

Attachment 8

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October 5, 2018

VIA FEDERAL EXPRESS AND EMAIL

County of Monterey
Attention: Nick Chiulos
168 W. Alisal Street, 3rd Floor
Salinas, CA 93901-2680
Email: chiulosn@co.monterey.ca.us

Re: Notice of Enforced Delay
East Garrison Phase 2 and 3 Affordable Rental Units

Dear Mr. Chiulos:

This letter follows up on prior discussions and correspondence between UCP East Garrison, LLC (“UCP”) and the Successor Agency to the Redevelopment Agency for the County of Monterey (the “Agency”), related to the timing of construction of affordable rental housing units for Phases 2 and 3 of the East Garrison project. For your reference, the prior correspondence on this matter is included as Attachment 1. As we have discussed, CHISPA and Artspace, (the nonprofit developer partners for Phase 2 and Phase 3, respectively) are unable to obtain adequate funding to complete the affordable housing units, and due to unavailable tax increment funds the County cannot make up the shortfall, or even provide its required Affordable Housing Contribution. Because UCP does not want to impede the development of the market rate units, UCP has elected to deliver a guaranty for both the Phase 2 and Phase 3 rental affordable housing units under Section (B)(7) of Attachment No. 3 of the Disposition and Development Agreement for East Garrison (“DDA”).

As background on this matter, the DDA requires construction (to the point of weatherproofing and enclosure) of at least 50% of the Phase 2 affordable rental housing units prior to issuance of the 89th market rate unit building permit in Phase 3, and that certificates of occupancy be issued for all affordable rental housing units in Phase 2 and construction (to the point of weatherproofing and enclosure) of 50% of the rental affordable housing units in Phase 3 prior to issuance of the 191st market rate unit building permit in Phase 3. UCP estimates it will apply for the 89th building permit for Phase 3 around March 15, 2019, and for the 191st building permit around December 15, 2019. UCP has graded and improved the affordable housing apartment pads for both Phases, and is prepared to deliver them to CHISPA and Artspace at any time. As reflected in the DDA milestone status summary in Attachment 2, UCP has completed and satisfied all of our development obligations on time or ahead of schedule.

However, at this point neither CHISPA nor Artspace are in a position to complete the affordable apartment units. This is through no fault of these nonprofits, who have worked diligently and admirably to deliver affordable housing to Monterey County. CHISPA has been involved in East Garrison since 2007, and during that period has attended numerous meetings, prepared documents, and kept the County Board of Supervisors apprised of its actions. Notably, CHISPA has invested close to \$350,000 in architectural and engineering work, and has completed architectural plans up

UCP

to 75% complete, in accordance with the East Garrison Pattern Book. In all actions, we feel confident that CHISPA has acted diligently in trying to develop the Phase 2 affordable apartments. Unfortunately, at this point there are insufficient funding sources available to complete the units. Please refer to Attachment 3, in which Dana Cleary (CHISPA's Executive Director) summarizes their efforts to date and an analysis of the various funding sources. Even if CHISPA successfully obtained all currently available funding, they would only get approximately \$13,700,000 of the estimated \$22,000,000 required to construct the units, resulting in a shortfall of \$8,300,000. Furthermore, while under the DDA the Successor Agency can require UCP to provide a loan of up to \$7,800,000, this loan would be substantially inadequate to complete the Phase 2 affordable rental housing units and would add substantial additional cost to the Project. And finally, although the Successor Agency has pledged tax increment funding as partial payment for the Phase 2 and Phase 3 affordable rental housing units, the Successor Agency has informed UCP that (1) the current tax increment funds are insufficient to allow the County to fully fund its obligation, and (2) even if they were available, such funds would need to be used within 1 year after approval by the Department of Financing, which is inconsistent with the development time frame.

Artspace has been a partner in the East Garrison project for over 15 years. Because Phase 3 is being developed after Phase 2, Artspace is not as far along in pre-development activities as CHISPA. However, Artspace has continued to remain engaged and committed to East Garrison, and stands ready to develop the Phase 3 affordable units. However, because Artspace will utilize the same funding resources as for Phase 2, they face similar challenges as CHISPA in securing financing. In addition, if Artspace sought financing now, they would be directly competing with CHISPA and Phase 2 for funding. Therefore, Artspace intends to wait on seeking financing until the fund are secured for Phase 2.

It is important to note that any other affordable housing developer would face the same challenges and barriers as CHISPA and Artspace. The universe of affordable housing financing is limited, and any developer would be applying for the same funds. In addition, the public funding sources tie financing to a specific project, rather than the developer. Consequently, we do not believe that any other non-profit would have a higher likelihood for success.

Consequently, based on the facts above, the Phase 2 and 3 affordable rental housing units cannot be completed by the milestones under the DDA, due in large part due to the lack of local, state and federal public funding for this type of affordable housing development, and the shortfall in tax increment funding. This constitutes an "Enforced Delay" under Section 604 of the DDA, which provides, "In addition to the specific provision of this Agreement, performance by any party hereunder shall not be deemed to be in default ("Enforced Delay") where delays or defaults are resulting from ... governmental restrictions or priority; acts or the failure to act of any public or governmental agency or entity; any other causes beyond the reasonable control and without the fault of the Party claiming an extension of time to perform; and the inability of Developer or Rental Affordable Housing Developer or their respective members or assignees, despite reasonable and timely efforts, to obtain tax credit allocations and/or bond financing on reasonably terms for the low and very low income affordable housing to meet the inclusionary housing requirements of the Project...."

UCP

In our previous letter (a copy of which is included in [Attachment 1](#)) UCP invoked its right to deliver a guaranty for the Phase 2 rental affordable housing units under Section (B)(7) of Attachment No. 3 of the DDA, which provides:

“In the event that a Rental Affordable Housing Development does not secure timely financing or experiences construction delays or other Enforced Delay under Section 604 of this Agreement, notwithstanding its best efforts, or is in default under the terms of this Assignment and Assumption Agreement entered into between Developer and such Rental Affordable Housing Developer such that there could be a withholding of building permits and/or certificates of occupancy for market rate units in the Project under Part B of this Attachment No. 3, William Lyon Homes, Inc. [*UCP’s predecessor in interest*] (“Guarantor”), in its sole and absolute discretion, may execute and deliver to the Agency one or more guarantees, as applicable, of the completion of the Rental Affordable Housing units through a completion guaranty substantially in the forms attached to this Agreement as Attachment No. 18, and upon delivery of such guarantee(s) to the Agency, the Agency and County shall waive, without further condition, compliance with the conditions to issuance of building permits for market rate units in paragraphs 2 through 5, inclusive, and the issuance of certificates of occupancy for market rate units in paragraph 6, to which such guarantee(s) may be applicable.”

In addition, given the ongoing financing challenges for Phase 3, we are also invoking our right to deliver a guaranty for the Phase 3 rental affordable housing units. Attached please find draft Guaranties for Phase 2 ([Attachment 5](#)) and Phase 3 ([Attachment 6](#)) that we propose be used.

I understand that the next step is for the Agency to present this to the Board of Supervisors, requesting acceptance of the Guaranties. Please feel free to contact us if you would like any further information. In addition, I would appreciate it if you could let me know the anticipated schedule for presenting this to the Successor Agency’s Board of Directors for their approval of the Enforced Delay and acceptance of the Guaranty and revised milestone schedule. I look forward to hearing from you.

Sincerely,



Holly Traube Cordova
Regional General Counsel,
UCP East Garrison, LLC

cc: Brian Briggs, Esq.
Carl Holm
Melanie Beretti
James W. Fletcher
Michael Cady

ATTACHMENT 1
Prior Correspondence
(see attached)



May 9, 2018

VIA FEDERAL EXPRESS AND EMAIL

County of Monterey
Attention: Brian Briggs, Esq.
168 W. Alisal Street, 3rd Floor
Salinas, CA 93901-2680
Email: BriggsBP@co.monterey.ca.us

Re: Notice of Enforced Delay
East Garrison Phase 2 and 3 Affordable Rental Units

Dear Mr. Briggs:

This letter follows up on prior discussions and correspondence between UCP East Garrison, LLC (“UCP”) and the Successor Agency to the Redevelopment Agency for the County of Monterey (the “Agency”), related to the timing of construction of affordable rental housing units for Phases 2 and 3 of the East Garrison project. You summarized these communications and the status of the affordable rental housing units very well in your letter delivered to us on March 14, 2018 (a copy of which is attached hereto), and we agree with all of the facts that you stated in your letter. In particular:

1. The Disposition and Development Agreement for East Garrison (“DDA”) requires construction (to the point of weatherproofing and enclosure) of at least 50% of the affordable rental housing units for Phase 2 prior to the 89th market rate unit in Phase 3.
2. UCP estimates it will apply for the 89th building permit for Phase 3 around March 15, 2019. Attached for your reference is a Phase 3 Starts Analysis, documenting UCP’s current schedule.
3. The DDA requires that certificates of occupancy be issued for all affordable rental housing units in Phase 2 and construction (to the point of weatherproofing and enclosure) of 50% of the rental affordable housing units in Phase 3 prior to issuance of the 191st market rate unit building permit in Phase 3.
4. As shown on the attached Phase 3 Starts Analysis, UCP estimates it will apply for the 191st building permit around December 15, 2019.
5. CHISPA (the Phase 2 Rental Affordable Housing Developer) has informed both UCP and the Successor Agency that it is very unlikely they can obtain funding from all available funding stream to construct the Phase 2 affordable rental housing units. Furthermore, even if CHISPA successfully obtained all currently available funding, they would only get approximately \$13,700,000 of the estimated \$22,000,000 required to construct the units, resulting in a shortfall of \$8,300,000. It is anticipated that public funds will not become

UCP

available before fiscal year 2019. This was summarized in the attached County update provided to the Fort Ord Committee.

6. While under the DDA the Successor Agency can require UCP to provide a loan of up to \$7,800,000, this loan would be substantially inadequate to complete the Phase 2 affordable rental housing units.
7. While the Successor Agency has pledged tax increment funding as partial payment for the Phase 2 affordable rental housing units, the Successor Agency has informed UCP that the current tax increment funds are insufficient to complete the units.

Consequently, based on the facts above, the Phase 2 affordable rental housing units cannot be completed by the milestones under the DDA, due in large part due to the lack of local, state and federal public funding for this type of affordable housing development, and the shortfall in tax increment funding. This constitutes an “Enforced Delay” under Section 604 of the DDA, which provides, “In addition to the specific provision of this Agreement, performance by any party hereunder shall not be deemed to be in default (“Enforced Delay”) where delays or defaults are resulting from ... governmental restrictions or priority; acts or the failure to act of any public or governmental agency or entity; any other causes beyond the reasonable control and without the fault of the Party claiming an extension of time to perform; and the inability of Developer or Rental Affordable Housing Developer or their respective members or assignees, despite reasonable and timely efforts, to obtain tax credit allocations and/or bond financing on reasonably terms for the low and very low income affordable housing to meet the inclusionary housing requirements of the Project....”

It is regrettable that at this time, there is inadequate funding to construct the affordable housing rental units, and UCP will continue to work in good faith with the Successor Agency and CHISPA to consider creative resolutions to this issue. Another unfortunate consequence is that, if UCP’s building permits and certificates of occupancy are held up pending completion of the current affordable rental unit milestones described above, it will hold up construction and sales of the moderate income townhome, Workforce II, market rate units at East Garrison. I believe that this is a negative impact that both UCP and the Successor Agency would like to avoid.

Therefore, UCP hereby invokes its right to deliver a guaranty for the Phase 2 rental affordable housing units under Section (B)(7) of Attachment No. 3 of the DDA, which provides:

“In the event that a Rental Affordable Housing Development does not secure timely financing or experiences construction delays or other Enforced Delay under Section 604 of this Agreement, notwithstanding its best efforts, or is in default under the terms of this Assignment and Assumption Agreement entered into between Developer and such Rental Affordable Housing Developer such that there could be a withholding of building permits and/or certificates of occupancy for market rate units in the Project under Part B of this Attachment No. 3, William Lyon Homes, Inc. [*UCP’s predecessor in interest*] (“Guarantor”), in its sole and absolute discretion, may execute and deliver to the Agency one or more guarantees, as

UCP

applicable, of the completion of the Rental Affordable Housing units through a completion guaranty substantially in the forms attached to this Agreement as Attachment No. 18, and upon delivery of such guarantee(s) to the Agency, the Agency and County shall waive, without further condition, compliance with the conditions to issuance of building permits for market rate units in paragraphs 2 through 5, inclusive, and the issuance of certificates of occupancy for market rate units in paragraph 6, to which such guarantee(s) may be applicable.”

Please feel free to contact me if you would like to discuss this, or if you would like any further information. In addition, I would appreciate it if you could let me know the anticipated schedule for presenting this to the Successor Agency’s Board of Directors for their approval of the Enforced Delay and acceptance of of the Guaranty and revised milestone schedule. I look forward to hearing from you.

Sincerely,



Holly Traube Cordova
Regional General Counsel,
UCP East Garrison, LLC

cc: Carl Holm
Nick Chiulos
Dave Spaur
Melanie Beretti
James W. Fletcher
Michael Cady

Letter from Brian Briggs
(see attached)

MONTEREY COUNTY



OFFICE OF THE COUNTY COUNSEL

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(831) 755-5045 FAX: (831) 755-5283

CHARLES J. McKEE
COUNTY COUNSEL

Brian Briggs
Deputy County Counsel
E-mail: BriggsBP@co.monterey.ca.us

March 14, 2017

Holly Cordova, Esq.
Regional Legal Counsel – West SoCal
Century Communities

via email only:
Holly.Cordova@centurycommunities.com

James Fletcher
Division President
UCP East Garrison, LLC

via email only:
James.Fletcher@centurycommunities.com

Re: Timing of Completion of East Garrison Phase 2 & 3 Affordable Rental Units

Dear Ms. Cordova and Mr. Fletcher:

This letter is sent on behalf of the Successor Agency to the Redevelopment Agency for the County of Monterey ("Agency") in response to correspondence from UCP East Garrison, LLC ("UCP") dated October 5, 2017, which requested that the Agency meet and confer (pursuant to section I of Attachment No. 4 to the Disposition and Development Agreement ("DDA")) with UCP regarding the timing of construction of affordable rental housing units in Phase 2 and 3 of the East Garrison Project. The following memorializes what was discussed during the meeting on March 8, 2018, and further clarifies potential avenues to address the situation.

The DDA requires construction (to the point of weatherproofing and enclosure) of at least 50% of the affordable rental housing units for Phase 2 prior to the 89th market rate unit in Phase 3. UCP currently anticipates applying for the 89th building permit for Phase 3 on or about March 20, 2019. The DDA also requires certificates of occupancy be issued for all affordable rental housing units in Phase 2 and construction (to the point of weatherproofing and enclosure) of 50% of the rental affordable housing units in Phase 3, prior to the issuance of the 191st building permit for market rate unit in Phase 3. UCP anticipates applying for the 191st building permit on or about December 20, 2019.

The estimated cost for construction of the Phase 2 affordable housing component is over \$22 million, and completion of construction to take more than one year. Per CHISPA, even if CHISPA were to apply for and be granted funds from all available funding streams (an unlikely event) there would still exist an approximately \$8.3 million gap in financing. More likely, public funds will not become available until the 2019 fiscal year. Pursuant to the DDA, the Agency may require UCP to loan up to approximately \$7.8 million dollars for completion of the affordable housing component; however, per above, such a loan would not provide sufficient funding to complete the project, regardless of whether CHISPA were to obtain all available

funds. Further, even if CHISPA were to break ground today, construction to the level required by the DDA would not be completed by March 20, 2019.

In review of the information provided by UCP and CHISPA, it is apparent that the DDA milestones for completion of the affordable rental housing components of Phase 2 and Phase 3 will not be met within the timeframes set forth in the DDA. This is due to numerous factors, including but not limited to, current lack of public funding (state and national) for affordable housing projects, the high cost of home construction in California, and the shortfall in tax increment which the Agency pledged to provide for affordable housing.

These circumstances may constitute an “Enforced Delay” as defined in section 604 of the DDA, the definition of which includes “governmental restrictions or priority; acts or the failure to act of any public or governmental agency or entity; any other causes beyond the reasonable control and without the fault of the Party claiming an extension of time to perform; and the inability of Developer or Rental Affordable Housing Developer or their respective members or assignees, despite reasonable and timely efforts, to obtain tax credit allocations...for the low and very low income affordable housing to meet the inclusionary housing requirements of the Project... ”.

Attachment 3, subdivision (B)(7), to the DDA states that “[i]n the event that a Rental Affordable Housing Developer does not secure timely financing or experiences construction delays or other Enforced Delay under Section 604 of this Agreement, notwithstanding its best efforts, or is in default under the terms of the Assignment and Assumption Agreement entered into between Developer and such Rental Affordable Housing Developer, such that there could be a withholding of building permits and/or certificates of occupancy for market rate units...the Guarantor, in its sole discretion, may deliver to the Agency....a Completion Guaranty...substantially in the form” of Attachment No. 18 to the DDA.”

If UCP intends to invoke the Enforceable Delay clause or believes other criteria is met which would trigger UCP’s right to provide the Agency with a Completion Guarantee please provide a detailed explanation of UCP’s position and all available supporting documentation such that the Agency may review whether an Enforced Delay may be invoked and whether best efforts have been applied to meet the DDA milestones for affordable rental housing. If UCP believes a Completion Guarantee is the appropriate remedy to the situation, please also provide a proposed set of alternative milestones and completion dates for the affordable rental housing components of Phase 2 and Phase 3. In the event that UCP opts to provide the Agency with a Completion Guarantee, whether through a verified and accepted invocation of an Enforced Delay through the process detailed in section 604 of the DDA, or otherwise, staff will review the request and documents provided and make a recommendation to the Board of Directors for potential action. Please bear in mind that the Completion Guarantee is not a mutually exclusive method to ensure completion of the affordable housing components, and the Agency reserves the right to also request UCP provide a shortfall loan pursuant to Attachment No. 4 to the DDA, if future circumstances warrant that action.

Holly Cordova, and James Fletcher
March 14, 2018
Page 3

I am available for further discussion as needed, and look forward to receiving your response.

Sincerely,

CHARLES J. McKEE, County Counsel

A handwritten signature in blue ink, appearing to read "Brian Briggs", is written over the typed name.

By: BRIAN BRIGGS
Deputy County Counsel

BB:dv

cc: Carl Holm; Nick Chiulos; Dave Spaur; Melanie Beretti; Alfred Diaz-Infante

East Phase 3 Starts Analysis
(see attached)



Community Summary
SF BAY AREA
DIVISION

	Jul-18	Aug-18	Sep-18	Q3 2018 Total	Oct-18	Nov-18	Dec-18	Q4 2018 Total	2018 Total	Jan-19	Feb-19	Mar-19	Q1 2019 Total	Apr-19	May-19	Jun-19	Q2 2019 Total	Jul-19	Aug-19	Sep-19	Q3 2019 Total	Oct-19	Nov-19	Dec-19	Q4 2019 Total	2019 Total
Starts	FC	FC	FC		FC	FC	FC		FC	FC	FC	FC		FC	FC	FC		FC	FC	FC		FC	FC	FC		FC
March P13	3	3	3	9	3	3	3	9	18	3	3	3	9	3	3	3	9	3	3	3	9	3	3	3	9	30
Active P13	3	3	3	9	4	3	3	10	18	3	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	3
Active P14	3	3	3	9	3	3	3	9	18	3	3	3	9	3	3	3	9	3	3	3	9	3	3	3	9	36
2019 P13	-	3	-	3	3	-	3	6	6	-	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	3
2019 P13 Starts	-	-	-	-	-	-	-	-	-	-	5	5	10	5	5	5	15	5	5	5	15	5	5	5	15	55
2019 P13 Closures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019 P13 Live Starts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Starts	3	11	9	29	12	9	11	32	61	9	16	13	34	11	11	11	33	11	11	11	33	11	11	11	33	136
Considerable Start Totals	9	20	29		41	50	51		79	84	86		250	117	128		230	138	161		372	103	102			

BY AS of 2/28/19
Expect 89 3/5/19 %

BY AS of 11/30/19
Expect 141 12/15/19 %

Fort Ord Committee Update

(see attached)



Monterey County

Fort Ord Committee

Agenda Item # 2

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Legistar File Number: 18-301

March 22, 2018

Introduced: 3/20/2018

Version: 1

Current Status: Agenda Ready

Matter Type: General Agenda Item

Receive a status update on the East Garrison project

RECOMMENDATION:

It is recommended that the Fort Ord Committee receive a status update on the East Garrison project.

SUMMARY:

As of March 19, 2018, a total of 616 units of the planned 1,400 homes at East Garrison have been completed and certified for occupancy: 533 single-family residences; 7 workforce 2 units; 11 moderate income units; 65 low/very low rental apartments.

DISCUSSION:

Lot Sales and Market Rate Housing Construction

- Phase 1 -
 - Lot Sales
 - All 273 single-family residence (SFR) lots and all lots for 60 Townhome units have been sold by UCP to its affiliate Benchmark Communities.
 - Future - Lot sales for 49 live-work units, and 40 Town Center lofts.
 - House Construction - As of March 19, 2018, 254 of 273 SFR units have been constructed and have been issued certificates of occupancy; 13 further units have been permitted and are under construction.
 - Townhome Construction - 34 of the 60 multi-family Townhome units have been completed, and a further two units are under construction.
- Phase 2
 - Lot Sales - All 315 SFR lots and all lots for 113 Townhome units have been sold by UCP to Benchmark Communities.
 - House Construction - As of March 19, 2018, 256 of 315 units have been constructed and have been issued certificates of occupancy.
 - Townhome Construction. Building permits have been issued for 11 of the 113 Townhome units, and are under construction at this time.
- Phase 3
 - Lot Sales - Not started. Anticipated late 2018/early 2019, upon completion of infrastructure improvements.
 - Home Construction - Not started. To include 192 single-family homes and 150 condominiums. Anticipated 2019, upon sale of lots.

Affordable Housing

Low and Very-Low Income - 196 of the 1,400 total units will be low/very-low income units

- Jointly funded by the developer and the Successor Agency tax increment funds, per the terms of the DDA
- Phase 1 (MidPen) - 65-unit low and very-low rental apartments complete and being occupied.
- Phase 2 (CHISPA) - Design review complete for 65-unit low and very-low rental apartment building. Fund-seeking is underway and CHISPA working with the County and UCP is developing a funding-strategy, but there are few fund assistance programs available for this project at this time. The estimated cost for construction is over \$22 million, and public funds are not likely to become available until 2019. There is concern that the DDA milestones for completion of the affordable rental housing components of Phase 2 and Phase 3 will not be met within the timeframes set forth in the DDA due to numerous factors. UCP sent the Successor Agency a request to meet and confer regarding this matter. County staff (acting on behalf of the Successor Agency) met with representatives from CHISPA, UCP and ArtSpace/Arts Habitat on February 7, 2018 and March 8, 2018 where it was discussed whether the current circumstances constitute an Enforced Delay under the DDA. Options moving forward could include: 1) Requesting UCP provide a shortfall loan pursuant to the DDA, though such a loan would not provide sufficient funding to close the funding gap; and/or 2) UCP could provide the Agency with a Completion Guarantee. UCP is currently evaluating these and possibly other alternatives, and discussions are on-going related to this matter.
- Phase 3 (ArtSpace) - Not started. To include 66-unit low-income rental apartment complex. See previous bullet regarding Phase 2 CHISPA project and timing concerns.

Moderate Income - 84 of the 1,400 total units will be moderate-income units

- Phase 1 - 11 of the 19 Moderate income units (Townhomes) have been completed; County is working with developer to define process for coordination to identify qualified buyers for the deed restricted units.
 - 6 Moderate income households have been qualified, 5 units of which have been purchased by Moderate income qualified buyers and 1 of which is in contract.
- Phase 2 - Building permits have been issued for five of the 55 Moderate income units (Townhomes) in Phase 2, and are under construction.
- Phase 3 - Not started. To include 10 moderate income units (Townhomes)

Workforce 2 - 140 of the 1,400 total units will be Workforce 2 (WF2) units

- Phase 1 - 4 of the 47 units have been designated and purchased by WF2 income qualified buyers
- Phase 2 - 5 of the 47 units have been designated and purchased by WF2 income qualified buyers
- Phase 3 - Not started. To include 46 WF2 units.

Public Facilities

Public facilities at East Garrison are to be jointly funded by the developer and the Successor Agency tax increment funds, per the terms described in the DDA.

- Fire Station (Mandatory) - Construction of the new fire station began in May 2017, and is scheduled to be complete in the Spring of 2018. Once complete, ownership will be transferred to the Monterey County Regional Fire Protection District.
- Library (Mandatory) - Not yet started. Will include provision for a Sheriff Department field office.

Parks and Open Space

- Lincoln Park - Construction of this 6.8-acre public park, a portion of which also serves as a stormwater retention facility, was completed and accepted for ownership by the East Garrison Community Services District (EGCSD) on October 20, 2017. See below for EGCSD details.
- Open Space - A total of 29.4 acres of open space (including drainage ponds) is planned at East Garrison, and will ultimately be owned and maintained by the EGCSD
 - Phase 1 - 6.8 acres of open space and drainage ponds have been established, and has been owned and operated by the EGCSD since 2011.
 - Phase 2 - a 6.2-acre open space and drainage pond parcel is being established and is anticipated to be transferred to the EGCSD in late 2018/early 2019
 - Phase 3 - Not started. A 16.4-acre bluff open space area is anticipated to be constructed with Phase 3 and to be transferred to the EGCSD in late 2018/early 2019
- Neighborhood "Pocket" Parks - Six neighborhood parks plus the 1-acre Town Center park are planned at the development, to be owned and maintained by the East Garrison Homeowners Association
 - Phase 1 - 2 of 2 neighborhood parks complete.
 - Phase 2 - 2 of 2 neighborhood parks are complete but not open pending transfer to the EGCSD in 2018.
 - Phase 3 - Not started. To include 2 neighborhood parks and Town Center Park
 - On December 12, 2018, the Board of Supervisors approved the Second Amendment to the Urban Services Agreement relating to the transfer of responsibility for ownership and maintenance of the neighborhood parks from the East Garrison Homeowners Association (4) and UCP (3) to the East Garrison Community Services District (EGCSD). Staff is working with UCP and the HOA to have the 4 completed parks transfer to the EGCSD - see details below under the East Garrison Community Service District section.

Infrastructure Improvements and Subdivision Maps

- The Board of Supervisors accepted the Phase 3 Final Map and approved the Subdivision Improvement Agreement at the December 12, 2017 meeting:
- Construction of the Phase 3 on-site infrastructure improvements began in December 2017, and is scheduled for completion in September 2018.
- The Phase 3 infrastructure improvements will include reconstruction of the remaining

segment of Watkins Gate Road, together with a new traffic signal at its intersection with Reservation Road. These will be accepted into the County road system.

Town Center

- Town Center - Not started. Will include 5 buildings totaling 35,000 sf of retail commercial space, a one-acre park, and the new Library/Sheriff Field Office.
 - UCP is to post a completion bond for the Town Center prior to the sale of the first lot in Phase 3, which is anticipated late 2018. UCP is required to complete construction of at least 20,000 s.f. of the Town Center prior to the sale of the 200th lot in Phase 3, and plans are moving forward to construct the full 35,000 s.f. in 2019.

Arts/Historic District

- Not started. To include the reuse and conversion of 23 historic World War II-era buildings and surrounding property that comprise the Historic District into a maximum of 100,000 sf of affordable art studio space.
- A detailed update of the Arts/Historic District project was presented to the Fort Ord Committee on June 27, 2016. Since that time staff has met multiple times with ArtSpace/Arts Habitat representatives to discuss the Art/Historic District program, however, due to delays implementing the Phase 2 CHISPA low/very low income apartment project, negotiation and execution of agreements, lot sales and implementation of the Art/Historic District is delayed. The County, UCP, and affordable housing partners are actively coordinating to address these issues. Please see the detailed discussion in the Affordable Housing section above.

East Garrison Community Service District

- East Garrison Community Service District Election
 - Amendment #2 to Temporary Maintenance Agreement with UCP
 - A second amendment to the 2013 Temporary Maintenance Agreement planned to go to the EGCSO consent agenda for consideration and approval by the Board of Directors in May 2018. Amendment #2 will increase the scope and budget for UCP to perform maintenance for the 4 neighborhood “pocket” parks that will come to the EGCSO Board for acceptance the same date.
 - EGCSO Advisory Committee has been established and is scheduled to meet for the first time on March 21, 2018.

OTHER AGENCY INVOLVEMENT

The following agencies continue to participate in review of the East Garrison project:

- RMA-Land Use & Community Development Division (Planning, County Surveyor & Development Services, Environmental Services, Parks, Building Services)
- RMA-Public Works & Facilities Division (Traffic Engineering, Road & Bridge Engineering)
- Water Resources Agency
- Health Department/Environmental Health Bureau

- Monterey County Sheriff's Office
- Monterey County Agricultural Commissioner
- Monterey County Regional Fire District
- Marina Coast Water District
- Fort Ord Reuse Authority
- California Department of Fish & Wildlife

FINANCING:

The East Garrison Disposition and Development Agreement (DDA) obligates the (now) Successor Agency to use tax revenues ("tax increment") generated from the East Garrison project to provide financial assistance for DDA administration, affordable housing, public facilities, and historic building rehabilitation. On February 1, 2018, the Agency submitted the to the State Department of Finance the Recognized Obligation Payment Schedule (ROPS) for FY2018-2019 (July 1, 2018 to June 30, 2019), which included funding for Successor Agency wind-down as well as East Garrison administration costs, funding for the Fire Station construction and funding for very low and low income housing subsidy.

A hearing for the Successor Agency's lawsuit against the DOF took place in April 2017. The judge ruled in favor of the DOF, and the Successor Agency filed an appeal on March 14, 2018.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The East Garrison Project achieves the following Board of Supervisors' Strategic Initiatives:

- Strategic Initiative for Economic Development, "Through collaboration, strengthen economic development to ensure a diversified and healthy economy", by "Creating better paying jobs... (and) adding to the economic vitality of the County."
- Strategic Initiative for Infrastructure, "Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results", by "Improving the conditions of ...roads...", and by "Providing for adequate...infrastructure."

☒ Economic Development

☐ Administration

☐ Health & Human Services

☒ Infrastructure

☐ Public Safety

Prepared by: Melanie Beretti, Special Programs Manager (x5285)

Approved by: Carl P. Holm, AICP, RMA Director (x5103)

ATTACHMENT 2

DDA and Implement Agreement Milestones
(see attached)

East Garrison - DDA & Implementation Agreement Milestone Tracker

October 1, 2018

TASK	MILESTONE	STATUS	ON-TIME	DOCUMENT	NOTES
<i>Phase 1 Land Development - Installation of infrastructure and completion of COA's necessary to sell first market rate lot and Manzanita Place sub phase A & B improvements.</i>	September 30, 2012	Completed	Yes	IA	
<i>Phase 2 Land Development - Initiate infrastructure construction of horizontal improvements.</i>	No later than COE of 250th market rate lots	Completed	Yes	IA	
<i>Phase 2 Land Development - complete horizontal improvements</i>	Within 18 mos. of Ph. 2 LD start	Completed	Yes	IA	
<i>Phase 2 - Sale/transfer of last market rate lot</i>	No later than 3 years after LD completion	Completed	Yes	IA	
<i>Phase 3 Land Development - Initiate infrastructure construction of horizontal improvements.</i>	No later than COE of 250th market rate lot in Ph. 2	Completed	Yes	IA	
<i>Phase 3 Land Development - complete horizontal improvements</i>	Within 18 mos. of Ph. 3 LD start	Completed	Yes	IA	Tract acceptance pending
<i>Affordable Apts. Phase 1 - Rough Grade</i>	315th BP of Phase 1 Market Rate Unit	Completed	Yes	DDA	
<i>Affordable Apts. Phase 1 - Enclose and Weatherproof</i>	299th BP of Phase 2 Market Rate Unit	Completed	Yes	DDA	
<i>Affordable Apts. Phase 1 - 100% Cert. of Occupancies</i>	89th BP of Phase 3 Market Rate Units	Completed	Yes	DDA	Manzanita Place was occupied 5+ years ahead of DDA obligation timeline
<i>Reservation/Davis Rd. Signal - Submit Update Improvement Plans</i>	September 30, 2011	Completed	Yes	IA	
<i>Reservation/Davis Rd. Signal - Complete signalization</i>	March 31, 2013	Completed	Yes	IA	
<i>Reservation/Davis Rd. Signal - Begin Annual Monitoring for LOS C</i>	May 2013	Completed	Yes	IA	performed annual monitoring from 2013 thru 2016
<i>Reservation/Davis Rd. Signal - satisfaction of COA #251, Davis Rd. Imp.</i>	February 2017	Completed	Yes	IA	UCP paid county in-lieu fee amount of \$1,281,810.10 for Davis Rd. improvements to be performed in conjunction with County bridge widening project.
<i>Fire Station - Agreements with Architect & Construction Mgr.</i>	1st BP of Phase 2 market rate unit	Completed	Yes	DDA	
<i>Fire Station - Select Vendor for Fire Truck</i>	100th BP of Phase 2 market rate unit	Completed	Yes	DDA	
<i>Fire Station - Complete Agreement with Truck Manufacturer</i>	12 mos. Prior to station opening	Completed	Yes	DDA	
<i>Fire Station - Open Fire Station</i>	Last BP for Phase 2 or 1st for Phase 3	Completed	Yes	DDA	UCP fronted full costs of fire station cost including County obligation amount
<i>Progress Report - First Report Submittal</i>	last day of 12 mos. Period after second bulk sale of Phase 2 lots.	Completed	Yes	DDA	
<i>Parks - Complete Neighborhood Parks</i>	200th CofO in each phase.	Completed	Yes	IA	Phases 1 & 2. Not at 200th CofO for Phase 3
<i>Lincoln Park - install all necessary infrastructure with sufficient grading and landscaping to allow "passive" use of park</i>	200th CofO for Phase 1 market rate unit	Completed	Yes	IA	
<i>Lincoln Park - Open finished park</i>	COE of lot sales that represent 50% or greater of Phase 3.	Completed	Yes	IA	Lincoln Park was delivered 1 year ahead of milestone

ATTACHMENT 3
CHISPA Summary
(see attached)

CHISPA has followed the rise, fall, and subsequent resurrection of the East Garrison subdivision since we signed the Development Agreement with East Garrison Partners in April 2007.

Our intent always has been to develop 65 affordable apartments in the subdivision, although our forward motion has been stalled - initially by the financial crash and later by the disintegration of East Garrison Partners.

We are pleased that Century Communities has advanced the development to where it is today.

CHISPA's Investment to Date in East Garrison Apartments

CHISPA has invested close to \$350,000 in architectural and engineering work. We have completed the architectural plans up to 75% complete, and we have secured development approval from Monterey County Planning Staff.

We hoped to have identified and closed adequate funding before now to construct the apartment building.

Affordable Housing developments like this one rely upon local (County or City) funding and State Bond funding to fill the funding gap between the cost of construction and the tax credit equity and tax exempt bond proceeds

We need to secure about \$8,000,000 of low interest, long-term loans to fund construction of the property (\$123,000/ unit)

Unfortunately, the State Housing Programs that we and other affordable housing developers rely upon ran out of funding a few years ago.

Although the County anticipates investing some tax increment funding in the East Garrison Apartments development, those funds are not yet available either.

Most 4% Tax Credit developments that have been funded and constructed in California in the past five years have been in Counties with Housing Trust Funds or Affordable Housing Bond Funds. The Counties lend these funds to the developments to fill the funding gap. Monterey County does not have this financial tool for local affordable housing developers.

Affordable housing advocates in Monterey County have discussed putting an affordable housing bond on the ballot, but this probably will not happen until the 2020 presidential election ballot.

That leaves State bond programs as the only significant funding available for the development. We will apply for State funding when it becomes available again, which we anticipate will be in 2019:

Senate Bill 2- \$75 Recording Fee on some real estate transactions

2019: 70% of funding raised to go to localities to be distributed based on CDBG formula. 30% distributed by the State: 10% for farmworker housing, 15% for mixed income multi-family. (East Garrison may not be considered mixed income, because all units will be low-income)

Prop 1 - \$4 billion housing bond on November 2018 ballot.

If the \$4 billion housing bond passes, funding could be available as early as late 2019, because the funds will be added to existing loan programs with regulations already published. Housing bond funds will be added to these two loan programs that could be useful for East Garrison Apartments:

Multifamily Housing Program: \$1.5 billion for multi-family rental housing

Joe Serna Farmworker Program: \$300 million (50% of the E. Garrison Apartments would house farmworkers if we used this program)

Additional State funding possibilities are now available, but they are not necessarily appropriate for East Garrison:

Veterans

Funds must be used to serve veterans and their families.

At least 50 percent of the funds awarded shall serve veteran households with extremely low incomes. (50% AMI and below)

Of those units targeted to extremely low-income veteran housing, 60 percent shall be supportive housing units. This means that we would need to have some on-site case management or something similar.

Developments receiving this funding will house primarily homeless veterans.

We do not think there are enough homeless veterans in this area (with families) to occupy half of the East Garrison Apartments, so we are unlikely to pursue this funding.

No Place Like Home (California Department of Housing and Community Development)

- Funding for housing individuals with mental illness
- Application to be published in late 2018 or early 2019.
- Funding goes to the County Behavioral Health Department. We would apply from or with the County.

This funding may be inappropriate for this development. It is probably best for one-bedroom apartments with supportive services, not for two-and three bedroom family apartments. We will investigate when it becomes available.

AHSC: Affordable Housing Sustainable Communities: Cap and Trade

This funding is scored entirely on the project's reduction of greenhouse gas, so successful applications are often located near public transit stations.

There is a sub-category for rural developments. Successful applications in the past have provided van service for agricultural employees to reduce car commuting to fields.

We can look into this, but it is not a promising source of funding for East Garrison.

Federal Home Loan Bank's Affordable Housing Program (AHP)

This funding may be a source. We are using it now at a property we are constructing in Marina. Our rural developments, away from services, are typically less competitive than urban projects, close to services. But, it is worth applying for. Not more than \$500,000 - \$800,000 of funding, so we would need to get most of our funding from the State programs. Application is once a year.

Central California Alliance for Health (CAAH)

CHISPA's Junsay Oaks Senior Apartment development in Marina benefits from a \$2,500,000 grant from the Central California Alliance for Health. CCAH manages all MediCal patients and services in Monterey County.

CHISPA will reserve 20 of the 47 Junsay Oaks apartments for CCAH clients who have had multiple medical issues, have been homeless or at risk of homelessness, and who have been hospitalized several times in the past year.

CAAH anticipates that providing housing for these individuals improve their health, thereby reducing their heavy use of the MediCal system. Hospitals and other medical providers will pay attention to this pilot partnership between CHISPA and CCAH. Perhaps new funding would be made available for the East Garrison Apartments, if this pilot is successful.

Deadlines

We understand the deadlines included in the current County DDA that impact the development of the East Garrison Subdivision.

According to the DDA, Century Communities cannot pull more than 88 building permits in Phase III of the subdivision until the CHISPA apartments are completed to point of enclosure and weatherproofing.

Century Communities anticipates being ready to pull the 89th building permit by early 2019.

The State funds probably won't even be made available until mid-2019, assuming they are approved by the voters in November 2018.

If the funding programs are opened for application in June 2019, and we apply for the funding, it will take about six months before we learn that we are awarded funds. We may also need to apply for non-state funding, such as the AHP grant. That adds more time.

If we are awarded enough funding to fill the funding gap, we then apply for tax credits and bonds, which are offered by the State five times a year. Upon receiving an award of tax credits, it takes about 180 days to close all financing.

Therefore, the delay in funding for our East Garrison Apartments is a constraint upon the entire subdivision development, if Century Communities is prevented from pulling more permits because the apartments are not yet built.

This is a counterproductive result.

After all, part of the funding anticipated for the apartments is from the subdivision's Tax Increment fund. Each time a market-rate home is built, more is added to that fund.

CHISPA's Commitment to East Garrison Apartments

CHISPA is committed to constructing the East Garrison apartments, as soon as we secure adequate funding.

We will be ready to apply for the State funding as soon as it becomes available. We also will keep seeking out other, non-governmental funding, like CCAH.

When the County Tax-Increment funding becomes available, we assume that the County will direct it towards this development, because it will serve as leverage for when we apply for the State funding and Low Income Housing Tax Credits.

In the meantime, we request that the County allow Century Communities to progress with its single-family development.

The County and CHISPA gain nothing by enforcing the building permit restriction in the Development Agreement.

CHISPA cannot make subsidy money appear more quickly than the schedule described above.

We all agree that we want to see the subdivision proceed.

We suggest that CHISPA meet with Century and with the County Board of Supervisors to determine how we can adjust the Development Agreement to permit Century Communities to continue to pull permits and to allow CHISPA and the Arts Habitat the time required to secure the subsidies required to construct the affordable apartments.

ATTACHMENT 4
Artspace Summary
(see attached)



Offices:

Minneapolis // Los Angeles
New Orleans // New York
Seattle // Washington, D.C.

250 Third Avenue North
Suite 400
Minneapolis, MN 55401

P // 612 / 333 / 9012
F // 612 / 333 / 9089

artspace.org

September 19, 2018

Mr. James Fletcher
Century Communities
99 Almaden Boulevard, Suite 400
San Jose, CA 95113

RE: East Garrison Phase III Affordable Housing Status

Dear Mr. Fletcher:

Artspace is pleased to provide this letter summarizing the status of work related to the Phase III affordable housing component of the East Garrison Development Plan.

As you know, Artspace has a long history of involvement in the East Garrison project. Our involvement dates to work with East Garrison Partners (EGP) culminating in the execution of Memorandum of Agreement between EGP and Artspace executed in February 2007 and approved by Monterey County. The execution of the MOA in 2007 was the culmination of over five years of work by Artspace, EGP, and Monterey County. In total, Artspace has been a partner in the East Garrison project for over 15 years.

Artspace remains committed to the East Garrison project and to acting as the non-profit affordable housing development partner for Phase III of the East Garrison project. The financial feasibility of the Phase III Affordable Housing project, however, is dependent on the availability of state and local funding gap resources. The financing structure for Phase III Affordable Housing included federal low-income housing tax credits (either 4% or 9%), first mortgage financing (either traditional taxable or tax-exempt bond), tax increment funds provided by Monterey County, and State of California funding. While LIHTC and mortgage financing tools remain viable options for the Phase III project, challenges exist related to the availability of local TIF funding and California State funding.

Artspace is aware that the Phase II Affordable Housing project has been stalled due to the unavailability of funding. Because Artspace's Phase III development will utilize very similar funding resources to the Phase II development, Artspace cannot proceed until Phase II has secured its funding commitments. If we do not wait for Phase II, Artspace will be directly competing with Phase II for funding resources.

Artspace has not undertaken predevelopment work on the Phase III project since execution of the MOA in 2007. Artspace remains committed to the project and stands ready to re-engage in predevelopment work when a defined timeline exists for project funding. The most likely timeline for commencement of Phase III predevelopment work will coincide with secured funding awards for the Phase II project.

Artspace is willing to participate with the County and Century Communities in any conversations or efforts to advance this project.

Sincerely,

Greg Handberg
Senior Vice President
Artspace Projects, Inc.

ATTACHMENT 5
Phase 2 Guaranty

GUARANTY FOR PHASE TWO

THIS PHASE TWO COMPLETION GUARANTY ("Phase Two Guaranty"), dated as of _____, 2018, is hereby given by CENTURY COMMUNITIES, INC., a Delaware corporation ("Guarantor"), to the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY (the "Agency"), with respect to the following facts:

RECITALS:

A. East Garrison Partners I, LLC, a California limited liability company ("Original Developer") has entered into that certain Disposition and Development Agreement (Together with Exclusive Negotiation Rights to Certain Property) dated October 4, 2005 (the "DDA"), between Original Developer and the Agency, and approved by the County of Monterey (the "County"). Unless otherwise defined in this Phase Two Guaranty, capitalized terms shall have the same meanings as set forth in the DDA.

B. On September 8, 2009, UCP East Garrison, LLC ("Developer") acquired fee title to the East Garrison project that was subject to the DDA, and consequently assumed certain rights, interests and requirements under the DDA.

C. Section 108 of the DDA and Attachment No.3 thereto provide for the construction of certain deed-restricted affordable housing units in each of three Phases of the Project. Very low and low income rental inclusionary housing units, which constitute a portion of such deed-restricted affordable housing units, are to be developed and constructed in each Phase by a qualified tax credit entity selected by Developer with the reasonable approval of the Agency (a "Rental Affordable Housing Developer") pursuant to an Inclusionary Housing Agreement (Rental Units) approved by the County, the Agency and Developer and entered into with Developer and assigned to and assumed by the Rental Affordable Housing Developer.

D. The DDA further provides that if, notwithstanding its best efforts, a Rental Affordable Housing Developer does not secure timely financing for, or experiences construction delays or other Enforced Delays in, the construction of any of the very low and/or low income rental inclusionary housing units to be developed in a Phase by such Rental Affordable Housing Developer, or is in default under the terms of the assignment agreement entered into between Developer and such Rental Affordable Housing Developer (the "Assignment") or is otherwise in default with respect to such very low and/or low income rental inclusionary housing units to be developed by such Rental Affordable Housing Developer such that there could be a withholding of building permits and/or certificates of occupancy for market rate housing units in the Project under Attachment No.3 of the DDA (each a "Triggering Event"), Guarantor shall have the option, exercisable in its sole discretion, to execute and deliver a Completion Guaranty with respect to such very low and/or low income rental inclusionary housing units in such Phase, and, if Guarantor elects to execute and deliver this Phase Two Guaranty, the Agency shall waive, without further condition, compliance with the conditions set forth in Attachment No. 3 to the DDA for the issuance of building permits and certificates of occupancy for market rate units in the Project to the extent such conditions relate to the very low and/or low income rental

inclusionary housing units to be developed in Phase Two (collectively, the "Phase Two Metering Requirements") and the Agency and the County shall continue to issue building permits and certificates of occupancy for the market rate units in the Project without regard to the Phase Two Metering Requirements.

E. Guarantor is a related party to Developer and will receive a direct and substantive benefit from consummation of the provisions of the DDA and from the development and construction of the very low and low income rental inclusionary housing units in the Project.

F. Developer has entered into an Inclusionary Housing Agreement (Rental Units) for Phase Two dated as of June 20, 2007 (the "Phase Two Inclusionary Housing Agreement (Rental Units)"), a copy of which agreement is set forth on Exhibit "A" attached hereto. Community Housing Improvement Systems and Planning Associates, Inc., a Rental Affordable Housing Developer (the "Phase Two Affordable Builder") has assumed by Assignment the obligations of Developer under the Phase Two Inclusionary Housing Agreement (Rental Units), pursuant to which the Phase Two Affordable Builder has agreed to construct certain very low and/or low income rental inclusionary housing units in Phase Two (the "Phase Two Guaranteed Units"). A Triggering Event has occurred because the Phase Two Affordable Builder has been unable to secure timely financing.

G. In consideration of the Agency's waiver of compliance with the Phase Two Metering Requirements as a condition to the continued issuance by the County and the Agency of building permits and certificates of occupancy for the market rate units, to which the Agency and the County hereby agree as evidenced by their approval of this Phase Two Guaranty, Guarantor has elected to execute and deliver this Phase Two Guaranty to the Agency. Guarantor acknowledges that Agency would not waive such conditions but for this Phase Two Guaranty.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth below, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. Guaranty. Guarantor hereby guarantees and agrees, as its separate and sole obligation, that Guarantor shall construct, equip, complete (with such completion to be evidenced by a certificate of occupancy) and pay for the Phase Two Guaranteed Units and perform all other obligations of Developer under the Phase Two Inclusionary Housing Agreement (Rental Units) (collectively, the "Guaranteed Obligations") by no later than March 31, 2025. As used herein, the term "market rate residential unit" does not include the units in the Town Center, the income-restricted moderate income residential units or the Workforce II Housing units. To the extent Guarantor incurs any costs in performing under this Phase Two Guaranty, the amount of any and all such costs shall be deemed Project Costs for purposes of calculating the Developer's Target IRR (as defined in Section A.3.b. of Attachment No. 4 to the DDA).

2. Waivers by Guarantor.

(a) Guarantor waives any right to require the Agency to: (i) proceed first against the Phase Two Affordable Builder or Developer; (ii) proceed against or exhaust any security for the obligations of the Phase Two Affordable Builder or Developer under the Phase Two Inclusionary Housing Agreement (Rental Units) or the obligations of Guarantor hereunder; (iii) give notice of the terms, time and place of any public or private sale of any real or personal property security for any such obligations, or (iv) pursue any other remedy in the

Agency's power whatsoever. Guarantor waives any defense arising by reason of any act or omission of the Agency, the County, or others which directly or indirectly results in or aids the discharge or release of the Phase Two Affordable Builder or Developer or any indebtedness or obligation or any security therefor by operation of law or otherwise. Guarantor waives all set-offs and counterclaims and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Phase Two Guaranty and of the existence, creation or incurring of new or additional indebtedness or obligations. Guarantor further waives the right to plead any and all statutes of limitation as a defense to any demand under or enforcement of this Phase Two Guaranty.

(b) Guarantor further waives any duty on the part of the Agency to disclose to Guarantor any facts the Agency may now have or hereafter acquire concerning the Phase Two Affordable Builder or the Developer, regardless of whether the Agency has reason to believe that any such facts materially increase the risk beyond which Guarantor has contemplated hereunder or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of the Phase Two Affordable Builder and the Developer and of all circumstances bearing on the obligations of Guarantor under this Phase Two Guaranty.

(c) Guarantor waives: (i) any defense based upon any legal disability or other defense of the Phase Two Affordable Builder or Developer, any other guarantor or other person, or by reason of the cessation or limitation of the liability of the Phase Two Affordable Builder or Developer from any cause other than full payment and performance of the Guaranteed Obligations; (ii) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of the Phase Two Affordable Builder or the Developer or any principal of the Phase Two Affordable Builder or the Developer or any defect in the formation of the Phase Two Affordable Builder or the Developer or any principal of the Phase Two Affordable Builder or the Developer; (iii) any and all rights and defenses arising out of an election of remedies by Agency, even though that election of remedies has destroyed Guarantor's rights of subrogation and reimbursement against the principal; (iv) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (v) any defense based upon Agency's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; and (vi) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code.

(d) Guarantor acknowledges and agrees that the obligations of Guarantor under this Phase Two Guaranty to the Agency are separate and independent from any obligations of the Phase Two Affordable Builder or the Developer under the Phase Two Inclusionary Housing Agreement (Rental Units), and Agency and County acknowledge and agree that this Phase Two Guaranty and the obligations of Guarantor hereunder are not intended to be and are not secured by any deed of trust or other security agreement.

3. **No Release.** Once this Phase Two Guaranty has become effective, and until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not be released by any act or thing which might, but for this paragraph, be deemed a legal or equitable discharge of a surety (including any act by the Agency or the County which might have the effect of destroying Guarantor's rights of subrogation against the Phase Two Affordable Builder or Developer), or by reason of any waiver, extension, modification, forbearance or delay of the Agency or the County or its failure to proceed promptly or otherwise, and Guarantor hereby expressly waives and

surrenders any defense to its liability under this Phase Two Guaranty based upon any of the foregoing acts, things, agreements or waivers.

4. Subordination; Subrogation. Guarantor subordinates all present and future indebtedness owing by Developer or Phase Two Affordable Builder to Guarantor to the obligations at any time owing by Developer or Phase Two Affordable Builder to Agency under the Phase Two Inclusionary Housing Agreement (Rental Units) (the "Subordinated Indebtedness"). Until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not exercise any rights that it might acquire by way of subrogation under this Guaranty or any other rights that it might otherwise have or acquire entitling it at any time to share or participate in any right, remedy or security of the Agency or County as against the Phase Two Affordable Builder or against Developer under the Phase Two Inclusionary Housing Agreement (Rental Units). Provided that, following the satisfaction in full of the Guaranteed Obligations, if Guarantor shall have made any payments in furtherance of its performance under this Phase Two Guaranty, Guarantor shall, to the extent of such payments, be subrogated to the rights and remedies of the Agency and/or the County under any agreements or other documents containing the Phase Two Affordable Builder's or Developer's obligations to construct the Phase Two Guaranteed Units, subject to paragraph 2(c)(iii) hereof.

5. Representations and Warranties. Guarantor hereby makes the following representations and warranties to the Agency as of the date of this Phase Two Guaranty:

(a) Authorization and Validation. The execution, delivery and performance by Guarantor of this Phase Two Guaranty (i) is within the powers of Guarantor, (ii) has received all necessary authorizations and approvals on behalf of Guarantor, (iii) has received all necessary governmental approvals, and (iv) will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Guarantor is a party or by which Guarantor or any of its property is bound, or be in conflict with, result in any material breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance upon any of its property or assets, except as contemplated by the provisions of this Phase Two Guaranty. Guarantor further warrants and acknowledges that: (i) there are no conditions precedent to the effectiveness of this Phase Two Guaranty; (ii) the most recent financial statements of Guarantor previously delivered to Agency are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles consistently applied (or other principles acceptable to Agency) and fairly present the financial condition of Guarantor as of the respective dates thereof, and no material adverse change has occurred in the financial condition of Guarantor since the respective dates thereof which would materially adversely affect the ability of Guarantor to perform its obligations under this Phase Two Guaranty or would cause the net worth of Guarantor to fall below \$50,000,000 (indexed to the ENR Cost Index) prior to the satisfaction in full of the Guaranteed Obligations; and (iii) unless and until the Guaranteed Obligations are satisfied in full, Guarantor has not and will not, without the prior written consent of Agency, sell, lease, assign, encumber, transfer or otherwise dispose of all or substantially all of Guarantor's assets (collectively, an "Asset Transfer"), other than in the ordinary course of Guarantor's business, unless after such Asset Transfer, Guarantor has a net worth of not less than \$50,000,000 (indexed to the ENR Cost Index). The foregoing shall not prohibit Guarantor from entering into a merger or consolidation so long as until such time as the Guaranteed Obligations are satisfied in full the surviving corporation has a net worth of at least \$50,000,000 (indexed to the ENR Cost Index) and, in Agency's reasonable judgment, has expertise in the construction of multifamily housing projects in California at least equivalent to that of Guarantor.

(b) No Defaults. Guarantor is not (i) a party to any agreement or

instrument that will materially interfere with its performance under this Phase Two Guaranty, or (ii) in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions set forth in any agreement or instrument to which it is a party.

(c) Compliance. Guarantor has examined and is familiar with all conditions, restrictions, reservations and zoning ordinances affecting the Phase Two Guaranteed Units. The Phase Two Guaranteed Units shall in all material respects conform to and comply with all of the requirements of said conditions, restrictions, reservations and zoning ordinances and all construction of the Phase Two Guaranteed Units shall in all material respects conform with applicable ordinances and statutes, including subdivision laws and environmental impact laws, and shall be in accordance with all requirements of the regulatory authorities having jurisdiction therefor.

6. Notices. Any notice, demand or request by the Agency to Guarantor shall be in writing and shall be deemed to have been duly given or made if either delivered personally or if mailed by U.S. registered or certified mail as follows:

Century Communities, Inc.
8390 E. Crescent Pkwy, Suite 650
Greenwood Village, Colorado 80111
Attention: David Messenger, CFO

7. Termination of Guaranty. Notwithstanding anything to the contrary herein contained, this Phase Two Guaranty shall automatically terminate and become null and void upon the satisfaction in full of the Guaranteed Obligations, whether by Guarantor, Developer, the Phase Two Affordable Builder, any third party to whom Guarantor sells, leases, assigns, transfers or otherwise disposes of all or substantially all of Guarantor's assets (a "Transferee") or any other person or entity; provided, however, that if all or any part of such performance is avoided or recovered directly or indirectly from the Agency as a preference, fraudulent transfer or otherwise under the Federal Bankruptcy Code or any other federal or state laws, then this Phase Two Guaranty shall be reinstated and shall remain in full force and effect.

8. Remedies. If Guarantor fails to perform its obligations when due under this Phase Two Guaranty, Agency shall be entitled to all remedies available at law and in equity with respect to such breach. Without limiting the foregoing, Agency shall have the right, from time to time and without first requiring performance by the Phase Two Affordable Builder or Developer or exhausting any remedies under the Phase Two Inclusionary Housing Agreement (Rental Units), to bring any action at law or in equity or both to compel Guarantor to perform its obligations hereunder, and to collect in any such action reasonable compensation for all actual loss, cost, damage, injury and expense sustained or incurred by Agency as a direct consequence of the failure of Guarantor to perform its obligations; provided that in no circumstances shall Agency be entitled to any consequential, punitive or exemplary damages. All remedies afforded to the Agency by reason of this Phase Two Guaranty are separate and cumulative remedies and none of such remedies, whether exercised by the Agency or not, shall be deemed to be in exclusion of any one of the other remedies available to the Agency, and shall not in any way limit or prejudice any other legal or equitable remedy available to the Agency. Without limiting the foregoing, the parties hereto agree that the measure of damages recoverable by Agency by reason of Guarantor's failure to perform the Guaranteed Obligations shall be the cost to construct, equip and complete the Phase Two Guaranteed Units to the extent not constructed, equipped and completed by Guarantor, Developer, the Phase Two Affordable Builder or any Transferee, it being acknowledged and agreed by the parties that the Agency would suffer irreparable harm if the Phase Two Guaranteed Units are not constructed, equipped and completed.

9. Governing Law; Venue. This Phase Two Guaranty is and shall be deemed to be a contract entered into and pursuant to the laws of the State of California and shall in all respects be governed, construed, applied and enforced in accordance with the laws thereof. Guarantor hereby consents to venue for purposes of any action brought by the Agency under this Phase Two Guaranty in any court located in the County of Monterey, State of California.

10. Binding Effect. This Phase Two Guaranty shall inure to the benefit of the Agency and its successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Guarantor.

11. Severability. Should any one or more of the provisions of this Phase Two Guaranty be determined to be illegal, invalid or unenforceable, all other provisions of this Phase Two Guaranty shall remain in effect as if the provisions(s) determined to be illegal, invalid or unenforceable did not exist.

12. Attorneys' Fees and Costs. In any action or proceeding arising out of this Phase Two Guaranty, including, without limitation, any action for declaratory or injunctive relief or arising out of the termination of this Phase Two Guaranty, the prevailing party shall be entitled to recover from the losing party, as determined by the judge or presiding official, reasonable attorneys' fees and costs and expenses of investigation and/or litigation incurred, including, without limitation, those incurred in appellate proceedings or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11, or 13 of the United States Bankruptcy Code or any successor or similar statutes, and any judgment or decree rendered in any such actions or proceedings shall include an award thereof.

13. No Guarantee Of Phase Two Affordable Builder's Performance or DDA. This Phase Two Guaranty is a guarantee of completion by the date set forth in Section 1 hereof of the Guaranteed Obligations; it is not a guarantee of performance by the Phase Two Affordable Builder of its obligations under any agreement and is not a guarantee of the Developer's obligations under the DDA.

14. Entire Phase Two Guaranty: Amendments. Except for the relevant provisions of the Phase Two Inclusionary Housing Agreement (Rental Units), this Phase Two Guaranty embodies the entire agreement of Guarantor and the Agency with respect to the matters set forth herein, and, together with such provisions of the Phase Two Inclusionary Housing Agreement (Rental Units), supersedes all prior or contemporaneous agreements (whether oral or written) between Guarantor and the Agency with respect to the matters set forth herein. No course of prior or subsequent dealing between Guarantor and the Agency shall be used to supplement, modify or vary the terms hereof, and no term or provision of this Phase Two Guaranty may be changed, waived, revoked or amended without the prior written consent of Guarantor and the Agency.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Phase Two Guaranty as of the date first above written.

CENTURY COMMUNITIES, INC., a Delaware corporation

By:_____

Name:_____

Its:_____

APPROVED:

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
COUNTY OF MONTEREY

By:_____

Executive Director

By:_____

Secretary

COUNTY OF MONTEREY

By:_____

Name:_____

Its:_____

EXHIBIT "A"
PHASE TWO INCLUSIONARY HOUSING AGREEMENT (RENTAL UNITS)

ATTACHMENT 6
Phase 3 Guaranty

GUARANTY FOR PHASE
THREE

THIS PHASE THREE COMPLETION GUARANTY ("Phase Three Guaranty"), dated as of _____, 2018, is hereby given by CENTURY COMMUNITIES, INC., a Delaware corporation ("Guarantor"), to the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY (the "Agency"), with respect to the following facts:

RECITALS

:

A. East Garrison Partners I, LLC, a California limited liability company ("Original Developer") has entered into that certain Disposition and Development Agreement (Together with Exclusive Negotiation Rights to Certain Property) dated October 4, 2005 (the "DDA"), between Original Developer and the Agency, and approved by the County of Monterey (the "County"). Unless otherwise defined in this Phase Three Guaranty, capitalized terms shall have the same meanings as set forth in the DDA.

B. On September 8, 2009, UCP East Garrison, LLC ("Developer") acquired fee title to the East Garrison project that was subject to the DDA, and consequently assumed certain rights, interests and requirements under the DDA.

C. Section 108 of the DDA and Attachment No.3 thereto provide for the construction of certain deed-restricted affordable housing units in each of three Phases of the Project. Very low and low income rental inclusionary housing units, which constitute a portion of such deed-restricted affordable housing units, are to be developed and constructed in each Phase by a qualified tax credit entity selected by Developer with the reasonable approval of the Agency (a "Rental Affordable Housing Developer") pursuant to an Inclusionary Housing Agreement (Rental Units) approved by the County, the Agency and Developer and entered into with Developer and assigned to and assumed by the Rental Affordable Housing Developer.

D. The DDA further provides that if, notwithstanding its best efforts, a Rental Affordable Housing Developer does not secure timely financing for, or experiences construction delays or other Enforced Delays in, the construction of any of the very low and/or low income rental inclusionary housing units to be developed in a Phase by such Rental Affordable Housing Developer, or is in default under the terms of the assignment agreement entered into between Developer and such Rental Affordable Housing Developer (the "Assignment") or is otherwise in default with respect to such very low and/or low income rental inclusionary housing units to be developed by such Rental Affordable Housing Developer such that there could be a withholding of building permits and/or certificates of occupancy for market rate housing units in the Project under Attachment No.3 of the DDA (each a "Triggering Event"), Guarantor shall have the option, exercisable in its sole discretion, to execute and deliver a Completion Guaranty with respect to such very low and/or low income rental inclusionary housing units in such Phase, and, if Guarantor elects to execute and deliver this Phase Three Guaranty, the Agency shall waive, without further condition, compliance with the conditions set forth in Attachment No. 3 to the DDA for the issuance of building permits and certificates of occupancy for market rate units in the Project to the extent such conditions relate to the very low and/or low income rental inclusionary housing units to be developed in Phase Three (collectively, the "Phase Three Metering Requirements") and the Agency and the County shall continue to issue building permits and certificates of occupancy for the market rate units in the Project without regard to the

Phase Three Metering Requirements.

E. Guarantor is a related party to Developer and will receive a direct and substantive benefit from consummation of the provisions of the DDA and from the development and construction of the very low and low income rental inclusionary housing units in the Project.

F. Developer has entered into an Inclusionary Housing Agreement (Rental Units) for Phase Three dated as of June 20, 2007 (the "Phase Three Inclusionary Housing Agreement (Rental Units)"), a copy of which agreement is set forth on Exhibit "A" attached hereto. Artspace Projects, Inc., a Rental Affordable Housing Developer (the "Phase Three Affordable Builder") has assumed by Assignment the obligations of Developer under the Phase Three Inclusionary Housing Agreement (Rental Units), pursuant to which the Phase Three Affordable Builder has agreed to construct certain very low and/or low income rental inclusionary housing units in Phase Three (the "Phase Three Guaranteed Units"). A Triggering Event has occurred because the Phase Three Affordable Builder has been unable to secure timely financing and/or has encountered construction delays or other Enforced Delays.

G. In consideration of the Agency's waiver of compliance with the Phase Three Metering Requirements as a condition to the continued issuance by the County and the Agency of building permits and certificates of occupancy for the market rate units, to which the Agency and the County hereby agree as evidenced by their approval of this Phase Three Guaranty, Guarantor has elected to execute and deliver this Phase Three Guaranty to the Agency. Guarantor acknowledges that Agency would not waive such conditions but for this Phase Three Guaranty.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth below, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. Guaranty, Guarantor hereby guarantees and agrees, as its separate and sole obligation, that Guarantor shall construct, equip, complete (with such completion to be evidenced by a certificate of occupancy) and pay for the Phase Three Guaranteed Units and perform all other obligations of Developer under the Phase Three Inclusionary Housing Agreement (Rental Units) (collectively, the "Guaranteed Obligations") by no later than March 31, 2025. As used herein, the term "market rate residential unit" does not include the units in the Town Center, the income-restricted moderate income residential units or the Workforce II Housing units. To the extent Guarantor incurs any costs in performing under this Phase Three Guaranty, the amount of any and all such costs shall be deemed Project Costs for purposes of calculating the Developer's Target IRR (as defined in Section A.3.b. of Attachment No.4 to the DDA).

2. Waivers by Guarantor.

(a) Guarantor waives any right to require the Agency to: (i) proceed first against the Phase Three Affordable Builder or Developer; (ii) proceed against or exhaust any security for the obligations of the Phase Three Affordable Builder or Developer under the Phase Three Inclusionary Housing Agreement (Rental Units) or the obligations of Guarantor hereunder; (iii) give notice of the terms, time and place of any public or private sale of any real or personal property security for any such obligations, or (iv) pursue any other remedy in the Agency's power whatsoever. Guarantor waives any defense arising by reason of any act or omission of the Agency, the County, or others which directly or indirectly results in or aids the discharge or release of the Phase Three Affordable Builder or Developer or any indebtedness or obligation or any security therefor by operation of law or otherwise. Guarantor waives all

set-offs and counterclaims and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Phase Three Guaranty and of the existence, creation or incurring of new or additional indebtedness or obligations. Guarantor further waives the right to plead any and all statutes of limitation as a defense to any demand under or enforcement of this Phase Three Guaranty.

(b) Guarantor further waives any duty on the part of the Agency to disclose to Guarantor any facts the Agency may now have or hereafter acquire concerning the Phase Three Affordable Builder or the Developer, regardless of whether the Agency has reason to believe that any such facts materially increase the risk beyond which Guarantor has contemplated hereunder or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of the Phase Three Affordable Builder and the Developer and of all circumstances bearing on the obligations of Guarantor under this Phase Three Guaranty.

(c) Guarantor waives: (i) any defense based upon any legal disability or other defense of the Phase Three Affordable Builder or Developer, any other guarantor or other person, or by reason of the cessation or limitation of the liability of the Phase Three Affordable Builder or Developer from any cause other than full payment and performance of the Guaranteed Obligations; (ii) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of the Phase Three Affordable Builder or the Developer or any principal of the Phase Three Affordable Builder or the Developer or any defect in the formation of the Phase Three Affordable Builder or the Developer or any principal of the Phase Three Affordable Builder or the Developer; (iii) any and all rights and defenses arising out of an election of remedies by Agency, even though that election of remedies has destroyed Guarantor's rights of subrogation and reimbursement against the principal; (iv) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (v) any defense based upon Agency's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; and (vi) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code.

(d) Guarantor acknowledges and agrees that the obligations of Guarantor under this Phase Three Guaranty to the Agency are separate and independent from any obligations of the Phase Three Affordable Builder or the Developer under the Phase Three Inclusionary Housing Agreement (Rental Units), and Agency and County acknowledge and agree that this Phase Three Guaranty and the obligations of Guarantor hereunder are not intended to be and are not secured by any deed of trust or other security agreement.

3. No Release. Once this Phase Three Guaranty has become effective, and until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not be released by any act or thing which might, but for this paragraph, be deemed a legal or equitable discharge of a surety (including any act by the Agency or the County which might have the effect of destroying Guarantor's rights of subrogation against the Phase Three Affordable Builder or Developer), or by reason of any waiver, extension, modification, forbearance or delay of the Agency or the County or its failure to proceed promptly or otherwise, and Guarantor hereby expressly waives and surrenders any defense to its liability under this Phase Three Guaranty based upon any of the foregoing acts, things, agreements or waivers.

4. Subordination; Subrogation. Guarantor subordinates all present and future indebtedness owing by Developer or Phase Three Affordable Builder to Guarantor to the

obligations at any time owing by Developer or Phase Three Affordable Builder to Agency under the Phase Three Inclusionary Housing Agreement (Rental Units) (the "Subordinated Indebtedness"). Until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not exercise any rights that it might acquire by way of subrogation under this Guaranty or any other rights that it might otherwise have or acquire entitling it at any time to share or participate in any right, remedy or security of the Agency or County as against the Phase Three Affordable Builder or against Developer under the Phase Three Inclusionary Housing Agreement (Rental Units). Provided

that, following the satisfaction in full of the Guaranteed Obligations, if Guarantor shall have made any payments in furtherance of its performance under this Phase Three Guaranty, Guarantor shall, to the extent of such payments, be subrogated to the rights and remedies of the Agency and/or the County under any agreements or other documents containing the Phase Three Affordable Builder's or Developer's obligations to construct the Phase Three Guaranteed Units, subject to paragraph 2(c)(iii) hereof.

5. Representations and Warranties. Guarantor hereby makes the following representations and warranties to the Agency as of the date of this Phase Three Guaranty:

(a) Authorization and Validation. The execution, delivery and performance by Guarantor of this Phase Three Guaranty (i) is within the powers of Guarantor, (ii) has received all necessary authorizations and approvals on behalf of Guarantor, (iii) has received all necessary governmental approvals, and (iv) will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Guarantor is a party or by which Guarantor or any of its property is bound, or be in conflict with, result in any material breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance upon any of its property or assets, except as contemplated by the provisions of this Phase Three Guaranty. Guarantor further warrants and acknowledges that: (i) there are no conditions precedent to the effectiveness of this Phase Three Guaranty; (ii) the most recent financial statements of Guarantor previously delivered to Agency are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles consistently applied (or other principles acceptable to Agency) and fairly present the financial condition of Guarantor as of the respective dates thereof, and no material adverse change has occurred in the financial condition of Guarantor since the respective dates thereof which would materially adversely affect the ability of Guarantor to perform its obligations under this Phase Three Guaranty or would cause the net worth of Guarantor to fall below \$25,000,000 (indexed to the ENR Cost Index) prior to the satisfaction in full of the Guaranteed Obligations; and (iii) unless and until the Guaranteed Obligations are satisfied in full, Guarantor has not and will not, without the prior written consent of Agency, sell, lease, assign, encumber, transfer or otherwise dispose of all or substantially all of Guarantor's assets (collectively, an "Asset Transfer"), other than in the ordinary course of Guarantor's business, unless after such Asset Transfer, Guarantor has a net worth of not less than \$25,000,000 (indexed to the ENR Cost Index). The foregoing shall not prohibit Guarantor from entering into a merger or consolidation so long as until such time as the Guaranteed Obligations are satisfied in full the surviving corporation has a net worth of at least \$25,000,000 (indexed to the ENR Cost Index) and, in Agency's reasonable judgment, has expertise in the construction of multifamily housing projects in California at least equivalent to that of Guarantor.

(b) No Defaults. Guarantor is not (i) a party to any agreement or instrument that will materially interfere with its performance under this Phase Three Guaranty, or (ii) in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions set forth in any agreement or instrument to which it is a

party.

(c) Compliance. Guarantor has examined and is familiar with all conditions, restrictions, reservations and zoning ordinances affecting the Phase Three Guaranteed Units.

The Phase Three Guaranteed Units shall in all material respects conform to and comply with all of the requirements of said conditions, restrictions, reservations and zoning ordinances and all construction of the Phase Three Guaranteed Units shall in all material respects conform with applicable ordinances and statutes, including subdivision laws and environmental impact laws, and shall be in accordance with all requirements of the regulatory authorities having jurisdiction therefor.

6. Notices. Any notice, demand or request by the Agency to Guarantor shall be in writing and shall be deemed to have been duly given or made if either delivered personally or if mailed by U.S. registered or certified mail as follows:

Century Communities, Inc.
8390 E. Crescent Pkwy, Suite 650
Greenwood Village, Colorado 80111
Attention: David Messenger,

CFO

7. Termination of Guaranty. Notwithstanding anything to the contrary herein contained, this Phase Three Guaranty shall automatically terminate and become null and void upon the satisfaction in full of the Guaranteed Obligations, whether by Guarantor, Developer, the Phase Three Affordable Builder, any third party to whom Guarantor sells, leases, assigns, transfers or otherwise disposes of all or substantially all of Guarantor's assets (a "Transferee") or any other person or entity; provided, however, that if all or any part of such performance is avoided or recovered directly or indirectly from the Agency as a preference, fraudulent transfer or otherwise under the Federal Bankruptcy Code or any other federal or state laws, then this Phase Three Guaranty shall be reinstated and shall remain in full force and effect.

8. Remedies. If Guarantor fails to perform its obligations when due under this Phase Three Guaranty, Agency shall be entitled to all remedies available at law and in equity with respect to such breach. Without limiting the foregoing, Agency shall have the right, from time to time and without first requiring performance by the Phase Three Affordable Builder or Developer or exhausting any remedies under the Phase Three Inclusionary Housing Agreement (Rental Units), to bring any action at law or in equity or both to compel Guarantor to perform its obligations hereunder, and to collect in any such action reasonable compensation for all actual loss, cost, damage, injury and expense sustained or incurred by Agency as a direct consequence of the failure of Guarantor to perform its obligations; provided that in no circumstances shall Agency be entitled to any consequential, punitive or exemplary damages. All remedies afforded to the Agency by reason of this Phase Three Guaranty are separate and cumulative remedies and none of such remedies, whether exercised by the Agency or not, shall be deemed to be in exclusion of any one of the other remedies available to the Agency, and shall not in any way limit or prejudice any other legal or equitable remedy available to the Agency. Without limiting the foregoing, the parties hereto agree that the measure of damages recoverable by Agency by reason of Guarantor's failure to perform the Guaranteed Obligations shall be the cost to construct, equip and complete the Phase Three Guaranteed Units to the extent not constructed, equipped and completed by Guarantor, Developer, the Phase Three Affordable Builder or any Transferee, it being acknowledged and agreed by the parties that the Agency would suffer irreparable harm if the Phase Three Guaranteed Units are not constructed, equipped and completed.

9. Governing Law; Venue. This Phase Three Guaranty is and shall be deemed to be a contract entered into and pursuant to the laws of the State of California and shall in all respects be governed, construed, applied and enforced in accordance with the laws thereof. Guarantor hereby consents to venue for purposes of any action brought by the Agency under this Phase Three Guaranty in any court located in the County of Monterey, State of California.

10. Binding Effect. This Phase Three Guaranty shall inure to the benefit of the Agency and its successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Guarantor.

11. Severability. Should any one or more of the provisions of this Phase Three Guaranty be determined to be illegal, invalid or unenforceable, all other provisions of this Phase Three Guaranty shall remain in effect as if the provisions(s) determined to be illegal, invalid or unenforceable did not exist.

12. Attorneys' Fees and Costs. In any action or proceeding arising out of this Phase Three Guaranty, including, without limitation, any action for declaratory or injunctive relief or arising out of the termination of this Phase Three Guaranty, the prevailing party shall be entitled to recover from the losing party, as determined by the judge or presiding official, reasonable attorneys' fees and costs and expenses of investigation and/or litigation incurred, including, without limitation, those incurred in appellate proceedings or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11, or 13 of the United States Bankruptcy Code or any successor or similar statutes, and any judgment or decree rendered in any such actions or proceedings shall include an award thereof.

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14. Entire Phase Three Guaranty; Amendments. Except for the relevant provisions of the Phase Three Inclusionary Housing Agreement (Rental Units), this Phase Three Guaranty embodies the entire agreement of Guarantor and the Agency with respect to the matters set forth herein, and, together with such provisions of the Phase Three Inclusionary Housing Agreement (Rental Units), supersedes all prior or contemporaneous agreements (whether oral or written) between Guarantor and the Agency with respect to the matters set forth herein. No course of prior or subsequent dealing between Guarantor and the Agency shall be used to supplement, modify or vary the terms hereof, and no term or provision of this Phase Three Guaranty may be changed, waived, revoked or amended without the prior written consent of Guarantor and the Agency.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Phase Three Guaranty as of the date first above written.

CENTURY COMMUNITIES, INC., a Delaware corporation

By: _____
Name: _____
Its: _____

APPROVED:

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
COUNTY OF MONTEREY

By: _____
Executive Director

By: _____
Secretary

COUNTY OF MONTEREY

By: _____
Name: _____
Its: _____

EXHIBIT "A"
PHASE THREE INCLUSIONARY HOUSING AGREEMENT (RENTAL UNITS)

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