

Attachment I

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Stephen L. Vagnini
Monterey County Recorder
Recorded at the request of

CRSUSY
7/15/2014
10:01:47

RECORDING REQUESTED BY:

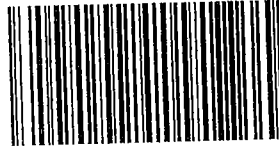
County of Monterey

WHEN RECORDED MAIL TO:

County of Monterey
Economic Development Department
168 West Alisal Street, 3rd Floor
Salinas, CA 93901
Attn: Housing Program Manager

County of Monterey

DOCUMENT: **2014032617**



Titles: 1/ Pages: 46

Fees...	
Taxes...	
Other...	6.00
AMT PAID	\$6.00

No fee for recording pursuant to
Government Code Section 27383

(Space above for Recorder's Use)

INCLUSIONARY HOUSING AGREEMENT

Pebble Beach Company Pebble Beach Del Monte Forest Plan PLN100138 Project

This INCLUSIONARY HOUSING AGREEMENT ("Agreement") is entered into as of this 14th day of July, 2014, by and between the COUNTY OF MONTEREY, a political subdivision of the State of California (the "County"), and Pebble Beach Company, a California general partnership (the "Developer"), with reference to the following facts:

- A. The County has adopted an Inclusionary Housing Ordinance, Monterey County Code Chapter 18.40, ("Chapter 18.40" or the "Ordinance") which requires that twenty percent (20%) of all new residential units developed in the unincorporated portions of the County be affordable to very low income, low income, and moderate income households and that allows, under specified circumstances, alternative means of compliance. The Ordinance is administered by the Economic Development Department.
- B. Developer is the owner of certain real property located in the Del Monte Forest in the County of Monterey, California, as more specifically described in Exhibit A attached hereto.
- C. For the purposes of this Agreement, Developer intends to develop a project that includes the subdivision of a portion of land owned by the Developer into 90 single family residential lots as a part of the "Pebble Beach Company Del Monte Forest Plan PLN100138 Project" (hereinafter referred to as the "Master Development") and was granted Combined Development Permits which included 12 vesting tentative subdivision map approvals (the "Approvals"). Pursuant to the Condition No. 18 of the Approvals, Developer is required to execute this Agreement as a condition of the First Approval (as defined below) of the Master Development by the County.

D. On June 19, 2012, the Board of Supervisors approved the Master Development (Resolution 12-149) and adopted findings when it approved the Combined Development Permits related to compliance with the Inclusionary Housing Ordinance. It was found that the execution and compliance with the terms of this Agreement would comply with the Inclusionary Housing Ordinance.

E. Developer is required by Chapter 18.40 and Condition No. 18 of the Approvals to enter into this Agreement, on terms acceptable to the Director of Economic Development. This Agreement is an Inclusionary Housing Agreement pursuant to Section 18.40.050F2 of the Ordinance. This Agreement is executed in conjunction with the First Approval for a total of ninety (90) single family residential lots in the Master Development (the "Market Rate Units"). This Agreement, as it may be amended, shall be recorded against the Property prior to the recordation of the first residential subdivision Final Map.

F. The Developer's obligations for compliance with the County's Inclusionary Housing Ordinance are contained in Condition No. 18 in Monterey County Board of Supervisors Resolution 12-149 approved on June 19, 2012, and modified by Minor and Trivial Amendment approved on May 28, 2014, which states as follows:

18. PDSP013 – INCLUSIONARY HOUSING (NON-STANDARD)

Condition/Mitigation
Monitoring Measure:

The project is subject to the County's Inclusionary Housing Ordinance, codified in Chapter 18.40 of the County Code. Prior to the recordation of the first Final Map, the applicant shall execute an Inclusionary Housing Agreement, in a form acceptable to the Economic Development Director, to provide for the required inclusionary housing, as modified by the Board of Supervisors. The Applicant shall comply with the Inclusionary Housing Ordinance as follows: 1) The Applicant shall deposit \$5 million with the County, to be held by the County in a separate interest bearing fund as security for the Applicant's development of an affordable (as defined in the Inclusionary Housing Ordinance) housing project or projects of at least 18 units in the Greater Monterey Peninsula Planning Area (including the incorporated cities located therein); 2) If the Applicant identifies, acquires, entitles, and constructs an affordable housing project or projects of at least 18 units in the Greater Monterey Peninsula Planning Area within five (5) years of the recordation of the first residential subdivision Final Map, the County shall return the \$5 million deposit, plus any accrued interest, to the Applicant; and 3) Failing identification, acquisition, entitlement, and construction of a project pursuant to (2) above within five (5) years of the recordation of the first residential subdivision Final Map, the \$5 million on deposit as security with the County, plus any accrued interest, shall convert

to County funds to be used for assistance in the development of affordable housing within the Greater Monterey Peninsula Planning Area (including the incorporated cities located therein) in compliance with the Inclusionary Housing Ordinance, and the Applicant shall contribute an additional \$2 million to the County to be added to the separate fund, which fund may thereafter be utilized by the County for purposes of or leading to actual development and construction consistent with the Inclusionary Housing Ordinance, and within the Greater Monterey Peninsula Planning Area (including the incorporated cities located therein).

Compliance or Monitoring
Action to be Performed:

Prior to recordation of the first residential subdivision Final Map, the Applicant shall deposit \$5 million with the County as security and shall enter into an Inclusionary Housing Agreement with the County, in a form acceptable to the Economic Development Director, that 1) specifies the details of the required compliance, including but not limited to, the type, location, and size of units, the phasing of providing the units, and existence or not of preferences for employees in compliance with Fair Housing Law, if a site is identified, and 2) return of deposit, plus any accrued interest, if Applicant constructs affordable housing within five (5) years.

G. The Developer has expressed its desire and intent that the Inclusionary Housing units, if constructed by the Developer as more fully described herein, be utilized by qualifying employees of the Developer.

H. The parties agree that the execution and recordation of this Agreement, and compliance with its terms, will satisfy the requirements of Condition No. 18.

NOW, THEREFORE, it is mutually agreed by and between the Developer and the County (the "Parties") as follows:

Section 1. Definitions. In addition to those terms defined in the Recitals to this Agreement, the following terms have the following meanings in this Agreement:

(a) "Administrative Manual" means the manual prepared pursuant to subsection 18.40.110H of the Inclusionary Housing Ordinance.

(b) "Affordable Rent" means rent, a monthly amount which, together with utility allowance, does not exceed: (i) for Very Low Income Inclusionary Rental Units, one-twelfth (1/12th) of thirty percent (30%) of the fifty percent (50%) of Median Income, adjusted by household size based on the number of bedrooms in the unit; (ii) for Low Income Inclusionary Units, one-twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of Median Income, adjusted for household size based on the number of bedrooms in the unit; and (iii) for

Moderate Income Inclusionary Units, one-twelfth (1/12th) of thirty percent (30%) of one hundred ten percent (110%) of Median Income, adjusted for household size based on the number of bedrooms in the unit. Rent, for purposes of this definition, shall include all required monthly payments made by the tenant to the lessor in connection with use and occupancy of a housing unit and land and facilities associated therewith, including any separately charged fees, utility charges, or service charges assessed by the lessor and payable by the tenant (but not including fees and charges resulting from any default by the tenant or damage caused by the tenant).

Adjustments for household sized based on the number of bedrooms in the unit and amounts utilized for utility allowances shall be as provided by the County in the Administrative Manual.

(c) "Approvals" has the meaning set forth in Recital C, above.

(d) "Completion", "Completes", or "Complete" means (i) the issuance of a Certificate of Occupancy by the County in accordance with the objective, reasonable criteria of the Uniform Building Code, (ii) the delivery by Developer to the County of the Regulatory Agreement executed by Developer and recorded with the County Clerk – Recorder, and (iii) delivery by Developer to the County of the irrevocable offer to transfer title to the Old Capitol Site as required by Condition No. 143 of the Approvals.

(e) "Deposit" means \$5 million that will be deposited by the Developer into an escrow account within 5 business days of the execution of this Agreement. The Deposit shall be held in escrow for the purposes set forth in this Agreement only and will not be used for any other purposes.

(f) "Escrow Holder" means Wells Fargo Bank, National Association.

(g) "First Approval" means the recordation of the first residential subdivision Final Map of the Approvals.

(h) "Force Majeure" means any delay in the Completion of the Inclusionary Units arising out of or caused, directly or indirectly, by circumstances beyond the Developer's reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; acts of terrorism; civil or military disturbances; sabotage; epidemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that Developer shall use commercially reasonable efforts which are consistent with accepted practices in the construction and development industry to resume performance as soon as reasonably practicable under the circumstances.

(i) "Inclusionary Rental Unit Property" means the legal parcel of land on which the Inclusionary Rental Units may be constructed, together with any Inclusionary Rental Units and appurtenant improvements constructed on such land, located within the Greater Monterey Peninsula Planning Area.

(j) "Inclusionary Unit" or "Rental Unit" means the Inclusionary Rental Units which may be constructed, together with any appurtenant improvements constructed on the land.

(k) "Low Income Household" means a household, including a very low income household, with an annual income which does not exceed HUD's annual determination for low income households with incomes of approximately eighty percent (80%) of the Median Income, adjusted for household size, and with household assets that do not exceed the maximum asset limitation for Inclusionary Rental Units set forth in the Administrative Manual.

(l) "Low Income Inclusionary Rental Unit" means an Inclusionary Rental Unit reserved for occupancy by Low Income Households at an Affordable Rent.

(m) "Maximum Initial Rents" means the initial rents for any Inclusionary Rental Units determined pursuant to the formula specified in the Administrative Manual for each income level.

(n) "Median Income" means the area median household income as determined periodically by HUD for the Salinas Metropolitan Statistical Area and updated on an annual basis.

(o) "Moderate Income Household" means a household, including a Low Income Household and a Very Low Income Household, with an annual income which does not exceed one hundred twenty percent (120%) of the Median Income, adjusted for household size, and with household assets that do not exceed the maximum asset limitation for Inclusionary Rental Units set forth in the Administrative Manual.

(p) "Moderate Income Inclusionary Rental Unit" means an Inclusionary Rental Unit reserved for occupancy by Moderate Income Households at an Affordable Rent.

(q) "Ordinance" means the Inclusionary Housing Ordinance, Monterey County Code Chapter 18.40.

(r) "Property" means that real property more specifically described in Exhibit A, attached hereto.

(s) "Regulatory Agreement" means the Inclusionary Housing Regulatory Agreement and Declaration of Restrictive Covenants between the Developer (or its successors to the Inclusionary Rental Unit Property, if any) and the County, to be recorded against the Inclusionary Rental Unit Property pursuant to Sections 7 and 10 below.

(t) "Very Low Income Household" means a household with an annual income which does not exceed HUD's annual determination for very low income households with income of approximately fifty percent (50%) of Median Income, adjusted for household size, and with household assets that do not exceed the maximum asset limitation for Inclusionary Rental Units set forth in the Administrative Manual.

(u) "Very Low Income Inclusionary Rental Unit" means an Inclusionary Rental Unit reserved for occupancy by Very Low Income Households at an Affordable Rent.

Section 2. Satisfaction of Inclusionary Housing Obligations and Conditions of Approval. Condition No. 18 of the Approvals and the requirements of Chapter 18.40 shall be satisfied with respect to the Master Development if the following conditions are met:

(a) Escrow and Deposit.

Prior to the First Approval, the Developer shall make the Deposit as security for the Developer's development of an Affordable Rental housing project or projects of at least eighteen (18) units in the Greater Monterey Peninsula Planning Area (including the incorporated cities located therein). The Developer shall be responsible for all costs associated with the establishment and maintenance of the escrow account into which the Deposit shall be made, and the County shall have no liability therefore. The Developer shall deliver to Escrow Holder in cash, by confirmed wire transfer or by certified cashier's check collectible in same day funds, the Deposit. Escrow Holder will invest the Deposit in an interest bearing account and interest earned in the Escrow will be for the account of the party to which the Deposit is released as set forth below. Escrow Holder shall deliver the Deposit to the party to which the Deposit is to be released pursuant to joint escrow instructions to be executed and delivered by the County and the Developer to Escrow Holder, as provided in Section 2(b) below. The County and the Developer hereby agree to indemnify and defend Escrow Holder against any and all claims, demands, damages, liabilities, costs and expenses, incurred by Escrow Holder and arising from Escrow Holder's so delivering the Deposit and the interest earned thereon. The County and the Developer shall execute and deliver to Escrow Holder such additional instructions and other documents reasonably requested by Escrow Holder in order to authorize and instruct Escrow Holder to carry out the foregoing provisions regarding the

Deposit and the interest earned thereon in Escrow. The initial form of Escrow Instructions is attached hereto as Exhibit B.

(b) Release of Deposit. The County and the Developer agree to execute and deliver joint escrow instructions to the Escrow Holder authorizing the release of the Deposit in accordance with subsection (i) or (ii) below, whichever is applicable:

(i) If Developer Completes at least eighteen (18) Inclusionary Units in the Greater Monterey Peninsula Planning Area within five (5) years of the recordation of the First Approval, as such period may be extended pursuant to Sections 2(b)(iii) or (iv) below, the joint escrow instructions shall authorize Escrow Holder to release and return the Deposit, plus any accrued interest, to the Developer.

(ii) If the Developer fails to Complete at least eighteen (18) Inclusionary Units in the Greater Monterey Peninsula Planning Area within five (5) years of the recordation of the First Approval, as such period may be extended pursuant to Sections 2(b)(iii) or (iv) below, the joint escrow instructions shall authorize Escrow Holder to release the Deposit, plus any accrued interest, to the County. In addition, the Developer shall pay an additional Two Million Dollars (\$2,000,000) to the County, such payment to be made directly to the County and not through the escrow account, and to be made within thirty (30) days of the end of the five (5) year period described in Section 2(b)(i).

(iii) The five (5) year period of time specified herein shall not include any period of time during which a development moratorium, imposed after the date of the First Approval, or an event of Force Majeure, occurring after the date of the First Approval, is in existence. Once a development moratorium is terminated or event of Force Majeure ends, the five (5) year period shall be extended for the same period of time as was left to run at the time that the moratorium was imposed or event of Force Majeure occurred. For purposes of this section, a development moratorium includes a water or sewer moratorium, as well as other similar moratorium type actions of public agencies which regulate land use, development, or the provision of services to the land, which thereafter prevents, prohibits, or delays the construction of the affordable housing project.

(iv) The five (5) year period of time specified herein shall also not include the period of time during which a lawsuit involving this Agreement, or the approval or conditional approval of the affordable housing project, is or was pending in a court of competent jurisdiction.

(v) The Developer shall notify the County of the date of recordation of the First Approval. The date that is five (5) years after the date of recordation of the First Approval shall be the "Presumptive Deposit Release Date." The parties shall meet and confer in good faith between one hundred and eighty (180)

and (90) days before the Presumptive Deposit Release Date to agree upon the actual date on which the five (5) year period described in Section 2(b)(i) will expire, taking into account any extensions of such period pursuant to Sections 2(b)(iii), 2(b)(iv), and/or 6 of this Agreement.

Section 3. Location of Inclusionary Rental Units. The Inclusionary Rental Units shall be constructed at a location within the Greater Monterey Peninsula Planning Area to be proposed by the Developer and approved by the County through its normal planning process.

Section 4. Appearance, Size, and Bedroom Count. The Inclusionary Units should be of an appropriate general design, quality of construction, and appearance as approved by the County. In a residential zone of predominantly single family lots with houses, they may be of a multi-family apartment design. The size and number of bedrooms in the Inclusionary Units should reflect community need and are required to be approved by the County upon identification of the site.

Section 5. Affordability Requirements. The level of affordability for the Inclusionary Units shall be as follows: 30% of the units shall be rented to Very Low Income Households, 30% of the units shall be rented to Low Income Households, and 40% of the units shall be rented to Moderate Income Households as calculated pursuant to Section 1 (b) above. The affordability requirements of this Section 5 shall be set forth in the Regulatory Agreement to be recorded against the Inclusionary Rental Unit Property pursuant to Sections 7 and 10 below. The Developer may increase the number of very low and low income units but, under no circumstances, shall the Developer increase the number of moderate income units without the approval of the County Board of Supervisors. The affordability requirements of this Section 5 shall continue as restrictions on the Inclusionary Units in perpetuity.

Section 6. Schedule for Developing Inclusionary Units. The County shall diligently process any applications filed by the Developer to entitle and construct at least eighteen (18) Inclusionary Units in the Greater Monterey Peninsula Planning Area to assure completion of any such project within five (5) years of the First Approval, as such period may be extended pursuant to Sections 2(b)(iii) or (iv) above. No phasing of the development of the Inclusionary Units shall be allowed.

Section 7. Marketing and Rental of Inclusionary Rental Units. Prior to or immediately following Completion of the Inclusionary Rental Units, the Regulatory Agreement shall be recorded against the Inclusionary Rental Unit Property, and the Developer shall rent the Inclusionary Rental Units to Very Low Income Households, Low Income Households, and Moderate Income Households at Affordable Rents in compliance with Sections 3 and 5 above and the Regulatory Agreement. The Developer shall submit a marketing and management plan to the County Economic Development Department (Department) for approval prior to commencing marketing of the Inclusionary Rental Units and shall market the Inclusionary Rental Units in compliance with the marketing and management plan approved by the Department. The Developer shall grant a preference in rental of the Inclusionary Rental Units to households that live

or work in Monterey County. The Developer shall comply with applicable fair housing laws in the marketing and rental of the Inclusionary Rental Units, and the Developer shall conduct marketing efforts in both English and Spanish. During initial rent-up of the Inclusionary Rental Units, the Developer shall refer potential tenants to the County or the County's designee for income and asset certification and not enter into a binding rental agreement with a tenant until County income and asset certification has been completed and the Developer has been informed in writing by the County or its designee that the potential tenant is income and asset eligible to occupy the Inclusionary Rental Unit. Pursuant to the Inclusionary Housing Ordinance, the cost of the income and asset certification will be billed at the rate specified in the Inclusionary Manual.

Section 8. County Approval of Documents. The following documents, to be approved in writing by the County, shall be used in connection with the rental of the Inclusionary Rental Units.

(a) A marketing and management plan consistent with the terms of this Agreement and the requirements set forth in the Administrative Manual. The marketing and management plan shall include at least the following elements: (i) marketing and tenant selection plan, including marketing procedures, efforts to market to special needs groups, selection process and bi-lingual procedures; (ii) description of property management team; (iii) copies of rental agreements/leases; (iv) procedures for complying with fair housing laws; (v) selection procedures for tenants (including priority for households who are employed by the Developer or by other golf courses and businesses located in the Del Monte Forest, or otherwise who live/work within Monterey County); (vi) initial rents and utility allowances (provided by County); and (vii) agreement to maintain adequate property insurance.

(b) Form of rental agreement or lease to be signed by tenants of the Inclusionary Rental Units.

(c) The Regulatory Agreement, in a form to be provided by the County and subject to the reasonable approval of the Developer.

Section 9. Compliance Reports, Inspections, Monitoring. Following completion of construction of any of the Inclusionary Rental Units, a Compliance Report meeting the requirements of the Administrative Manual, verifying compliance of all completed Inclusionary Rental Units with the terms of this Agreement and the Regulatory Agreement, and certified as correct under penalty of perjury by the owner of the Inclusionary Rental Units and any property management company managing the units, shall be submitted annually to the County Economic Development Department on April 1 of each year, commencing on the April 1 following issuance of final certificates of occupancy for one hundred percent (100%) of the Inclusionary Rental Units. If similar reports on some or all of the Inclusionary Rental Units are required for regulatory compliance with other financing programs, those reports may be deemed satisfactory for the purpose of this section by the County Economic Development Department, with

respect to the portion of the Inclusionary Rental Units covered by such reports, provided that copies are provided on an annual basis to the County Economic Development Department with an owner certification addressed to the County. Developer shall retain all records related to compliance with obligations under this Agreement and Chapter 18.40 for a period not less than five (5) years from the date of origination of such records, and make them available to County employees or others designated by the County for inspection and copying on five (5) business days' written notice. Developer shall permit County employees or others designated by the County to inspect the Property to monitor compliance with this Agreement following two (2) business days' written notice to Developer. The County shall be further entitled to monitor compliance with this Agreement and Chapter 18.40 as provided in the Administrative Manual and Developer shall cooperate in County monitoring, including obtaining tenant income and rent verification upon request of the County.

Section 10. Effect of Agreement and Release of Property. This Agreement shall be recorded against the Property, and the covenants and conditions herein contained shall apply to and bind, during their respective periods of fee ownership, the Developer and its heirs, executors, administrators, successors, transferees, and assignees having or acquiring any right, title, or interest in or to any part of the Property and shall run with and burden such portions of the Property, until such time as Developer has fully complied with this Agreement, at which time County shall remove this Agreement from the chain of title for the Property pursuant to a quitclaim deed or other appropriate instrument. Until such time as this Agreement is removed from the chain of title, the owners of fee title to the Property shall expressly make the conditions and covenants contained in this Agreement a part of any deed or other instrument conveying any interest in such Property. Upon Completion of the Inclusionary Rental Units, the burdens of this Agreement shall be incorporated into the Regulatory Agreement to be recorded against the Inclusionary Rental Unit Property in perpetuity and the Inclusionary Rental Unit Property shall be restricted in perpetuity for affordable housing use in accordance with the terms of such Regulatory Agreement; provided, however, if the Inclusionary Rental Units are destroyed or demolished by forces of nature without action by Owner (or irreparably damaged by forces of nature and then demolished by Owner) and such destruction or demolition occurs at least fifty-five (55) years following the date of this Agreement, the Regulatory Agreement shall terminate upon such destruction or demolition.

In the event the Developer (a) fails to Complete the Inclusionary Units within five (5) years of the recordation of the First Approval, as such period may be extended pursuant to Sections 2(b)(iii) or (iv) above, and (b) pursuant to Section 2(b)(ii) of this Agreement, the Deposit, plus any accrued interest, is released to the County and the Developer pays an additional Two Million Dollars (\$2,000,000), then (i) the Developer shall be deemed to have fully complied with this Agreement and the County's Inclusionary Housing Ordinance, (ii) the County shall remove this Agreement from the chain of title for the Property pursuant to a quitclaim deed or other appropriate instrument within sixty (60) days of the release of the Deposit pursuant to such Section 2(b)(ii), and (iii) the Regulatory Agreement contemplated by this Agreement shall not be required.

Section 11. Default. Failure of the Developer to cure any default in the Developer's obligations under the terms of this Agreement within thirty (30) days after the delivery of a notice of default from the County will constitute a default under this Agreement and a failure to satisfy the Conditions of Approval with respect to the Master Development and the requirements of the Ordinance and, in addition to remedies for breach of this Agreement, the County may exercise any and all remedies available to it under Chapter 18.40, including but not limited to:

(a) withholding, conditioning, or suspending any unexercised residential subdivision approval or map at the time of default (but not other entitlements for the Master Development) including without limitation final inspections for occupancy and/or certificates of occupancy for any houses actually owned by the Developer (but not third persons);

(b) instituting against the Developer, or other parties, a civil action for declaratory relief, injunction or any other equitable relief, or relief at law, including without limitation an action to rescind a transaction and/or to require repayment of any funds received in connection with such a violation;

(c) where one or more persons have received financial benefit as a result of violation of this Agreement or of any requirement imposed under Chapter 18.40, the County may assess, and institute legal action to recover as necessary, a penalty in any amount up to and including the amount of financial benefit received, in addition to recovery of the benefit received;

(d) prosecuting a misdemeanor against any person who has rented a residential unit to a person at a rent exceeding the maximum allowed under this Agreement or to a household not qualified under this Agreement, or who has otherwise violated Chapter 18.40, or any other agreement, restriction or requirement authorized or imposed under Chapter 18.40;

(e) remedies set forth in the Regulatory Agreement; or

(f) any other means authorized under the Monterey County Code.

Section 12. Remedies Cumulative. No right, power, or remedy given to the County by the terms of this Agreement, the Regulatory Agreement or Chapter 18.40 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 to the County by the terms of any such document, Chapter 18.40, or by any statute or otherwise against Developer and any other person. Neither the failure nor any delay on the part of the County to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the County of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

Section 13. Attorney's Fees and Costs. The County shall be entitled to receive from the Developer or any person violating the requirements of this Agreement, in addition to any remedy otherwise available under this Agreement or at law or equity, whether or not litigation is instituted, the costs of enforcing this Agreement, including without limitation reasonable attorneys' fees and the costs of County staff time.

Section 14. Appointment of Other Agencies. At its sole discretion, the County may designate, appoint or contract with any other public agency, for-profit or non-profit organization to perform the County's obligations under this Agreement.

Section 15. Hold Harmless. Developer will indemnify and hold harmless (without limit as to amount) County and its elected officials, officers, employees and agents in their official capacity (hereinafter collectively referred to as "Indemnitees"), and any of them, from and against all loss, all risk of loss and all damage (including expense) sustained or incurred because of or by reason of any and all claims, demands, suits, actions, judgments and executions for damages of any and every kind and by whomever and whenever made or obtained, allegedly caused by, arising out of or relating in any manner to this Agreement, any Inclusionary Units, or Developer's performance or non-performance under this Agreement, and shall protect and defend Indemnitees, and any of them with respect thereto, except to the extent arising from the gross negligence or willful misconduct of the County. The provisions of this section shall survive expiration or other termination of this Agreement or any release of part or all of the Property from the burdens of this Agreement, and the provisions of this section shall remain in full force and effect.

Section 16. Insurance Requirements. Until the issuance of certificates of occupancy for all of the Inclusionary Rental Units, Developer and its successors and assigns acquiring title to any Inclusionary Rental Unit Property shall obtain, at their expense, comprehensive general liability insurance for development of the Inclusionary Rental Unit Property, naming Indemnitees as additional named insureds with aggregate limits of not less than Five Million Dollars (\$5,000,000) for bodily injury and death and property damage, including coverages for contractual liability and products and completed operations, purchased by Developer or its successors or assigns from an insurance company duly licensed to engage in the business of issuing such insurance in the State, with a current Best's Key Rating of not less than A-V, such insurance to be evidenced by an endorsement which so provides and delivered to the County prior to the issuance of any building permit for any Inclusionary Units.

Section 17. Notices. All notices required pursuant to this Agreement shall be in writing and may be given by personal delivery or by registered or certified mail, return receipt requested, to the party to receive such notice at the addressed set forth below:

TO THE COUNTY:

County of Monterey
Economic Development Department
168 W. Alisal Street, 3rd Floor
Salinas, CA 93901
Attn: Housing Program Manager

TO THE DEVELOPER:

Pebble Beach Company
Post Office Box 1767
Pebble Beach, CA 93953
Attn: Executive Vice President, Real Estate

Any party may change the address to which notices are to be sent by notifying the other parties of the new address in the manner set forth above.

Section 18. Integrated Agreement. This Agreement together with the Combined Development Permits constitutes the entire agreement between the parties on the subject matter addressed herein and no modification hereof shall be binding unless reduced to writing and signed by the parties hereto.

Section 19. Duration and Amendment of Agreement. This Agreement shall remain in effect until the later of: (a) Release of the Deposit to the Developer as provided in Section 2(b)(i); or (b) release of the Deposit to the County and payment of the additional \$2 million as described in Section 2(b)(ii). This Agreement, and any section, subsection, or covenant contained herein, may be amended only upon the written consent of the Director of Economic Development who shall have authority to approve or disapprove minor or technical amendments on behalf of the County. If the amendment makes a substantive or material change to this Agreement, it shall be effective only following approval of the governmental authority that gave the First Approval for the Master Development.

Section 20. No Claims. Nothing contained in this Agreement shall create or justify any claim against the County by any person that Developer may have employed or with whom Developer may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the Agreement, any Inclusionary Property, or the construction of the Master Development or any Inclusionary Units.

Section 21. Applicable Law. This Agreement shall be governed by California law.

Section 22. Waivers. Any waiver by the County of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the County to take action on any breach or default of Developer or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Developer to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the County to any act or omission by Developer shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the County's written consent to future waivers.

Section 23. Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of the Agreement's provisions.

Section 24. Multiple Originals; Counterpart. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 25. Recording of Agreement. The Developer shall cause this Agreement to be recorded against the Property in the Official Records of the County of Monterey.

Section 26. Severability. In the event any limitation, condition, restriction, covenant, or provision contained in this Agreement is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Agreement shall, nevertheless, be and remain in full force and effect.

Section 27. Exhibits. The following exhibits are attached to this Agreement:

Exhibit A	Legal Description of the Property
Exhibit B	Initial Form of Escrow Instructions

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

DEVELOPER:

Pebble Beach Company, a California general partnership

By: Mark Stilwell
Mark Stilwell

Its: Executive Vice President, Real Estate

By: David L. Stivers
David L. Stivers

Its: Executive Vice President
and Chief Administrative Officer

COUNTY:

County of Monterey, a political subdivision of the State of California

By: David Spaur
David Spaur

Its: Economic Development Director

APPROVED AS TO FORM:

By: Leslie J. Girard
Leslie J. Girard
Chief Assistant County Counsel

STATE OF CALIFORNIA)
) ss.
COUNTY OF MONTEREY)

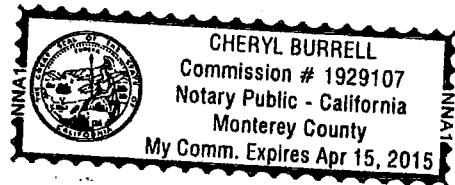
On 7/14, 2014, before me, **Cheryl Burrell**, a Notary Public, personally appeared **Mark Stilwell** and **David L. Stivers** who proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signature on the instrument the persons, or the entity upon behalf of which the persons 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.

Cheryl Burrell

Cheryl Burrell
Notary Public, State of California
My Commission Expires April 15, 2015



STATE OF CALIFORNIA)
) ss.
COUNTY OF MONTEREY)

On July 14th, 2014, before me, GRETCHEN J. MARKLEY, a Notary Public, personally appeared DAVID SPAUR 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.

Gretchen J. Markley

Notary Public in and for said State
Comm # 2019860
Exp.: APRIL 24, 2017

