

2.5 Street Improvements and Other Project Infrastructure.

Owner shall provide, or contribute towards, all street improvements to be located within or around the Property, including those portions of Fairview, Sunnyslope and Hillcrest Roads and related improvements as set forth in Specific Plan and attached Exhibit 7 ("**Fairview Road Improvements**") as well as all other Project Infrastructure in accordance with its obligations under this Agreement and as required by the Project Approvals.

2.6 Design of Project Infrastructure.

Development of the Property, including, without limitation, the Project Infrastructure, shall be subject to final design review by County in accordance with the Specific Plan and the County Code, as applicable. The Project Approvals, and all required master infrastructure plans and improvement plans prepared in connection with the Project Approvals and in accordance with the Specific Plan, shall govern the design and scope of all Project Infrastructure to be constructed on or benefiting the Property.

2.7 Affordable Housing.

(a) Owner shall reserve ten percent (10%) of the Project's total residential units for Moderate Income Households and Low Income Households (collectively, "**Affordable Units**"), of which at least five percent (5%) shall be reserved for Low Income Units; provided however, that Owner could substitute all or a portion of the Moderate Income Units for Low Income Units, so long as the total percentage of Affordable Units remains ten percent (10%). The required number of Affordable Units under this Section 2.7 shall be calculated based on the total number of Project units (both single-family and multi-family) actually constructed; provided, however, that in the event and to the extent Local Builder Lots are sold to Local Builders (in accordance with Section 2.8 below), any such Lots shall be subtracted from the total Project unit count for purposes of calculating the required number of Affordable Units.

(b) If Owner builds a combination of Moderate-Income and Low Income Units, then at least five percent (5%) of the Affordable Units shall be reserved for Low Income Units, and the remaining Affordable Units may be reserved as Moderate Income Units; provided, however, that up to ten percent (10%) of any Moderate Income Units may also be Age-Restricted.

(c) The Affordable Units may be either for-sale or rental units, and shall be deed-restricted for a period of thirty (30) years or longer ("**Affordability Term**"), depending on any terms of financing, from the initial sale or rental of each such unit. For-sale Affordable Units may convert to market rate units prior to the Affordability Term, if the homebuyer enters into an equity and appreciation sharing program with the County, the basic terms of which shall be consistent with attached Exhibit 10 ("**Affordable Housing Procedures**"); provided, however, that if County adopts a new equity and appreciation sharing program in the future, Owner may sell Affordable Units under those terms instead. The Affordable Units shall contain complete, separate and distinct facilities for living, sleeping, eating, cooking, and sanitation for a single person or a family, including a sleeping area, bathing and

sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator, and sink. The exterior of the Affordable Units shall be of similar quality and design to comparable market rate units within the Project, although interior finishes and amenities of the Affordable Units may be more modest than comparable market rate units.

(d) Owner shall complete construction of fifty percent (50%) of the Affordable Units prior to commencing construction of the Project's five hundredth (500th) unit ("**First Phase of Affordable Units**"), and shall complete construction of the remaining fifty percent (50%) of the Affordable Units prior to commencing construction of the Project's nine hundredth (900th) unit ("**Second Phase of Affordable Units**"); provided, however, that Owner may accelerate said Affordable Unit construction schedule so long as doing so is otherwise consistent with Owner's obligations under this Agreement and Subsequent Approvals.

(e) Owner shall conduct outreach, eligibility screening, and advertising and other marketing efforts for the purpose of renting or selling (as the case may be) the Affordable Units to eligible households ("**Initial Outreach and Marketing Period**") approximately one hundred eighty (180) days prior to the completion of construction for each Affordable Unit. With respect to Affordable Units offered for sale, in the event an Affordable Unit has not been sold during this 180-day period, then after the Certificate of Occupancy is issued for each said unit, Owner shall continue marketing the units for an additional 120 days ("**Additional Outreach and Marketing Period**") upon written notification to the County's Housing Department. During the Additional Outreach and Marketing Period, County may, but does not have the obligation to: (i) purchase said unit at a sale's price which equates to one hundred twenty percent (120%) of the area median income for San Benito County adjusted for bedroom size ("**AMI**") for a Moderate Income Unit, or 80% of AMI for a Low Income Unit, or (ii) assist with or undertake outreach, eligibility screening, and advertising and other marketing efforts for the purpose of renting or selling the Affordable Unit to an eligible household in accordance with Section 10.24 below. Owner shall use its best efforts to adequately market each Affordable Unit for the purpose of selling each unit to a qualified household, based on a comprehensive community wide outreach program, which could include, for example, brochures, flyers, media announcements and newspaper advertisements, as well as posting information at local public places such as libraries, community centers, post offices, schools, local businesses, churches, and offices of the County of San Benito and other public agencies within San Benito County.

(f) In the event an Affordable Unit(s) is not sold during either the Initial or Additional Outreach and Marketing Periods for said unit despite Owner's best marketing efforts as required in Section 2.7(e) above, then Owner shall be permitted to sell said Affordable Unit(s) at a price to be determined by Owner in its sole discretion upon notifying the County's Housing Department of its intent to do so; under such circumstances, said unit(s) shall no longer be subject to affordability restrictions, Owner shall be deemed to have complied with its affordable housing obligations for said unit(s), and Owner shall not be subject to any penalty under Section 2.7(i) below. Owner acknowledges that, as of the Effective Date, County does not have the financial resources or personnel available to manage the Project's

Affordable Units nor monitor and enforce the Project's obligations related thereto. Accordingly, to ensure the Affordable Units are made available to eligible households and remain affordable as required under this Section 2.7, Owner or a qualified third party experienced in providing such services (selected and paid for by Owner) shall manage the Affordable Units, as necessary, and shall monitor and enforce the Project's obligations related thereto until such time as County implements a Countywide program designed to accomplish these same objectives for other affordable units within the unincorporated County. Within six (6) months prior to the offering of the first (1st) Affordable Unit, Owner shall submit to County for its reasonable approval an implementation plan ("**Affordable Housing Implementation Plan**"), which shall contain, at minimum, the following information, an outline of which is set forth in the Affordable Housing Procedures.

(1) Name and contact information of the entity, whether Owner or a qualified third party, who will be responsible for implementation of the Project's Affordable Housing component as described in this Section 2.7, including managing the Affordable Units and monitoring and enforcing the Project's obligations related thereto.

(2) A description of the income eligibility determination process, including the method to be used to verify household income, the required documentation, and the manner in which complete and accurate books will be maintained.

(3) A description of the process by which the maximum allowable rent or sales price for an Affordable Unit (as the case may be) will be determined to ensure each unit's continued affordability for the required time period, both initially and for subsequent rental or sales, including the proposed standard form of lease or purchase and sales agreement and the proposed method(s) of deed restriction.

(4) For any Affordable Units that will be offered for sale, a description of any equity-sharing or other arrangements in connection with improvements made to the unit by the property owner.

(5) A description of the proposed marketing and outreach efforts, consistent with Owner's obligations in Section 2.7(e) above, to facilitate eligible households' access to the Affordable Units.

(g) Owner shall provide to County an annual status report as part of the Periodic Review (under Section 6 below) of its progress towards satisfying its affordable housing obligations under this Section 2.7. County shall have the right, but not the obligation, to review and/or audit books and records in connection with the Project's affordable housing obligations for purposes of monitoring overall compliance subject to Owner's management, monitoring and enforcement obligations under Section 2.7(e) and (f) above, and Owner (or the qualified third party) shall keep accurate and complete books and records, and shall make them reasonably available to County for this purpose. In addition to the annual status report referenced above, Owner shall provide an annual report to County's

Affordable Housing Committee on Owner's compliance regarding the affordable housing requirements set forth in this Agreement.

(h) At the time of resale of each for-sale Affordable Unit, the property owner shall pay County a five hundred dollar (\$500) administration fee along with County's share of equity and appreciation, if any, which shall be reinvested in the San Benito County Housing Trust Fund or other affordable housing programs in the County.

(i) In the event and to the extent Owner fails to satisfy its affordable housing obligations under this Section 2.7, County may withhold issuance of building permits for the Project until such time as Owner satisfies said obligations. In addition to withholding building permits, if Owner does not satisfy said obligations by the earlier of: full build-out of the Project or termination of this Agreement, then Owner shall pay to County the amount of Twenty-Five Thousand Dollars (\$25,000) for every Moderate Income Unit and Thirty-Five Thousand Dollars (\$35,000) for every Low Income Unit that was required but not constructed, which such funding County shall deposit in the San Benito County Housing Trust Fund for the purpose of facilitating affordable housing production elsewhere in the County.

2.8 Offer for Sale of Lots to Local, Small Builders.

Owner shall offer for sale a total of ten percent (10%) of the Project's single-family lots to Local Builders for the purpose of promoting additional variety in housing types and benefiting the local economy (collectively, "**Local Builder Lots**"). A total of sixteen (16) Local Builder Lots shall be offered for sale prior to commencement of construction of the Project's three hundredth (300th) single-family unit; a total of thirty two (32) Local Builder Lots shall be offered for sale prior to commencement of construction of the Project's four hundredth (400th) single-family unit; a total of forty eight (48) Local Builder Lots shall be offered for sale prior to commencement of construction of the Project's five hundredth (500th) single-family unit; a total of sixty four (64) Local Builder Lots shall be offered for sale prior to commencement of construction of the Project's six hundredth (600th) single family unit; and a total of seventy seven (77) (or the remaining balance due) Local Builder Lots shall be offered for sale prior to commencement of construction of the Project's seven hundredth (700th) single family unit. Owner shall advertise the sale of Local Builder Lots in a paper of local, general circulation and shall offer each Local Builder Lot for sale for a total of nine (9) months at the then-market rate based on comparable sales of similar lots; provided, however, if any such Local Builder Lot is ultimately not sold to a Local Builder during this required 9-month period, then Owner or another third party may construct a unit on said lot and all obligations within this Section 2.8 shall be deemed satisfied. Owner shall provide an annual status report of its progress in satisfying the Local Builder Lot obligations under this Section 2.8 as part of its Periodic Review (under Section 6 below).

2.9 Reservation of School Site.

Subject to the time limitations set forth below, Owner shall reserve a site for purposes of an elementary school designed to house approximately seven hundred (700) students, which is anticipated to be approximately eight to twelve (8 – 12) acres and located generally as designated on Exhibit 5 ("Project Land Use Plan") or as otherwise determined appropriate by County and the School District as set forth in Subsequent Approvals. In the