety (90) days), provided such correction, remedy, or cure is commenced within such thirty (30) day period and diligently prosecuted to completion. If the written notification states the problem is urgent relating to the public health and safety of Landlord, then Tenant shall have three (3) business days to rectify the problem, or such longer period as is reasonably necessary to complete the cure (not to exceed ten (10) business days). In the event Tenant does not maintain the Property in the manner set forth herein and in accordance with the Maintenance Standards (as determined by Landlord), Landlord shall have, in addition to any other rights and remedies hereunder, the right to maintain the Property, or to contract for the correction of such deficiencies, after Notice to Tenant, and Tenant shall be responsible for the payment of all such costs incurred by Landlord within thirty (30) days of Landlord's demand for payment.

ARTICLE 11. OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS.

11.1 Ownership During Term.

11.1.1 Improvements. Subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, all Improvements on the Property as permitted or required by this Ground Lease shall, during the Term, be and remain the property of Tenant, and Landlord shall not have title thereto. Tenant shall not, however, demolish, remove, sell, encumber,

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lease, assign, or otherwise convey any Improvements from the Property except as permitted herein.

11.1.2 Personal Property. All personal property, furnishings, fixtures and equipment, including, without limitation, Tenant-owned appliances, which are not so affixed to the Property or the buildings thereon as to require substantial damage to the buildings upon removal thereof shall constitute personal property. If Tenant is not then in default under this Ground Lease, at any time during the Term and at termination thereof, Tenant shall have the right to remove any and all such personal property, furnishings, fixtures and equipment; provided, that Tenant repairs any damage to the Property or the Improvements caused by such removal.

11.1.3 Basic Building Systems. For purposes of this Ground Lease, the personal property, furnishings, fixtures and equipment described in this Section 11.1 shall not include those major building components or fixtures necessary for operation of the basic building systems such as, but not limited to, the elevators, plumbing, sanitary fixtures, lighting fixtures, electrical fixtures, and the heating and central air-cooling systems.

11.2 Ownership at Expiration or Termination.

11.2.1 Property of Landlord. In accordance with provisions of Sections 5.3.1 and 5.3.2 hereof, and except as provided in Section 11.2.2, all Improvements which constitute or are a part of the Property shall, upon termination of this Ground Lease, become (without the payment of compensation to Tenant or others) the property of Landlord free and clear of all claims and encumbrances on such Improvements by Tenant, and anyone claiming under or through Tenant, except for such title exceptions permitted or required during the Term with Landlord's prior written consent. Tenant shall then quitclaim to Landlord any and all rights, interests and claims to the Improvements. Tenant agrees to and shall defend (with counsel acceptable to Landlord), indemnify, and hold Landlord harmless from and against all claims, liability, and loss which may arise from the assertion of any such claims and any encumbrances on such Improvements (except to the extent such claims arise due to Landlord's gross negligence or intentional misconduct) and except for such title exceptions permitted or required during the Term and approved in advance and in writing by Landlord.

11.2.2 Removal by Tenant. Tenant shall not be required or permitted to remove the Improvements, or any of them, at the expiration or sooner termination of the Term unless otherwise directed by Landlord in writing no less than thirty (30) days prior to the expiration of the Term or within thirty (30) days of any earlier termination thereof; provided, however, that, subject to the provisions of Section 5.3.2 hereof, within thirty (30) days following the expiration or sooner termination of the Term, Tenant shall remove all personal property, furniture, and equipment.

11.2.3 Unremoved Property. Any personal property, furnishings or equipment not removed by Tenant pursuant to Section 11.2.2 hereof, shall, without compensation to Tenant, become Landlords' property, free and clear of all claims to or

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against them by Tenant or any third person, firm or entity arising by, through or under Tenant. Landlord shall have no duty to store such items, provide any notices to Tenant, sell or dispose of such items, and/or remit any proceeds from any such sale or disposal to Tenant in accordance with otherwise applicable statutory procedures, and Tenant hereby waives any statutory or other right Tenant might have with respect thereto.

11.2.4 Maintenance and Repair of Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alterations, repair, damage, and destruction, Tenant agrees to assume full responsibility for the operation, repair and maintenance of the Property and the Improvements and all fixtures and furnishings thereon or therein throughout the Term hereof without expense to Landlord, and to perform all repairs and replacements necessary to maintain and preserve the Property, the Improvements, fixtures, and furnishings in a decent, safe, sanitary and operational condition consistent with good practices and in compliance with all applicable laws. Tenant agrees that Landlord shall not be required to perform any maintenance, repairs, or services, or to assume any expense in connection with the Property and the Improvements thereon unless specifically required under the terms of this Ground Lease. Except as otherwise provided in this Section 11.2 and in Section 11.4, the condition of the Improvements required to be maintained hereunder upon completion of the work of maintenance or repair shall be equal or better in quality and use to the condition of such Improvements before the event giving rise to the work.

11.3 Waste. Subject to the alteration rights of Tenant set out in this Ground Lease and damage, destruction, or condemnation of the Property or any part thereof as further described herein, Tenant shall not commit or suffer to be committed any waste of the Property or the Improvements, or any part thereof. Tenant agrees at all times to keep the Property and the Improvements clean and clear of graffiti, refuse, and obstructions, to store all garbage, trash, and rubbish in a safe and sanitary manner, and to promptly and properly dispose of all garbage, trash, and rubbish.

11.4 Alteration of Improvements. Except as provided in Section 7.1, Tenant shall not make or permit to be made any material exterior alteration of, addition to or change in, the Improvements which would affect the exterior elevations (including materials selection and color) or the size, bulk, and scale of the Property, other than routine maintenance and repairs, nor demolish all or any part of the Improvements, without the prior written consent of Landlord, which consent Landlord may withhold in its reasonable discretion. Nothing herein shall prohibit interior alterations or decorations, or the removal and replacement of interior improvements consistent with the specified use of the Property. In requesting consent for such exterior improvements as required by the foregoing, Tenant shall submit to Landlord detailed plans and specifications of the proposed work and an explanation of the need and reasons thereof. Tenant may make such other improvements, alterations, additions or changes to the Improvements which do not materially affect the exterior elevations (including materials selection and color) or the size, bulk, and scale thereof without Landlord's prior written consent, which consent Landlord may withhold in its sole and absolute discretion, and provided that Tenant has obtained all required governmental permits and approvals therefor and such improvements, alterations, additions, or changes comply with applicable laws.

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Notwithstanding the prohibition in this Section 11.4, Tenant may make such changes, repairs, alterations, improvements, renewals or replacements to the exterior elevations, materials, size, bulk, or scale of the Improvements as are required (a) by reason of any law, ordinance, regulation, or order of a competent government authority, or (b) to continue to receive any government funding that may be available to the Project.

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ARTICLE 12. HAZARDOUS MATERIALS.

12.1 Definitions of "Hazardous Materials", "Environmental Laws" and "Hazardous Materials Activity."

(A) Hazardous Materials. The term "**Hazardous Materials**" is defined in Article 2.

(B) Environmental Laws. The term "**Environmental Laws**" means any and all present and future federal, state and local laws (whether under common law, statute, rule, regulation or otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment, health or safety, or to any Hazardous Materials or Hazardous Materials Activity (defined below).

(C) Hazardous Materials Activity. The term "**Hazardous Materials Activity**" means any actual, proposed or threatened storage, holding, existence or suspected existence, release or suspected release, emission, discharge, generation, processing, abatement, removal, disposition, handling or transportation of any Hazardous Materials from, under, into, on, or across the Project, Improvements, or surrounding property, or any other use of or operation on the Project, Improvements, or surrounding property that creates a risk of Hazardous Materials contamination of the Project or Improvements thereon.

12.2 Tenant's Covenants. Tenant shall: (i) comply with all applicable Environmental Laws; (ii) not engage in, permit or acquiesce to any Hazardous Materials Activity on, under, over, or about the Property, Project or the Improvements thereon, except in strict accordance with all Environmental Laws, and all applicable best practices, (iii) promptly advise Landlord in writing of (1) the receipt by Tenant of notice of any and all Hazardous Materials claims or Hazardous Materials Activity, (2) any knowledge by Tenant of any Hazardous Materials claim or Hazardous Materials Activity related to the Property, Project or the Improvements thereon, (3) any remedial action to be taken or in the case of an imminent emergency, taken by Tenant or others in response to any Hazardous Materials on, under or about the Property, Project or the Improvements thereon, or to any Hazardous Materials claims or any Hazardous Materials Activity, (4) any enforcement, cleanup, or other regulatory action taken or threatened with respect to the presence of any Hazardous Material on, under, or around the Property, Project or the Improvements thereon, or (5) Tenant's discovery of the presence of any Hazardous Materials or Hazardous Materials Activity on, under or about the Property, Project or the Improvements thereon whether or not the same requires notice to be given to any governmental entity or agency under Environmental Laws; (iv) submit to Landlord, promptly upon receipt or preparation, copies of any and all reports, studies, analyses, correspondence, governmental comments or approvals, proposed removal or other remedial work contracts and similar information prepared or received by Tenant in connection with any remedial work or Hazardous Materials relating to the Property,

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Project or the Improvements thereon; and (v) provide for periodic inspections of the Property, Project and the Improvements thereon and for periodic meetings with representatives of Landlord and, upon request, Landlord may, but shall not be required to, review the results of such inspections.

12.3 Environmental Cleanup.

(A) Tenant's Compliance. Throughout the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, comply, and cause each Tenant Party to comply with, any and all Environmental Laws with respect to any Hazardous Materials used, generated, stored or disposed of at the Project or the Improvements during the Term.

(B) Environmental Authority. Tenant shall, at Tenant's sole cost and expense, make, and require and use commercially reasonable efforts to cause each Tenant Party to make, all required submissions to, provide all information required by, and comply with any and all requirements of any and all Governmental Authority having jurisdiction over the environmental condition of the Property, Project or the Improvements thereon.

(C) Cleanup Plan. Should any Governmental Authority having jurisdiction over the Project or the Improvements thereon demand in accordance with Environmental Laws that a cleanup plan be prepared and that a cleanup be undertaken in accordance with Environmental Laws because of any Hazardous Materials Activity that Tenant or any of its agents, assignees, subtenants, contractors, consultants, subcontractors or employees (each, a "**Tenant Party**") caused during the Term in violation of Environmental Laws or this Ground Lease, at, on, or from the Property, Project or the Improvements thereon, or which arises at any time as a result of Tenant's or any Tenant Party's use or occupancy of the Project or the Improvements thereon, then Tenant shall, at Tenant's sole cost and expense and subject to Force Majeure Delay, prepare and submit the required plans and all bonds and other financial assurances required under Environmental Laws to Landlord for written approval. Following Tenant's receipt of Landlord's written approval, Tenant shall carry out all such cleanup plans in a timely manner, all as may be required by any such Governmental Authority in accordance with Environmental Laws and this Ground Lease. Landlord's consent to any remediation action by Tenant or its agents shall not constitute Landlord's endorsement, ratification or liability therefor and shall not constitute a waiver of any default of this Lease.

(D) Reporting. Tenant shall promptly provide all information regarding the any Hazardous Materials Activity, including the use, generation, storage, transportation, or disposal of Hazardous Material by Tenant on or about the Project or the Improvements thereon, as requested by Landlord in writing

12.4 Landlord's Self-Help Right. If Tenant fails to comply with the provisions of this Article 12 and such failure continues and becomes a Tenant Event of Default, Landlord may, at its option and in its sole discretion, take all reasonably necessary actions to remedy the Tenant Event of Default at Tenant's sole expense, which sums shall be

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payable to Landlord within thirty (30) days of written demand. The obligations of Tenant under this Article 12 shall survive the expiration or termination of this Ground Lease.

12.5 Tenant Indemnification for Hazardous Materials. Tenant shall defend (with counsel acceptable to Landlord), indemnify and hold harmless Landlord and all Landlord Personnel from and against all threatened or actual liability, suits, proceedings, liens, orders, judgments, fines, encumbrances, actions, claims, including third party claims, environmental requirements and damages, environmental claims, costs of investigation and cleanup, expenses, penalties, fines, and losses (including, without limitation, diminution in value of Landlord's fee interest in the Property and Project and reversionary interest in Improvements after the Term of this Lease) of whatever kind or nature, which result from or are in any way connected with the release, escape, seepage, leakage, receipt, deposit, spill, handling, use, storage, accumulation, transportation, generation, discharge, or disposal of any Hazardous Materials which occurs in, on, under, from or about the Property, Project or the Improvements thereon during the Term of this Ground Lease or to the extent caused by Tenant or any Tenant Party, except to the extent caused by the gross negligence or willful misconduct of any Landlord.

ARTICLE 13. DAMAGE OR DESTRUCTION OF PROPERTY OR IMPROVEMENTS.

13.1 Tenant's Repair Obligation.

13.1.1 In case of damage to or destruction of the Property or the Improvements, or any part thereof, by fire or other cause at any time during the Term of this Ground Lease, Tenant, if and to the extent insurance proceeds are available, shall restore the same as nearly as possible to their value, condition, and character immediately prior to such damage or destruction. Such restoration shall be commenced with due diligence and in good faith, and prosecuted with due diligence and in good faith, unavoidable delays excepted.

13.1.2 In case of damage to or destruction of the Improvements by fire or other cause resulting in a loss exceeding in the aggregate Ten Thousand Dollars ($10,000), Tenant shall promptly give written notice thereof to Landlord.

13.1.3 In the event insurance proceeds are insufficient to restore the Property or the Improvements to substantially its condition, and character immediately prior to such damage or destruction such that the Property may be operated in a manner comparable to prior to such damage or destruction, then, subject to the rights of the Mortgagees, either Tenant or Landlord shall have the right to terminate this Ground Lease by providing written notice thereof to the other party.

13.2 Tenant's Restoration of Project.

13.2.1 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss does not exceed thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld. The proceeds shall be paid directly to a Mortgagee (if

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required by Mortgagee), if any, and if there is not a Mortgagee, to Landlord, for the sole purpose of making the restoration of the Improvements in accordance with this Article 13.

13.2.2 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss exceeds thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld, and the insurance company shall immediately pay the proceeds to a Mortgagee (if required by Mortgagee), if any, and if there is not a Mortgagee, then to a bank, trust company or escrow company selected by Landlord and approved by Tenant ("**Insurance Trustee**"), which approval shall not be unreasonably withheld, conditioned or delayed. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

(a) The sums shall be paid in installments by Insurance Trustee to the contractor retained by Tenant and approved by Landlord as construction progresses, for payment of the cost of restoration. A ten percent (10%) retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Property and the Improvements are free of all mechanics' liens and lienable claims;

(b) Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Tenant and approved by Landlord (which approval shall not be unreasonably withheld) showing the amount due. If Insurance Trustee determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Tenant, Insurance Trustee shall have the right to appoint an architect or an engineer to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by Insurance Trustee. The expenses and charges of the architect or engineer retained by Insurance Trustee shall be paid by Insurance Trustee out of the trust fund;

(c) If, after the work of restoration has commenced, the sums held by Insurance Trustee are not sufficient to pay the actual cost of restoration, Tenant shall deposit the amount of the deficiency with Insurance Trustee within ten (10) days after receipt of request for payment of such amount from Insurance Trustee, which request shall be made by Insurance Trustee promptly after it is determined there will be a deficiency;

(d) If Insurance Trustee has received notice from Landlord that Tenant is in default under this Ground Lease, then, subject to the lien of a Mortgagee's Mortgage and the Mortgagee's prior written consent, Insurance Trustee shall pay itself an amount sufficient to cure such default as specified in Landlord's notice to the Insurance Trustee;

(e) Any amounts remaining after making the payments hereinabove referred to in clauses (a), (b), (c), and (d) shall be paid to any leasehold

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Mortgagee to the extent (x) required by any Mortgage and (y) such leasehold Mortgagee makes written demand therefor to the Insurance Trustee;

(f) Any undisbursed funds remaining after compliance with all of the provisions of this Section 13.2 shall, if and to the extent required by any Mortgage, be delivered to the Mortgagee, and if there is no leasehold Mortgagee, to Tenant; and

(g) All actual costs and charges of Insurance Trustee in administering such funds shall be paid by Tenant. If any Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord shall substitute a new Insurance Trustee in the manner described in this Section.

13.2.3 Both parties shall promptly execute all documents and perform all acts reasonably required by Insurance Trustee to perform its obligations under this Section 13.2.

13.3 Procedure for Restoring Improvements.

13.3.1 If and to the extent Tenant is obligated to restore the Improvements pursuant to this Article 13, Tenant shall restore the Improvements substantially in accordance with the Plans and otherwise in conformance with this Article 13. Within forty-five (45) days after the date of such damage or destruction, Tenant, at its cost, shall prepare and deliver to Landlord final plans and specifications and working drawings complying with applicable laws that will be necessary for such restoration. Such plans and specifications shall specify differences from the Plans. The plans and specifications and working drawings are subject to the approval of Landlord only insofar as they vary from the Plans; provided that nothing in this Ground Lease is intended or shall be interpreted to release Tenant from the obligations to obtain any applicable governmental permits or comply with applicable laws with respect thereto. Landlord shall have thirty (30) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Tenant. If Landlord disapproves the plans and specifications and working drawings, Landlord shall notify Tenant of its objections in writing, specifying the objections clearly and stating what modifications are required for Landlord's approval. Tenant acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

13.3.2 The restoration shall be accomplished as follows:

(a) Tenant shall complete the restoration with reasonable diligence and in all events within eighteen (18) months after final plans and specifications and working drawings have been approved by the appropriate government bodies and all required permits have been obtained.

(b) Tenant shall retain a licensed contractor that is bondable. The contractor shall be required to carry public liability and property damage insurance, builders risk insurance, standard fire and extended coverage insurance, with vandalism

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and malicious mischief endorsements, during the period of construction in accordance with Article 9. Such insurance shall contain waiver of subrogation clauses in favor of Landlord and Tenant in accordance with the provisions of and to the extent required by Section 9.6.

(c) Tenant shall notify Landlord of the date of commencement of the restoration not later than thirty (30) days before commencement of the restoration to enable Landlord to post and record notices of non-responsibility. The contractor retained by Tenant shall not commence construction until a completion bond and a labor and materials bond have been delivered to Landlord to insure completion of the construction.

(d) Tenant shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the Property, Project and the Improvements.

(e) On completion of the restoration, Tenant shall immediately record a notice of completion, or else Landlord shall have the right to do so.

(f) The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with Landlord or the escrow company (if any) as provided in Section 13.2.

13.4 Mortgagee Protection. The following provisions are for the protection of a Mortgagee and shall, notwithstanding anything contained in this Ground Lease to the contrary, control:

13.4.1 Insurance. Any insurance proceeds payable from any policy of insurance (other than liability insurance) required by the Ground Lease shall be paid to and applied by the Mortgagees, if any, in accordance with their respective Mortgage. Each Mortgagee, if any, shall have the right to participate in all adjustments, settlements, negotiations, or actions with the insurance company regarding the amount and allocation of any such insurance proceeds. Any insurance policies permitted or required by this Ground Lease shall name each Mortgagee, if any, as an additional insured or loss payee, as appropriate, if required by such Mortgagees.

13.4.2 Restoration Tenant shall have no obligation to restore or repair the Improvements following the occurrence of any casualty for which insurance is not required under this Ground Lease**.** The Mortgagee, if any, and if it exercises any of its remedies set forth in this Ground Lease to acquire the leasehold estate hereunder, shall have no obligation to restore or repair damage to the Improvements that cost in excess of available insurance proceeds. Tenant shall have no obligation to restore or repair damage to the Improvements if the casualty occurs during the last five (5) years of the Ground Lease term. In the event such a loss occurs in the last five (5) years, then, at the election of Tenant, with the prior written consent of Mortgagee, if any, insurance proceeds shall be used, first, to clear the Property of the damaged Improvements and any debris, and second, to reduce or pay in full the Mortgage, with any excess being payable as provided in this Ground Lease.

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ARTICLE 14. CONDEMNATION.

14.1 Parties' Rights and Obligations to be Governed by Agreement. If, during the term of this Ground Lease, there is any condemnation of all or any part of the Property or any interest in Tenant's leasehold estate is taken by condemnation, the rights and obligations of the parties will be determined under this Article 14, subject to the rights of any lender. Accordingly, Tenant waives any right to terminate this Ground Lease upon the occurrence of a partial condemnation under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure, as those Sections may from time to time be amended, replaced, or restated

14.2 Notice. In case of the commencement of any proceedings or negotiations that might result in a condemnation of all or any portion of the Property during the Term, the party learning of such proceedings will promptly give written notice of the proceedings or negotiations to the other party. The notice will describe with as much specific specificity as is reasonable, the nature and extent of such condemnation or the nature of such proceedings or negotiations and of the condemnation that might result, as the case may be.

14.3 Total Taking. If a condemnation takes the entirety of the Property, this Ground Lease will terminate on the date the condemnor has the right to possession of the Property.

14.4 Partial Taking. If any portion of the Property is taken by condemnation, but less than the entire Property, this Ground Lease will remain in effect, except that Tenant may, with lender's written consent, elect to terminate this Ground Lease if, in Tenant's reasonable judgment, the remaining portion of the Improvements, after taking into account any compensation awarded to Tenant and any repairs or reconstruction of the Improvements that can reasonably be undertaken, is rendered physically unsuitable for Tenant's continued operation of the Project, or is not capable of producing a reasonable net annual income. If Tenant elects to terminate this Ground Lease, Tenant must exercise its right to terminate under this paragraph by giving notice to Landlord within thirty (30) days after Landlord notifies Tenant of the nature and the extent of the taking. Tenant's termination notice must include the date of termination, which date may not be earlier than thirty (30) days or later than six (6) months after the date of Tenant's notice; except that this Ground Lease will terminate on the date the condemnor has the right to possession of the Property and Project if that date falls on a date before the date of termination as designated by Tenant. If Tenant does not terminate this Ground Lease within the thirty (30) day notice period, this Ground Lease will continue in full force and effect.

14.5 Restoration of Improvements. If there is a partial taking of the Property and Project and this Ground Lease remains in full force and effect under Section 14.4, then Tenant shall, subject to the terms of any Mortgage, use the proceeds of the taking first to accomplish any necessary restoration to the Improvements.

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14.6 Award and Distribution. Any compensation awarded, paid, or received on a total or partial condemnation of the Project or threat of condemnation of the Project will belong to and be distributed in the following order (except that, in the case of a partial taking, the following distributions shall be made after payment of any necessary restoration costs as provided in Section 14.5):

14.6.1 First, to pay the balance due on any outstanding Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals, and lease residuals, to the extent provided therein; and

14.6.2 Second, to Landlord in an amount equal to the then fair market value of Landlord's fee interest in the Property and the reversionary interest in the Improvements, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the site; and

14.6.3 Third, to Tenant in an amount equal to the then fair market value of Tenant's interest in the Project, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the Site.

14.6.4 Notwithstanding anything to the contrary set forth in this Section, any portion of the compensation awarded that has been specifically designated by the condemning authority or in the judgment of any court to be payable to Landlord or Tenant on account of any interest in the Property or the Improvements separate and apart from the condemned land value, the value of Landlord's reversionary interest in the Improvements, Tenant's leasehold estate, or the value of the Improvements on the Property for the remaining unexpired portion of the Term, will be paid to Landlord or Tenant, as applicable, as so designated by the condemning authority or judgment.

14.7 Payment to Lenders. In the event the Improvements are subject to the lien of a Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Tenant, the award will be disposed of as provided in the Mortgage(s), except to the extend provided in Section 14.5.

14.8 Temporary Condemnation. If there is a condemnation of all or any portion of the Property for a temporary period lasting less than the remaining Term, this Ground Lease will remain in full force and effect, and the entire award will be payable to Tenant.

14.9 Personal Property; Goodwill. Notwithstanding Section 14.6, Landlord will not be entitled to any portion of any award payable in connection with the condemnation of the personal property of Tenant or any of its subtenants, or any moving expenses, loss of goodwill or business loss or interruption of Tenant, severance damages with respect to any portion of the Property and Improvements remaining under this Ground Lease, or other damages suffered by Tenant.

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ARTICLE 15. ASSIGNMENT.

Because of the importance that Landlord places on Tenant's qualification, expertise and identity, and the reliance Landlord makes upon Tenant's ability to construct and operate the Project, during the Term, Tenant shall not assign or attempt to assign this Ground Lease, the Agreement or the Regulatory Agreement or any right herein. Notwithstanding the foregoing, however, Tenant may do the following without consent: (i) transfer limited partner interests; (ii) remove the general partner for a default under the Partnership Agreement; and (iii) transfer and assign its rights and duties hereunder to Mercy Housing California or an Affiliate of Mercy Housing California pursuant to the purchase option and/or right of first refusal entered into between Mercy Housing California (or an Affiliate of Mercy Housing California) and Tenant.

ARTICLE 16. MORTGAGES.

16.1 Ground Leasehold Mortgages. Notwithstanding anything to the contrary contained elsewhere herein, at all times during the Term, Tenant shall have the right to mortgage, pledge, deed in trust, assign rents, issues, and profits and/or collaterally (or absolutely for purposes of security if required by any lender) assign its leasehold interest in this Ground Lease, or otherwise encumber this Ground Lease, and/or the interest of Tenant hereunder, in whole or in part, and any interests or rights appurtenant to this Ground Lease, and to assign or pledge the same as security for any debt (the holder of any such mortgage, pledge, or other encumbrance, and the beneficiary of any such deed of trust being hereafter referred to as "**Mortgagee**" and the mortgage, pledge, deed of trust, or other instrument hereafter referred to as "**Mortgage**"), upon and subject to each and all of the terms and conditions listed in Paragraphs (A), (B), and (C) below:

(A) Tenant shall be limited in purpose to and the principal amount of all such Mortgages shall not exceed the amount necessary and appropriate to develop the Improvements, and to acquire and install equipment and fixtures thereon. Said amount shall include all hard and soft costs of acquisition, development, construction, lease-up, and operation of the Improvements.

(B) Any permitted Mortgages entered into by Tenant are to be originated only by Project lenders.

(C) All rights acquired by said Mortgagee shall be subject to each and all of the covenants, conditions and restrictions set forth in this Ground Lease, the Regulatory Agreement and the Agreement, and to all rights of Landlord thereunder, none of which covenants, conditions, and restrictions is or shall be waived by Landlord by reason of the giving of such Mortgage. By way of clarification, Tenant shall have no right to encumber all or any portion of Landlord's fee interest in the Property.

If Tenant encumbers its leasehold estate by way of a Mortgage as permitted herein, and should Landlord be advised in writing of the name and address of the Mortgagee, then this Ground Lease shall not be terminated or canceled on account of any Event of Default by Tenant in the performance of the terms, covenants or conditions

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hereof until Landlord shall have complied with the provisions of this Ground Lease as to the Mortgagee's rights to cure, so long as Landlord has been given written notice of the name and address of the Mortgagee, as required above. In addition, after the creation of any Mortgage permitted by this Ground Lease, no agreement by Landlord and Tenant to cancel, surrender, terminate, amend, or modify this Ground Lease shall be effective without the written consent of each Mortgagee; provided that this sentence is not intended to prohibit Landlord from exercising its rights and remedies for a Tenant default as provided herein.

16.2 Landlord's Forbearance and Right to Cure Defaults on Ground Leasehold Mortgages. Landlord will give to any Mortgagee, at such address as is specified by the Mortgagee in accordance with Section 22.1 hereof, a copy of each notice or other communication with respect to any claim that a default exists or is about to exist from Landlord to Tenant hereunder at the time of giving such notice or communication to Tenant, and Landlord will give to the Mortgagee a copy of each notice of any rejection of this Ground Lease by any trustee in bankruptcy of Tenant; provided, however, that a failure by Landlord to provide any such notice to Mortgagee shall not excuse a default by Tenant or extend Tenant's time to perform its obligations hereunder or effectuate a cure of said default. Each such notice to a Mortgagee shall be given by U.S. certified mail, postage prepaid, return receipt requested, and shall be effective upon receipt.

16.3 Landlord Cooperation. Landlord covenants and agrees that it will act and fully cooperate with Tenant in connection with Tenant's right to grant leasehold mortgages as hereinabove provided, provided such is at no cost to Landlord. At the request of Tenant or any proposed or existing Mortgagee, Landlord shall promptly execute and deliver (i) any documents or instruments reasonably requested to evidence, and/or acknowledge the rights of the Mortgagees as herein provided; and (ii) an estoppel certificate certifying the status of this Ground Lease and Tenant's interest herein and such matters relating thereto as are reasonably requested by Tenant or such Mortgagees. Such estoppel certificate shall include, but not be limited to, certification by Landlord that (a) this Ground Lease is unmodified and in full force and effect (or, if modified, a statement as to the nature of such modification and certification that this Ground Lease, as so modified, is in full force and effect, if applicable), (b) all rents currently due under the Ground Lease have been paid (or, if unpaid, the period and amount of any arrearages, penalties, interest and other charges), (c) there are not, to Landlord's actual, present knowledge, any uncured Events of Default on the part of Tenant under the Ground Lease or facts, acts or omissions which, with the giving of notice or passing of time, or both, would constitute an Event of Default (or, if there is a default, the nature and scope of the default). Any such estoppel certificate may be conclusively relied upon by any proposed or existing leasehold Mortgagee or assignee of Tenant's interest in this Ground Lease. As a condition to Landlord's obligation to execute and deliver any such document, instrument, or estoppel certificate, Tenant or the proposed or existing Mortgagee requesting the same shall be responsible to pay all of Landlord's actual and costs, including in-house payroll and administrative costs and out-of-pocket costs for third party consultants and attorneys, to investigate and respond to such request.

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16.4 No Subordination of Landlord's Interest. Landlord's fee interest in the Property shall be senior to, and not be subordinated to, any financing obtained by Tenant in connection with the Property.

16.5 Priority. This Ground Lease, and any extensions, renewals or replacements thereof, and any Sublease entered into by Tenant as sublessor, and any Mortgage or other encumbrance now or hereafter recorded by any Mortgagee shall be superior to any future mortgages, deeds of trust or similar encumbrances placed by Landlord on the Property and to any lien right of Landlord on the buildings or any furniture, fixtures, equipment or other personal property of Tenant upon the Property or any interest of Landlord in Sublease rentals or similar agreements. For avoidance of doubt, any rights of Landlord created by this Ground Lease, including without limitation any rights in the leasehold, the Improvements, the personal property of Tenant, or Sublease rentals, shall be superior to the rights of any Mortgagee.

16.6 Claims. Landlord and Tenant shall deliver to each Mortgagee written notice of any litigation or arbitration proceedings between the parties or involving the Property, Project, the Regulatory Agreement, the Agreement or this Ground Lease. Any Mortgagee shall have the right, at its option and its expense, to intervene and become a party to any such proceedings. If a Mortgagee elects not to intervene or become a party, Landlord and Tenant shall deliver to said Mortgagee prompt written notice of and a written copy of any award, decision or settlement agreement made in connection with any such proceeding.

16.7 Further Amendments. Landlord and Tenant shall reasonably consider including in this Ground Lease by suitable amendment from time to time any provision which may be reasonably requested by any proposed Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Ground Lease and allowing the Mortgagee reasonable means to protect or preserve the lien of its Mortgage upon the occurrence of a default under the terms of this Ground Lease. Landlord and Tenant each agree to execute and deliver (and to acknowledge for recording purposes, if necessary) any agreement reasonably required to effect any such amendment.

16.8 [reserved]

16.9 Liens and Encumbrances Against Tenant's Interest in the Leasehold Estate

(A) Tenant (and Foreclosure Transferee) shall have the right to encumber the leasehold estate created by this Ground Lease and the Improvements with one or more deeds of trust or mortgages in conformance with the requirements of Section 16.1 hereof.

(B) Tenant shall not have the right to encumber Landlord's fee interest in the Property or Landlord's reversionary interest in the Improvements, provided, however, that Landlord shall permit the following to be recorded on the fee interest, provided such are each in a form and substance that is acceptable to Landlord: (i) the covenant required in connection with the California Department of Housing and

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Community Development Infill Infrastructure Grant; (ii) the covenant required in connection with Joe Serna Farmworker funds from the California Department of Housing and Community Development; (iii) any required lease rider to the extent required by HCD; and (iv) any required lease rider to the extent required by TCAC.

(C) For as long as there is any lien securing any permitted Mortgage loan:

(1) Each permitted Mortgagee which has an outstanding Mortgage loan secured by Tenant's leasehold interest in the Property shall have the right, but not the obligation, at any time to pay any or all of the Rent due pursuant to the terms of this Ground Lease, and do any other act or thing required of Tenant by the terms of this Ground Lease, to prevent termination of this Ground Lease. Each Mortgagee and its agents and contractors shall have a right to enter the Property for purposes of accomplishing the foregoing, so long as such Mortgagee indemnifies and holds Landlord harmless from any and all liability arising from such entry upon the Property. Each Mortgagee shall have thirty (30) days after receipt of written notice from Landlord describing a default by Tenant to cure any default in the payment of Rent (including any monetary obligation of Tenant hereunder) and any other default the cure of which does not require physical possession of the Property.

This Ground Lease shall not be deemed terminated as to Mortgagee, and any payments so made and all things so done by or on behalf of a permitted Mortgagee shall be as effective to prevent a termination of this Ground Lease as the same would have been if made and performed by Tenant instead of by Mortgagee(s). If Tenant's default is such that possession of the Property is reasonably necessary to remedy the default, each permitted Mortgagee which has an outstanding Mortgage loan shall have such additional time after the expiration of such thirty (30) day period as such Mortgagee may reasonably require to remedy such default, provided that (i) such Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease within such thirty (30) day period and shall continue to pay currently such monetary obligations when the same are due, and (ii) within one hundred twenty (120) days after receipt of Landlord's notice of default, such Mortgagee shall have acquired Tenant's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings, shall be diligently prosecuting the same, and, after such Mortgagee acquires Tenant's leasehold estate hereunder such Mortgagee performs all of Tenant's obligations under this Ground Lease and the Agreement and promptly completes cure of Tenant's default.

(2) If a Mortgagee is prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified in subparagraph (1) above for commencing or prosecuting such foreclosure or other proceedings and completing a cure that requires possession of the Property shall be extended for the period of such stay prohibition or injunction; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease and shall continue to pay currently such monetary obligations

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when the same fall due (subject to the notice and cure provision contained herein).

(3) Landlord shall deliver, by U.S. certified mail, postage prepaid, return receipt requested, to each permitted Mortgagee which has any outstanding Mortgage loan a duplicate copy of all notices which Landlord may from time to time give to Tenant pursuant to this Ground Lease.

(4) If this Ground Lease is terminated, whether by foreclosure, order of a bankruptcy court, or otherwise, upon written request by any permitted Mortgagee given within sixty (60) days after Landlord gives written notice of such termination to each permitted Mortgagee, Landlord shall enter into a new lease of the Property with the permitted Mortgagee for the remainder of the Term with the same agreements, covenants, reversionary interests, and conditions (except for any requirements which have been fulfilled by Tenant prior to termination) as are contained in this Ground Lease and with priority equal to this Ground Lease, which new lease shall be effective as of the date of termination of the original Ground Lease; provided, however, that a requesting Mortgagee shall promptly cure any defaults by Tenant reasonably susceptible to cure by the Mortgagee. Tenant under the new lease shall have the same right, title, and interest in and to all Improvements located on the Property as Tenant had under the terminated Ground Lease immediately prior to its termination. Landlord shall by quitclaim deed or by the terms of the new lease convey to the permitted Mortgagee, title to the improvements, if any, which become vested in Landlord as a result of the termination of the Ground Lease. The permitted Mortgagee shall be responsible for all costs reasonably incurred by Landlord in connection with the preparation and execution of such new lease. The rights and obligations in this paragraph shall survive termination of this Ground Lease.

(5) No Mortgagee shall be required to perform any act which is not susceptible to performance by a Mortgagee, such as to cure a filing or condition of bankruptcy or insolvency.

(D) Any Mortgage created pursuant to subsection (A) of this Section shall be subject to the provisions of this Ground Lease and all rights of Landlord under this Ground Lease.

(E) On transfer of this Ground Lease at any foreclosure sale, or upon creation of a new Ground Lease, any or all of the following Events of Default relating to the prior owner of the Ground Lease shall be deemed cured:

(1) Attachment, execution, or other judicial levy upon the Ground Lease;

(2) Assignment of the Ground Lease for the direct or indirect benefit of creditors of the prior Tenant;

(3) Judicial appointment of a receiver or similar officer to take possession of the Ground Lease;

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(4) Filing a petition by, for, or against Tenant under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended; and

(5) Any other defaults personal to Tenant and/or not otherwise reasonably curable by Mortgagee.

(F) A Foreclosure Transferee shall succeed to all interest of Tenant in any security or other deposits or other impound payments paid by Tenant to Landlord, except to the extent such security or other deposit or impound payment is used by Landlord to cure an Event of Default of Tenant hereunder.

(G) Foreclosure of any Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power of sale contained in such Mortgage, or any conveyance of the leasehold estate under this Ground Lease from Tenant to a Foreclosure Transferee in lieu of foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision or a default under this Ground Lease. Landlord shall recognize the Foreclosure Transferee as Tenant under this Ground Lease following any such transfer, subject to the obligations of the Foreclosure Transferee to comply with this Ground Lease.

16.10 Cost of Loans to be Paid by Tenant. Tenant affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Mortgage loans, (ii) the delivery of any instruments and documents and their filing and recording, if required, (iii) all taxes and charges payable in connection with the Mortgage loans, and (iv) all costs reasonably incurred by Landlord in making any amendments of this Lease requested by Tenant or Mortgagees.

16.11 No Merger. There shall be no merger, without the consent of the permitted Mortgagee under any Mortgage, of the leasehold estate and the fee estate in the Property merely because both estates are acquired or become vested in the same person or entity.

16.12 Transfer Rights. Foreclosure of any permitted Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Mortgage, or any conveyance of the leasehold estate hereunder from Tenant to any Mortgagee or an affiliate of Mortgagee or entity controlled by Mortgagee, through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof (any of the foregoing, a "**Foreclosure Action**"), shall not require the consent of Landlord or constitute a breach of any provision of or a default under this Ground Lease, and upon such foreclosure, sale, or conveyance, Landlord shall recognize the purchaser or other transferee in connection therewith as Tenant hereunder. Further, with respect to the first subsequent transfer of the Property following a Foreclosure Action, Landlord shall recognize such transferee, provided that prior to such transfer the transferee has provided evidence reasonably acceptable to Landlord that the transferee has experience in owning and operating affordable housing rental developments of similar scale as the Project and with income and rent restrictions similar to the restrictions set forth in the Ground Lease, and a business reputation and record of fair dealing that is similar to that of Tenant as of the

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Commencement Date. Any further assignments shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 17. SUBLEASING.

17.1 Subleasing of Property. Tenant will Sublease individual residential units to income-qualified Heads of Household in accordance with the Affordability Restrictions and occupancy covenants set forth in this Ground Lease and the Regulatory Agreement. The Tenant will Sublease the approximately 2,658 square foot tenant space on the ground floor of the Project for the operation of community serving space ("**Resource Center Sublease**"). All Subleases entered into by Tenant with residents of the individual residential units in the Project ("**Resident Subleases**") shall be in compliance with the any applicable regulations of HCD, the Regulatory Agreement and any other applicable regulatory agreement required in connection with Project funding. The form and substance of the Resource Center Sublease and the Resident Subleases shall be reviewed and approved by the Landlord prior to implementation and execution, and shall include the following provisions and restrictions:

17.1.1 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall contain a provision, satisfactory to Landlord, requiring the subtenant to attorn to Landlord upon (a) an Event of Default by Tenant under this Ground Lease, and (b) receipt by such sublessee of written notice of such Event of Default and instructions to make such sublessee's rental payments to Landlord. Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall also contain a provision, satisfactory to Landlord, prohibiting each subtenant from sub-subleasing its space.

17.1.2 On any termination of this Ground Lease prior to the expiration of the Term, all of Tenant's interest as sublessor under any and all existing valid and enforceable Resident Subleases and Resource Center Sublease for which Landlord has issued a non-disturbance agreement shall be deemed automatically assigned, transferred, and conveyed to Landlord and subtenants under such Resident Subleases and Resource Center Sublease shall be deemed to have attorned to Landlord. Landlord shall thereafter be bound on such Resident Subleases and Resource Center Sublease to the same extent Tenant, as sublessor, was bound thereunder and Landlord shall have all the rights under such Resident Subleases and Resource Center Sublease that Tenant, as sublessor, had under such Resident Subleases and Resource Center Sublease; provided, however, that any amendments to any such Resident Sublease and Resource Center Sublease made after the issuance of a non-disturbance agreement to a subtenant shall not be binding on Landlord.

17.1.3 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall expressly provide that it is subject to each and all of the covenants, conditions, restrictions, and provisions of this Ground Lease. On expiration of the Term, all Subleases shall terminate.

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17.2 Operator of Community-Serving Space and Operational Program. ALAS will be the initial operator of the community serving space, operating an Agricultural Worker resource center subject to the terms, conditions and operational requirements in the Community Resource Center Sublease entered into by ALAS and Tenant. The operational program consists of providing ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential tenants of the Project in accordance with requirements of City and Project funders. The operational program also includes the provision of a multi-purpose community space to be used at the sole discretion of City for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and ALAS's proposed use of the space. ALAS (and any successor) shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by the City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager. In the event that ALAS's subtenancy with Tenant is terminated, Tenant shall replace ALAS with an operator that provides services to the residents, consistent with the approved program described above. Tenant shall submit the proposed replacement community serving space subtenant and its proposed operational program to City Manager for review and approval.

17.3 Rights of Mortgagees. Notwithstanding anything contained in this Ground Lease to the contrary, all attornment provisions applicable to Landlord shall also be applicable to a permitted Mortgagee and, as between Landlord and the permitted Mortgagee, the permitted Mortgagee shall have priority in any attornment situation.

ARTICLE 18. PERFORMANCE OF TENANT'S COVENANTS.

18.1 Right of Performance. If Tenant shall at any time fail to pay any Imposition or other charge in accordance with Article 4 hereof, within the time period therein permitted, or shall fail to pay for or maintain any of the insurance policies provided for in Article 9 hereof, within the time therein permitted, or to make any other payment or perform any other act on its part to be made or performed hereunder, within the time permitted by this Ground Lease, then Landlord, after ten (10) days' written notice to Tenant (or, in case of an emergency, on such notice, or without notice, as may be reasonable under the circumstances) and without waiving or releasing Tenant from any obligation of Tenant hereunder, may (but shall not be required to):

(A) pay such Imposition or other charge payable by Tenant pursuant to the provisions of Article 4 hereof, or

(B) pay for and maintain such insurance policies provided for in Article 9 hereof, or

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(C) make such other payment or perform such other act on Tenant's part to be made or performed as in this Ground Lease provided.

18.1.1 Rights of Mortgagees. Notwithstanding anything in this Ground Lease to the contrary, all of the performance rights available to Landlord under Section 19.1 shall also be available to any Mortgagee.

18.2 Reimbursement and Damages. All sums paid by Landlord pursuant to Section 18.1 and all costs and expenses incurred by Landlord in connection with the performance of any such act, together with interest thereon at the rate provided in Section 4.5 from the respective dates of Landlord's making of each such payment or incurring of each such cost or expense, shall constitute additional Rent payable by Tenant under this Ground Lease and shall be paid by Tenant to Landlord on demand. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as aforesaid, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable upon such insurance, but Landlord shall also be entitled to recover as damages for such breach, the uninsured amount of any loss (to the extent required to be insured against pursuant to the terms of this Ground Lease), damages, costs and expenses of suit, including reasonable attorneys' fees, suffered or incurred by reason of damage to, or destruction of, the Improvements, occurring during any period in which Tenant shall have failed or neglected to provide insurance as aforesaid.

ARTICLE 19. EVENTS OF DEFAULT; REMEDIES.

19.1 Events of Default. Any one or all of the following events shall, subject to Section 21.1, constitute an "**Event of Default**" hereunder:

19.1.1 If Tenant shall default in the payment of any Rent when and as the same becomes due and payable and such default shall continue for more than ten (10) days after Landlord shall have given written notice thereof to Tenant; or

19.1.2 If Tenant shall materially default under this Ground Lease, the Regulatory Agreement or under the Agreement, and such default is not timely cured within the time provided for herein or therein; or

19.1.3 The abandonment or vacation of the Property by Tenant for a period of thirty (30) days after prior written notice thereof by Landlord; or

19.1.4 The entry of any decree or order for relief by any court with respect to Tenant, or any assignee or transferee of Tenant ("**Assignee**"), in any involuntary case under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, liquidator, assignee, trustee, sequestrator or other similar official of Tenant or any Assignee (unless such appointment is in connection with a permitted Mortgagee's exercise of its remedies under its Mortgage), or of any substantial part of the property of Tenant or such Assignee, or the ordering or winding up or liquidating of the affairs of Tenant or any Assignee and the continuance of such decree or order unstayed and in effect for a period of ninety (90)

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days or more (whether or not consecutive); or the commencement by Tenant or any such Assignee of a voluntary proceeding under the Federal Bankruptcy Code or any other applicable state or federal law, or consent by Tenant or any such Assignee to the entry of any order for relief in an involuntary case under any such law, or consent by Tenant or any such Assignee to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, sequestrator, or other similar official of Tenant or any such Assignee, or of any substantial property of any of the foregoing, or the making by Tenant or any such Assignee of any general assignment for the benefit of creditors; or Tenant or any such Assignee takes any other voluntary action related to the business of Tenant or any such Assignee or the winding up of the affairs of any of the foregoing.

19.2 Remedies.

19.2.1 If an Event of Default shall occur and continue as aforesaid, then in addition to any other remedies available to Landlord at law or in equity, but subject to Article 16, Landlord shall have the immediate option to terminate this Ground Lease and bring suit against Tenant and recover as an award in such suit or arbitration proceeding the following:

(a) the worth at the time of award of the unpaid rent and all other sums due hereunder which had been earned at the time of termination;

(b) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Ground Lease and/or any of the Transaction Documents, as applicable, or which in the ordinary course of things could be likely to result therefrom; and

(e) such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

19.2.2 The "worth at the time of the award" of the amounts referred to in Subparagraphs 19.2.1(a) and 19.2.1(b) above shall be computed by allowing interest at the rate provided in Section 4.5 as of the date of the award. The "worth at the time of award" of the amount referred to in subparagraph 19.2.1(c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

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19.3 Receipt of Rent, No Waiver of Default. No failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power, or remedy consequent upon a default under this Ground Lease, and no acceptance of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. Not by way of limitation of the foregoing, the receipt by Landlord of the rents or any other charges due to Landlord, with knowledge of any breach of this Ground Lease by Tenant or of any default on the part of Tenant in the observance or performance of any of the conditions or covenants of this Ground Lease, shall not be deemed to be a waiver of any provisions of this Ground Lease. No acceptance by Landlord of a lesser sum than the rents or any other charges then due shall be deemed to be other than on account of the earliest installment of the rents or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent or charges due be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Ground Lease. The receipt by Landlord of any rent or any other sum of money or any other consideration paid by Tenant after the termination of this Ground Lease, or after giving by Landlord of any notice hereunder to effect such termination, shall not, except as otherwise expressly set forth in this Ground Lease, reinstate, continue, or extend the term of this Ground Lease, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by Landlord to Tenant prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Landlord. Neither acceptance of the keys nor any other act or thing done by Landlord or by its agents or employees during the Term shall be deemed to be an acceptance of a surrender of the Property or the Improvements, excepting only an agreement in writing signed by Landlord accepting or agreeing to accept such a surrender.

19.4 Effect on Indemnification. Notwithstanding the foregoing, nothing contained in this Article 19 shall be construed to limit Landlord's right to indemnification as otherwise provided in this Ground Lease.

19.5 Remedies Cumulative. The various rights, options, elections, and remedies of Landlord and Tenant, respectively, contained in this Ground Lease shall be cumulative and no one of them shall be construed as exclusive of any other, or of any right, priority, or remedy allowed or provided for by law and not expressly waived in this Ground Lease.

ARTICLE 20. PERMITTED CONTESTS.

Tenant, at no cost or expense to Landlord, may contest (after prior written notice to Landlord), by appropriate legal proceedings conducted with due diligence, the amount or validity or application, in whole or in part, of any Imposition or lien, provided that (a) in the case of liens of mechanics, materialmen, suppliers or vendors, or Impositions or liens therefor, such proceedings shall suspend the collection thereof from Landlord, and shall suspend a foreclosure against the Property and/or the Improvements, or any interest therein, or any Rent, if any, (b) neither the Property or the Improvements, nor any part thereof or interest therein, or the Rent, if any, or any portion thereof, would be in any danger of being sold, forfeited, or lost by reason of such proceedings, and (c) Tenant shall

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have furnished to Landlord, if requested, a bond or other security, satisfactory to Landlord. If Tenant shall fail to contest any such matters, or to give Landlord security as hereinabove provided, Landlord may, but shall not be obligated to, contest the matter or settle or compromise the same without inquiring into the validity or the reasonableness thereof. Landlord, at the sole cost and expense of Tenant, will cooperate with Tenant and execute any documents or pleadings legally required for any such contest.

ARTICLE 21. FORCE MAJEURE.

21.1 Delay of Performance. Subject to Section 21.2 below, Tenant's performance of its obligations set forth in Article 7, Sections 11.2.4 and 11.4, Article 13, and Article 14 to timely make any required improvements, additions, changes, repairs, and replacements to the Property shall be excused during the period of time that Tenant, after and despite its exercise of commercially reasonable diligence to perform such work, is prohibited, prevented, or materially delayed from proceeding with the work due to any of the following causes: any regulation, order, act, restriction, or requirement or limitation imposed by any federal, state, municipal, or foreign government or any department or agency thereof, or civil or military authority; acts of God; fire, explosion, or floods (subject to Tenant's obligations herein to promptly repair and restore the damage caused thereby); strikes, walkouts, or inability to obtain materials; war, terrorism, riots, sabotage or civil insurrection; epidemics or pandemics; or any other causes without the fault and beyond the reasonable control of Tenant following Tenant's exercise of good faith efforts to resolve. In no event shall adverse economic or market conditions, Tenant's inability to obtain financing, increases in interest rates, or similar causes justify an extension of Tenant's obligation to timely perform any of such obligations.

21.2 Notice and Cure Requirements. No prevention, delay, or stoppage of performance shall be excused unless:

(A) Tenant notifies Landlord within thirty (30) days of such prevention, delay, or stoppage that it is claiming excuse of its obligations under this Article 21; and

(B) Tenant diligently proceeds within thirty (30) days of the conclusion of such prevention, delay, or stoppage to cure the condition causing the prevention, delay or stoppage; and

(C) Tenant effects such cure within a reasonable time.

ARTICLE 22. GENERAL PROVISIONS.

22.1 Notices. Written notices, demands and communications between Landlord and Tenant ("**Notices**") shall be sufficiently given if (i) delivered by hand, (ii) delivered by reputable same-day or overnight messenger service that provides a receipt showing date and time of delivery, or (iii) dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Landlord and Tenant at the addresses specified in this Section 22.1. Such Notices may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section 22.1.

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Any Notice shall be deemed received immediately if delivered by hand or delivered by messenger in accordance with the preceding paragraph, and shall be deemed received on the third (3rd) day from the date it is postmarked if delivered by registered or certified mail in accordance with the preceding paragraph.

If to Tenant: Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102
Attn: Kelly Hollywood
Email: kelly.hollywood@mercyhousing.org

with a copy to: Gubb and Barshay LLP
235 Montgomery St., Suite 1110
San Francisco, CA 94104
Attn: CJ Highley, Evan Gross
Email: cjhigley@gubbandbarshay.com;
egross@gubbandbarshay.com

If to Landlord: Landlord of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager
Reference: 555 Kelly
Email: mchidester@halfmoonbay.gov

with a copy to Half Moon Bay City Attorney's Office
c/o Burke, Williams & Sorensen
1999 Harrison Street, Suite 1650
Oakland, CA 94612
Attn: Denise Bazzano, Esq.

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Addresses for Notice may be changed from time to time by delivery of a Notice to all other parties in compliance herewith. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending party was not notified shall be deemed receipt of such Notice.

22.2 Certificates. Landlord or Tenant, as the case may be, shall execute, acknowledge, and deliver to the other, promptly upon request by Landlord, Tenant, or a Mortgagee, an estoppel certificate of Landlord or Tenant, as the case may be, certifying, to the knowledge of the certifying party (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that the Ground Lease is in full force and effect, as modified, and stating the date of each instrument so modifying the Ground Lease), (b) the date, if any, through which the Rent, if any, has been paid, (c) whether there are then existing any offsets or defenses against the enforcement of any term hereof on the part of Tenant to be performed or complied with (and, if so, specifying

the same), and (d) whether any default exists hereunder and, if any such default exists, specifying the nature and period of existence thereof and what action Landlord or Tenant, as the case may be, is taking or proposes to take with respect thereto and whether notice thereof has been given to the party in default. Any Certificate may be relied upon by any prospective purchaser, transferee, mortgagee, or trustee under a deed of trust or leasehold estate in the Property or any part thereof or of Landlord's or Tenant's interest under this Ground Lease. Tenant will also deliver to Landlord, promptly upon request, such information with respect to the Property or any part thereof as from time to time may reasonably be requested. Tenant or the existing or prospective Mortgagee requesting an estoppel certificate from Landlord shall, as a condition to receipt of such estoppel certificate, pay Landlord for Landlord's actual and reasonable costs incurred to investigate and respond to the same, including Landlord's in-house payroll and administrative costs and the amounts paid by Landlord to consultants and attorneys.

22.3 No Merger of Title. There shall be no merger of this Ground Lease or the leasehold estate created by this Ground Lease with any other estate in the Property or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly:(a) this Ground Lease or the leasehold estate created by this Ground Lease or any interest in this Ground Lease or in any such leasehold estate, and (b) any other estate in the Property and the Improvements or any part thereof or any interest in such estate, and no such merger shall occur unless and until all persons, corporations, firms and other entities, including any leasehold Mortgagee or leasehold Mortgagees, having any interest (including a security interest) in (i) this Ground Lease or the leasehold estate created by this Ground Lease, and (ii) any other estate in the Property or the Improvements or any part thereof shall join in a written instrument effecting such merger and shall duly record the same.

22.4 Quiet Enjoyment. Tenant, upon paying the Rent, if any, and other charges herein provided for and upon performing and complying with all covenants, agreements, terms and conditions of this Ground Lease to be performed or complied with by it, shall lawfully and quietly hold, occupy and enjoy the Property during the Term of this Ground Lease without hindrance or molestation by Landlord, or any person or persons claiming through Landlord.

22.5 No Claims Against Landlord. Nothing contained in this Ground Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or its interest in the Property in respect thereof.

22.6 Non-Liability of Landlord or Landlord Officials and Employees. Neither Landlord or any Landlord Personnel shall be personally liable to Tenant, including any successor in interest of Landlord or any Landlord Personnel, in the event of any default or breach by Landlord or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement

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and the Regulatory Agreement. Tenant hereby waives and releases any claim it may have against Landlord and all Landlord Personnel with respect to any default or breach by Landlord or any of the Landlord Personnel or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement or the Regulatory Agreement. Tenant makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."
>
> _____
> Tenant's Initials

22.7 Inspection. Landlord and its authorized representatives may enter the Property and Project or any part thereof at all times for the purpose of inspecting, servicing, or posting notices, protecting the Property, Project or the Improvements, or for any other lawful purposes; provided, that except in cases of emergency Landlord shall provide Tenant prior telephonic or other notice of Landlord's intent to enter onto the Property or Project, Landlord's entries shall occur only during normal business hours (8 AM-6 PM Monday-Friday), and Landlord may only enter an occupied residential unit after giving the sublessee three (3) days prior written notice and either obtaining the consent of the occupant(s) or obtaining an inspection warrant, if required by law.

22.8 Holding Over. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements with the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a tenancy for month-to-month only, upon the same terms and conditions as are herein set forth so far as the same are applicable. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements without the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a hold over tenancy, upon the same terms and conditions as are herein set forth so far as the same are applicable, except that Rent shall be adjusted to the then fair market value rent, as reasonably determined by Landlord.

22.9 Relationship Between Landlord and Tenant. It is hereby acknowledged by Tenant that the relationship between Landlord and Tenant is not that of a partnership or joint venture and that Landlord and Tenant shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, with the exception of any provisions expressly set forth to the contrary herein, in the Agreement, or in the attachments or exhibits hereto, Landlord shall have no rights, powers, duties, or obligations with respect

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to the development, operation, maintenance, repair or management of the Project. Tenant agrees to indemnify, defend (with counsel acceptable to Landlord), and hold harmless Landlord from and against any and all claims, liabilities, and losses arising from a claimed relationship of partnership, joint venture, or agency between Landlord and Tenant with respect to the development, operation, maintenance, repair or management of the Property or the Project, except to the extent occasioned by the gross negligence or willful misconduct of Landlord or its designated agents or employees.

22.10 Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

22.11 Venue for Legal Actions. All legal actions by either party to enforce this Agreement or seeking any remedy arising out of or related to this Agreement must be instituted and maintained in the Superior Court of the County of San Mateo, State of California, or in the United States District Court for the Northern District of California.

22.12 Service of Process. In the event that any legal action is commenced by Tenant against Landlord, service of process on Landlord shall be made by personal service upon City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by Landlord against Tenant, service of process on Tenant shall be made by personal service upon the general partner of Tenant or in such other manner as may be provided by law. Service shall be effective regardless of whether it is made within the State of California.

22.13 Attorney's Fees. In the event of a dispute between the parties arising out of or in connection with this Ground Lease, the Agreement or the Regulatory Agreement whether or not such dispute results in arbitration or litigation, the prevailing party (whether resulting from settlement before or after arbitration or litigation is commenced) shall be entitled to have and recover from the losing party reasonable attorneys' fees and costs of suit, including expert witness fees, incurred by the prevailing party.

22.14 Time Is of The Essence. Time is of the essence of this Ground Lease and all of the terms, provisions, covenants, and conditions hereof.

22.15 Survival of Representations, Warranties and Covenants. The respective representations, warranties, and covenants contained herein shall survive the Commencement Date and continue throughout the Term.

22.16 Construction of Agreement. This Ground Lease shall be construed in accordance with the internal laws of the State of California, without regard to the choice of law rules thereof. The rule of construction that a document be construed strictly against its drafter shall have no application to this Ground Lease. Titles and captions are for convenience of reference only and do not define, describe, or limit the scope or the intent

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of this Ground Lease or of any of its terms. Reference to Section numbers are to Sections in this Ground Lease unless expressly stated otherwise.

22.17 Severability. If one or more of the provisions of this Ground Lease shall be held to be illegal or otherwise void or invalid, the remainder of this Ground Lease shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted under applicable laws and regulations.

22.18 Entire Agreement; Modification. This Ground Lease, the Regulatory Agreement and the Agreement collectively contain the entire agreement of the parties with respect to the matters discussed herein and supersede all prior discussions and negotiations between the parties with respect thereto. This Ground Lease may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extensions, or discharge is sought.

22.19 Binding Effect and Benefits. This Ground Lease and the Regulatory Agreement shall inure to the benefit of and be binding on the parties hereto and their respective successors and assigns. Except as otherwise set forth herein, nothing in this Ground Lease, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Ground Lease.

22.20 No Third-Party Rights. Except as may otherwise be expressly set forth herein, the parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Ground Lease or of any covenant, duty, obligation, or undertaking established herein.

22.21 Real Estate Brokerage Commissions. Landlord and Tenant each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and each agrees to defend and hold harmless the other from any claim to any such commission or fee resulting from any action on its part.

22.22 Computation of Time. The time in which any act is to be done under this Ground Lease is computed by excluding the first day and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

22.23 Counterparts. This Ground Lease may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Ground Lease.

22.24 Number and Gender. Whenever the singular number is used in this Ground Lease and required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

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22.25 Conflicts. To the extent conflicting provisions exist in this Ground Lease and the Agreement, the provisions of this Ground Lease shall control over any conflicting provision in the Agreement.

22.26 Incorporation by Reference. Every Exhibit attached to this Ground Lease and referred to herein is hereby incorporated by reference.

22.27 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of Landlord, such approval shall not be unreasonably withheld and shall be given on behalf of Landlord by City Council, except as expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required of Landlord by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request of Landlord may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request made to Landlord or make a determination made to Landlord that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. The City Manager may consult with City Staff, the City Attorney and City Council prior to making any determinations or taking any actions. This Section 22.27 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

22.28 U.S. Immigration and Customs Enforcement. Landlord agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Tenant, Tenant shall confirm identification of the County of San Mateo, State or Federal official and shall observe and document the locations accessed by the official and provide Landlord with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Tenant shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Ground lease, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Landlord and Landlord Personnel in accordance with Section 9.8 to the extent any Loss arises from alleged violations of State and Federal immigration laws.

22.29 Legal Advice. Each party represents and warrants to the other party the following: such party has carefully read this Ground Lease and in signing this Ground Lease it does

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so with full knowledge of any right which it may have; it has received independent legal advice from its respective legal counsel as to the matters set forth in this Ground Lease, or it has knowingly chosen not to consult legal counsel as to the matters set forth in this Ground Lease and it has freely signed this Ground Lease without any reliance upon any agreement, promise, statement, or representation by or on behalf of the other party, or its respective agents, employees, or attorneys, except as specifically set forth in this Ground Lease, and without duress or coercion, whether economic or otherwise.

22.30 Periodic Review**.** The City Manager shall review the terms of this Ground Lease, including but not limited to, the insurance coverages, costs, current rent charges, and community resource center use and use of the Property, at least every seven years, commencing on the Effective Date of this Ground Lease.

[*Remainder of page intentionally left blank; signatures on next page*]

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IN WITNESS WHEREOF, the undersigned have executed this Ground Lease as of the date first above written.

"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

Date: _____, 2026

By: _____
Matthew Chidester, City Manager

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its: Sole member/manager

Date: _____, 2026

By: _____
Ramie Dare
Vice President

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EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT B

MEMORANDUM OF LEASE

(See following document)

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RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Exempt From Recording Fee Pursuant to
Government Code Sections 6103 and 27383

MEMORANDUM OF GROUND LEASE

This **MEMORANDUM OF GROUND LEASE** ("**Memorandum**") is hereby entered into as of [Date] by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.**, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant have entered into a "Ground Lease" dated concurrently herewith for that certain real property owned by Landlord ("**Property**"), which provides for the construction, maintenance, management and operation of a forty (40) unit Senior Agricultural Worker multifamily apartment project, to be made available long term at an affordable housing cost, property management office space, a community serving space and parking ("**Project**"). The Property is legally described in Exhibit A, which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the Landlord, 501 Main Street, Half Moon Bay, CA 94019.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of San Mateo County ("**Commencement Date**") and, subject to the provisions set forth in the Ground Lease and applicable law that may result in an earlier termination of the Ground Lease, continues until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of San Mateo County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

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"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

By: _____

Date:

Matthew Chidester, City Manager

Approved as to form:

_____

Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its sole member/manager

By: _____
Ramie Dare
Vice President

Date: _____

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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 _____)

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)

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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 _____)

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)

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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 _____)

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)

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EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
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APN: 056-150-220

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Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13’ 55” East 649.12 feet (called North 8° 10’ East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31’ 07” West (called North 81° 18’ West in said Deed) 20.00 feet; thence leaving said line South 8° 13’ 55” West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30’ East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT C

REGULATORY AGREEMENT

(See following document)

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AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

By and Between

CITY OF HALF MOON BAY

and

MERCY HOUSING CALIFORNIA 110, L.P.

Dated as of _____ __, 2026

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AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

THIS AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT ("**Agreement**") is made and entered into as of _____, 2026 ("**Effective Date**"), by and between CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer are sometimes referred to hereinafter individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. City owns fee title to that unimproved certain real property located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**").

B. On February 15, 2022, City issued a Request for Qualifications ("**RFQ**") to select a developer to develop an affordable housing development, consistent with the general goals and requirements contained in the RFQ, on the Property.

C. Through the RFQ process, Mercy Housing California, a California nonprofit public benefit corporation ("**Mercy**"), was selected to potentially develop, pending subsequent negotiations, the proposed development on the Property. Mercy was established to develop and operate safe, decent affordable housing in California.

D. Developer is a California limited partnership, the general partner of which is Mercy Housing California 110 LLC, a California limited liability company, of which Mercy Housing California, a California nonprofit public benefit corporation, is its sole member/manager.

E. On May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit ("**CDP**") for the Project (PDP-23-034). Following the Planning Commission action, three separate appeals to City Council were filed, challenging the Planning Commission decision to approve the CDP. On June 26, 2024, the City Council held a hearing and voted to deny the appeals, upholding the CDP.

F. The Parties now desire to enter into this Agreement to set forth the terms and conditions on which City will ground lease the Property to Developer for Developer to: (i) construct and operate a forty (40) unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 of the form of Ground Lease attached to this Agreement as Attachment No. 6, (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**"). The Property consists of approximately 16,395 square

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feet, and is more particularly described in Attachment No. 1 to this Agreement. The terms and conditions of this Agreement will govern until the date (if such occurs) that the Ground Lease becomes effective, which shall occur upon the recordation of the Memorandum of Ground Lease.

G. The ground lease of the Property to Developer and the development and subsequent operation of the Project on the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in furtherance of City's goals to provide permanent affordable housing in the City of Half Moon Bay, are in the vital and best interests of the City of Half Moon Bay and the welfare of its residents, and are in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements under which the Project has been undertaken.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer hereto agree as follows:

1. DEFINITIONS

As used in this Agreement, capitalized terms are defined where first used or as set forth in this Section 1. Capitalized terms used in an attachment attached hereto and not defined therein shall also have the meanings set forth in this Section 1.

"**Adjusted AMI**" has the meaning given to it in Section 11.

"**Affiliate**" means any Person, directly or indirectly, Controlling or Controlled by or under common Control with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

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"**Building Permit**" means all permits issued by City and required for commencement of construction of the Project.

"**California Prevailing Wage Law**" has the definition given it in Section 10.9(b)(i)).

"**Cash Flow Projection**" means a financial forecast estimating future cash inflows and outflows over the term of the Ground Lease.

"**CDLAC**" means the California Debt Limit Allocation Committee.

"**CDP**" is defined in Recital E.

"**City**" means the City of Half Moon Bay, California.

"**City Manager**" means the person duly appointed to the position of City Manager, or his or her designee.

"**City Title Policy**" has the meaning set forth in Section 7.2(k) of this Agreement.

"**Condition of Property Title**" has the meaning set out in Section 5.8.

"**Construction Lender**" means the lender that provides construction financing for the Project. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Lender shall be understood to mean the institution or institutions that hold such Tax-Exempt Bonds through the construction period (e.g., until the Conversion Date). The Construction Lender may or may not also be the Take-Out Lender.

"**Construction Loan**" means the construction loan for the Project secured by the Construction Loan Security Documents, in the amount set forth in the Final Project Budget. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Construction Loan Security Documents**" means the documents and instruments required by the Construction Lender to secure the Construction Loan.

"**Conversion Date**" has the meaning set forth in the Construction Loan Security Documents, or, if such term is not defined therein, means the date the Construction Loan converts from a construction loan to a permanent loan.

"**Developer**" has the meaning set forth in the opening paragraph of this Agreement.

"**Developer Title Policy**" has the meaning set forth in Section 7.3(e) of this Agreement.

"Disability" means any mental or physical impairment that limits a major life activity, or as otherwise defined in state or federal law. ~~means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or~~

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~~perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.~~

"**Environmental Inquiries**" has the meaning given to it in Section 5.6.

"**Escrow**" means the escrow through which the Property Closing is conducted.

"**Escrow Holder**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607 or such other escrow company as may be agreed to by Developer and City Manager.

"**Event of Default**" has the meaning set forth in Section 13.1 of this Agreement.

"**Final Construction Documents**" means the final plans, drawings and specifications upon which the Building Permit is issued.

"**Final Project Budget**" shall mean the final budget for the Project, as more fully discussed in Section 6.3 below.

"**First Year Operating Budget**" means a detailed financial plan projecting the Project's expected revenues and expenses for its first year of operation.

"**Governmental Requirements**" means all laws, ordinances, statutes, codes, rules, regulations, requirements, orders and decrees, of the United States, the State of California, the City of Half Moon Bay, the County of San Mateo, and of any other political subdivision, agency or instrumentality exercising jurisdiction over City, Developer, the Property, and/or the Project, including common law.

"**Ground Lease**" means a ground lease substantially in the form attached hereto and incorporated herein as Attachment No. 6, to be executed by Developer and City to set forth the terms and conditions for City's lease of the Property to Developer.

"**Hazardous Materials**" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii)

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polychlorinated biphenyls, (viii) defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"**Hazardous Materials Contamination**" means the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time emanating from the Property.

"**IIG**" is defined in Section 6.1(d).

"**Indemnitees**" means City, and its respective directors, officers, officials, members, employees, representatives, agents and volunteers.

"**Investor**" means the low income housing tax credit limited partner of the Developer.

"**Land Use Entitlements**" has the meaning set forth in Section 4 of this Agreement.

"**Liabilities**" has the meaning set forth in Section 5.3 of this Agreement.

"**Management Agreement**" has the meaning set forth in Section 7.2(h) of this Agreement.

"**Memorandum of Ground Lease**" means the Memorandum of Unrecorded Ground Lease to record in the Official Records pursuant to Section 1.4 of the Ground Lease.

"**Mercy**" has the meaning set forth in Recital C.

"**Notices**" has the meaning set forth in Section 14 of this Agreement.

"**Official Records**" means the Official Records of the County of San Mateo.

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"**Outside Closing Date**" means the date that is one hundred ninety-four (194) days after the first date on which Developer has received an allocation of Tax Credits from TCAC, provided, however, that such date may be extended to the extent the required closing date is extended by CDLAC and/or TCAC.

"**Partnership Agreement**" means the limited partnership agreement for Developer.

"**Preliminary Project Budget**" shall mean that certain preliminary project budget attached hereto and incorporated herein as Attachment No. 5.

"**Preliminary Title Report**" has the meaning given it in Section 5.8.

"**Project**" has the meaning set forth in Recital F, above, all in accordance with this Agreement, including, without limitation, the Scope of Development, the Land Use Entitlements, and the Final Construction Documents.

"**Project Costs**" means all costs of any nature incurred in connection with the planning, design, and development of the Project.

"**Project Documents**" means, collectively, this Agreement, the Ground Lease, the Memorandum of Ground Lease, and any other agreement, document or instrument that Developer and City enter into pursuant to this Agreement or in order to effectuate the purposes of this Agreement.

"**Property**" means that certain real property referred to in Recital A and legally described in Attachment No. 1 and depicted in Attachment No. 2, both of which attachments are attached hereto and incorporated herein by this reference. The Property comprises approximately 16,395 square feet of land.

"**Property Closing**" means closing of the construction sources of Project Financing, execution of the Ground Lease and delivery of possession of the Property to Developer pursuant thereto.

"**Project Financing**" has the meaning set forth in Section 6.1 of this Agreement.

"**Regulatory Agreement**" is defined in Section 7.3(i).

"**Response Action**" is defined in Section 5.5 of this Agreement.

"**RFQ**" has the meaning give it in Recital A.

"**Schedule of Performance**" means the Schedule of Performance attached hereto and incorporated herein as Attachment No. 3.

"**Scope of Development**" means the Scope of Development attached hereto and incorporated herein as Attachment No. 4.

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"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Site Map**" means the site map attached hereto and incorporated herein as Attachment No. 2.

"**Sources and Uses of Funds Statement**" means a statement attached to each of the Preliminary Project Budget and Final Project Budget detailing the sources of capital for the Project and uses for which those funds will be spent.

"**Sublease**" means an agreement pursuant to which Developer, as tenant under the Ground Lease, leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of the Ground Lease.

"**Take-Out Lender**" means the lending institution that makes the Take-Out Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Lender shall be understood to mean the institution that holds or institutions that hold such Tax-Exempt Bonds from and after the construction period (e.g., from and after the Conversion Date). The Take-Out Lender may or may not also be the Construction Lender.

"**Take-Out Loan**" means the long-term loan made by the Take-Out Lender to Developer to take out the Construction Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Tax Credits**" has the meaning set forth in Section 6.1(b) of this Agreement.

"**Tax Credit Program**" means the low-income housing tax credit program authorized pursuant to Internal Revenue Code Section 42, California Health and Safety Code Sections 50199.6-50199.19, Revenue and Taxation Code Sections 17057.5, 17058, 23610.4, 23610.5, and applicable federal and State regulations such as 4 California Code of Regulations Sections 10300-10340.

"**Tax-Exempt Bonds**" means tax-exempt multifamily housing mortgage revenue bonds.

"**TCAC**" means the California Tax Credit Allocation Committee.

"**Title Company**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607, or such other title insurance company as may be agreed to by Developer and City Manager.

"**Title Exceptions**" has the meaning given to it in Section 5.8.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

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"**Weekend**" means the days of Saturday and Sunday during a Week.

"**Work Week**" means the days of Monday through Friday during a Week.

2. DEVELOPER

Developer is a California limited partnership, the general partner of which is Mercy Housing California 110, LLC, a California limited liability company, of which Mercy is its sole member/manager.

3. SCHEDULE OF PERFORMANCE

The Schedule of Performance sets forth the times by which the parties are required to perform certain obligations set forth in this Agreement.

4. LAND USE ENTITLEMENTS

Developer and City acknowledge and agree that prior to the Effective Date, Developer obtained all discretionary governmental permits and approvals necessary to allow Developer to develop the Project in the manner required by this Agreement (collectively, "**Land Use Entitlements**"), and that Developer has accepted all of the Land Use Entitlements, including all of the terms and conditions pertaining thereto.

5. RIGHT TO ENTER PROPERTY; AS-IS; PHYSICAL AND ENVIRONMENTAL CONDITION

5.1 Right to Enter Property. Developer acknowledges and agrees that Developer has had ample opportunity to examine, inspect, and investigate the physical and environmental condition of the Property, and has approved the physical and environmental condition of the Property and determined it is acceptable to Developer and suitable for Developer's intended use. Commencing as of the Effective Date and until the Property Closing, Developer and Developer's representatives and agents shall be entitled to enter onto the Property to conduct additional examinations and investigations as provided herein. For avoidance of doubt, such additional examinations and investigations shall not affect Developer's approval of the physical and environmental condition of the Property or Developer's determination that the Property is suitable for Developer's intended use.

Developer shall provide to City a copy of all reports, studies and test results prepared by Developer's consultants as a result of such additional examinations and/or investigations, without representation or warranty. Developer shall submit a written request to and receive the approval of City prior to any proposed entry by Developer or Developer's representatives on the Property. City Manager shall reasonably consider any such request and shall endeavor to provide a response to Developer within one (1) business day. Any such entry shall occur during normal business hours. City Manager or his or her designee shall have the right, but not the obligation, to accompany Developer during any such additional examinations and/or investigations. As a condition of such

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entry, Developer shall (i) conduct all additional examinations and/or investigations in a diligent, expeditious, and safe manner and not allow any dangerous or hazardous conditions to occur on the Property during or after the additional examinations and/or investigations; (ii) obtain any required governmental permits and comply with all applicable laws and governmental regulations; (iii) keep the Property free and clear of all materialmen's liens, lis pendens and other liens arising out of the entry and additional examinations and/or investigations under this paragraph; (iv) maintain or assure maintenance of workers' compensation insurance (or state approved self-insurance) for all persons entering the Property in the amounts required by the State of California; and (v) provide to City Manager prior to initial entry a certificate of insurance evidencing that Developer and/or the persons entering the Property have procured and have in effect commercial general liability insurance that satisfies the requirements set forth in Section 10.5 hereof. Developer shall, in a timely manner, repair any and all damage to the Property caused by such additional examinations and/or investigations, and shall indemnify, defend, and hold harmless the Indemnitees from and against any claims, liabilities, and losses arising from the entry of Developer or its representatives or agents on the Property pursuant to this Section 5.1, except to the extent that such claims liabilities and losses arise out of the intentional misconduct or gross negligence of any of the Indemnitees.

5.2 AS-IS; Release. Developer acknowledges and agrees that Developer is leasing the Property from City solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR CITY'S AGREEMENT TO LEASE THE PROPERTY TO DEVELOPER, DEVELOPER AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY INDEMNITEES WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR DEVELOPER'S INTENDED DEVELOPMENT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. DEVELOPER ACKNOWLEDGES THAT DEVELOPER WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Property Closing, Developer will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Developer concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Developer under California Civil Code Section 1542, which states:

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A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Developer Initials _____

This Section 5.2 shall survive termination of the Agreement.

5.3 Developer Indemnity. Developer shall save, protect, defend (with counsel reasonably acceptable to City), indemnify, and hold harmless the Indemnitees from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (collectively, "**Liabilities**") which may now or in the future be incurred or suffered by any of the Indemnitees by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Developer's failure to comply with all applicable Governmental Requirements; (ii) Developer's placement on, under or about the Property of any Hazardous Materials or Hazardous Materials Contamination; or (iii) Developer's breach of its obligations under this Article 5. Except for obligations assumed by Developer in this Article 5, Developer shall have no indemnity obligation to any of the Indemnitees for any Liabilities arising from or related to Hazardous Materials Contamination of the Property that existed prior to the Property Closing, except to the extent such contamination is exacerbated by Developer or any of its Affiliates, agents, contractors, consultants or employees.

5.4 Duty to Prevent Hazardous Materials Contamination. Developer shall take commercially reasonable actions to prevent the exacerbation of an existing release of any Hazardous Materials located on the Property and the release of new Hazardous Materials to the Property after the Property Closing. For the avoidance of ambiguity, nothing in the previous sentence shall limit Developer from maintaining Hazardous Materials existing on the Property prior to the Property Closing or consolidating such Hazardous Materials on the Property, all to the extent such actions will not exacerbate any existing release of such Hazardous Materials and are permitted by law. Developer's duty to prevent Hazardous Materials Contamination shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall comply with any state or local Government Requirements pertaining to apartment complexes in San Mateo County, California, as respects the disclosure, permitting, notification, storage, use, removal, and disposal of Hazardous Materials.

5.5 Obligation to Remediate Premises. Developer acknowledges that, as of the Property Closing, City shall have no obligation to undertake any action to address or respond to Hazardous Materials present on, under, or about the Property regardless of when the Hazardous Materials first occurred or when they were first discovered. After

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the Property Closing, any remediation, investigation, mitigation or other response action (collectively "**Response Action**") shall be performed by Developer at Developer's sole cost and expense without any reimbursement from City, including without limitation (i) all Response Actions required by any federal, state, regional, or local governmental agency or political subdivision or to fulfill any Governmental Requirements and (ii) all actions necessary to use the Property for the purposes contemplated by the Regulatory Agreement, this Agreement, and the Ground Lease. Developer shall bear sole responsibility, cost and expense for any Response Action regardless of whether the Hazardous Materials or Hazardous Materials Contamination that is the subject of such Response Action arose before or after the Property Closing and regardless of when it was first discovered. Such Response Actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies, risk assessments or other reports, and the performance of any cleanup, remedial, removal, mitigation or restoration work.

5.6 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination from any governmental agency, or when Developer is required by any regulatory authority to report any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination (collectively, "**Environmental Inquiries**"), shall promptly provide City Manager a copy or copies of the Environmental Inquiries received or reported.

In the event of a release of any Hazardous Materials into the environment in violation of law, Developer shall, as soon as possible after it becomes aware of the release, furnish to City Manager a notification that the release occurred and a copy of any and all test results and final reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of City Manager, Developer shall furnish to City Manager a copy or copies of any and all other Environmental Inquires relating to or affecting the Property including, but not limited to, all environmental permit applications for permits, test results and final environmental reports, including, without limitation, those reports and other matters which may be characterized by Developer as confidential. For the avoidance of ambiguity, Developer shall be under no obligation to furnish any attorney-client privileged documents; provided, however, that Developer may not withhold from City facts regarding a violation of law that affects the Property.

5.7 Materiality. Developer acknowledges and agrees that the defense, indemnification, protection and hold harmless obligations of Developer for the benefit of Indemnitees set forth in this Agreement are a material element of the consideration to City under this Agreement, and that City would not have entered into this Agreement unless Developer's obligations were as provided for herein.

5.8 Review of Title of Site. Developer acknowledges and agrees that City provided Developer preliminary title reports prepared by the Title Company on November 10, 2025, as its Order Nos. 111703064 and 1117030644 ("**Preliminary Title Report**") with respect to the title to the Property, together with legible copies of the documents

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underlying the exceptions ("**Title Exceptions**") set forth in the Preliminary Title Report, and that Developer, through its Affiliate, Mercy, has had ample opportunity to review the Preliminary Title Report and Title Exceptions, and has approved the Preliminary Title Report and Title Exceptions and determined the condition of title to the Property ("**Condition of Property Title**") is acceptable to Developer and suitable for Developer's intended use. From and after the date of the approved Preliminary Title Report, and continuing until the earlier of (i) the Property Closing, or (ii) termination of this Agreement, City shall not further encumber the Property with additional Title Exceptions without Developer's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

6. FINANCING PLAN FOR THE PROJECT

6.1 Financing Plan. As of the date of this Agreement, it is contemplated that Developer will finance the Project ("**Project Financing**") through a combination of funds from the proceeds of the following:

(a) Construction Loan. The Construction Loan;

(b) Tax Credits. Developer equity, consisting of equity raised by the syndication to reputable investors of state and/or federal low-income housing credit and obtained pursuant to 26 U.S.C. §42 ("**Tax Credits**");

(c) Take-Out Loan. The Take-Out Loan;

(d) IIG Grant. A grant of Infill Infrastructure Grant ("**IIG**") funds from the California Department of Housing and Community Development in the amount of $2,756,304;

(e) State Funds. $2,000,000 in funds from the State of California, to be provided as either a grant or loan;

(f) ARPA Grant. A grant of funds from the County of San Mateo to the City of Half Moon Bay to provide American Rescue Plan Act (ARPA) funds to Developer, in an amount to be set forth in the Final Project Budget; and

(g) Serna Loan. A loan of Joe Serna Farmworker funds from the California Department of Housing and Community Development, in the amount of $13,350,000.

Notwithstanding the foregoing, (i) Developer shall continue to use commercially reasonable efforts to pursue additional sources of funds that may be available to assist with the costs of developing the Project; and (ii) the Project Financing above may be changed by Developer in its discretion prior to Property Closing, subject to City Manager's advance written approval, which shall not be unreasonably withheld; and (iii) Developer shall not accept federal Section 8 Housing Choice Vouchers or other federal funds as a source of funding

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6.2 Tax Credits; Applications to TCAC. Developer shall, at the times described in the Schedule of Performance, prepare and submit a complete application to TCAC for an allocation of Tax Credits, and apply to reputable institutional investors and syndicators qualified to act as the Investor.

Developer agrees to promptly submit to City Manager all of the following documents at such time as the same are submitted by Developer to TCAC or other applicable body or when such documents are received by Developer, as applicable:

(1) A true and correct copy of the preliminary reservation letter from TCAC, a copy of the letter of intent from the Investor reflecting the total amount of the syndication proceeds and the timing of the payment of such proceeds.

(2) A complete copy of the tax credit regulatory agreement required by TCAC.

(3) Complete copies of all correspondence or transmittals from TCAC or other jurisdiction (such as the Internal Revenue Service) containing any notification regarding the Project's noncompliance with applicable provisions of the Tax Credit Program.

6.3 Preliminary Project Budget; Final Project Budget. The Preliminary Project Budget includes a Sources and Uses of Funds Statement; the "**Final Project Budget**" will include all of the following: (i) a Sources and Uses of Funds Statement; (iii) a Cash Flow Projection; and (iv) a First Year Operating Budget. The Parties acknowledge and agree that (a) the Preliminary Project Budget represents the financing that, as of the Effective Date, Developer contemplates it will obtain for development of the Project, and (b) at such time as Developer has obtained commitments for all of the financing necessary for Developer to develop the Project, Developer shall submit to City Manager for its written approval the Final Budget.

6.4 Developer Submittals. Promptly upon Developer's receipt of a notification of an award of any of the financing described in the Preliminary Project Budget or any other sources of financing, Developer shall submit to the City Manager copies of the award documentation received in connection with the same.

6.5 Financing Commitments. Developer shall submit to the City Manager, for informational purposes, preliminary commitments for the Project Financing, including, without limitation, bids received from qualified investors for the Tax Credits.

7. GROUND LEASE OF PROPERTY

7.1 Agreement. City, subject to the conditions set forth in Section 7.2 below, agrees to ground lease the Property to Developer pursuant to the Ground Lease, and Developer, subject to the conditions set forth in Section 7.3 below, agrees to ground lease the Property from City for a term of ninety-nine (99) years. Subject to each party's reserved rights hereunder, the parties shall cooperate with one another and shall exercise

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commercially reasonable diligence in an effort to ensure that the conditions precedent set forth in Sections 7.2 and 7.3 are timely satisfied.

7.2 Conditions for City's Benefit. City's obligation to ground lease the Property to Developer shall be subject to (i) satisfaction of all of the following conditions precedent; or (ii) City's written waiver of such conditions precedent:

(a) Organizational Documents. City Manager shall have received and approved a copy of such portions of the organizational documents of Developer or Developer's successor-in-interest as City Manager deems reasonably necessary to document the power and authority of Developer to perform its obligations set forth in this Agreement. Developer shall have made full disclosure to City of the names and addresses of all persons and entities that have a beneficial interest in Developer.

(b) Insurance. Developer shall have submitted to City Manager and City Manager shall have approved Developer's evidence of the liability insurance required pursuant to Section 10.5.

(c) Evidence of Project Financing. City Manager shall have received commitments from all Project Financing sources, as evidenced by letters of commitment and/or true and complete copies of loan documents, the form and substance of which shall be acceptable to City Manager and the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(d) Construction Contract. City Manager shall have received a true and complete copy of a contract by and between Developer and the general contractor pursuant to which the general contractor has agreed to construct the Project at a cost that is no greater than the costs set forth therefor in the Final Project Budget.

(e) Final Construction Documents. City Manager shall have approved the Final Construction Documents for the Project and City Manager shall have received a full set thereof.

(f) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(g) Construction to Commence. City Manager shall be satisfied, based on evidence provided by Developer, that construction of the Project will commence not later than thirty (30) days after the Property Closing and thereafter will be pursued to completion in a diligent and continuous manner.

(h) Management Agreement. Developer shall have submitted an executed agreement by and between Developer and Mercy Housing Management Group, a Nebraska nonprofit corporation, or another property manager approved by City Manager for management of the Project ("**Management Agreement**"), which Management Agreement shall be consistent with this Agreement, and City Manager shall have approved the same, which approval shall not be unreasonably withheld.

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(i) Regulatory Agreement. Developer shall have submitted an executed regulatory agreement with signatures acknowledged by and between Developer and City, which will be recorded as an encumbrance on title to the Property and evidence the obligations of Developer with respect to the Affordability Restrictions (as defined in the Ground Lease) which shall continue for the term of the Ground Lease ("**Regulatory Agreement**").

(j) Documents Executed. Developer shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

(k) Title Policy. If requested by City Manager, Title Company is prepared to issue an owner's policy of title insurance, the form and substance of which shall be reasonably acceptable to City, naming City as the insured, showing Developer as holding leasehold title to the Property ("**City Title Policy**").

(l) Approval of Proposed Final Project Budget. Developer shall have submitted a proposed Final Project Budget to City Manager, and City Manager shall have approved the same.

(m) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost that is no more than stated in the Final Project Budget and, if there has been such an indication, Developer has provided evidence reasonably satisfactory to City Manager, of the availability of funding sources other than City to complete the Project. If Developer becomes aware of any such information, Developer shall promptly give written notice thereof to City.

(n) Community Serving Space. Developer shall have submitted to City Manager a proposed program for the community-serving space, which outlines ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential subtenants of the Project in accordance with requirements of City and Project funders. The operational program shall also include the provision of a multi-purpose community space to be used at the sole discretion of City, for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and the community space operator's proposed use of the space. The program operator shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager.

(o) Representations and Warranties. The representations of Developer contained in this Agreement shall be correct in all material respects as of the Property

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Closing as though made on and as of that date and, if requested by City Manager, City shall have received a certificate to that effect signed by Developer.

(p) No Default. No Event of Default by Developer shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer and, if requested by City Manager, City shall have received a certificate to that effect signed by Developer.

7.3 Conditions for Developer's Benefit. Developer's obligation to ground lease the Property from City shall be subject to satisfaction of all of the following conditions precedent or Developer's written waiver of such conditions precedent in its sole and absolute discretion:

(a) Condition of Property. No material changes shall have occurred after the Effective Date with respect to the condition of the Property, which would cause the Property to be unusable for the Project. For avoidance of doubt, the discovery of new information about the condition of the Property as of the Effective Date is not a material change in the condition of the Property for purposes of this paragraph.

(b) Evidence of Project Financing. Developer shall have received commitments for all Project Financing, the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(c) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost substantially consistent with the Final Project Budget and, if there has been such an indication, Developer has provided evidence reasonably satisfactory to City Manager of the availability of funding sources other than City to complete the Project.

(d) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(e) Title Insurance. The Title Company shall be prepared to issue its ALTA leasehold form policy of title insurance, with liability in the amount not less than the total of the equity raised from the sale of the Tax Credits plus the principal amount of the Take-Out Loan, showing leasehold title to the Property and fee title to the improvements located thereon vested in Developer, in the Condition of Property Title, with no other encumbrances or title exceptions, except (i) the Project Documents being recorded at the Property Closing pursuant to the terms of this Agreement, (ii) the lien of the Construction Loan Security Documents, (iii) the standard conditions and exceptions contained in an ALTA standard owner's policy of title insurance that is regularly issued by the Title Company in transactions similar to the one contemplated by this Agreement, and (iv) such other exceptions reasonably acceptable to Developer ("**Developer Title Policy**"). The Title Company shall provide City with a copy of the Developer Title Policy.

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(f) No Default. No Event of Default by City shall then exist, and no event shall then exist which, with only the giving of notice or the passage of time or both, would constitute an Event of Default by City.

(g) Documents Executed. City shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

7.4 Developer Right to Terminate. If, by the Outside Closing Date, any of the conditions set forth in Section 7.3 have not been satisfied, or waived by Developer, then Developer, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to City.

7.5 City Right to Terminate. If, by the Outside Closing Date, any of the conditions set forth in Section 7.2 have not been satisfied, or waived by City, then City, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Developer.

7.6 Waiver of Conditions. The conditions set forth in Section 7.2 are for City's benefit only and City may waive all or any part of such rights by written notice to Developer. The conditions set forth in Section 7.3 are for Developer's benefit only and Developer may waive all or any part of such rights by written notice to City.

8. PROPERTY CLOSING; ESCROW EXPENSES

8.1 Property Closing. Upon receipt by the Escrow Holder of (i) counterparts of the Ground Lease executed by City and Developer, (ii) counterparts of the Memorandum of Ground Lease executed and acknowledged by City and Developer, (iii) the Regulatory Agreement executed by Developer, and (iv) all other funds and documents required to conduct the Property Closing in accordance with this Agreement, and when City Manager has notified Escrow Holder that the conditions precedent described in Section 7.2 have been satisfied, or waived by City , and Developer has notified Escrow Holder that the conditions precedent described in Section 7.3 have been satisfied, or waived by Developer, the Escrow Holder shall take all of the following actions:

(a) Recordation. Escrow Holder shall record the following documents in the Official Records in an order or priority to be determined by the Parties prior to the Property Closing:

(i) the Regulatory Agreement,

(ii) the Memorandum of Ground Lease; and

(iii) such other documents required to close the Escrow in accordance with this Agreement or other Project funding sources.

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(b) Deliveries to City. Escrow Holder shall deliver to City:

(i) the original of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) City Title Policy.

(c) Deliveries to Developer. Escrow Holder shall deliver to Developer:

(i) a copy of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) Developer Title Policy.

8.2 Property Closing Expenses. Developer shall pay from one or more of the sources identified in the Project Budget all Property Closing Expenses, including, among others: (a) any and all documentary transfer taxes and recording fees arising from the leasehold conveyance of the Property from City to Developer by the Ground Lease, (b) the Escrow fee, (c) the premium for the City Title Policy and Developer Title Policy, (d) all such other costs and expenses related to the Escrow and not expressly provided for herein, and (e) all of City's legal fees related to or arising from the Property Closing and City's review and preparation of documents and information related thereto.

8.3 Instruction to Escrow Holder Regarding Waiver of Transfer Taxes and Recording Fees. The Escrow Holder is hereby instructed to seek such waivers and exemptions from transfer taxes and recording fees as are available pursuant to Revenue and Taxation Code Section 11922 and Government Code Sections 6103 and 27383, respectively.

8.4 Broker's Commissions. Developer represents and warrants to City that Developer has not engaged any broker, agent or finder in connection with this Agreement, and Developer agrees to indemnify, protect, hold harmless, and defend the Indemnitees from any claim by any brokers, agents or finders retained by Developer. City represents and warrants to Developer that City has not engaged any broker, agent, or finder in connection with this Agreement, and City agrees to indemnify, protect, hold harmless, and defend Developer and its officers, officials, members, employees, representatives, agents, and volunteers from any claim by any brokers, agents, or finders retained by City.

9. INTENTIONALLY OMITTED

10. DEVELOPMENT OF THE PROJECT

10.1 Scope of Development. As further described in the Ground Lease, Developer shall construct the Project on the Property in accordance with all applicable

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Governmental Requirements, the approved Land Use Entitlements, and the Scope of Development. In the event of any conflict between the approved Land Use Entitlements and the Scope of Development, the approved Land Use Entitlements shall govern and control. Subject to Section 17.12 below, Developer shall commence and complete construction of the Project on the Property by the respective times established therefor in the Schedule of Performance. The Scope of Development shall be deemed to include any plans and specifications submitted to City for approval, and shall incorporate or show compliance with all mitigation measures.

10.2 Additional Governmental Permits and Approvals.

(a) Before commencement of construction or development of any buildings, structures or other works of improvement upon the Property by Developer, Developer shall, at its own expense, secure or cause to be secured any and all permits and approvals not included in the Land Use Entitlements which may be required by City or any other governmental agency affected by or with jurisdiction over such construction, development or work.

(b) Developer shall pay all necessary fees and timely submit to City Final Construction Documents with final corrections required by City to obtain a Building Permit.

10.3 Cost of Development. Developer acknowledges and agrees that all Project Costs shall be borne exclusively by Developer. Developer shall also bear all costs related to discharging the duties of Developer set forth in this Agreement. Developer shall also be responsible for all fees associated with development of the Project, including, but not limited to, school facilities fees and development impact fees.

10.4 Indemnity. Developer shall defend (by counsel reasonably satisfactory to City Manager), indemnify, and hold harmless the Indemnitees from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorney's fees and costs), to the extent arising out of the activities and/or performance of Developer or any of Developer's employees, agents, representatives, contractors, subcontractors or consultants under or with respect to (i) this Agreement, the Ground Lease or the Regulatory Agreement, (ii) a claim, demand or cause of action that any person has or asserts against Developer and/or any of the indemnitees; (iii) any act or omission of Developer, any of Developer's contractors, subcontractors or material suppliers, engineers, architects or other persons with respect to the Property; or (iv) the lease, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer's indemnification obligations pursuant to this Section 10.4 shall not apply to the extent that such claims, suits, or damages arise out of the intentional misconduct or gross negligence of any of the Indemnitees. The obligations and indemnifications in this Section 10.4 shall constitute covenants running with the land.

10.5 Insurance Requirements. Commencing on the date of the Property Closing and continuing throughout the term of the Ground Lease, Developer shall procure and

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maintain, at its sole cost and expense, in a form and content satisfactory to City Manager, the policies of insurance described in and required by the Ground Lease.

10.6 Remedies for Defaults Regarding Insurance. In addition to any other remedies City may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may obtain such insurance and invoice Developer for the amount of said premium, which sums shall be due from Developer to City upon receipt of the invoice.

10.7 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall, subject to the rights of the Construction Lender, promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as it existed prior to the casualty, and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this Agreement. City Manager shall cooperate with Developer, at no expense to City, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

10.8 Rights of Access. For purposes of assuring compliance with this Agreement, representatives of City shall have the right of access to the Property without charges or fees, at normal business hours during the construction of the Project (subject to reasonable job safety rules as may be imposed by Developer or the Developer's general contractor), including, but not limited to, the inspection of the work being performed in constructing the Project, so long as they comply with all safety rules. Such representatives of City shall be those who are so identified in writing by City Manager.

10.9 Compliance with Laws; Compliance with Prevailing Wage Laws.

(a) Compliance with Laws. Developer shall carry out the construction, development and operation of the Project in conformity with all Governmental Requirements, including without limitation, all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

(b) Compliance with Prevailing Wage Laws.

~~(i)~~ Developer shall carry out the construction through completion of the Project and the overall development of the Property in conformity with all applicable Governmental

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Requirements ~~relating to the payment of prevailing wages and~~ and shall pay prevailing wages in compliance with ~~prevailing wage rules, including, without limitation, the requirements to pay prevailing wages under~~ California law (Labor Code Section 1720, et seq.) ("**California Prevailing Wage Law**"). ~~The parties acknowledge that a financing structure utilizing certain federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations. Developer shall determine the applicability of federal, state, and local prevailing wage laws based upon the final financing structure and sources of funding of the Project, as approved by City Manager.~~

(ii) Developer shall be solely responsible, expressly or impliedly, and legally and financially, for determining and effectuating compliance with all applicable federal, state, and local public works requirements, prevailing wage laws, and labor laws and standards, and City makes no representation, either legally and/or financially, as to the applicability or non-applicability of any federal, state, and local laws to the construction of the Project. Developer expressly, knowingly, and voluntarily acknowledges and agrees that City has not previously represented to Developer or to any representative, agent, or Affiliate of Developer, or any contractor(s) or any subcontractor(s) for the demolition work, construction, or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work and construction of the Project is (or is not) a "public work," as defined in Section 1720 of the Labor Code.

(iii) Developer knowingly and voluntarily agrees that Developer, and not City, shall have the obligation to provide any and all disclosures or identifications to any contractor for the Project as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. Developer shall indemnify, protect, pay for, defend, and hold harmless the Indemnitees, with legal counsel reasonably acceptable to City Manager, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including reasonable attorney's fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer or its agents or contractor with any applicable local, state, and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including,

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without limitation, if applicable, the requirement to pay state and/or federal prevailing wages and hire apprentices); (ii) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the demolition work, development, and construction (as defined by applicable law or regulation) of the Project, including, without limitation, any and all public works (as defined by applicable law or regulation), Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state, and local law or regulation and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law or regulation. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Project by Developer.

(iv) "**Increased costs**," as used in this Section 10.9, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

10.10 Anti-Discrimination. Developer for itself and its successors and assigns, agrees, that in the construction of the Project on the Property or other performance under this Agreement, Developer shall not discriminate against any employee or applicant for employment on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code.

10.11 Taxes and Assessments. After the Property Closing, Developer shall pay prior to delinquency all real estate taxes and assessments on the Property so long as Developer retains any interest therein. Notwithstanding the above, Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to Developer in respect thereto, or obtain any available exemptions, provided that Developer does so in a diligent manner.

10.12 Right of City to Satisfy Other Liens on the Property(s). If Developer obtains written notice or actual knowledge of any lien or encumbrance on the Property which is not permitted under this Agreement, and Developer has failed after a reasonable time (but not less than forty-five (45) days) thereafter to challenge, cure, adequately bond against, or satisfy such lien or encumbrance, City shall have the right (but not the obligation) to satisfy any such lien or encumbrance, and Developer shall be liable to City, upon written demand, for all costs incurred by City in pursuit thereof, including without limitation City's reasonable attorneys' fees and costs. Nothing in the foregoing sentence

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shall be construed as limiting any right available to Developer to contest the validity or amounts of any tax, assessment, or encumbrance on the Property. This Section 10.12 shall survive termination of the Agreement.

10.13 Non-liability of City. Developer acknowledges and agrees that:

(a) City neither undertakes nor assumes any responsibility to review, inspect, supervise, approve (other than for aesthetics) or inform Developer of any matter in connection with the Project, including matters relating to: (i) the Final Construction Documents, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, (iii) the Final Project Budget, and/or (iv) the progress of the Project and its conformity with the Final Construction Documents; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledge that any review, inspection, supervision, approval or information supplied to Developer by City in connection with such matters is solely for the protection of City and that neither Developer nor any third party is entitled to rely on it;

(b) City is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and City does not intend to ever assume any such status; and City shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) City shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Property whether arising from: (i) any defect in any building, grading, landscaping or other onsite or offsite improvement or condition; (ii) any act or omission of Developer or any of Developer's agents, employees, contractors, consultants, licensees or invitees; or (iii) from and after the Property Closing any accident on the Property or any fire or other casualty or hazard thereon; and

(d) By accepting or approving anything required to be performed or given to City under this Agreement, including any certificate, financial statement, survey, appraisal or insurance policy, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

11. AFFORDABILITY COVENANTS

As more particularly provided in Ground Lease, ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size ("**Adjusted AMI**"), and twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI; with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. Notwithstanding the foregoing, however, if Developer or its Investor reasonably determines prior to the Property Closing that based on the Project's residual analysis test, maximum rent levels would need to be increased after the fifty-fifth (55th) year of

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operation, then the Ground Lease shall permit such increase after the fifty-fifth (55th) year of operation, but only to the extent necessary to satisfy the residual analysis test and subject to the reasonable approval of City Manager. By way of clarification, City and Developer agree that to the extent the rent levels need to be increased, as described above, such increase shall cause the rent to remain within an affordable level and shall not cause the rent to increase to a market rate rent.

12. GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 Developer's Formation, Qualification and Compliance. Developer represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon Developer in accordance with its terms, and (e) the individuals executing this Agreement on behalf of Developer are duly authorized to execute and deliver this Agreement on behalf of Developer.

12.2 Litigation. Developer represents and warrants that there are no actions, lawsuits or proceedings pending or, to the best of Developer's knowledge, threatened against or affecting Developer, the outcome of which could have a material adverse effect on Developer's ability to perform its obligations under this Agreement.

12.3 City. City represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon City in accordance with its terms, and (e) the individuals executing this Agreement on behalf of City are duly authorized to execute and deliver this Agreement on behalf of City.

13. DEFAULTS AND REMEDIES

13.1 Event of Default. Any of the following events or occurrences with respect to either Party shall constitute a material breach of this Agreement and, after the expiration of any applicable cure period, shall constitute an "**Event of Default**" by such party:

(a) The failure by either Party to pay any amount in full when it is due under this Agreement, if the failure has continued for a period of ten (10) days after the Party entitled to payment demands in writing that the other Party cure that failure.

(b) The failure by either Party to perform any other obligation under this Agreement, if the failure has continued for a period of thirty (30) days after demand in writing that such Party cure the failure, or such shorter time period as may be provided for in one of the other Project Documents. If, however, by its nature the failure cannot reasonably be cured within said time period, such Party may have such longer period of time as is reasonably necessary to cure the failure, provided that such Party commences

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said cure within said thirty (30)-day period, and thereafter diligently prosecutes said cure to completion within a period of no more than ninety (90) days.

13.2 Remedies. The occurrence of any Event of Default shall give City the right to proceed with an action in equity to require Developer to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

13.3 No Waiver. Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default, or of any such rights or remedies, or deprive any such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

13.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other Party.

13.5 Attorneys' Fees. If either Party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing Party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees.

13.6 Reimbursement of City. Within thirty (30) days after its receipt of written demand from City, Developer shall reimburse City for all costs reasonably incurred by City (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants) in connection with City enforcement of the Project Documents and all related matters, including, without limitation, the following: (a) City's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the Parties to any Project Document; and (b) all claims, demands, causes of action, liabilities, losses, and other costs against which any of the Indemnitees is indemnified under the Project Documents. Such reimbursement obligations shall bear interest from the date occurring fifteen (15) days after City makes written demand to Developer at the rate of ten percent (10%) per annum or the maximum legal rate, whichever is less. Such reimbursement obligations shall survive termination of this Agreement.

14. NOTICES

All notices, consents, demands, approvals and other communications ("**Notices**") that are given pursuant to this Agreement shall be in writing to the appropriate Party and shall be deemed to have been fully given when delivered, including delivery by reputable commercial delivery service that provides a receipt with the time and date of delivery, or if deposited in the United States mail, certified or registered, postage prepaid, within two

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(2) days after deposit. All Notices shall be addressed as follows:

If to Developer:	Mercy Housing California 110, L.P. 1256 Market Street San Francisco, CA 94102 Attn: Kelly Hollywood Email: kelly.hollywood@mercyhousing.org
with a copy to:	Gubb & Barshay LLP 235 Montgomery St., Suite 1110 San Francisco, CA 94104 Attn: CJ Higley and Evan Gross Email: cjhigley@gubbandbarshay.com; egross@gubbandbarshay.com
If to City:	City of Half Moon Bay 501 Main Street, Half Moon Bay, CA 94019 Attn: City Manager Reference: 555 Kelly Email: mchidester@halfmoonbay.gov
with a copy to	Half Moon Bay City Attorney's Office c/o Burke, Williams & Sorensen 1999 Harrison Street, Suite 1650 Oakland, CA 94612 Attn: Denise Bazzano, Esq.

Addresses for notice may be changed from time to time by notice to the other Party. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending Party was not notified shall be deemed receipt of such Notice.

15. ASSIGNMENT

15.1 Generally Prohibited. Except as otherwise expressly provided to the contrary in this Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation, stock transfers, or transfers, sales or issuances of membership or ownership interests, or statutory conversions, without the prior written consent of City, which consent may be withheld in his or her sole and absolute discretion. Any such assignment or delegation without such consent shall, at City's option, be void. Notwithstanding the foregoing, however, (i) the Investor may be admitted to the Developer as a 99.99% Tax Credit limited partner without obtaining any consent, and such Investor may assign any or all of its interests as a

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99.99% Tax Credit limited partner without any consent, provided notice thereof is delivered in writing to City concurrently with such assignment; (ii) the Investor may remove the general partner for a default under the Partnership Agreement; and (iii) Developer may transfer and assign its rights and duties hereunder to Mercy or an Affiliate of Mercy pursuant to the purchase option and/or right of first refusal entered into between Mercy (or an Affiliate of Mercy) and Developer, provided notice thereof is delivered in writing to City concurrently with such assignment. This Section 15.1 shall not be applicable to the leasing of individual dwelling units to income eligible households in accordance with the Ground Lease or to the leasing of the Project's commercial space in accordance with the Ground Lease.

15.2 Release of Developer. Upon any such assignment made in compliance with Section 15.1 above which is evidenced by a written assignment and assumption agreement in a form approved by City in its sole and absolute discretion, the transferor shall be released from any liability under this Agreement arising from and after the effective date of such assignment.

16. ADMINISTRATION/APPROVALS/REQUESTS

16.1 Administration. Following approval of this Agreement by City Council, this Agreement shall be administered and executed on behalf of City by City Manager. City Manager shall have the authority to issue interpretations, waive terms and conditions, enter into subordination agreements with other Project funding sources, and enter into implementing agreements and amendments to this Agreement (including, without limitation, to the Schedule of Performance) on behalf of City, provided that such actions do not substantially change the uses or development permitted on the Property, materially add to the costs or obligations, increase the risk of liability, or impair the rights or remedies of City provided herein, or materially decrease the revenues or other compensation to be received by City hereby. All other waivers or amendments shall require the formal approval of the City Council. The City Manager may consult with City Staff, the City Attorney and City Council prior to making any determinations or taking any actions.

16.2 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as expressly described in Section 16.1 and elsewhere in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable"

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(or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for approving such determination or request. This Section 16.2 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation"

17. MISCELLANEOUS

17.1 Counterparts. This Agreement may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

17.2 Prior Agreements; Amendments. This Agreement contains the entire agreement between City and Developer with respect to the Project and the Property, and all prior negotiations, understandings and agreements are superseded by this Agreement. No modification of this Agreement (including waivers of rights and conditions) shall be effective unless in writing and signed by the Party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given. City agrees to consider in good faith making reasonable modifications to this Agreement that are necessary to finance the development of the Project.

17.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to conflict of law principles.

17.4 Acceptance of Service of Process. In the event that any legal action is commenced by Developer against City, service of process on City shall be made by personal service upon City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by City against Developer, service of process on Developer shall be made in such manner as may be provided by law.

17.5 Severability of Provisions. No provision of this Agreement that is held to be unenforceable or invalid shall affect the remaining provisions if and to the extent that the primary purposes of this Agreement can still be accomplished without materially impairing the rights or increasing the obligations or risks of each Party, as reasonably determined by that Party, and to that extent all provisions of this Agreement are hereby declared to be severable.

17.6 Interpretation. Both Parties have participated in the drafting of this Agreement and any ambiguities in this Agreement shall not be construed for or against either Party on account of the authorship or presumed authorship hereof. Article and Section headings are included in this Agreement for convenience of reference only and shall not be used in construing this Agreement. Any defined term used in the plural in this Agreement shall refer to all members of the relevant class and any defined term used in the singular shall refer to any of the members of the relevant class. References herein to Articles, Sections, and Attachments shall be construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The terms "including" and "include" mean "including (include) without limitation."

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17.7 Accounting Principles. Any accounting term used and not specifically defined in this Agreement shall be construed, and all financial data required to be submitted under this Agreement shall be prepared, in conformity with generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to City Manager.

17.8 Attachments Incorporated. All attachments to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

17.9 Time of the Essence. Time is of the essence of this Agreement.

17.10 Warranty Against Payment of Consideration. Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

17.11 Non-liability of City Officials and Employees. No member, director, officer, employee, or volunteer of City shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer or successor, or on any obligation under the terms of this Agreement.

17.12 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; pandemics; quarantine restrictions; freight embargoes; litigation beyond the reasonable control of a Party; referendum; unusually severe weather; inability, despite commercially reasonable efforts, to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier beyond the reasonable control of a Party; acts or the failure to act of any public or governmental entity (except that acts or the failure to act of City shall not excuse performance by City); or any other acts or causes beyond the reasonable control of the Party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause. Force Majeure shall serve also to extend the time by which any condition, for the benefit of either Party, shall be satisfied under this Agreement. Notwithstanding any provision of this Agreement to the contrary, in no event shall adverse market conditions, interest rates, the lack of funding or difficulty obtaining the financing necessary to complete the Project constitute a Force Majeure event under this Section.

17.13 Nondiscrimination Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and

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Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

Developer shall refrain from restricting the rental, sale or lease of the Property on any of the bases listed above in this Section 17.13. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

> "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d)

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of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Section 17.13 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity. Notwithstanding the foregoing, Developer acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Developer's only rights with respect to the Property and Project shall arise under the Ground Lease pursuant to which it is the ground lessee.

17.14 No Third Party Beneficiary. No person or entity other than City and Developer, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

17.15 U.S. Immigration and Customs Enforcement. Developer agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Developer or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Developer, Developer shall confirm identification of the County, State or Federal official and shall observe and document the locations accessed by the official and provide City with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Developer shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Agreement, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Indemnitees in accordance with Section 5.3 to the extent any Liabilities arises from alleged violations of State and Federal immigration laws.

17.16 Termination. This Agreement shall automatically terminate upon the earlier date of either of the following: 1) recordation of the Memorandum of Ground Lease, which is the date upon which the Ground Lease commences; or 2) December 31, 2028. The City and Mercy will meet and confer no later than ninety days prior to December 31, 2028, to discuss a potential extension of this Agreement beyond the December 31, 2028 date. ~~recordation of the Memorandum of Ground Lease, which is the date upon which the Ground Lease commences.~~ Such termination shall not terminate any indemnification obligations set forth in this Agreement, whether or not their survival is expressly stated,

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or any other provisions in this Agreement which are expressly stated in this Agreement to survive termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

"City"

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to form:

By: _____
Denise Bazzano, Interim City Attorney

"Developer"

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its: General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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ATTACHMENTS

1 - Legal Description of Property

2 - Site Map

3 - Schedule of Performance

4 - Scope of Development

5 - Preliminary Project Budget

6 - Form of Ground Lease

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ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

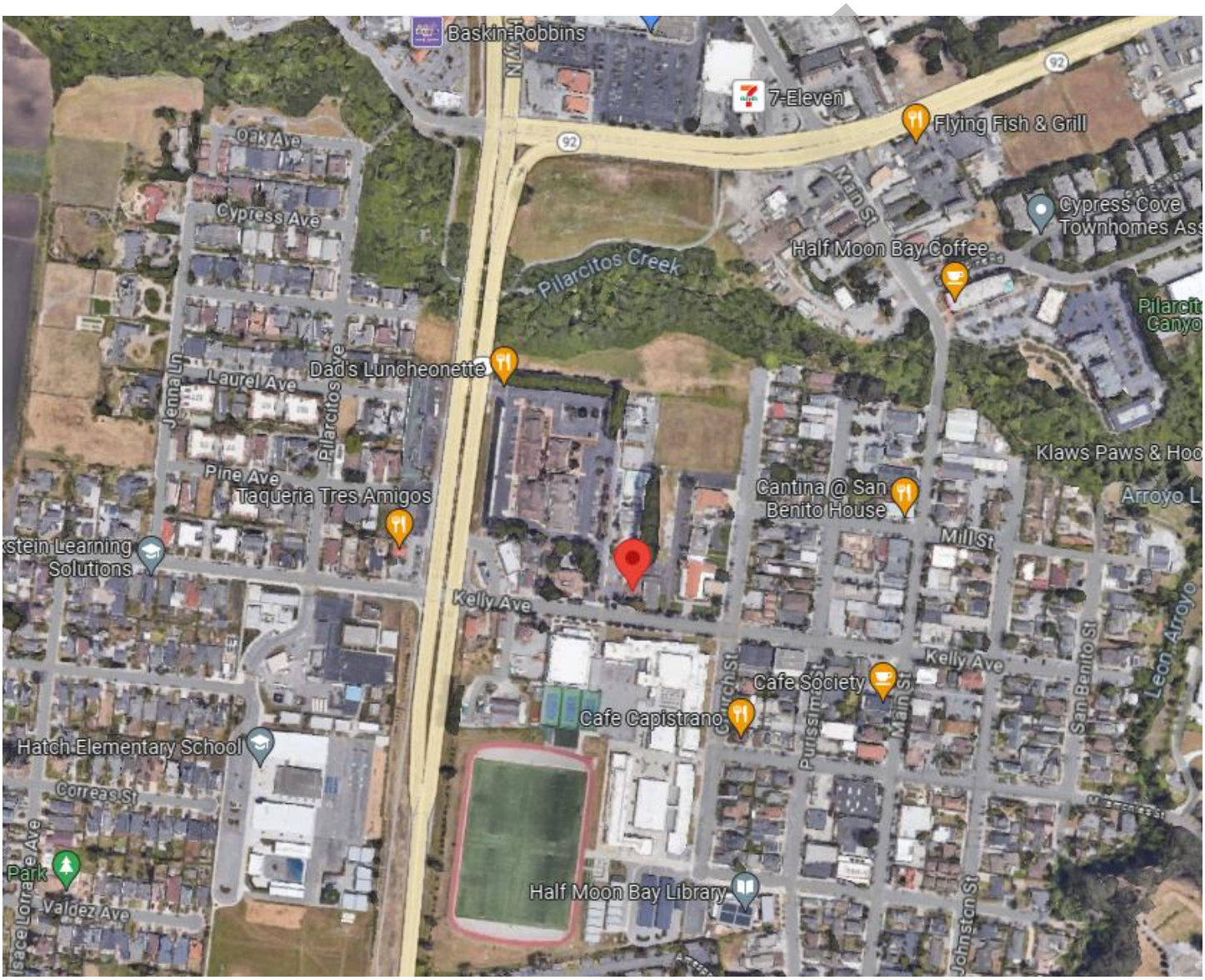
PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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ATTACHMENT NO. 2

SITE MAP



ATTACHMENT NO. 3

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits applications for State of California Infrastructure Infill Grant and Joe Serna Jr. Farmworker financing	Completed: IIG funding secured in 2023 Serna funding secured in 2025
2.	Developer prepares and submits application to TCAC for a preliminary reservation of Tax Credits and applies to reputable institutional investors and syndicators qualified to act as the Investor	Next available TCAC round immediately following Developer securing financing commitments to be competitive for Tax Credits and Developer determines that City's Building Permit will be issued no later than 180 days after a Tax Credit award.
3.	If the first application for Tax Credits is not successful, Developer submits second application for Tax Credits	Next available TCAC round immediately following disapproval of previous application.
4.	Developer submits Final Project Budget to City	Immediately after Developer secures final financing terms and credit approval from Construction Lender and Tax Credit Investor
5.	Property Closing occurs	Upon satisfaction or waiver of conditions set forth in Section 7.2 and 7.3, but in no event later than the Outside Closing Date.
6.	Developer obtains Building Permit and commences construction of the Project.	No later than 30 days after Property Closing.
7.	Developer completes construction of the Project	Within 25 months after commencement of construction.

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ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
8.	Developer provides quarterly progress reports to City.	Until Project is 100% occupied at initial lease up; after lease up, Developer to provide annual reports. Developer's obligation to provide quarterly reports shall survive termination of this Agreement.

It is expressly understood and agreed by the Parties that the foregoing schedule of performance is subject to all of the terms and conditions set forth in the text of the Agreement including, without limitation, extension due to Force Majeure. Times of performance under the Agreement may be extended by request of any Party memorialized by a mutual written agreement between the Parties, which agreement may be granted or denied in the non-requesting Party's sole and absolute discretion (subject to events of Force Majeure set forth in this Agreement).

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ATTACHMENT NO. 4

SCOPE OF DEVELOPMENT

The proposed Project, located at 535-555 Kelly Avenue, includes the construction of a 40-unit Senior Agricultural Worker multifamily housing affordable housing complex. All of the units, except one manager's unit in the proposed Project, will be affordable and income-restricted to households earning from thirty (30%) to fifty (50%) of the Adjusted AMI, and will be set aside for Agricultural Workers who are Seniors. The project also includes 2,358 sq. ft. of residential common space, a 2,658 sq. ft. community-serving space, a 717 sq. ft. property management office space, 18 on-site parking spaces for residents and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces.

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ATTACHMENT NO. 5

PRELIMINARY PROJECT BUDGET

555 Kelly Financing Plan

Development Sources

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,141,234	Secured
San Mateo County AHF	$	6,563,763	Application in 2026
Federal Earmark: Anna Eshoo	$	1,800,000	Secured
Low Income Housing Tax Credit Program	$	14,021,364	Application in 2026-2027
Total Sources	**$**	**41,632,665**	

Development Uses (Costs)

Demolition, TACC Parking Reconfiguration and Infrastructure Required for Project	$	2,756,304
New Building Construction	$	27,407,963
Architecture, Engineering, Construction Supervision	$	2,017,665
Local Permit and Utility Fees	$	1,730,431
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	7,345,302
Furnishings, Marketing and Lease Up	$	375,000
	$	**41,632,665**

ATTACHMENT NO. 6

GROUND LEASE

[to be inserted]

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BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Dale Leda, Interim City Engineer

TITLE: **CAPITAL IMPROVEMENT PROGRAM UPDATE**

RECOMMENDATION:
Receive the report and provide any additional direction to staff on modifications and prioritization of the Capital Improvement Program.

FISCAL IMPACT:
The proposed FY 2026-27 Capital Improvement Program is being presented as part of the City's overall budget preparation process. The proposed CIP includes a rolling three-year project list; however, for context, the City's broader multi-year capital needs remain substantial and are generally consistent with prior years, with total identified capital needs of approximately $90 million, including a significant amount of currently unfunded project costs.

For FY 2026-27, the CIP includes a General Fund capital request of $620,000, including:

- $100,000 for the Main Street Bridge Accessibility Project
- $400,000 for the Wavecrest Water Main Project
- $50,000 for the CAP Neighborhood Implementation Plan (new project)
- $70,000 for the Downtown Streetscape Implementation Project (expanded existing project, to potentially include Main Street Banner Program and Parking Study with currently scoped wayfinding elements)

The proposed CIP also includes several significant requests from other City capital funds consisting of the following CIP project and fund categories.

$280,000 from the Public Facilities Fund, including:

- $80,000 for the HMB Library Door Replacement Project (new project)
- $200,000 for the Corporation Yard Improvements – Phase II project (new project)

$130,000 from the Parks Development Fund, including:

- $30,000 to support the Frenchmans Creek Park project
- $100,000 to additionally support the Wavecrest Water Main Project to Smith Field

$100,000 from the Storm Drain Improvements Fund, including:

- $50,000 to support Roosevelt / Pullman Watershed
- $50,000 to support the Kehoe Watershed Enhancement project

$330,000 from the Measure A Fund, including:

- $70,000 to serve as portion of the SMCTCA grant match for the Hwy 1 (North) Safety and Operations project
- $260,000 to serve as the total Congressional Earmark grant match for the Eastside Parallel Trail Segment 2 project.

The final Capital Budget will be considered by the City Council as part of the FY 2026-27 budget adoption process. Staff will continue to refine project budgets, funding sources, and timing based on available resources, project readiness, and City Council direction.

STRATEGIC ELEMENT:

This action supports the *Infrastructure and Environment*, *Healthy Communities and Public Safety*, and *Fiscal Sustainability* Elements of the Strategic Plan.

OVERVIEW:

The Capital Improvement Program is the City's primary planning and budgeting tool for major capital projects, including infrastructure improvements, facility repairs, parks, transportation, environmental planning, and other projects that require significant staff coordination, funding, design, permitting, or construction.

For FY 2026-27, staff is proposing a revised CIP format intended to make the document clearer, easier to interpret, and more useful as a near-term implementation tool. Rather than presenting separate one-year and five-year project lists, the proposed CIP would use a single rolling three-year project list.

This change is intended to better reflect the City's current financial position, limited staff capacity, changing priorities, and broader uncertainty affecting capital project delivery. The proposed format is also intended to make it easier for the City Council, staff, and the public to understand which projects are actively being advanced, how they are funded, and where they stand in the project development process.

BACKGROUND:

The City's CIP has historically included both a one-year Capital Budget and a five-year Capital Improvement Program. While this structure provided a longer-range view of anticipated capital needs, it also made the document more complex and, in some cases, less useful as a realistic implementation tool.

Capital projects often require multiple years to complete and may involve planning, design, environmental review, permitting, consultant procurement, grant administration, public engagement, interagency coordination, construction, and closeout. Project schedules and costs can change significantly based on funding availability, regulatory requirements, consultant capacity, and construction market conditions.

As the City's asset base continues to grow, there is also increasing need to focus limited capital resources on maintenance, repair, replacement, and preservation of existing infrastructure and facilities. This makes it especially important that the CIP clearly identify near-term priorities and distinguish between projects that are ready to advance and projects that remain conceptual or dependent on future funding.

DISCUSSION:
For FY 2026-27, staff is proposing three primary updates to the Capital Improvement Program: a revised CIP format, a clearer prioritization framework, and an updated project list.

CIP Format Change
Staff is proposing to transition from separate one-year and five-year CIP project lists to a single rolling three-year project list. The purpose of this change is to simplify the CIP and create a more practical planning horizon.

A three-year CIP is more achievable and easier to manage given the City's current financial constraints, limited staff capacity, and changing local and national conditions. While the City will continue to track longer-term capital needs, the three-year format provides a more realistic framework for project delivery and annual budget decisions.
The proposed format is also intended to improve transparency by consolidating the City's active and near-term capital priorities into one project list that can be reviewed and updated annually.

Project Prioritization Framework
Given limited staffing and financial resources, Public Works has been applying a more structured prioritization framework to guide which projects should move forward. This framework is not intended to be a rigid scoring system, but rather a practical decision-making tool to help evaluate project effort based on need, funding, and readiness.

Public Works evaluates projects using three primary prioritization categories: project type, funding status, and project readiness.

For **project type**, projects are generally prioritized as follows:

1. Public health and safety
2. Facilities maintenance and preservation
3. Environmental protection and sustainability
4. Economic vitality and community enhancement

For **funding status**, projects are generally prioritized as follows:

1. Fully funded projects

2. Projects that are majority grant-funded with established delivery deadlines
3. Projects requiring local investment to create future grant funding opportunities
4. Projects that are entirely locally funded and independent of outside funding sources

For **project readiness**, projects are generally prioritized as follows:

1. Projects that are permitted and ready for construction
2. Projects that are entitled or have completed major discretionary approvals
3. Projects that critical path for other planned or required projects
4. Projects that are still at the concept or early planning stage

Together, these categories help staff focus limited resources on projects that address the most important City needs, are positioned for funding, and have a realistic path to implementation.

Proposed Project List

The proposed FY 2026-27 Capital Improvement Program includes 33 total projects. Of these, 26 are returning projects from the prior year's CIP, reflecting the multi-year nature of capital project delivery and the City's continued focus on advancing previously identified priorities.

Four projects from the prior CIP have either been completed or are scheduled to be completed by the end of FY 2025-26:

- **Carter Park Improvements** – Completed amphitheater, restroom facility, and passive park improvements at Carter Park.
- **Climate Adaptation Plan** – Completed a major planning effort to evaluate climate-related vulnerabilities and identify adaptation strategies to improve long-term community resilience.
- **City Facility HVAC and Roof Repairs** – Advanced critical maintenance and repair work for City-owned building systems and roofs and installation of PV solar canopies at City Hall and the Sheriff's Substation sites.
- **FY 2025-26 Pavement Management Project** – Completed annual pavement resurfacing from the City's priority street list. The 25/26 project focused on eight streets in Arleta Park neighborhood.

The proposed CIP also includes seven new projects proposed by Public Works for consideration:

- **CAP Neighborhood Implementation Plan** – Advances neighborhood-level implementation planning for strategies identified through the City's Climate Adaptation Plan. Working with each neighborhood and their respective CERT teams, the City would develop a specific list of priority CAP projects in each part of the City based on their hyperlocal needs and develop specific scopes of work and project budgets.
- **Corporation Yard Improvements – Phase II** – Allocation of initial funds to support future implementation of Phase II of the Corp Yard development plan, including construction of material/equipment storage and solid waste handling improvements, with goal of improving the efficiency of Public Works operations.
- **HMB Library Door Replacement** – The existing library front and patio access doors have experienced ongoing maintenance issues since original installation in 2018. This project

proposes to replace these doors with similar doors to the Ted Adcock Community Center, which have been proven to be much more reliable.

- **FY 2026-27 Pavement Management Project** – Continues the City's annual pavement maintenance program to preserve and extend the useful life of local streets. The 26/27 project will focus on dig-out and slurry seal improvements across the City.
- **Bicycle and Pedestrian Master Plan Update** – Updates the City's Master Plan to include new access goals since the 2019 plan adoption, include e-bike infrastructure considerations, and more developed concept planning for priority projects.
- **Cunha Safety Connectivity Project** – Advances safety and connectivity improvements near Cunha Intermediate School, with an emphasis on pedestrian and bicycle access. This SMCTA grant funded project includes new bulb-outs at two intersections with crosswalk and sidewalk improvements.
- **SMCO Landfill Clean Closure** – County led, grant funded project to develop better assessment of the existing landfill, develop conceptual design for clean closure options, community engagement, and assessment of potential long-term funding strategies and grant opportunities. The project is funded by a $1M grant from State Coastal Conservancy, for which the City has pledged staff time to support the project.

Staff is also proposing modification to two existing CIP projects, including the following:

- **Coastal Trail Overlay Project** - Rename to **Coastal Trail Safety and Rehabilitation Project**. The prior project scope focused on the Coastal Trail segment between Poplar Street and Central Avenue. The revised scope would expand the project limits to the segment between Seymour Bridge and Mirada Road and would be advanced in partnership with California State Parks. This change more accurately reflects the broader safety, access, maintenance, and rehabilitation objectives for this heavily used segment of the California Coastal Trail.
- **Downtown Streetscape Master Plan Implementation** – project originally included considerations for a wayfinding and/or a gateway archway on Main Street or Highway 92. The gateway component was discontinued in mid-2025, and remaining funds (approximately $50,000) remain for potential vehicle wayfinding efforts such as signage along Highway 92 or Highway 1, and pedestrian wayfinding such as a downtown business kiosk on Main Street. Additional potential scopes to incorporate or formalize as separate projects include:
    - **Main Street Banner Program –** Development and implementation of mainstay banners along Main Street including potential for special events or use by non-profits groups.
    - **Downtown Parking Study –** Assessment of baseline and future anticipated parking demand, identification of potential opportunity site for expansion of parking facilities such as a surface lot or garage structure and the estimated costs for development.

CONCLUSION:
The proposed FY 2026-27 CIP reflects a more streamlined and implementation-focused approach to capital planning. The transition to a single rolling three-year CIP is intended to improve readability, reduce confusion, and better align the City's capital program with available funding, staffing capacity, and project readiness.

Staff seeks City Council input on the proposed CIP format, prioritization framework, and project list. Council feedback will help inform the final CIP and ensure that the City's capital investments remain feasible, impactful, and aligned with community needs.

ATTACHMENT:
1. FY 2026-27 Capital Project List
2. Example CIP Project Page

CAPITAL IMPROVEMENT PROGRAM SUMMARY
FY 2026-29 CAPITAL BUDGET

TITLE	CIP NO.	PLANNED EXPENDITURES PREVIOUS	FY 26-27	FY 27-28	FY 28-29	FUTURE	TOTAL	CURRENT FUNDING	UNKNOWN FUNDING
Stormwater									
Pilarcitos Creek Restoration & Remediation	9022	56,000	457,000	-	-	-	513,000	513,000	-
Rooselvelt / Pullman Watershed Improvements	1006	59,000	60,000	509,000	-	-	628,000	628,000	-
Stomwater Master Plan Update	1011	140,000	160,000	152,000	-	-	452,000	452,000	-
Kehoe Watershed Enhancement	1017	-	150,000	550,000	3,750,000	3,750,000	8,200,000	150,000	8,050,000
Pilarcitos Outfall Repair at Kehoe Watercourse	1005	188,000	50,000	50,000	257,000	-	545,000	545,000	-
Economic Development									
CAP Neighborhood Implementation	-	-	50,000	-	-	-	50,000	50,000	-
Downtown Streetscape Implementation	1024	49,000	51,000	70,000	-	-	170,000	170,000	-
Parks									
Frenchmans Creek Park - Phase 2	1013	56,000	324,000	-	-	-	380,000	380,000	-
Wavecrest Water Main Project	9004	50,000	1,800,000	-	-	-	1,850,000	1,850,000	-
Smith Field Park - Phase 1	1008	431,000	-	2,150,000	2,000,000	-	4,581,000	537,000	4,044,000
Magnolia Park	1007	19,000	-	-	2,261,000	2,120,000	4,400,000	280,000	4,120,000
Facilities									
Library Door Replacement	-	-	80,000	-	-	-	80,000	80,000	-
Corporation Yard Improvement Project - Phase 2	-	-	-	-	-	-	-	200,000	-
Sanitary Sewer									
Sewer Main Repair Project (Heskin Avenue)	1030	-	50,000	225,000	-	-	275,000	275,000	-
Streets									
Highway 1 North Safety and Operations	0538	1,806,000	11,225,000	12,467,000	-	-	25,498,000	25,498,000	-
Main Street Bridge Rehabilitation	1036	189,000	111,000	-	-	-	300,000	300,000	-
Highway 1 South Corridor Study	1034	200,000	550,000	-	-	-	750,000	750,000	-
Small Bike/Ped Improvement Project	1037	-	220,000	-	-	-	220,000	220,000	-
2026 Pavement Management Project	-	-	1,000,000	-	-	-	1,000,000	1,000,000	-
Safe Streets for All Safety Action Plan	1033	-	150,000	-	-	-	150,000	150,000	-
Cunha Safety Connectivity Project	1040	6,000	494,000	-	-	-	500,000	500,000	-
Bicycle Pedestriam Master Plan Update	-	-	20,000	200,000	-	-	220,000	-	220,000
Poplar Street Traffic Calming & Safety - Phase 2	-	-	-	200,000	2,200,000	2,000,000	4,400,000	-	4,400,000
Highway 1 / Kelly Avenue Intersection	0571	-	-	-	500,000	6,500,000	7,000,000	-	7,000,000
Kelly Avenue Complete Streets	0593	-	-	300,000	3,700,000	3,500,000	7,500,000	-	7,500,000
Trails									
Eastside Parallel Trail - Segment 4	0619	624,000	1,330,000	-	-	-	1,954,000	1,954,000	-
Ped/Bike Connection to Hatch Elementary	9010	9,000	771,000	-	-	-	780,000	780,000	-
Eastside Parallel Trail - Segment 2	0595	-	860,000	2,200,000	1,540,000	-	4,600,000	2,260,000	2,340,000
Coastal Trail Safety & Rehabilitaiton	1014	80,000	520,000	500,000	-	-	1,100,000	326,000	774,000
Eastside Parallel Trail - South	-	-	-	500,000	500,000	7,500,000	8,500,000	1,000,000	7,500,000
Secondary Poplar Beach Access	1031	-	-	-	750,000	-	750,000	45,000	705,000
Pedestrian/Bicycle Connection to Train Depot	-	-	-	-	-	700,000	700,000	-	700,000
		3,962,000	**20,483,000**	**20,073,000**	**17,458,000**	**26,070,000**	**88,046,000**	**40,893,000**	**47,353,000**

LAST YEARS 5 YEAR CIP FOR REFERENCE

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM SUMMARY
FY 2025-29 CAPITAL BUDGET

TITLE	FUND	PROJECT NO.	PRIOR YEAR(S)	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FUTURE YEARS	TOTAL ALL FY	UNFUNDED
STORM WATER IMPROVEMENTS											
STORM WATER MASTER PLAN UPDATE	152	1011	$ 312,000	$ 140,000	$ -	$ -	$ -	$ -	$ -	$ 452,000	$ -
PILARCITOS OUTFALL REPAIR AT KEHOE WATERCOURSE PROJECT	152	1005	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 550,000	$ -
ROOSEVELT/PULLMAN WATERSHED PROJECT	152	1006	$ 578,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 578,000	$ -
KEHOE WATERSHED ENHANCEMENT AND ENVIRONMENTAL STEWARDSHIP PROJECT	152	1017	$ 150,000	$ -	$ -	$ -	$ -	$ -	$ 10,000,000	$ 10,150,000	$ -
TOTAL STORM WATER IMPROVEMENTS			**$ 1,590,000**	**$ 140,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 10,000,000**	$ 11,730,000	**$ -**
ECONOMIC DEVELOPMENT IMPROVEMENTS											
CLIMATE ADAPTATION PLAN	151	1002	$ 332,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 332,000	$ -
TOTAL ECONOMIC DEVELOPMENT IMPROVEMENTS			**$ 332,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 332,000**	**$ -**
PARKS IMPROVEMENTS											
CARTER PARK IMPROVEMENTS	125	0611	$ 9,045,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,045,000	$ -
FRENCHMAN'S CREEK PARK IMPROVEMENTS - PHASE II	125	1013	$ 350,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 350,000	$ -
MAGNOLIA PARK	125	1007	$ 281,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 281,000	$ -
WAVECREST WATER MAIN PROJECT	125	9004	$ 1,410,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,410,000	$ -
SMITH FIELD - PHASE I	125	1008	$ 537,000	$ 3,500,000	$ -	$ -	$ -	$ -	$ -	$ 4,037,000	
TOTAL PARK IMPROVEMENTS			**$ 11,623,000**	**$ 3,500,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	$ 15,123,000	**$ -**
FACILITY IMPROVEMENTS											
PILARCITOS CREEK RESTORATION AND REMEDIATION PROJECT	127	9022	$ 515,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 515,000	$ -
HVAC AND ROOF REPAIRS	151	1028	$ 1,341,137		$ -	$ -	$ -	$ -	$ -	$ 1,341,137	$ -
TOTAL FACILITY IMPROVEMENTS			**$ 1,856,137**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	$ 1,856,137	**$ -**
SEWER IMPROVEMENTS											
SEWER MAIN REPAIR PROJECT (HESKIN AVE)	202	1030	$ 275,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 275,000	$ -
TOTAL SEWER IMPROVEMENTS			**$ 275,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	$ 275,000	**$ -**
STREET IMPROVEMENTS											
MAIN STREET BRIDGE ACCESSIBILITY	123	1036	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 200,000	$ -
2025 PAVEMENT MANAGEMENT PROJECT	123	0514	$ 830,000	$ 170,000	$ -	$ -	$ -	$ -	$ -	$ 1,000,000	$ -
HIGHWAY 1 SAFETY - NORTH	123	0538	$ 12,498,000	$ 3,750,000	$ 3,750,000	$ -	$ -	$ -	$ -	$ 19,998,000	$ -
LOCAL ROADWAY SAFETY PLAN	123	TBD	$ -	$ 150,000	$ -	$ -	$ -	$ -	$ -	$ 150,000	$ -
HIGHWAY 1 SOUTH CORRIDOR STUDY	123	TBD	$ 750,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 750,000	$ -
BIKE IMPROVEMENT PROJECT	TBD	TBD	$ -	$ 220,000	$ -	$ -	$ -	$ -	$ -	$ 220,000	$ -
POPLAR STREET TRAFFIC CALMING AND SAFETY PROJECT - PHASE II	123	0593	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,750,000	$ 4,750,000	$ -
HIGHWAY 1/KELLY AVENUE INTERSECTION IMPROVEMENT PROJECT	112	TBD	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,000,000	$ 5,000,000	$ -
KELLY AVENUE COMPLETE STREETS PROJECT	123	TBD	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,500,000	$ 6,500,000	$ -
TOTAL STREET IMPROVEMENTS			**$ 14,278,000**	**$ 4,290,000**	**$ 3,750,000**	**$ -**	**$ -**	**$ -**	**$ 16,250,000**	$ 38,568,000	**$ -**
TRAIL IMPROVEMENTS											
EASTSIDE PARALLEL TRAIL NORTH - SEGMENT 4	125	0619	$ 1,734,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,734,000	$ -
COASTAL TRAIL OVERLAY (POPLAR TO CENTRAL)	125	1014	$ 126,000	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ 326,000	$ -
PEDESTRIAN/BICYCLE CONNECTION TO HATCH ELEMENTARY	125	9010	$ 40,000	$ 740,000	$ -	$ -	$ -	$ -	$ 200,000	$ 980,000	$ -
SECONDARY POPLAR BEACH ACCESS	125	1031	$ 45,000	$ 45,000	$ -	$ -	$ -	$ -	$ 250,000	$ 340,000	$ -
EASTSIDE PARALLEL TRAIL NORTH - SEGMENT 2	125	0595	$ 1,325,000	$ 175,000	$ -	$ -	$ -	$ -	$ 4,200,000	$ 5,700,000	$ -
PEDESTRIAN/BICYCLE CONNECTION TO TRAIN DEPOT	125	TBD	$ -	$ -	$ -	$ -	$ -	$ -	$ 700,000	$ 700,000	$ -
EASTSIDE PARALLEL TRAIL SOUTH (S. MAIN TO MIRAMONTES)	125	TBD	$ -	$ -	$ 1,000,000	$ -	$ -	$ -	$ 7,500,000	$ 8,500,000	$ -
TOTAL TRAIL IMPROVEMENTS			**$ 3,270,000**	**$ 1,160,000**	**$ 1,000,000**	**$ -**	**$ -**	**$ -**	**$ 12,850,000**	$ 18,280,000	**$ -**
TOTAL FY ALLOCATIONS			**$ 33,224,137**	**$ 9,090,000**	**$ 4,750,000**	**$ -**	**$ -**		**$ 39,100,000**	**$ 86,164,137**	**$ -**

Main Street Bridge Rehabilitation

CIP Category:	Streets
Location:	Historic Main Street
Project Number:	1036
Current Work Phase:	Construction
Est. Completion Date:	FY26-27
Initial CIP Inclusion:	FY24-25
Initial Funding:	FY24-25
Strategic Plan Goals:	Infrastructure, Healthy Community/Public Safety, Fiscal Sustainability, Inclusive Governance



Description: Improvements are divided into two categories of work. The first phase includes repair and re-surfacing the stucco finish the existing concrete barriers. The second phase includes removal and replacement of the wood pedestrian decking and guardrails, and new paint. Additional ground level lighting is also being considered.

Justification: Repair of the existing stucco provides long-term benefit to the conditioning and preservation of the historic concrete barriers and underlying spandrel walls. The pedestrian wood decking and guardrail replacements will remove accessibility barriers previously identified in a 2015 Main Street Bridge Accessibility Assessment.

Expenditures

	Previous	*FY 26-27*	*FY 27-28*	*FY 28-29*	*Future*	*Total*
Professional Services	17,000	-	-	-	-	17,000
Construction	133,000	100,000	-	-	-	233,000
Fees & Equipment	39,000	11,000	-	-	-	50,000
Project Management	-	-	-	-	-	0
	189,000	111,000	0	0	0	300,000

Funding Sources

Category	*Previous*	*FY 26-27*	*FY 27-28*	*FY 28-29*	*Future*	*Total*
General Fund	200,000	100,000	-	-	-	300,000
	-	-	-	-	-	0
	-	-	-	-	-	0
	200,000	100,000	0	0	0	300,000

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Dale Leda, Interim City Engineer

TITLE: **SEWER AUTHORITY MID-COASTSIDE REVISED FISCAL YEAR 2026-27 OPERATIONS AND MAINTENANCE (GENERAL) BUDGET**

RECOMMENDATION:
Adopt a resolution approving the Sewer Authority Mid-Coastside General (Operations and Maintenance) Budget for FY 2026-27.

FISCAL IMPACT:
The proposed SAM General Budget for FY 2026-27 is $11,555,125, including $7,305,125 for operations and maintenance and $4,250,000 for infrastructure projects. This represents an increase of $1,482,859, or approximately 15%, from the FY 2025-26 adopted budget.

The total member agency assessment for FY 2026-27 is $11,423,588. Half Moon Bay's share is $6,988,951, an increase of $999,751, or approximately 17%, from the FY 2025-26 adopted assessment of $5,989,200. The City's assessment is based on its 61.18% flow allocation, using Calendar Year 2025 wastewater flows.

The City's share will be paid through sewer user fee revenues from the Sewer Operating Fund and authorized transfers from the Sewer Capital Fund, as appropriate. Sufficient funds are available for the proposed FY 2026-27 assessment; however, the infrastructure budget includes estimated costs for the Montara Force Main rehabilitation project that may change once SAM receives the contractor's Guaranteed Maximum Price, currently anticipated in June. If the final project cost exceeds the amount included in the adopted SAM budget, SAM may need to return to the member agencies with a budget adjustment, which could increase the City's costs.

The City is contracting with a consultant to prepare an updated sewer rate study. The study will evaluate the adequacy of current sewer rates to support ongoing operations, capital needs, and regional wastewater obligations, including any updated costs related to the Montara Force Main rehabilitation project.

STRATEGIC ELEMENT:
This action supports the *Infrastructure and Environment*, *Healthy Communities and Public Safety,* and *Fiscal Sustainability* elements of the Strategic Plan.

BACKGROUND:
The Sewer Authority Mid-Coastside (SAM) is a Joint Powers Authority composed of three member agencies: the City of Half Moon Bay, Granada Community Services District, and Montara Water and Sanitary District. SAM manages regional wastewater treatment and related infrastructure on behalf of the member agencies.

Each year, SAM prepares a General Budget for operations, maintenance, and infrastructure projects. The budget is organized into four divisions: Administrative Services, Treatment, Environmental Compliance, and Infrastructure. Under the Joint Exercise of Powers Agreement, operation and maintenance expenses are shared by the member agencies based on their respective wastewater flows into the consolidated treatment plant.

For FY 2026-27, the flow-based allocation percentages are:

- Half Moon Bay: 61.18%
- Granada Community Services District: 18.21%
- Montara Water and Sanitary District: 20.61%

These percentages are based on Calendar Year 2025 wastewater flows and are updated annually. Half Moon Bay's allocation increased from 60.24% in FY 2025-26 to 61.18% in FY 2026-27.

DISCUSSION:
SAM's FY 2026-27 General Budget continues funding for wastewater treatment, environmental compliance, system operations, and capital improvements that support the regional wastewater system. The budget is organized into operating divisions — Administrative Services, Treatment, and Environmental Compliance — and a separate Infrastructure division for capital projects.

Because infrastructure costs can fluctuate significantly depending on capital project timing and scope, it is useful to distinguish between the operating and infrastructure components of the budget. The operating budget increase is driven primarily by personnel, equipment, utilities, chemicals, insurance, and professional services. Personnel costs reflect cost-of-living and merit increases, benefit costs, and retirement-related costs. Equipment costs reflect non-project capital improvements and equipment repair/replacement needs that support ongoing plant operations.

The infrastructure budget includes projects identified in SAM's capital improvement program. Major projects include rehabilitation of the SAM Force Main situated in Montara, replacement of Effluent Pumps 1, 2, and 3, replacement of Pump 1 at the Montara Pump Station, and

replacement of Pump 1 at the Portola Pump Station. These costs are included in SAM's overall infrastructure program and allocated among the member agencies in the same manner as the rest of the General Budget.

The Montara Force Main rehabilitation project is the largest infrastructure component in the FY 2026-27 budget. The current amount is based on available project estimates, but SAM expects to receive the contractor's Guaranteed Maximum Price in June. The GMP may refine the total project cost and could result in a higher infrastructure funding need than currently budgeted. If additional funding is required, SAM may return to the member agencies with a budget adjustment, and Half Moon Bay's share would be determined under the applicable allocation methodology.

The City is also proceeding with an updated sewer rate study to evaluate whether current sewer rates are sufficient to support ongoing operations, capital needs, and regional wastewater obligations, including any updated costs associated with the Montara Force Main rehabilitation project.

Approval of the FY 2026-27 SAM General Budget will allow SAM to continue providing wastewater treatment, environmental compliance, system operations, and infrastructure improvements for the member agencies and their ratepayers. Staff recommends approval to support continued operation of these essential regional wastewater services.

CONCLUSION:
SAM provides critical wastewater treatment, environmental compliance, and regional infrastructure services for the City of Half Moon Bay and the other member agencies. The FY 2026-27 General Budget supports continued operation of these services and funds necessary infrastructure improvements through SAM's capital improvement program. The City's updated sewer rate study will further evaluate long-term sewer revenue needs, including any changes in regional infrastructure obligations. Staff recommends that the City Council adopt a resolution approving the FY 2026-27 SAM General Operations and Maintenance Budget.

ATTACHMENT:
1. Resolution approving the Sewer Authority Mid-Coastside Revised General (Operations and Maintenance) Budget for FY 2026-27
2. SAM O&M FY 2026-27 Staff Report

Resolution No. C-2026-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY APPROVING THE SEWER AUTHORITY MID-COASTSIDE GENERAL (OPERATIONS AND MAINTENANCE) BUDGET FOR FISCAL YEAR 2026-27

WHEREAS, City of Half Moon Bay representatives have reviewed and provided input on the proposed General Budget of the Sewer Authority Mid-Coastside (SAM) for Fiscal Year (FY) 2026-27; and

WHEREAS, SAM provides regional wastewater treatment, environmental compliance, operations, maintenance, and infrastructure services for the benefit of the member agencies and their ratepayers; and

WHEREAS, the proposed SAM General Operations and Maintenance Budget for FY 2026-27 totals $11,555,125, including operations and maintenance expenses, infrastructure project costs, and total member agency assessments of $11,423,588; and

WHEREAS, the City of Half Moon Bay's share of the FY 2026-27 member agency assessment is $6,988,951, based on its flow allocation of 61.18%; and

WHEREAS, the FY 2026-27 SAM General Operations and Maintenance Budget includes $4,250,000 for infrastructure projects identified in SAM's capital improvement program; and

WHEREAS, the infrastructure portion of the budget includes continued funding for the Montara Force Main rehabilitation project, and SAM may return to the member agencies with a budget adjustment if updated project costs require additional funding; and

WHEREAS, the costs of SAM operations and infrastructure for FY 2026-27 will be funded from City Sewer Enterprise Funds, including the Sewer Operating Fund and authorized transfers from the Sewer Capital Fund, as appropriate.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Half Moon Bay approves the General (Operations and Maintenance) Budget of SAM for FY 2026-27 attached as Exhibit A to this resolution.

****

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 5th day of May 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

_____
Maggie Rodriguez, Interim City Clerk

APPROVED:

_____
Debbie Ruddock, Mayor

EXHIBIT A

General Budget
Fiscal Year 2026/27

OPERATIONS BUDGET





EXECUTIVE SUMMARY

The Joint Exercise of Powers Agreement (Agreement) that created SAM and governs its day-to-day operations specifies that "The total expenses of operation and maintenance shall be shared in a manner based on flows into the single consolidated plant." The General Budget is divided into Administrative Services, Treatment, Environmental Compliance, and Infrastructure.

The General Budget includes obligations for wages and benefits defined in employment and bargaining contracts, increases in retirement contributions, and other non-discretionary expenses.

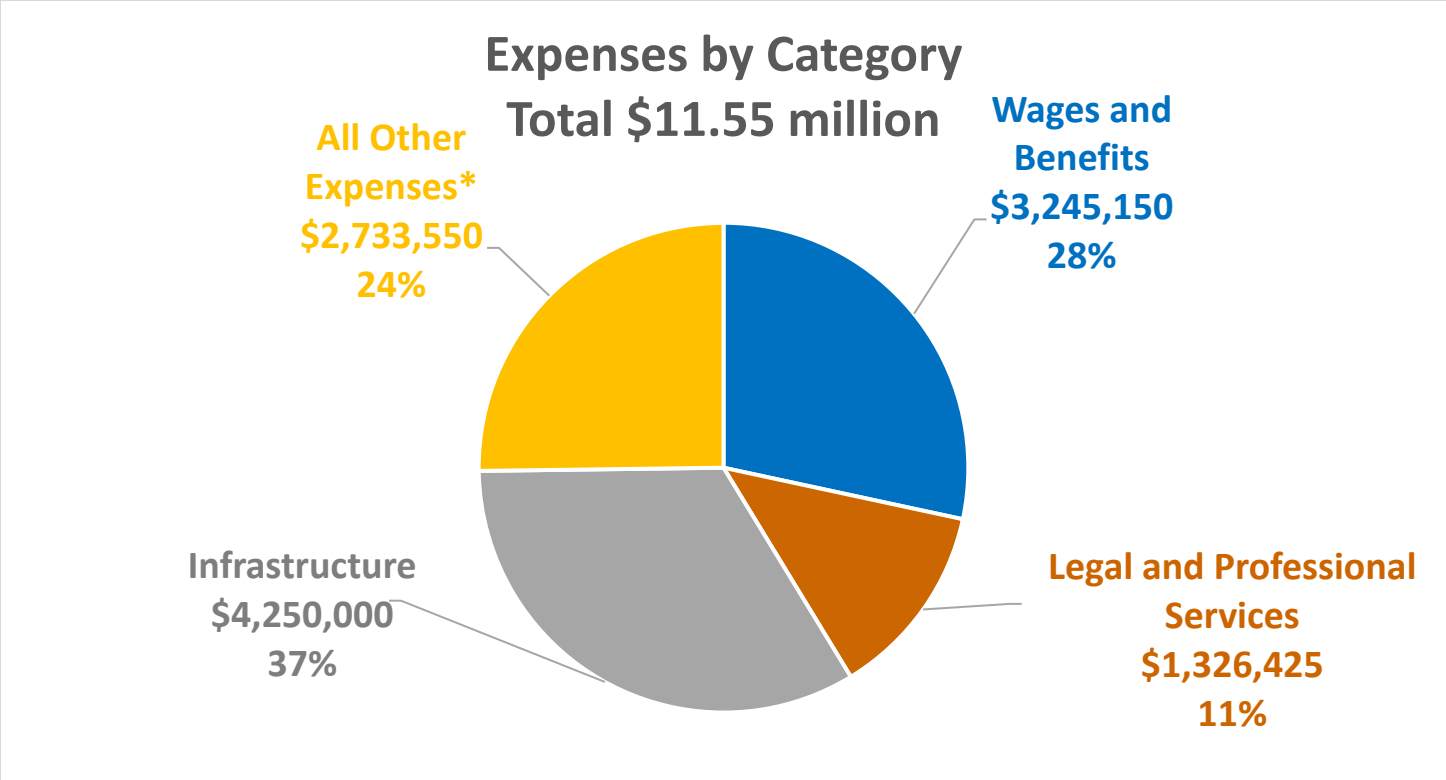
JPA Income & Expenses – General Budget

Operating Income		
Assessments - City of Half Moon Bay	6,988,951	
Assessments - Granada Community Services District	2,080,235	
Assessments - Montara Water & Sanitary District	2,354,401	
Interest Income	78,500	
NDWSCP Fees	53,037	
Total Operating Income		$11,555,125
Operating Expenses		
Wages	2,078,100	
Benefits	1,167,050	
Legal Services	200,000	
Engineering Services	160,800	
Professional & Technical Services	965,625	
Professional Memberships	76,200	
Insurance Premiums	265,000	
Miscellaneous Expenses	120,800	
Utilities	839,300	
Travel & Training	64,400	
Equipment Rental/Lease	29,300	
Building & Maintenance Services	176,000	
Chemicals	470,000	
Permits & Licenses	62,100	
Supplies	128,450	
Equipment	417,000	

Infrastructure Projects	4,250,000	
Claims & Penalties	85,000	
Total Expenses		$11,555,125
Total Operating Expenses (less Infrastructure)		$7,305,125
Contribution to Reserve Funds (Revenues less Expenses)		$0

The overall increase from the adopted budget for Fiscal Year 2025/26 to the adopted budget for Fiscal Year 2026/27 is $1,482,859 (15%). This is primarily due to an increase in budget related to equipment and infrastructure.

Of the total General Budget, $3.2 million (28%) is for Wages and Benefits. The cost of Infrastructure Improvements is $4.25 million (37%). Legal, Engineering and Professional Services is $1.3 million (11%) and accounts for a significant percentage of the budget due to SAM's dependency on contractors and consultants for technical and specialized services. Other expenses (including Utilities, Insurance, Equipment Rental, Maintenance Services, Chemicals, Permits, Supplies, Equipment, and Claims) represent 24% of the budget.



**All Other Expenses include: Utilities, Insurance, Equipment Rental, Maintenance Services, Chemicals, Permits, Supplies, Equipment, and Claims.*

Division Budgets by Fiscal Year

	FY 2023/24 Actual	FY 2024/25 Actual	FY 2025/26 Adopted	FY 2026/27 Proposed	$ Change	% Change
Administration	**$2,046,988**	**$2,148,035**	**$1,793,907**	**$1,846,725**	**$52,818**	**3%**
Treatment	**$4,176,443**	**$4,170,680**	**$4,421,346**	**$5,222,650**	**$801,305**	**18%**
Environmental Compliance	**$196,956**	**$192,050**	**$212,013**	**$235,750**	**$23,737**	**11%**
Total Operating Budget	**$6,420,387**	**$6,510,765**	**$6,427,266**	**$7,305,125**	**$877,859**	**14%**
Infrastructure	**$3,258,684**	**$3,388,625**	**$3,645,000**	**$4,250,000**	**$605,000**	**17%**
Total General Budget	**$9,679,071**	**$9,899,390**	**$10,072,266**	**$11,555,125**	**$1,482,859**	**15%**

The Administrative Services division increased $52,818 (3%). Mainly due to the projected increase of Professional Services related to web hosting & IT support. In addition, Professional Memberships & Fees is expected to increase due to SAM's continued participation in the First Flush program.

The Treatment division increased $801,305 or 18%, which is due to the known COLA & Merit increase of 4%. In addition, we are expecting and 11% increase in the cost of Health Benefits as well as payments of Retirement Contributions to CalPERS. We have budgeted an additional $400K in the equipment line item to account for Non-Project Capital related expenses incurred by SAM on an annual basis.

The Environmental Compliance division budget increased by $23,737 or 11% primarily due to the projected Payroll and Benefits increases.

The Infrastructure division increased $605,000 to address various projects in the Authority Capital Improvement Plan.

BUDGET ALLOCATION AND ASSESSMENTS

The Joint Exercise of Powers Agreement (JEPA) stipulates that the total expenses of operation and maintenance of all the components of the Present Project (intertie pipeline and attendant pump facilities, ocean outfall, treatment plant) shall be shared in a manner based on flows.

Flow Results for Budget Allocations*

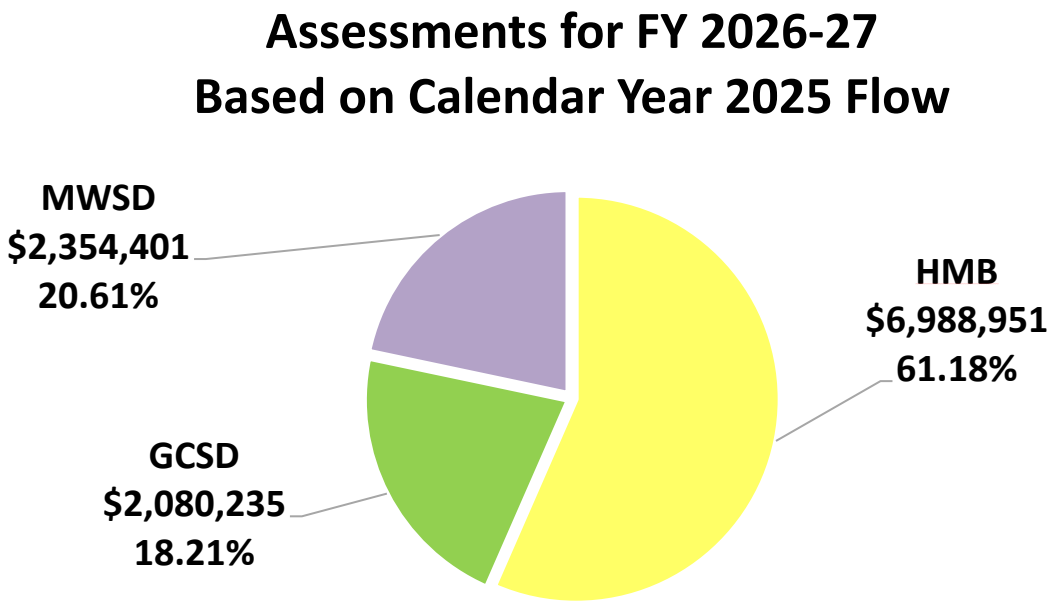
	HMB	GCSD	MWSD	
FY 2026/27	61.18%	18.21%	20.61%	(Based on Calendar Year 2025)
FY 2025/26	60.24%	18.84%	20.92%	(Based on Calendar Year 2024)
Variance	0.94%	-0.63%	-0.31%	

* The member agency assessments are allocated based on flow percentages from the previous calendar year. This allocation varies each year.

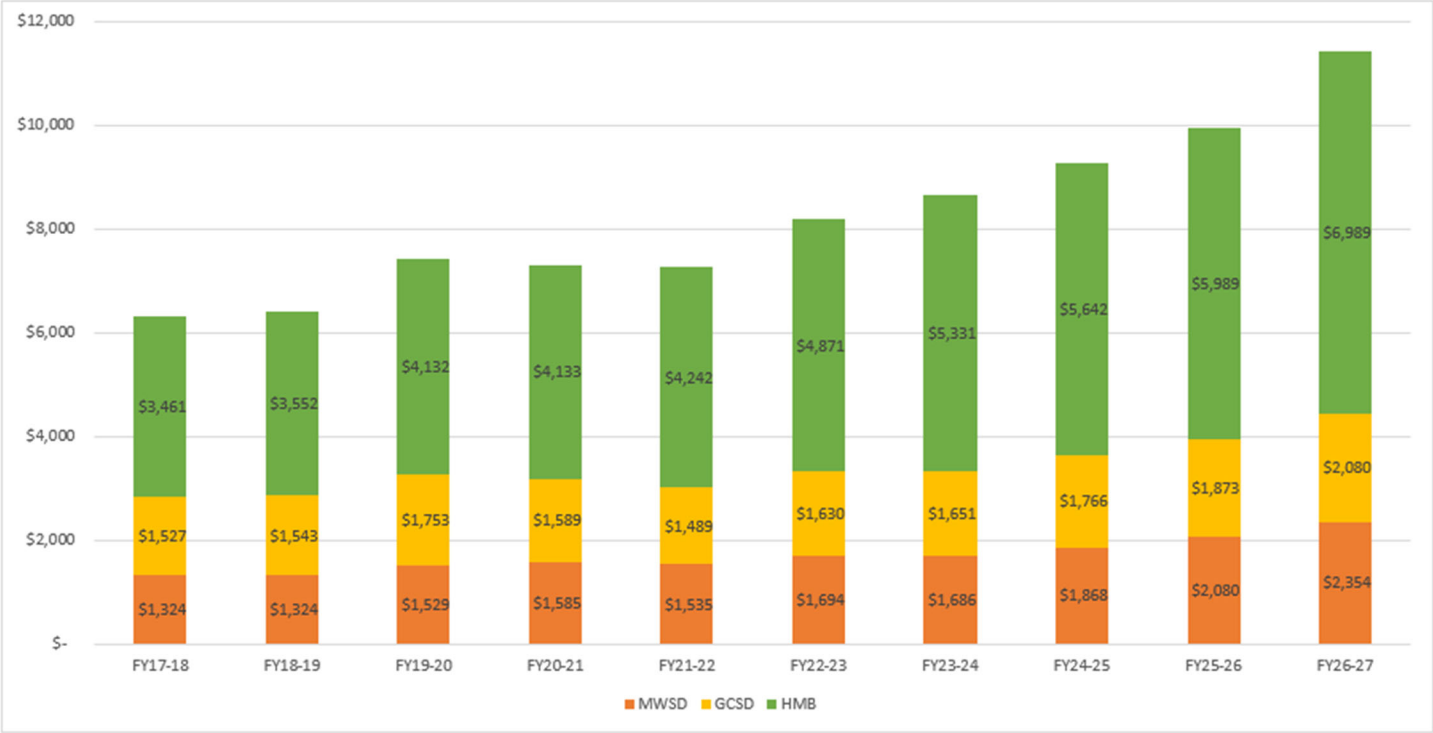
Total Assessments for Each Member Agency*

	FY 2023/24 Actual	FY 2024/25 Actual	FY 2025/26 Adopted	FY 2026/27 Proposed	$ Change	% Change
Half Moon Bay	$5,331,608	$5,642,255	$5,989,200	$6,988,951	$999,751	17%
Granada CSD	$1,651,497	$1,766,336	$1,873,116	$2,080,235	$207,119	11%
Montara WSD	$1,686,174	$1,868,382	$2,079,915	$2,354,401	$274,486	13%
Total	**$8,669,279**	**$9,273,973**	**$9,942,231**	**$11,423,588**	**$1,481,357**	**15%**

* The assessments to the Member Agencies are rounded to nearest dollar.



Assessments History by Agency (in 1,000's)



OVERALL OPERATIONS BUDGET SUMMARY

(Includes: Administrative Services, Treatment, Environmental Compliance, and Infrastructure)

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	EXPENDITURES					Over/(Under)	
	Personnel						
1	Wages	1,770,658	1,786,300	1,799,105	1,906,100	119,800	7%
2	Premium Pay	166,455	144,100	142,859	172,000	27,900	19%
3	Health Benefits	306,074	354,596	334,360	400,750	46,154	13%
4	Retirement Cont.	762,068	541,000	544,707	591,400	50,400	9%
5	Retiree Med/OPEB	36,364	44,960	42,713	62,850	17,890	40%
6	Misc. Benefits	103,703	110,856	102,986	112,050	1,194	1%
7	Subtotal	3,145,322	2,981,812	2,966,729	3,245,150	263,338	9%
	Non-Personnel						
8	Legal Services	237,120	235,000	173,818	200,000	(35,000)	(15%)
9	Engineering Services	254,378	150,243	155,347	160,800	10,557	7%
10	Professional Services	863,526	909,600	1,065,516	965,625	56,025	6%
11	Prof. Memberships	88,269	60,001	75,269	76,200	16,199	27%
12	Insurance Premiums	236,925	249,982	255,390	265,000	15,018	6%
13	Misc. Expenses	117,100	86,566	122,960	120,800	34,234	40%
14	Utilities	750,671	806,297	816,601	839,300	33,003	4%
15	Travel & Training	51,386	57,011	57,396	64,400	7,389	13%
16	Equipment Rental	25,756	27,875	22,674	29,300	1,425	5%
17	Bldg & Maint Services	166,137	148,100	132,108	176,000	27,900	19%
18	Chemicals	403,961	445,863	338,720	470,000	24,137	5%
19	Permits & Licenses	60,014	55,997	59,283	62,100	6,103	11%
20	Supplies	96,304	120,178	124,058	128,450	8,272	7%
21	Equipment	12,587	12,741	15,487	417,000	404,259	3173%
22	Infrastructure (***)	3,389,937	3,645,000	4,024,505	4,250,000	605,000	17%
23	Claims/Penalties (**)	-	80,000	70,000	85,000	5,000	6%
25	Subtotal	6,754,068	7,090,454	7,509,133	8,309,975	1,219,521	17%

Key Changes

Personnel costs: Increase due COLA and Merit increases and labor negotiations	$ 263,338
Legal Services: Decrease expected due to conclusion of labor negotiations	$ (35,000)
Professional Services: Increase due to estimates based on Year-to-Date Actuals	$ 56,025
Utilities: Increase due to estimates based on Year-to-Date Actuals	$ 33,003
Equipment: Increase due to inclusion of Non-Project plant repairs	$ 404,259
Chemicals: Based on Year-to-Date Actuals	$ 24,137
Insurance Premiums: Increase due to estimates based on Year-to-Date Actuals	$ 15,018
All other Operating Expenses: Increase due to CPI and adjustments to other operating expenses	$ 117,079
TOTAL GENERAL OPERATING EXPENDITURES BUDGET INCREASE	**$ 877,859**
Infrastructure: Increase result of CIP (includes engineering costs, reclassified)	$ 605,000
TOTAL GENERAL OPERATING EXPENDITURES BUDGET INCREASE	**$ 1,482,859**

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	9,276,973	9,942,231	9,942,231	11,423,588	1,481,357	15%
28	NDWSCP Fees	61,609	60,035	50,639	53,037	(6,998)	(12%)
31	Interest Earnings	81,566	70,000	83,210	78,500	8,500	12%
32	Misc. Revenue	387,448	-	59,745	-	-	-
34	**REVENUE TOTAL**	**9,807,596**	**10,072,266**	**10,135,825**	**11,555,125**	**1,482,859**	**15%**
	By Agency:						
35	Half Moon Bay	5,642,255	5,989,200	5,989,200	6,988,951	999,751	17%
36	Granada CSD	1,766,336	1,873,116	1,873,116	2,080,235	207,119	11%
37	Montara WSD	1,868,383	2,079,915	2,079,915	2,354,401	274,486	13%
38	**TOTAL**	**9,276,974**	**9,942,231**	**9,942,231**	**11,423,588**	**1,481,357**	**15%**

Key Changes

Assessments reflect Increased funding for Infrastructure Projects, Maintenance, Staff	$ 1,481,357
TOTAL GENERAL OPERATING REVENUE BUDGET INCREASE	$ 1,481,357

FINANCIAL DETAILS

The following is a list of key budget lines for FY2025/26 and 2026/27 budgets with brief explanations of the changes from year to year. This is a "budget to budget" comparison and does not necessarily represent current expenditures. Underlined items indicate a budget change in excess of $10,000 year to year.

Budget Line #		FY 2025/26	FY 2026/27
1.	Wages Increase is a result of PY COLA & Merit increase being estimated higher than necessary.	$1,786,300	$1,906,100
2.	Premium Pay Overtime paid for staff to perform tasks outside of normal work times.	$144,100	$172,000
3.	Health Benefits The cost of medical, dental, and vision benefits provided to employees based on the MOU and Unrepresented Employees.	$354,596	$400,750
4.	Retirement Contributions SAM pays the employer contribution to CalPERS for retirement benefits as well as the unfunded liability.	$541,000	$591,400
5.	Retiree Medical/OPEB Includes contributions to a Health Retirement Account for future retirees as well as current retiree medical premiums.	$44,960	$62,850
6.	Misc. Benefits Includes Medicare, long-term and short-term disability, workers compensation, and matching funds to a 457 plan.	$110,856	$112,050
7.	**Personnel Subtotal** Subtotal of all wage and benefit costs.	**$2,981,812**	**$3,245,150**
8.	Legal Services Includes general counsel and employment legal fees	$235,000	$200,000
9.	Engineering Services Increased to provide design and project management related to treatment division.	$150,243	$160,800

Budget Line #		FY 2025/26	FY 2026/27
10.	Professional Services Includes ongoing services that are specialized and need to be performed by consultants rather than staff.	$909,600	$965,625
11.	Professional Memberships Includes memberships in professional organizations for SAM and employees that keeps them current in industry practices and improves how SAM serves the community.	$60,001	$76,200
12.	Insurance Premiums Property, liability, and pollution premiums based on utilization rates.	$249,982	$265,000
13.	Misc. Expenses Includes incidental expenses (uniforms laundry services, radio and alarm systems, offsite storage, postage, claims, copier, phone system support, etc.) not reflected in other categories.	$86,566	$120,800
14.	Utilities Electricity, water, telephone, solid waste, etc.	$806,297	$839,300
15.	Travel & Training Training and travel related costs for attendance at industry conferences and seminars, and other related events to allow staff to keep current on technical skills and industry best practices.	$57,011	$64,400
16.	Equipment Rental/Lease Short-term rental or lease of equipment (generators, storage tanks, etc.).	$27,875	$29,300
17.	Building & Maintenance Services Includes janitorial, landscaping, and other regular building maintenance services.	$148,100	$176,000
18.	Chemicals Includes chemicals used in the treatment of wastewater to meet regulatory standards.	$445,863	$470,000

Budget Line #		FY 2025/26	FY 2026/27
19.	Permits & Licenses Annual costs for permits with local, regional and state agencies.	$55,997	$62,100
20.	Supplies Office, computer, breakroom, and safety supplies.	$120,178	$128,450
21.	Equipment Purchase Purchase of equipment use at SAM facilities not included in infrastructure projects.	$12,741	$417,000
22.	Infrastructure Projects Includes costs of projects included in 5-Year CIP. Includes engineering costs associated.	$3,645,000	$4,250,000
23.	Claims/Penalties Reflects claims expenses not covered by insurance.	$80,000	$85,000
25.	**Non-Personnel Subtotal** Subtotal of all costs not associated with wages and benefits.	**$7,090,454**	**$8,309,975**
26.	**Total** Total of all costs (sum of Personnel and Non-Personnel subtotals).	**$10,072,266**	**$11,555,125**

ADMINISTRATIVE SERVICES

By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	EXPENDITURES					Over/(Under)	
	Personnel						
1	Wages	666,317	629,300	634,063	661,100	31,800	5%
2	Premium Pay	18,903	11,000	13,432	16,000	5,000	45%
3	Health Benefits	87,403	88,985	71,871	79,500	(9,485)	(11%)
4	Retirement Cont.	340,271	93,000	54,354	57,700	(35,300)	(38%)
5	Retiree Med/OPEB	28,400	13,500	17,509	28,100	14,600	108%
6	Misc. Benefits	29,693	28,800	20,948	18,800	(10,000)	(35%)
7	Subtotal	1,170,987	864,585	812,177	861,200	(3,385)	(0%)
	Non-Personnel						
8	Legal Services	237,120	235,000	173,818	200,000	(35,000)	(15%)
9	Engineering Services	20,698	-	-	-	-	-
10	Professional Services	220,751	226,164	283,075	252,025	25,861	11%
11	Prof. Memberships	77,201	46,515	61,210	62,000	15,485	33%
12	Insurance Premiums	236,925	249,982	255,390	265,000	15,018	6%
13	Misc. Expenses	95,965	64,590	86,090	92,700	28,110	44%
14	Utilities	27,621	34,250	21,653	22,300	(11,950)	(35%)
15	Travel & Training	8,586	5,335	7,403	6,600	1,265	24%
16	Equipment Rental	8,294	7,875	8,101	8,300	425	5%
17	Bldg & Maint Services	33,150	34,131	46,200	47,000	12,869	38%
18	Chemicals	-	-	-	-	-	-
19	Permits & Licenses	-	-	-	-	-	-
20	Supplies	10,738	12,844	16,936	13,600	756	6%
21	Equipment	-	2,637	5,087	6,000	3,363	128%
22	Infrastructure	-	-	-	-	-	-
23	Claims/Penalties	-	10,000	10,000	10,000	-	0%
25	Subtotal	977,048	929,322	974,963	985,525	56,203	6%

ADMINISTRATIVE SERVICES
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	1,839,212	1,723,907	1,723,907	1,768,225	44,318	3%
28	Other Revenue	5,537	-	-	-	-	-
31	Interest Earnings	81,566	70,000	83,210	78,500	8,500	12%
32	Misc. Revenue - Grant	387,448	-	59,745	-	-	-
34	**REVENUE TOTAL**	**2,313,762**	**1,793,907**	**1,866,862**	**1,846,725**	**52,818**	**3%**
	By Agency:						
35	Half Moon Bay	1,118,609	1,038,482	1,038,482	1,081,800	43,318	4%
36	Granada CSD	350,186	324,784	324,784	321,994	(2,790)	(1%)
37	Montara WSD	370,417	360,641	360,641	364,431	3,790	1%
38	**TOTAL**	**1,839,212**	**1,723,907**	**1,723,907**	**1,768,225**	**44,318**	**3%**

Key Changes

Personnel Costs: Expected reduction of hours for admin division employee	$ (3,385)
Legal Services: Decrease expected due to conclusion of labor negotiations	$ (35,000)
Professional Services	$ 25,861
Insurance Premiums: Increased based on expected increase in premiums	$ 15,018
Claims/Penalties	$ 0
All other Operating Expenses: Increase due to CPI and adjustments to other operating expenses	50,324
TOTAL ADMINISTRATION EXPENDITURES BUDGET INCREASE	$ 52,818

Key Changes

Assessments reflect increases in Professional Services and Insurance Premiums	$ 44,318
Key Changes **TOTAL ADMINISTRATION REVENUE BUDGET INCREASE**	$ 44,318

TREATMENT
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
						Over/(Under)	
	EXPENDITURES						
	Personnel						
1	Wages	1,061,123	1,114,500	1,121,792	1,200,000	85,500	8%
2	Premium Pay	145,533	131,000	127,357	153,000	22,000	17%
3	Health Benefits	211,797	257,600	255,723	312,800	55,200	21%
4	Retirement Cont.	396,008	424,000	460,673	501,200	77,200	18%
5	Retiree Med/OPEB	7,897	30,785	24,543	34,000	3,215	10%
6	Misc. Benefits	71,597	78,641	79,357	89,800	11,159	14%
7	Subtotal	1,893,954	2,036,526	2,069,445	2,290,800	254,274	12%
	Non-Personnel						
8	Legal Services	-	-	-	-	-	-
9	Engineering Services	233,680	150,243	155,347	160,800	10,557	7%
10	Professional Services	555,548	579,127	667,594	601,600	22,473	4%
11	Prof. Memberships	11,068	13,486	14,059	14,200	714	5%
12	Insurance Premiums	-	-	-	-	-	-
13	Misc. Expenses	21,069	21,976	36,713	28,100	6,124	28%
14	Utilities	723,050	772,047	794,948	817,000	44,953	6%
15	Travel & Training	42,510	51,171	49,743	57,200	6,029	12%
16	Equipment Rental	17,462	20,000	14,574	21,000	1,000	5%
17	Bldg & Maint Services	132,987	113,969	85,908	129,000	15,031	13%
18	Chemicals	400,476	442,363	334,158	465,000	22,637	5%
19	Permits & Licenses	60,014	55,997	59,283	62,100	6,103	11%
20	Supplies	67,189	84,336	84,352	89,850	5,514	7%
21	Equipment	10,361	10,104	10,400	411,000	400,896	3968%
22	Infrastructure	1,311	-	860,238	-	-	-
23	Claims/Penalties	-	70,000	60,000	75,000	5,000	7%
25	Subtotal	2,276,725	2,384,819	3,227,318	2,931,850	547,031	23%

Key Changes

Personnel Costs: Increase due COLA and merit increases as well as the cost of Benefits	$ 254,274
Utilities	$ 44,953
Professional Services	$ 22,473
Equipment	$ 400,896
Chemicals	$ 22,637
All other operating expenses: Increase due to CPI and adjustments to other Operating Expenses	$ 56,072

TOTAL TREATMENT EXPENDITURES BUDGET INCREASE $ 801,305

TREATMENT
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	4,185,865	4,361,311	4,361,311	5,169,613	808,302	19%
28	NDWSCP Fees	56,072	60,035	50,639	53,037	(6,998)	(12%)
31	Interest Earnings	-	-	-	-	-	-
32	Misc. Revenue	-	-	-	-	-	-
34	**REVENUE TOTAL**	**4,241,937**	**4,421,346**	**4,411,950**	**5,222,650**	**801,304**	**18%**
	By Agency:						
35	Half Moon Bay	2,545,843	2,627,254	2,627,254	3,162,769	535,515	20%
36	Granada CSD	796,989	821,671	821,671	941,387	119,716	15%
37	Montara WSD	843,033	912,386	912,386	1,065,457	153,071	17%
38	**TOTAL**	**4,185,865**	**4,361,311**	**4,361,311**	**5,169,613**	**808,302**	**19%**

Key Changes

Assessments reflect net increased funding for Personnel, Utilities, Chemicals & Equipment	$ 808,302
TOTAL TREATMENT REVENUE BUDGET INCREASE	$ 808,302

ENVIRONMENTAL COMPLIANCE
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	EXPENDITURES					Over/(Under)	
	Personnel						
1	Wages	43,219	42,500	43,250	45,000	2,500	6%
2	Premium Pay	2,019	2,100	2,070	3,000	900	43%
3	Health Benefits	6,875	8,011	6,766	8,450	439	5%
4	Retirement Cont.	25,789	24,000	29,680	32,500	8,500	35%
5	Retiree Med/OPEB	67	675	661	750	75	11%
6	Misc. Benefits	2,413	3,415	2,680	3,450	35	1%
7	Subtotal	80,380	80,701	85,107	93,150	12,449	15%
	Non-Personnel						
8	Legal Services	-	-	-	-	-	-
9	Engineering Services	-	-	-	-	-	-
10	Professional Services	87,226	104,309	114,847	112,000	7,691	7%
11	Prof. Memberships	-	-	-	-	-	-
12	Insurance Premiums	-	-	-	-	-	-
13	Misc. Expenses	66	-	157	-	-	-
14	Utilities	-	-	-	-	-	-
15	Travel & Training	290	505	250	600	95	19%
16	Equipment Rental	-	-	-	-	-	-
17	Bldg & Maint Services	-	-	-	-	-	-
18	Chemicals	3,486	3,500	4,562	5,000	1,500	43%
19	Permits & Licenses	-	-	-	-	-	-
20	Supplies	18,376	22,998	22,770	25,000	2,002	9%
21	Equipment	2,226	-	-	-	-	-
22	Infrastructure	-	-	-	-	-	-
23	Claims/Penalties	-	-	-	-	-	-
25	Subtotal	111,670	131,312	142,586	142,600	11,288	9%

Key Changes

Personnel Costs: Increase due to Merit and COLA increases	$ 12,449
Professional Services: based on current trends	$ 7,691
Net increase in Wages, Utilities, Services, and Supplies	$ 3,597
TOTAL ENVIRONMENTAL COMPLIANCE EXPENDITURES BUDGET INCREASE	$ 23,737

ENVIRONMENTAL COMPLIANCE
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	251,896	212,013	212,013	235,750	23,737	11%
28	NDWSCP Fees	-	-	-	-	-	-
31	Interest Earnings	-	-	-	-	-	-
32	Misc. Revenue	-	-	-	-	-	-
34	**REVENUE TOTAL**	**251,896**	**212,013**	**212,013**	**235,750**	**23,737**	**11%**
	By Agency:						
35	Half Moon Bay	153,203	127,717	127,717	144,232	16,515	13%
36	Granada CSD	47,961	39,943	39,943	42,930	2,987	7%
37	Montara WSD	50,732	44,353	44,353	48,588	4,235	10%
38	**TOTAL**	**251,896**	**212,013**	**212,013**	**235,750**	**23,737**	**11%**

Key Changes

Assessments reflect Increased funding for Wages, Benefits, and Other Expenses	$ 23,737
TOTAL ENVIRONMENT COMPLIANCE REVENUE BUDGET INCREASE	$ 23,737

INFRASTRUCTURE
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	EXPENDITURES					Over/(Under)	
	Personnel						
1	Wages	-	-	-	-	-	-
2	Premium Pay	-	-	-	-	-	-
3	Health Benefits	-	-	-	-	-	-
4	Retirement Cont.	-	-	-	-	-	-
5	Retiree Med/OPEB	-	-	-	-	-	-
6	Misc. Benefits	-	-	-	-	-	-
7	Subtotal	-	-	-	-	-	-
	Non-Personnel	-	-	-	-		
8	Legal Services	-	-	-	-	-	-
9	Engineering Services	-	-	-	-	-	-
10	Professional Services	-	-	-	-	-	-
11	Prof. Memberships	-	-	-	-	-	-
12	Insurance Premiums	-	-	-	-	-	-
13	Misc. Expenses	-	-	-	-	-	-
14	Utilities	-	-	-	-	-	-
15	Travel & Training	-	-	-	-	-	-
16	Equipment Rental	-	-	-	-	-	-
17	Bldg & Maint Services	-	-	-	-	-	-
18	Chemicals	-	-	-	-	-	-
19	Permits & Licenses	-	-	-	-	-	-
20	Supplies	-	-	-	-	-	-
21	Equipment	-	-	-	-	-	-
22	Infrastructure (A)	3,388,625	3,645,000	3,164,267	4,250,000	605,000	17%
23	Claims/Penalties	-	-	-	-	-	-
25	Subtotal	3,388,625	3,645,000	3,164,267	4,250,000	605,000	17%

Key Changes

Increased to address the projects identified in the FY2026-27 Capital Improvement Plan Budget

TOTAL INFRASTRUCTURE EXPENDITURES BUDGET INCREASE $ 605,000

INFRASTRUCTURE
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	3,000,000	3,645,000	3,645,000	4,250,000	605,000	17%
28	NDWSCP Fees	-	-	-	-	-	-
31	Interest Earnings	-	-	-	-	-	-
32	Misc. Revenue	-	-	-	-	-	-
34	**REVENUE TOTAL**	**3,000,000**	**3,645,000**	**3,645,000**	**4,250,000**	**605,000**	**17%**
	By Agency:						
35	Half Moon Bay	1,824,600	2,195,748	2,195,748	2,600,150	404,402	18%
36	Granada CSD	571,200	686,718	686,718	773,925	87,207	13%
37	Montara WSD	604,200	762,534	762,534	875,925	113,391	15%
38	**TOTAL**	**3,000,000**	**3,645,000**	**3,645,000**	**4,250,000**	**605,000**	**17%**

Key Changes

Increased to address the projects identified in the FY2026-27 Capital Improvement Plan Budget

TOTAL INFRASTRUCTURE REVENUE BUDGET INCREASE $ 605,000

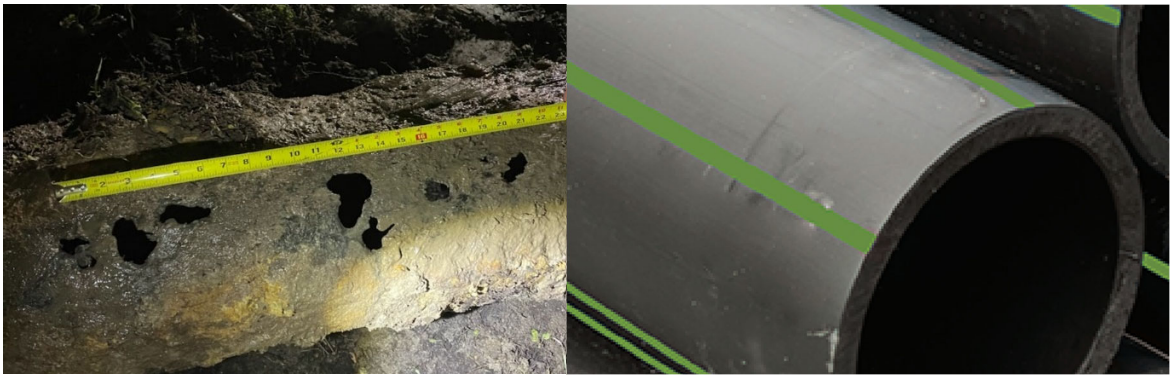
HIGHLIGHTS

- Infrastructure Projects addressed in FY 2025/26
  - ✓ SAM Force Main Refurbishment Montara Segment – Progressive Design Build in Progress
  - ✓ Completed installation of Boiler #1. Awaiting Boiler #2.
  - ✓ Electrical Building Relocation- Design in Progress.
  - ✓ Completed Installation of Primary Sludge Pumps
  - ✓ Completed Installation of Grit Pumps
  - ✓ Completed installation of #3 Water Pumps

Project: Rehabilitation of SAM Force Main situated in Montara
Priority: Rehabilitation/Replacement/Safety

The SAM Force Main situated in Montara Rehabilitation (MFM) Project addresses aging, at-risk pipeline within the Intertie Pipeline System. The MFM conveys wastewater from the Montara and Moss Beach communities to SAM's Wastewater Treatment Plant in Half Moon Bay. The MFM is approximately 16,750 feet in length, ranging from 12 to 14-inches in diameter and was constructed of ductile iron pipe (DIP) in the early 1980s.

A 2017 project replaced the first 2,500 feet of MFM from Montara Pump Station to the end of Vallemar Street with high-density polyethylene (HDPE) pipe and replaced the associated air/vacuum relief valves. A 12-inch-diameter DIP portion of the MFM experienced failure during the atmospheric river storm that started on December 31, 2022, which was declared as a disaster at both the State and Federal levels. SAM's emergency response included replacement of an 850-ft portion of the impacted force main with HDPE. It is proposed to replace the remaining 13,400 feet of the MFM project before June 30, 2026.



CIP Total Cost: $10,000,000

Project Funding: This project will be funded by SAM's Infrastructure Program

Basis of Priority: This priority project continues the best practice of rehabilitating aging force main to mitigate sanitary sewer overflows, human health risks, environmental damages, and other regulatory violations.

Annual Cost Distribution and Schedule

CIP Total	FY2024/25	FY2025/26	FY2026/27	FY 2027/28	FY 2028/29
10.160M	3.0M	3.510M	3.65M	-	-

Project: Replace Effluent Pumps 1, 2, and 3

This project involves replacing effluent pumps/motors 1, 2, and 3. These pumps are old and exceeded their useful lives. These pumps are no longer manufactured and replacement parts must be custom fabricated when necessary. Equipment have been purchased and require installation.



Effluent pumps 1, 2, and 3

CIP Total Cost: $450,000

Project Funding: This project will be funded by SAM's Infrastructure Program

Reason: This project is a priority because these pumps are responsible for conveying all flow out of the WWTP during storm events and high tide when ocean outfall can no longer flow by gravity. Since the WWTP could potentially flood in an event such as this, the pumps must be maintained in peak reliable condition at all times.

Annual Cost Distribution and Schedule

CIP Total	FY2026				
450,000	450,000				

Project: Montara Pump Station - Replace Pump 1

Priority: Rehabilitation/Replacement

This project involves replacing pumps No. 1 at the Montara Pump Station with submersible grinder style pump similar to pump No. 3. This pump has been purchased and needs to be installed.



CIP Total Cost: $100,000

Project Funding: This project will be funded by SAM's Infrastructure Program

Basis of Priority: This is a discretionary project that will benefit the performance and reliability of the Montara Pump Station by replacing pump No. 1 with a higher efficiency grinder style pump.

Annual Cost Distribution and Schedule

CIP Total	FY2026				
100,000	100,000				

Project: Portola Pump Station - Replace Pump 1

Priority: Rehabilitation/Replacement

This project replaces pump 1. Pump 1 is the most frequently used pump at the station and sees the most run time. The pump is old and comprised of multiple different parts of varying age and presumed reliability. The pump has been purchased and needs to be installed.



Pumps 1, 2, 3, and 4 (from left to right)

CIP Total Cost: $50,000

Project Funding: This project will be funded by SAM's Infrastructure Program

Basis of Priority: This project is a priority since the components of pump are old and require replacement.

Annual Cost Distribution and Schedule

CIP Total	FY2026				
50,000	50,000				

Position Control List

Classifications	Authorized Positions
Administrative Services:	
General Manager	1.0
Finance Officer	1.0
Accounting Technician	1.0
Administrative Assistant	1.0
	4.0
Operations & Maintenance:	
Engineering & Construction Contracts Manager (Defunded)	*0.0*
Supervisor of Treatment / Field Operations	0.75
Maintenance Mechanic I/II/III	2.0
Operator I/II/III	2.0
Lead Operator	4.0
Utility Worker (Defunded)	*0.0*
	8.75
Environmental Compliance:	
Supervisor of Treatment / Field Operations	.25
Total Authorized – General Budget	**13.0**
Collection Services:	
Collection Maintenance Worker I/II/III	3.0
Maintenance Mechanic I/II/III	1.0
Total Authorized – Collections Services	4.0
Grand Total Authorized Authority	**17.0**

SEWER AUTHORITY MID-COASTSIDE

Staff Report

TO: Honorable Board of Directors

FROM: Kishen Prathivadi, General Manager

SUBJECT: **Discuss Proposed General Budget for FY 2026/27 and Authorize the General Manager to Submit it to Member Agencies for Approval.**

Executive Summary

The purpose of this report is to discuss the proposed General Budget for FY 2026/27 and authorize the General Manager to submit it to Member Agencies for approval.

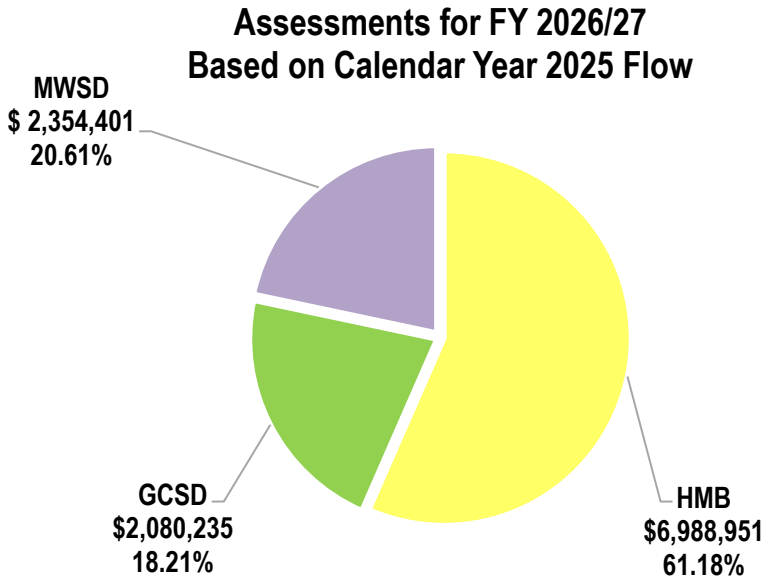
Fiscal Impact

The Operation and Maintenance expenditure budget for FY 2026/27 is $11.5 million, including infrastructure project expenses. This is an *overall increase* of $1,482,859 from the FY 2025/26 adopted budget. The impact to the member agency assessments is:

Assessments for Each Member Agency

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Adopted	FY 2026-27 Proposed	$ Change	% Change
Half Moon Bay	$ 5,331,608	$ 5,642,255	$ 5,989,200	$ 6,988,951	$ 999,751	17%
Granada CSD	$ 1,651,497	$ 1,766,336	$ 1,873,116	$ 2,080,235	$ 207,119	11%
Montara WSD	$ 1,686,174	$ 1,866,382	$ 2,079,915	$ 2,354,401	$ 274,486	13%
	$ 8,669,279	$ 9,274,973	$ 9,942,231	$ 11,423,587	$ 1,481,356	15%

BOARD MEMBERS: N. Marsh, B. Dye, S. Boyd, P. Nagengast, D. Ruddock, K. Slater-Carter
ALTERNATE MEMBERS: W. Bowles, B. Softky, J. Randle, M. Allen



Strategic Plan Compliance

The recommendations in the proposed budget comply with SAM Strategic Plan Goal 3: *"Consider long-term costs and ensure that finances are stable and understandable by the board, member agencies, and the public."*

Background and Discussion/Report

The General Budget includes all Operation and Maintenance (O&M) costs for SAM and are allocated to four divisions: Administrative Services, Treatment, Environmental Compliance, and Infrastructure. The proposed budget includes obligations for wages and benefits defined in employment and bargaining contracts, increases in retirement contributions, and other non-discretionary expenses.

Staff made the following assumptions in determining changes from the FY 2025/26 adopted budget.

- The position of Engineering & Construction Contracts Manager continues to be defunded.
- All applicable merit step increases will be earned per the MOU with Local No. 39.
- All authorized positions are funded. Salaries for filled positions are estimated at one step up. Salaries for currently vacant positions are estimated at mid-step. There are a total of 17 positions:

    - 7 employees are scheduled for a step increase.
    - One is the General Manager who is on a contract.

BOARD MEMBERS:	**N. Marsh**	**B. Dye**	**S. Boyd**
	P. Nagengast	**D. Ruddock**	**K. Slater-Carter**
ALTERNATE MEMBERS:	**W. Bowles**	**B. Softky**	**J. Randle**
	M. Allen		

- All services, supplies, and utilities will be increased by a 5% CPI unless specific adjustment was deemed necessary based on actual experience or known factors.

Budget Overview

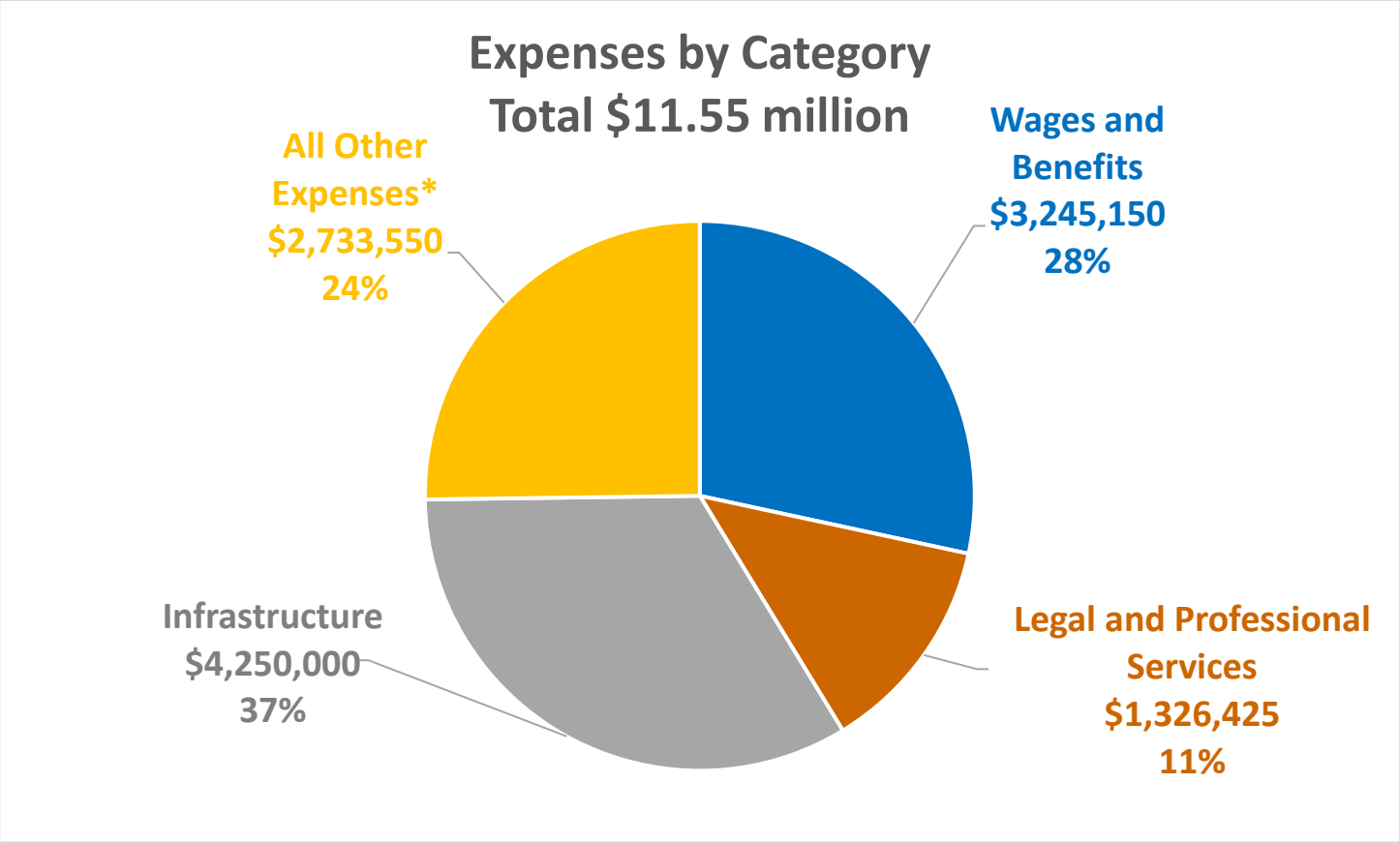
The General Budget, including the proposed infrastructure projects, has been discussed by the Member Agency Managers and by the Finance Committee. The presentation today is for the Board to review and follow-up with agency staff and respective Council/Boards for comment. Final approval of the proposed budget will take place later in the process.

The overall increase from the adopted budget for Fiscal Year 2025/26 to the proposed budget for Fiscal Year 2026/27 is $1,482,859 or 15%. This is primarily due to an increase in the estimated cost of infrastructure improvements as well as expected non-project capital improvements.

Of the total General Budget, $3.24 million (28%) is for Wages and Benefits. The cost of Infrastructure improvements is $4.25 million (37%). Legal, Engineering and Professional Services is $1.33 million (11%) and accounts for a significant percentage of the budget due to SAM's dependency on contractors and consultants for technical and specialized services.

All other expenses (including Utilities, Insurance, Equipment Rental, Maintenance Services, Chemicals, Permits, Supplies, Equipment, and Claims) represent the remaining $2.73 million (23%) of the budget.

BOARD MEMBERS:	**N. Marsh**	**B. Dye**	**S. Boyd**
	P. Nagengast	**D. Ruddock**	**K. Slater-Carter**
ALTERNATE MEMBERS:	**W. Bowles**	**B. Softky**	**J. Randle**
	M. Allen		



*All Other Expenses include: Utilities, Insurance, Equipment Rental, Maintenance Services, Chemicals, Permits, Supplies, Equipment, and Claims.

Significant Budget Changes

The Administrative Services division increased $52,818 or (3%). The net increase is mainly a result of expected increases in the areas of Professional Services (11%) [increase in cost of IT support & web hosting services], Professional Memberships (33%) [First flush program increase], Insurance Premiums (6%) and Miscellaneous Expenses (44%) [sharp increase in the cost of document storage services].

The Treatment division increased $801,305 or 18%, which is due to the known COLA & Merit increase of 4% and 3% respectively as well as the expected increase of the cost of Healthcare and Retirement Benefits for Treatment division employees. In addition, management has budgeted an additional $400,000 of Non-Project Capital Improvements which was not done in the earlier years.

The Environmental Compliance division budget increased $23,737 or (11%) primarily due to the increase in personnel costs as well as the increase in Professional Services (off-site testing costs).

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	M. Allen		

The Infrastructure division increased $605,000 to address various projects in the Authority Capital Improvement Plan.

Detail Changes in Expenses

The significant overall changes in the expense categories are as follows. The numbers are correlated to the line items on the budget spreadsheets.

1. Wages: Increase of $119,800 due to known increases in merit and COLA.
2. Premium Pay: Increase of $27,900 due to standby pay, certification pay, and overtime pay.
3. Health Benefits: Increase of $46,154 due to labor negotiation approval of 100% coverage of SAM staff as well as increased health insurance costs, budgeted for 11% based on history.
4. Retirement Contributions: Increase of $50,400 primarily due to the estimation of retirement costs related to the unfunded liability portion in the prior year's budget. (Every year this amount is estimated but the actual amount is not in our control and is not known until we are officially notified by CalPERS after the fiscal year is over).
5. Retirement Medical: Increase of $17,890 for contributions as negotiated in the MOU and the Unrepresented Employees as well as a contribution of $18,000 to SAM's section 115 OPEB trust administered by PARS.
6. Misc. Benefits: Increase of $1,194 for benefits as negotiated in the MOU and the Unrepresented Employees.
7. Personnel Subtotal: Increase of $263,338 in personnel costs primarily due to the annual funding of SAM's CalPERS Unfunded Liability.
8. Legal Services: Decrease of $35,000 due to the completion of labor negotiations with Local No. 39 and expected reduced involvement of General Counsel/Special Counsel.
9. Engineering Services: Increase of $10,557 due to continued involvement with Authority Engineering team.
10. Professional Services: Increase of $56,025.

    The major contracting firms and the status of their contracts, if applicable, are as follows:

    - Calcon Systems, electrical services: Existing contract in next fiscal year not to exceed $400,000.

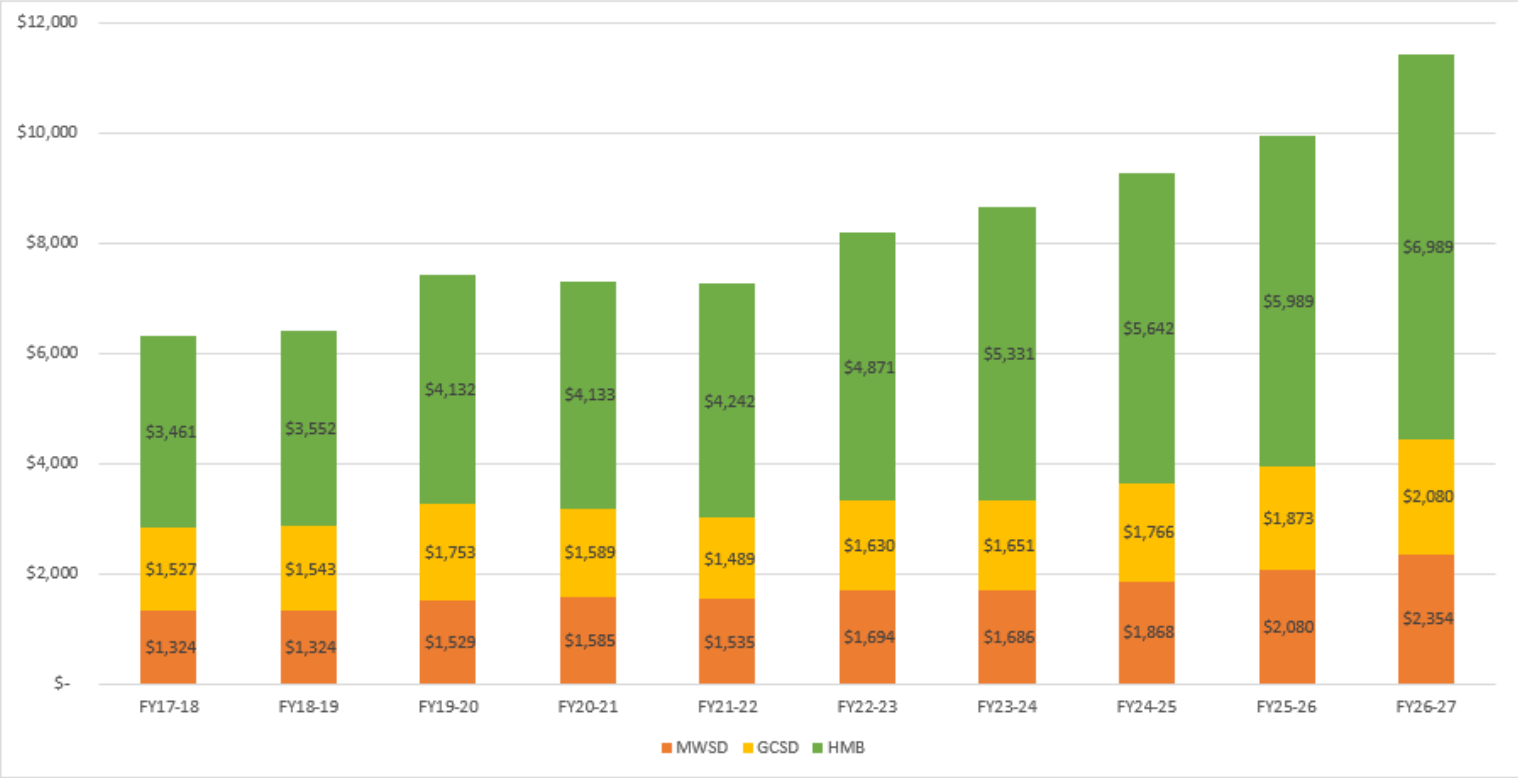
BOARD MEMBERS:	**N. Marsh**	**B. Dye**	**S. Boyd**
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	M. Allen		

- RVE Accounting, financial & accounting services: As Needed.
- Alpha Analytical Laboratories, essential lab services: As Needed.
- Peninsula Pump, handles pump repair, generally an emergency repair: As Needed.
- Precision IT, computer equipment maintenance: IT support as and when needed.

11. Professional Memberships: Increase of 27% expected due to the continued participation in the First Flush program.
12. Insurance Premiums: Increase of $15,018 due to increased cost of coverage.
13. Misc. Expenses: Increase of $34,234 anticipated based on detailed review of current year expenditures, increase due mainly to the cost of document storage services.
14. Utilities: Increase of $33,003 for electricity, gas, solid waste disposal, and water consistent with current costs.
15. Travel & Training: Increase of $7,389 based on expectation that conference attendance will continue to increase.
16. Equipment Rental: Increase of $1,425 due to the completion of specific maintenance projects.
17. Building & Maintenance Services: Decrease of $27,900 mainly due to recurring roof work at the SAM office.
18. Chemicals: Increase of $24,137 based on anticipated expenses consistent with recent experience and expected industry increases.
19. Permits & Licenses: Increase of $6,103, cost of permit was over budget for current fiscal year.
20. Supplies: Increase of $8,272 based on current year expenditures.
21. Equipment: Increase of $404,259, non-project capital improvements.
22. Infrastructure: Increase of $605,000 to address the projects identified in the adopted 5-year CIP (adopted November 25, 2024) and additional projects as indicated in Infrastructure details of the General Budget.
23. Claims/Penalties: Increase $5,000.
24. Non-Personnel Subtotal: Total Increase of $1,219,521 or 17%.

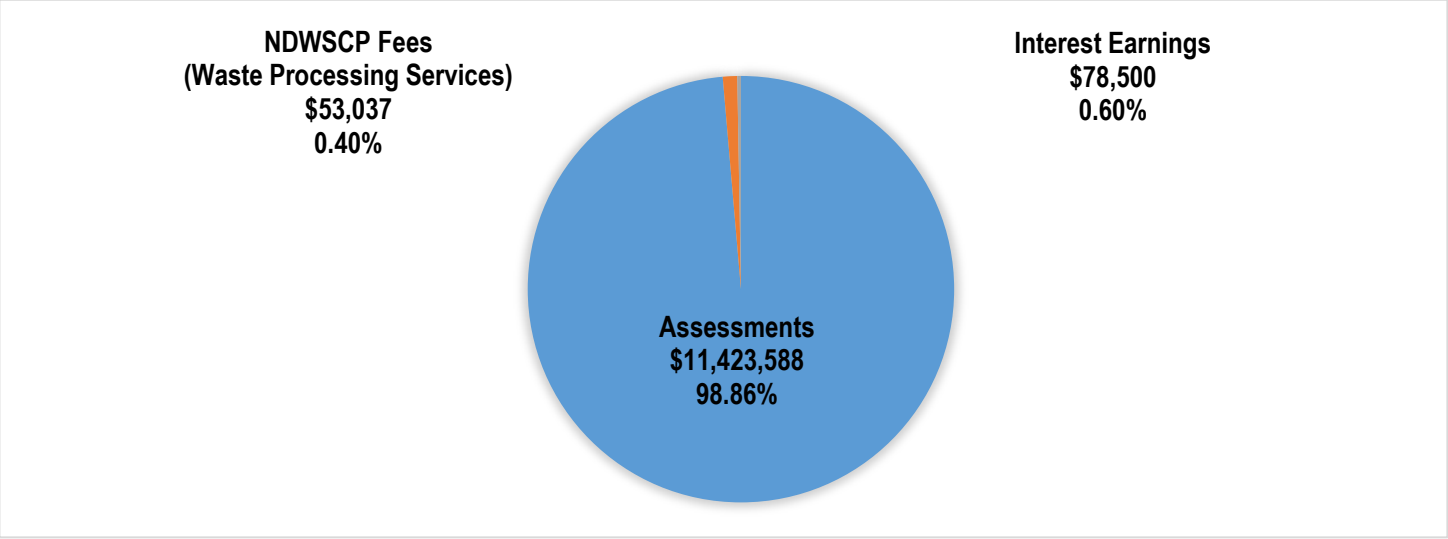
Revenue Allocation

Of the total O&M revenue, the majority (98.86%) is from assessments paid by the JPA member agencies. The allocation between the agencies is based on the flow from the preceding calendar year. The flow allocations fluctuate from year to year.



The remaining revenue comes from Waste Processing Services that are currently classified in the Non-Domestic Waste Source Control Program Fees category of our AR System (0.4%), and interest earnings (0.6%).

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	M. Allen		



Staff Recommendation

Staff recommends that the Board of Directors review the budget with their respective staff and contemporaries and return comments to the SAM General Manager on or before April 30, 2026, for evaluation and approve a final budget before May 31, 2026.

Supporting Documents

Attachment A: SAM General Budget for FY 2026/27

BOARD MEMBERS:	N. Marsh	B. Dye	S. Boyd
	P. Nagengast	D. Ruddock	K. Slater-Carter
ALTERNATE MEMBERS:	W. Bowles	B. Softky	J. Randle
	M. Allen		

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Dale Leda, Interim City Engineer

TITLE: **HALF MOON BAY SEWER COLLECTION SERVICES BUDGET AND SYSTEM MAINTENANCE AGREEMENT WITH SEWER AUTHORITY MID-COASTSIDE**

RECOMMENDATION:

Adopt a resolution:

1. Approving the FY 2026-27 Sewer Authority Mid-Coastside Contract Collection Services Budget of $912,935 and the total participating agency revenue requirement of $960,622 included as Exhibit A to this resolution, of which the City's share is $331,415.

2. Authorizing the City Manager to execute Amendment No. 9 to the sewer collection system maintenance professional services agreement with SAM, establishing the FY 2026-27 annual cost for the City's share at $331,415 and extending the Agreement for one additional year, through June 30, 2027.

FISCAL IMPACT:

The FY 2026-27 cost for SAM collection system maintenance services is $331,415, which represents an increase of $97,750, or approximately 42%, from the FY 2025-26 adopted amount of $233,665. The cost has been included in the proposed FY 2026-27 Sewer Operating Budget. Collection system maintenance services are funded by sewer user fees and were anticipated as part of the City's sewer rate structure.

SAM's total FY 2026-27 proposed Contract Collection Services Budget is $912,935, with total required agency revenue of $960,622 after accounting for a $47,687 adjustment related to the difference between collections assessment revenue and collections expenses identified in SAM's Fiscal Year End June 30, 2025, audited financial statements. Half Moon Bay's share of the FY 2026-27 agency assessment is $331,415, or approximately 34.5% of the total, with the remaining shares allocated to Granada Community Services District and Montara Water and Sanitary District.

STRATEGIC ELEMENT:
This action supports the *Infrastructure and Environment, Healthy Community/Public Safety,* and *Fiscal Sustainability* elements of the Strategic Plan.

BACKGROUND:
The City owns and operates approximately 35 miles of sewer main lines, including three pump stations and three force mains, collectively known as the sewer collection system. These facilities require routine cleaning, inspection, maintenance, emergency response, and regulatory support to ensure proper operation and compliance with applicable wastewater collection system requirements.

Since 2018, the City has used a hybrid model for sewer collection system maintenance. Under this model, SAM provides contracted field maintenance and response services, while City staff performs fats, oils, and grease inspections and closed-circuit television inspections. SAM's services include routine sewer main cleaning, designated hot spot cleaning, lift station services, sanitary sewer overflow response, 24/7 emergency response, and related planning, management, and reporting. SAM has provided collection system maintenance services to its member agencies since 1988, and the scope of services has evolved over time to meet changing regulatory requirements and the operational needs of the member agencies.

Last year, the City Council approved the FY 2025-26 SAM Collections Budget and Amendment No. 8, establishing the annual cost at $233,665 and extending the agreement through June 30, 2026. For FY 2026-27, Staff recommends approval of Amendment No. 9 to continue these services for one additional year.

DISCUSSION:
As a Joint Powers Authority, SAM is authorized to provide contract services to its member agencies. Each year, SAM prepares a Contract Collection Services Budget in coordination with member agency staff and presents the budget to the SAM Board of Directors before submitting it to the participating agencies for approval.

For FY 2026-27, SAM has proposed a total Contract Collection Services Budget of $912,935. The budget is allocated among the three participating agencies based on the percentage of work required for each agency. Half Moon Bay's proposed share is $331,415, Granada Community Services District's share is $273,777, and Montara Water and Sanitary District's share is $355,430. Half Moon Bay's share represents approximately 34.5% of the total agency allocation. The distribution of collection costs are outlined in the 1988 Collections Agreement and are based on several values, including the linear feet of pipeline requiring cleaning each year, the number of hotspots requiring supplemental cleaning, and the number of lift stations and manholes requiring basic inspection and cleaning services.

The scope of services remains generally consistent with the existing agreement. SAM will continue to provide sewer main cleaning, hot spot cleaning, lift station maintenance, emergency response, and related collection system support services. These services are

essential to maintaining the reliability of the City's sewer collection system and reducing the risk of sanitary sewer overflows.

The FY 2026-27 increase is primarily driven by personnel costs, which represent the majority of the proposed budget. SAM's staff report notes that collection system maintenance is a staff-intensive activity, with wages and benefits accounting for approximately 91% of the total budget. Other significant costs include insurance premiums and supplies, estimated at $38,500 and $31,500, respectively. SAM identified the significant budget change as an increase in personnel expenses related to an approved 4% cost-of-living adjustment and applicable 3% step increases.

SAM's FY 2026-27 budget also includes a $47,687 adjustment to account for the difference between collections assessments received from member agencies and collections expenditures identified in SAM's FYE June 30, 2025 audited financial statements. This adjustment is incorporated into the total revenue required from the member agencies for FY 2026-27.

CONCLUSION:
Staff recommends approval of Amendment No. 9 to update the City's annual contract amount to $331,415 and extend the agreement for one additional year, through June 30, 2027. Continuing the agreement will allow SAM to provide uninterrupted collection system maintenance and emergency response services for the City.

ATTACHMENT:
1. Resolution
2. SAM FY 2026-27 Collections Staff Report

Resolution No. C-2026-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY APPROVING THE FISCAL YEAR 2026-27 SEWER AUTHORITY MID-COASTSIDE (SAM) COLLECTIONS BUDGET AND AUTHORIZING THE CITY MANAGER TO EXECUTE AMENDMENT NO. 9 TO THE PROFESSIONAL SERVICES AGREEMENT WITH THE SEWER AUTHORITY MID-COASTSIDE FOR SEWER COLLECTION SYSTEM CLEANING, MAINTENANCE AND RELATED SERVICES

WHEREAS, City of Half Moon Bay representatives have reviewed and provided input on the proposed Collections (Contract Services) Budget of the Sewer Authority Mid-Coastside (SAM) for Fiscal Year 2026-27; and

WHEREAS, the proposed SAM Collections Budget totals $912,935 for FY 2026-27, an increase from the FY 2025-26 adopted budget of $763,556; and

WHEREAS, the total FY 2026-27 revenue requirement for the participating Member Agencies is $960,622, which includes a $47,687 adjustment related to the difference between collections assessments received from Member Agencies and collections expenditures identified in SAM's FYE June 30, 2025 audited financial statements; and

WHEREAS, the City's share of the FY 2026-27 SAM Collections Budget totals $331,415, representing approximately 34.5 percent of the total; and

WHEREAS, the City entered into a professional services agreement with the Sewer Authority Mid-Coastside on July 23, 2018, with annual amendments; and

WHEREAS, the City has worked with SAM and the Member Agencies to develop a cost-sharing arrangement for FY 2026-27; and

WHEREAS, the cost-sharing agreement calls for continuance of the same level of cleaning, no less than 50 percent of all lines plus "Hot Spots"; and

WHEREAS, the agreement continues to allow the City to manage its Fats, Oils, and Grease (FOG) program.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Half Moon Bay hereby:

1. Approves the Collections Budget of SAM for FY 2026-27 of $912,935 and the total participating agency revenue requirement of $960,622 attached as Exhibit A to this resolution, of which the City's share is $331,415; and
2. Authorizes the City Manager to execute Amendment No. 9 to the Professional Services Agreement with the Sewer Authority Mid-Coastside, extending the expiration date to June 30, 2027.

****

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 5th day of May 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

_____
Maggie Rodriguez, Interim City Clerk

APPROVED:

_____
Debbie Ruddock, Mayor

CONTRACT COLLECTION SERVICES BUDGET
Consolidated (Half Moon Bay, GCSD, MWSD)

EXHIBIT A

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	EXPENDITURES					Under/(Over)	
	Personnel						
1	Wages	428,087	411,473	465,000	491,000	79,527	19%
2	Premium Pay	56,738	62,809	56,631	62,800	(9)	(0%)
3	Health Benefits	131,782	147,525	145,948	172,900	25,375	17%
4	Retirement Cont.	33,869	35,250	46,674	49,550	14,300	41%
5	Retiree Med/OPEB	658	7,300	7,650	9,000	1,700	23%
6	Misc. Benefits	26,968	30,921	31,889	38,900	7,979	26%
7	Subtotal	678,102	695,278	753,790	824,150	128,872	19%
	Non-Personnel						
8	Legal Services	-	-	-	-	-	-
9	Engineering Services	-	-	-	-	-	-
10	Professional Services	41	-	-	-	-	-
11	Prof. Memberships	-	-	-	-	-	-
12	Insurance Premiums	33,403	26,038	36,217	38,500	12,462	48%
13	Misc. Expenses	4,615	5,926	5,416	6,915	989	17%
14	Utilities	5,804	7,151	6,950	7,620	469	7%
15	Travel & Training	2,324	2,815	2,625	4,250	1,435	51%
16	Equipment Rental	-	-	-	-	-	-
17	Bldg & Maint Services	-	-	-	-	-	-
18	Chemicals	-	-	-	-	-	-
19	Permits & Licenses	-	-	-	-	-	-
20	Supplies	16,856	26,348	29,154	31,500	5,152	20%
21	Equipment	-	-	-	-	-	-
22	Infrastructure	-	-	-	-	-	-
23	Claims/Penalties	-	-	-	-	-	-
24	Repairs & Maintenance	-	-	-	-	-	-
25	Subtotal	63,042	68,278	80,362	88,785	20,507	30%
26	**TOTAL**	**741,144**	**763,556**	**834,152**	**912,935**	**149,379**	**20%**

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	624,145	763,556	687,251	912,935	149,379	20%
28	NDWSCP Fees	-	-	-	-	-	-
31	Interest Earnings	-	-	-	-	-	-
32	Misc. Revenue	-	-	-	-	-	-
33	(From)/To Reserves (*)	-	(76,305)	-	47,687		
34	**REVENUE TOTAL**	**624,145**	**687,251**	**687,251**	**960,622**	**149,379**	**22%**
	By Agency:						
35	Half Moon Bay	212,209	233,665	233,665	331,415	97,750	42%
36	Granada CSD	174,761	192,431	192,431	273,777	81,346	42%
37	Montara WSD	237,175	261,155	261,155	355,430	94,275	36%
38	**TOTAL**	**624,145**	**687,251**	**687,251**	**960,622**	**273,371**	**40%**

	PASS THROUGH	
17A	Pass Through Expenses	297,736
29	Pass Through Revenue	297,736
	Balance	-

(*) Figure represents difference between collections assessments received from Member Agencies & Collections expenditures as noted in the FY 24-25 audited financial statements and added to the budgeted expense.

DRAFT 3/3/2026

SEWER AUTHORITY MID-COASTSIDE

Staff Report

TO: Honorable Board of Directors

FROM: Kishen Prathivadi, General Manager

SUBJECT: **Discuss Proposed Contract Collection Services Budget for FY 2026/27 and Authorize the General Manager to Submit it to the Member Agencies for Approval**

Executive Summary

The purpose of the report is to discuss the Contract Collection Services Budget for FY 2026/27 and authorize the General Manager to submit it to the Member Agencies for approval.

Fiscal Impact

This contract is separate from the SAM Operating Budget, since it is a contract for SAM to provide maintenance services for the three Member Agencies' wastewater systems. The total cost to provide the Member Agency requested services for Fiscal Year 2026/27 is $912,935. This amount is payable to SAM as contract service fees from the served Member Agencies, allocated by the percentage of work required for each agency. This is an overall increase in fees of $149,379 from FY 2025/2026. The following table shows the history of fees for each agency for the past two years, the current year, and the upcoming year.

Please note, FY 2026/2027 budgeted member agency Collections Assessment has been increased by $47,687. This amount represents the difference between Collections assessment revenue and Collections expenses as noted in SAM's FYE June 30, 2025 audited financial statements.

BOARD MEMBERS:	**N. Marsh**	**B. Dye**	**S. Boyd**
	P. Nagengast	**D. Ruddock**	**K. Slater-Carter**
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	M. Allen		

Contract Fees for Each Contracting Agency

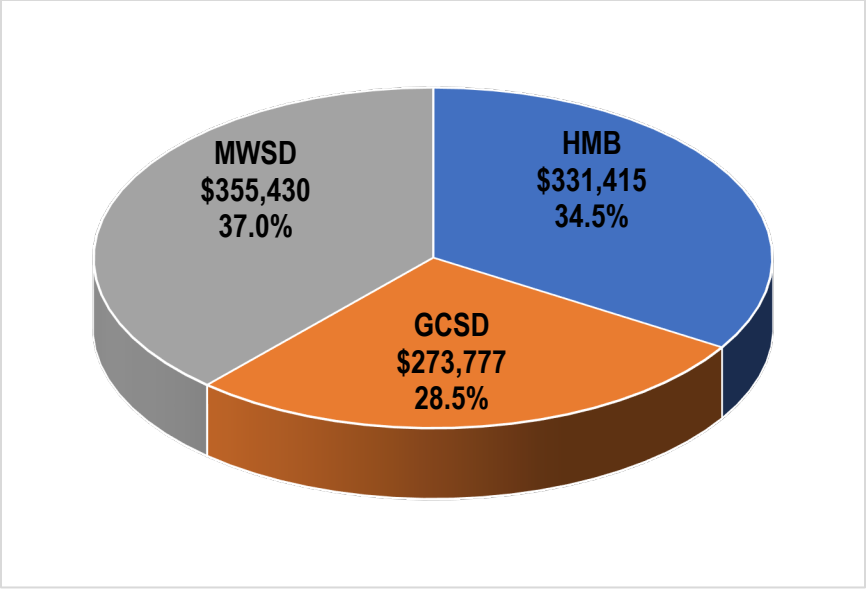
	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Adopted	FY 2026-27 Proposed	$ Change	% Change
Half Moon Bay	$ 263,824	$ 212,209	$ 233,665	$ 331,415	$ 97,750	42%
Granada CSD	$ 217,267	$ 174,761	$ 192,431	$ 273,777	$ 81,346	42%
Montara WSD	$ 294,862	$ 237,175	$ 261,155	$ 355,430	$ 94,275	36%
	$ 775,953	$ 624,145	$ 687,251	$ 960,622	$273,371	40%

The pie-chart below details the allocation of the proposed budget for each Member Agency

Strategic Plan Compliance

The recommendations in the proposed budget comply with SAM Strategic Plan Goal 5.6: *"SAM is committed to providing quality collection system maintenance service for the Coastside. It will seek to offer the type of agile and responsive service and cost that wins that business. However, SAM resources should not be used to backstop collection service without appropriate compensation and pre-planning so it does not impact SAM operations and maintenance."*

Background and Discussion/Report



The Proposed Contract Collections Services Budget has been discussed by the member agency managers and by the Finance Committee. The presentation today is

for the Board to review and follow-up with agency staff and respective Council/Board for comment. Approval of the proposed budget will take place later.

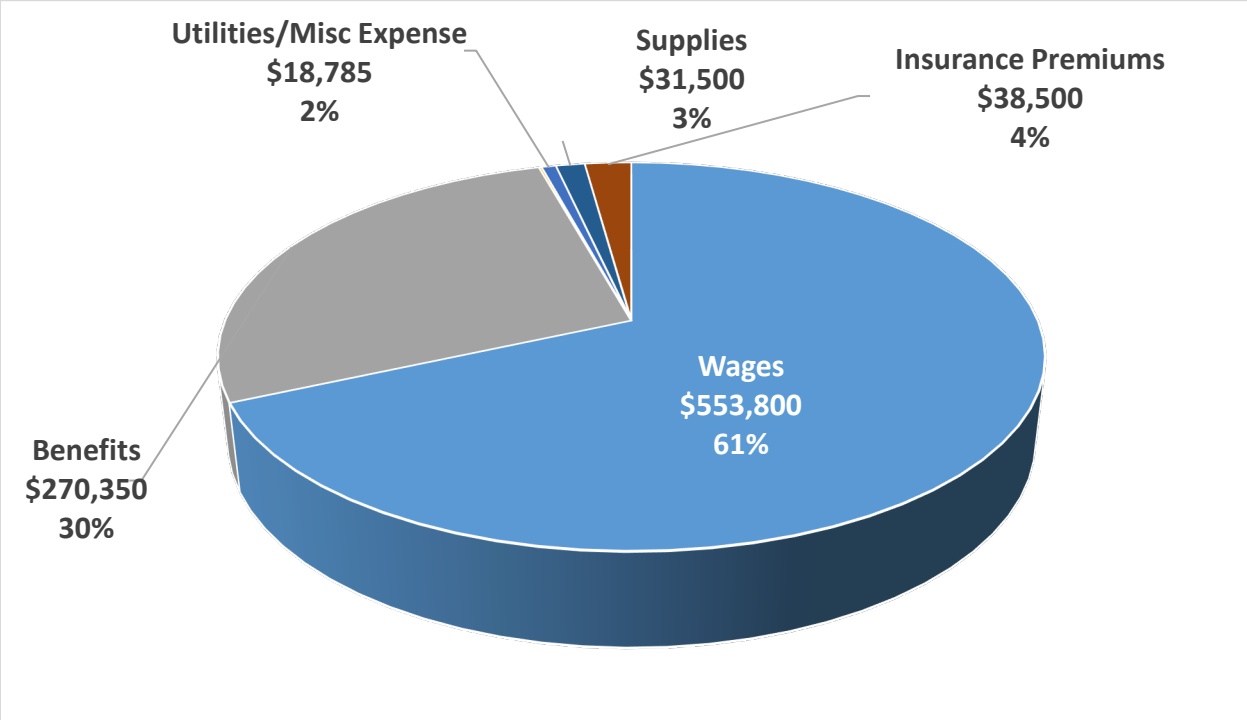
SAM has provided collection system maintenance services to its member agencies since 1988. The scope of services has changed over the years to meet regulatory requirements and individual needs of the Member Agencies. The cost allocation methodology has evolved over the years as well. Couple of years back, the Member Agency Managers, the SAM Manager, and consultants worked in concert to develop a method of allocation based on the needed services of each agency. We are confident that the cost allocation presented reflects more accurately that method and those needs.

Beginning July 1, 2020 the minimum service level provided by SAM entailed cleaning at least fifty percent (50%) of the collection system's pipelines, cleaning of designated Hot Spots per an agreed upon schedule, providing lift station services as defined, providing emergency response throughout the year, and planning, managing and reporting as needed to ensure all needs of each Member Agency's service area collection system are met.

The proposed budget includes obligations for wages and benefits as stipulated in employment and bargaining contracts. It also includes utilities, fuel, and other expenses needed to perform all the contracted services.

The pie chart on the next page details budget expenditures.

BOARD MEMBERS:	**N. Marsh**	**B. Dye**	**S. Boyd**
	P. Nagengast	**D. Ruddock**	**K. Slater-Carter**
ALTERNATE MEMBERS:	**B. Softky**	**J. Randle**	**W. Bowles**
	M. Allen		



The performance of collection system maintenance is a very staff-intensive activity and as a result most costs (91%) as shown above are Wages and Benefits for personnel to perform the work. Other significant costs are Insurance Premiums & the cost of supplies estimated to be $38,500 and $31,500 respectively. All other costs combined are around 2% of the total overall budget.

Significant Changes to the Budget:

1. Increase of Personnel expenses by $79,527 based on the approved MOU increase of 4% COLA and applicable step increase which is 3%.

Staff Recommendation

Staff recommends that the Board of Directors authorize the General Manager to submit the Contract Collection Services Budget for Fiscal Year 2026/27 to the participating agencies for approval.

Supporting Documents

Attachment A: Contract Collection Services Budget for FY 2026/27

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 5, 2026**

TO: Honorable Mayor and City Council

VIA: Matthew Chidester, City Manager

FROM: Karen Decker, Interim Deputy City Manager

TITLE: **CARTER PARK FEE SCHEDULE**

RECOMMENDATION:
Adopt a resolution approving a tiered fee schedule for Carter Park and direct staff to monitor utilization and return with adjustments as needed.

FISCAL IMPACT:
No cost is associated with this item. Revenue generated through facility rentals will offset direct costs including staff time for event coordination and oversight, routine maintenance, utilities, and long-term asset upkeep.

STRATEGIC ELEMENT:
This update supports the *Fiscal Sustainability*, *Inclusive Governance*, and *Infrastructure and Environment* Elements of the Strategic Plan.

BACKGROUND:
Carter Park was identified in the Parks Master Plan adopted in 2018 as an underutilized community space and was recently renovated and designed to accommodate community gatherings, performances, and small-to-medium-sized events. As a newly enhanced park, establishing a clear and equitable fee structure is necessary to guide its use, ensure fair access, and support ongoing maintenance and operations.

To inform the proposed fee schedule, staff conducted a comparative analysis of similar publicly operated outdoor venues throughout the Bay Area, along with a review of private event and ceremony pricing within Half Moon Bay. This dual analysis provides both a public-sector benchmark and a market-based context for pricing.

DISCUSSION:
<u>Local Market Context (Half Moon Bay)</u>
Private event and ceremony venues in Half Moon Bay demonstrate strong pricing demand, particularly for coastal locations:

- Luxury venues, such as The Ritz-Carlton, typically charge ceremony site fees of approximately $1,500 to $3,000 or more, often tied to larger food and beverage minimums.
- Mid-range venues, including Oceano Hotel & Spa, offer bundled wedding packages ranging from approximately $15,000 to $28,000 or more.
- Smaller venues and restaurant buyouts generally range from approximately $2,300 to $8,000 for modest-sized events.

Even simplified ceremony-only events frequently cost several thousand dollars, reflecting the premium associated with coastal destinations. This context supports the value of a publicly accessible venue that offers a more affordable alternative while still capturing appropriate market value.

Public-Sector Benchmarking

Staff evaluated comparable municipally operated outdoor venues to establish an appropriate pricing range:

- The Leo J. Ryan Park Amphitheater in Foster City charges approximately $164 to $342 per hour, translating to roughly $1,300 to $2,700 for a full-day use. This facility represents the closest comparable in scale and function.
- The Jerry Garcia Amphitheater in San Francisco charges approximately $2,892 per day for nonprofit users and $5,785 for commercial events, reflecting a larger, high-demand regional venue.
- Smaller neighborhood parks, such as Memorial Park in Cupertino, offer highly subsidized rates as low as $55 to $75 for short-duration use.

This analysis indicates that Carter Park falls between a neighborhood park and a regional destination venue.

Pricing Positioning

Based on the analysis, Staff recommends that Carter Park is best positioned as a **mid-tier civic amphitheater**, with pricing that:

- Preserves access for local community organizations
- Reflects the value of a coastal event space
- Aligns with regional public-sector benchmarks
- Avoids underpricing a high-demand public asset

A target daily rate range of approximately $1,000 to $2,500 for typical use is consistent with comparable facilities, with higher rates for commercial or high-impact events.

The proposed fee schedule is designed to achieve partial cost recovery for the operation, maintenance, and administration of the Carter Park Amphitheater while maintaining affordable access for community-based organizations.

Proposed Fee Structure

Tiered User Categories

The proposed model aligns with industry best practices by differentiating fees based on user type:

- Local Nonprofit / Community Organizations: Subsidized rates to support community programming
- Residents / Private Events: Moderate cost recovery
- Non-Resident / Regional Users: Higher cost recovery
- Commercial Events: Market-rate pricing for revenue-generating activities

Certain events may be more appropriately managed under a special event or negotiated license agreement. This determination will be made at staff discretion based on their size, impact, and nature.

Proposed Rates

User Category	Hourly	Half-Day (Up to 5 Hours)	Full Day (Up to 10 Hours)
Local Nonprofit / Community	$100	$450	$800
Resident / Private Event	$200	$900	$1,600
Non-Resident / Regional	$250	$1,125	$2,000
Commercial / Ticketed Event	$350	$1,650	$3,150

This structure provides predictable pricing while incentivizing longer bookings through discounted half-day and full-day rates.

Cost Recovery and Additional Fees

To ensure the City does not subsidize high-impact or resource-intensive events, additional cost recovery measures are recommended:

- Application fee: $150 (non-refundable)
- Security deposit: $300–$500
- Staffing (required): approximately $50 per hour
- Overtime: 1.5 times hourly rate
- Setup/teardown (additional day): 50% of daily rate
- Cleaning: actual cost, with a minimum of $150
- Insurance requirement: $1 million to $2 million coverage

These fees are consistent with standard practices across comparable agencies and ensure that operational costs are appropriately recovered.

Optional Pricing Enhancements

To ensure cost recovery and address the increased operational impacts associated with higher attendance levels, the following tiered fee adjustments may be applied:

Capacity-Based Adjustments
To reflect increased operational impacts:

- 1–50 attendees: base rate
- 51–150 attendees: +25%
- 151–300 attendees: +50%
- 300+ attendees: subject to special event permit and custom pricing

Implementation of these adjustments may be phased in the future, following an initial evaluation period to assess usage patterns, operational demands, and cost recovery outcomes.

Commercial Event Pricing
For ticketed or revenue-generating events, the City may consider:

- A base rental fee plus 10–15% of gross revenue, or
- A higher flat fee for ease of administration

Other Key Considerations
In developing the fee structure, staff identified several best practices:

- Ensure staff time and operational costs are fully accounted for
- Maintain clear differentiation between user types to promote equity
- Provide flexible pricing options (hourly, half-day, full-day)
- Capture appropriate value for commercial uses without limiting community access

The Parks and Recreation Commission received a presentation on April 22, 2026 and recommends adoption of the proposed tiered fee structure for Carter Park.

CONCLUSION:
Following implementation, staff will:

- Monitor utilization and demand over a 12–18 month period
- Evaluate cost recovery performance
- Recommend adjustments to rates as needed based on market conditions and usage patterns
- Explore long-term agreements or permits for recurring events where appropriate

The proposed fee schedule positions Carter Park as a mid-tier civic amphitheater with community-first pricing and scalable rates for private and commercial use. This approach balances equitable access, fiscal responsibility, and alignment with regional market conditions, ensuring the long-term sustainability of the facility while supporting community activation.

ATTACHMENTS:

1. Resolution
2. Proposed Fee Schedule

RESOLUTION NO. C-2026-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY ADOPTING A TIERED FEE SCHEDULE FOR CARTER PARK

WHEREAS, Carter Park was identified in the City's adopted Parks Master Plan as an underutilized community space and has since been renovated to accommodate community gatherings, performances, and small- to medium-sized events; and

WHEREAS, establishing a clear and equitable fee structure is necessary to guide use of the facility, provide transparent expectations for users, and support ongoing maintenance and operations; and

WHEREAS, a comparative analysis of similar publicly operated outdoor venues throughout the Bay Area, as well as a review of private event pricing within Half Moon Bay, helped inform the recommended fee structure; and

WHEREAS, the proposed tiered fee schedule differentiates user categories to promote equitable access, including local nonprofit organizations, residents, non-residents, and commercial users; and

WHEREAS, additional cost recovery measures, including application fees, security deposits, staffing costs, and insurance requirements, are consistent with industry standards and ensure that high-impact events do not impose undue costs on the City.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of Half Moon Bay adopts the proposed tiered fee schedule for Carter Park:

*****

Attachment 2

Proposed Fee Schedule

John L. Carter Park

Amphitheater
Auditorium: 661

User Category	Hourly	Half Day (up to 5 hours) / Full Day (up to 10 hours)	Deposit
Local Nonprofit/ Community	$100	$450 / $800	$300
Private Event	$200	$900 / $1600	$500
Non-resident/ Regional User	$250	$1125 / $2000	$500
Commercial / Ticketed event	$350	$ 1650 / $ 3150	$500

Proposed Additional Fees

- Application fee: $150 (non-refundable)
- Staffing (required): approximately $50 per hour
- Overtime: 1.5 times hourly rate
- Setup/teardown (additional day): 50% of daily rate
- Cleaning: actual cost, with a minimum of $150
- Insurance requirement: $1 million to $2 million coverage

From: [redacted]
To: Maggie Rodriquez
Cc: [redacted]
Subject: 555 Kelly Ave Message of Support
Date: Monday, May 4, 2026 1:12:22 PM

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Attn: Half Moon Bay City Council
535 Kelly Avenue
Half Moon Bay, CA 94019

RE: 555 Kelly Ave.

Dear Half Moon Bay City Council,
The opportunity to provide the elders of your local farmworker community with safe, affordable, thoughtfully designed housing for 40 and a community resource center has had ample citizen input and prior approvals. It should be a slam-dunk, no-brainer, boldly **YES** decision to move this project forward, to proceed as proposed.

As a longtime, loyal volunteer to the ALAS nonprofit organization, all the way from Berkeley, CA, I send this letter of support advocating for the 555 Kelly Senior Farmworker Housing Project. It has been too long delayed, after all the promises following the tragic shooting and the exposure of the inadequate, substandard housing situation for many farmworkers. The groundbreaking, community-minded proposal has been well-designed and prepared with love, dedication and forethought. The affordable housing project for senior farmworkers can only benefit your larger community, by bringing the city into compliance with state housing regulations (your city being the only SF Bay Area city out of compliance). It will be a much-needed, dignified response to the housing crisis and will allow Half Moon Bay to serve as a model for other CA and beyond cities to do the right thing for the long-neglected, hardest working backbone of the food ecosystem (from which we ALL benefit), your local farmworkers.

Please vote YES and proceed. Thank you for your consideration.
--
Lia Turk
[redacted]
Berkeley, CA 94705
[redacted]

From: [redacted]
[redacted] Maggie Rodriguez
Subject: 555 Kelly
Date: Monday, May 4, 2026 3:12:15 PM

You don't often get email [redacted].com. Learn why this is important

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I am strongly in favor of this project and would like to say so very briefly at the meeting tomorrow night. Thanks.

Roberta Gelt
Coastside Residents since 1980

"If you think you are too small to make a difference, try sleeping with a mosquito"

His Holiness, the Dalai Lama

From: [redacted]
[redacted] Maggie Rodriguez
Subject: Comments to 11.A ADOPTION OF ORDINANCE FOR THE 555 KELLY AFFORDABLE HOUSING PROJECT, May 5 2026
Date: Monday, May 4, 2026 9:25:00 PM

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Forgot to add you…

From: [redacted]>
Sent: Monday, May 4, 2026 9:22 PM
To: DPenrose@hmbcity.com; pnagengast@hmbcity.com; pjonsson@hmbcity.com; 'Debbie Ruddock' <DRuddock@halfmoonbay.gov>; 'RBrownstone@hmbcity.com' <rbrownstone@hmbcity.com>
Cc: MChidester@hmbcity.com
Subject: Comments to 11.A ADOPTION OF ORDINANCE FOR THE 555 KELLY AFFORDABLE HOUSING PROJECT, May 5 2026

Mayor & Council Members

I write regarding your pending approval of the agreements for the 555 Kelly project. Although this action is being characterized as procedural, the record makes clear that it is not. The decision before you is discretionary, legally consequential, and subject to scrutiny under established standards of review.

Communications involving the California Department of Housing and Community Development (HCD) reflect that the project sponsor has already sought guidance on how to proceed in the event the Council declines to approve these agreements, including the potential for escalation, legal remedies, or removal of the decision from this body's control. That context is critical. It indicates that this vote is not occurring in a neutral environment—it is occurring under the shadow of anticipated challenge.

That raises a threshold issue:

Are you exercising independent judgment based on a legally sufficient record, or are you being influenced—implicitly or explicitly—by the perceived consequences of a "no" vote?

If the latter is a factor, it directly implicates your obligations as decision-makers.

As elected officials, you are required to base discretionary land use decisions on substantial evidence, consistent application of governing law, and a rational, defensible record. A decision made primarily to avoid litigation, state intervention, or political escalation is vulnerable under multiple standards of review, including arbitrariness, failure to exercise independent judgment, and inconsistency with statutory requirements.

Equally important, reliance on prior approvals does not insulate this action. Where underlying assumptions have shifted, or where there is reason to question the continuing validity of those approvals, the Council has an affirmative duty to reassess. Proceeding without that

reassessment risks creating a record that is internally inconsistent or legally deficient.

In practical terms, a “yes” vote under these conditions carries identifiable exposure:

- It may be challenged as an abuse of discretion if not supported by substantial evidence in the current record;
- It may be subject to claims that the Council failed to exercise independent judgment if external pressures influenced the outcome;
- It may create liability for the City if approvals are later found to rest on an unsupported or outdated legal premise; and
- It may expose the decision to heightened judicial scrutiny where the record reflects awareness of unresolved legal concerns at the time of approval.

To be direct: approving an action while acknowledging unresolved legal questions does not mitigate risk—it amplifies it. It establishes a record that the Council was aware of potential deficiencies and proceeded regardless.

Each member of this Council should be able to state, prior to voting:

- That the legal basis for the project has been independently validated under current standards;
- That the evidentiary record supporting this action is complete and internally consistent; and
- That the decision is being made free of undue influence arising from anticipated litigation or external pressure.

If those statements cannot be made with confidence, then proceeding exposes the City to avoidable legal challenge and calls into question whether the Council has fulfilled its duty of care and its obligation to exercise reasoned, independent judgment.

This is a real decision with real consequences. If you move forward without being sure the legal foundation is solid, you are taking on risk for the City. If you are confident, you should be able to explain clearly why.

Hazel Joanes

From: Matthew Chidester
To: Maggie Rodriguez; Bazzano, Denise S.
Cc: Leslie Lacko
Subject: Fw: 555 Kelly public comment
Date: Monday, May 4, 2026 1:24:44 PM

FYI

From: [redacted]
Sent: Monday, May 4, 2026 1:21 PM
To: Debbie Ruddock <DRuddock@halfmoonbay.gov>; Deborah Penrose <DPenrose@halfmoonbay.gov>; Robert Brownstone <RBrownstone@hmbcity.com>; Patric Jonsson <pjonsson@halfmoonbay.gov>; Paul Nagengast <pnagengast@hmbcity.com>
Cc: Matthew Chidester <mChidester@halfmoonbay.gov>; 'Ashton Hacke' <ashton@coastsidenewsgroup.com>
Subject: 555 Kelly public comment

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I am writing as an opponent of the 555 Kelly project, but not an opponent of truly affordable housing. The problem here is this is another case of business as usual, with the premise that there is a terrible problem of affordability (and there is), and the sentiment that "we have to do something", even at any cost. Mercy and its pet contractors feed at the trough of public funding, and the cycle continues. In fact, in my opinion we have a moral obligation to house as many people as possible with available funds. This project fails that test miserably, at well over $1mm per apartment, and perpetual rental subsidy of $17,000 per apartment per year now, increasing to over $27,000 per year at the 15 year mark, and more past that. Sure, that's County money for the subsidy (if it even/ever happens), but that's our tax dollars as well.

But, there is a significant problem with the way Mercy is trying to qualify this project for the density bonus credit. The credit REQUIRES project location being in proximity to a "major transit stop". This furthers the goals of providing transit options for residents, decreased VMT, decreased vehicular congestion, decreased greenhouse gas production. As an email from the Mercy consultant shows, they are getting "creative" in making novel and unsupported claims of proximity to transit. Call it a Mobility Hub or whatever you will, it does not change the fact that there are only a couple of buses per day along SR-1, in and out of HMB. This is a far cry from the required 15 minute service interval. Moreover, despite the "creative" interpretation from Mercy, the existing level of transit service does not serve the intent of the transit oriented development priorities.

Without transit proximity, the project does not qualify for the density bonus, and cannot be

built at the size proposed. The fact that the City is willingly and knowingly going along with this fiction is dishonest, and unbecoming of Council members and staff. The creative approach endorsed by Mercy is likely legally challengeable.

Following is an email from the Mercy consultant to MTC. It is pretty damning, showing the lengths to which Mercy will go to try to shoehorn this project into a box. There is in fact, no equivalency between a "major transit stop", and the claimed capabilities of a "Mobility Hub" in HMB. The reality does not comport with the fiction proposed.

I am under no illusions as to the intent of the City to shove this project through, nor am I under any illusions as to the possibility of this email changing any votes – there is momentum, groupthink, and denial of reality well entrenched in the thinking of Council and staff. But I need to get this concern on record, to emphasize the dishonesty being employed here. Please do the right thing, even at this late date.

EMAIL TEXT FOLLOWS:

From: [redacted]

Sent: Tuesday, June 18, 2024 1:21 PM

To: Evans, Jessica@HCD <Jessica.Evans@hcd.ca.gov>

Cc: Kelly Hollywood <Kelly.Hollywood@mercyhousing.org>; Higley, CJ x4942 <CJHigley@fbm.com>; Ramie Dare <RDARE@mercyhousing.org>

Subject: 555 Kelly - Major Transit Stop in Regional Transportation Plan per PRC 21155

Hi Jessica,

I was working on creative interpretations to get us to the major transit stop and I may have found one. 555 Kelly may be located within one-half mile of major transit stop identified by the regional transportation plan. Plan Bay Area 2050, the Bay Area's regional transportation plan (RTP), doesn't identify major transit stops, but another MTC/ABAG program called Mobility Hubs, does identify transportation hubs. See the attached analysis.

We are working with MTC to better understand how these Mobility Hubs were identified and whether they might serve the purpose of major transit stops under the RTP. The mobility hub program is implementing strategies of the RTP, per its intro statement:

> "The mobility hub program is a Climate Initiative Strategy from Plan Bay Area 2040. The primary goal is to reduce greenhouse gas emissions by reducing vehicle miles traveled. The program supports other regional and Plan Bay Area goals of increasing transit access and connectivity, focusing growth, increasing transit-oriented development, and providing viable travel options to all Bay Area communities."

Alyssa Netto

Associate

(she/her/hers)

[redacted]

Attached analysis from Netto re Mobility Hub/major transit stop

The DBL provides that 100% affordable housing projects that are located within one-half mile of a major transit stop are not subject to any maximum controls on density.[1] Per the DBL "located within one-half mile of a major transit stop" means "that any point on a proposed development, for which an applicant seeks a density bonus . . . is within one-half mile of any point on the property on which a major transit stop is located. . . ."[2] Major transit stop has the same meaning as in Public Resources Code section 21155(b)[3] which states that "a major transit stop is as defined in Section 21064.3, except that, for purposes of this section, it also includes major transit stops that are included in the applicable regional transportation plan."[4] Section 21064.3 defines **major transit stop** to include **"the intersection of two or more major bus routes with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods."** Reading Section 21155(b) together with Section 21064.3, the DBL defines a major transit stop to include both (i) the intersection of two or more bus routes with headways of 15 minutes or less *or* (ii) a major transit stop that is included in a regional transportation plan.

The property is within one-half mile of a Mobility Hub as defined by the Metropolitan Transit Commission (MTC). While the MTC and Association of Bay Area Government's (ABAG) Plan Bay Area 2050 serves as the Bay Area's regional transportation plan, it does not list or identify any major transit stops. To help meet the goals of the regional transportation plan[5], MTC implemented the Mobility Hub program which identify **Mobility Hubs** throughout the Bay Area which **"are community anchors that enable travelers of all backgrounds and abilities to access multiple travel options — including shared scooters, bicycles and cars, and transit — as well as supportive amenities in a cohesive space".[6]** MTC has provided an interactive map of the Mobility Hubs.[7] Mobility Hub ID 10471 is located within Half Moon Bay. While the pinned location of Mobility Hub 10471 appears to be in the middle of a residential neighborhood, its transit type is identified as "Bus" which indicates that the Mobility Hub is intended to be a bus stop, the nearest of which is located at the intersection of Highway 1 and Belleville Boulevard. This bus stop intersection is located 0.5 miles from the 555 Kelly/Ted Adcock Community Center site. As 555 Kelly is within one-half mile of a Mobility Hub as

determined by MTC, the equivalent of a major transit stop under the regional transportation plan.

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[1] Cal. Gov. Code § 65915(f)(3(D)(ii).

[2] Cal. Gov. Code § 65915(O)(3).

[3] Cal. Gov. Code § 65915(O)(5).

[4] Cal. Pub. Res. Code § 21155(b).

[5] MTC, Mobility Hub Advisory Services: Siting Criteria, Screening Methodology, and Prioritization, 3, https://mtc.ca.gov/sites/default/files/Web_MTC%20Mobility%20Hubs_Siting%20Analysis%20Methodology%20FINAL.pdf

[6] Mobility Hubs Program Overview, ABAG. https://abag.ca.gov/technical-assistance/mobility-hubs-program-overview

[7] San Francisco Bay Region Mobility Hubs. https://mtc.maps.arcgis.com/apps/webappviewer/index.html?id=2885234dd1b447a6907aba83b343a0de

From: [redacted]
To: Maggie Rodriguez
Subject: I support the 555 Kelly project
Date: Tuesday, May 5, 2026 7:53:19 AM

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Honorable Council Member,

Your past work is greatly appreciated.
Please support the 555 Kelly project for Farmworker Housing. Thank you.

Suzanne Moore
[redacted]

From: [redacted]
To: Maggie Rodriguez
Cc: Debbie Ruddock; Deborah Penrose
Subject: Public Comment - May 5, 2026
Date: Monday, May 4, 2026 1:48:23 PM

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[CAUTION]: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Half Moon Bay City Council ,
I am writing to urge you to approve the proposal to build 40 housing units for Senior Farmworkers at 555 Kelly Avenue Half Moon Bay .

The very people who provide our food and have contributed to the local economy deserve this now .
This should not be delayed not just because they are Seniors but fundamentally it is the right thing to do.

Everyday when I go to the supermarket I am thankful for their labor .
Respectfully
Sandra Lang

Sent from my iPhone