

After recording return to:

Washington State Department of Commerce
Housing Trust Fund
1011 Plum Street SE
P.O. Box 42525
Olympia, Washington 98504-2525
Attention: Contracts/Fiscal Group

PNWOT 2-521360

PRIORITY AND SUBORDINATION AGREEMENT

(Bainbridge Island - Ericksen)

RECORDED CONCURRENTLY HEREWITH

Grantors:

1. KITSAP BANK
2. WASHINGTON STATE DEPARTMENT OF COMMERCE
3. KITSAP COUNTY
4. HOUSING RESOURCES BAINBRIDGE

Grantees:

1. KITSAP BANK
2. WASHINGTON STATE DEPARTMENT OF COMMERCE
3. KITSAP COUNTY
4. HOUSING RESOURCES BAINBRIDGE

Abbreviated Legal description:

Ptn SW/NW, Section 26, Township 25 North, Range 2 East

(Additional legal description on Exhibit A)

Assessor's Tax Parcel Numbers:

262502-2-066-2002

Reference Numbers:

N/A

THIS PRIORITY AND SUBORDINATION AGREEMENT ("Agreement") is dated as of this 11 day of June 2025 ("Effective Date"), and is made by and among the following parties: WASHINGTON STATE DEPARTMENT OF COMMERCE, a state agency (the "State"); KITSAP COUNTY, a political subdivision of the State of Washington (the "County"); KITSAP BANK, a Washington Bank Corporation ("Kitsap Bank") and HOUSING RESOURCES BAINBRIDGE, a Washington nonprofit corporation (the "Developer") (collectively, the "Parties" and each individually, a "Party").

RECITALS

A. Developer's Interest. Developer holds free title to the property legally described on Exhibit A attached hereto (the "Property") and is developing for rent affordable housing on the Property commonly known as the Ericksen Community (the "Project").

B. County's Interest. The County is giving a grant to the Developer for the Project (the "County Grant"). As a condition to the County Grant, the Developer will be required to enter into a Declaration of Restrictive Covenants for the benefit of the County (the "County Covenant") and record the County Covenant in the records of the Kitsap County Auditor.

C. State's Interest. As of the Effective Date, the State is making a loan in the principal amount of Two Million Seven Hundred Fifty Thousand and no/100 Dollars (\$2,750,000.00) (the "State Loan") to the Developer pursuant to Housing Trust Fund Program Contract Number 23-94110-002 (the "State Contract") of even date herewith executed and between the State and Developer. Pursuant to the State Contract, the Developer executed a Promissory Note of even date herewith in the principal amount of Two Million Seven Hundred Fifty Thousand and no/100 Dollars (\$2,750,000.00) in favor of the State (the "State Note"). The State Note is secured by that certain Deed of Trust encumbering the Property of even date herewith and granted by the Developer in favor of Pacific Northwest Title, as trustee, and the State, as beneficiary, and recorded in Kitsap County on the same day as this Agreement (the "State Deed of Trust"). In addition, in connection with the State Contract, the Developer executed that certain Low Income Housing Covenant Agreement encumbering the Property of even date herewith and recorded in Kitsap County on the same day as this Agreement (the "State Covenant").

D. Kitsap Bank's Interest. As of the Effective Date, Kitsap Bank is making a loan in the principal amount of One Million Eight Hundred Nine Thousand Eighty Eight and no/100 Dollars (\$1,809,088) (the "Kitsap Bank Loan") to the Developer. The Kitsap Bank Loan is evidenced by a Promissory Note executed by Developer, of even date herewith, in the principal amount of One Million Eight Hundred Nine Thousand Eighty Eight and no/100 Dollars (\$1,809,088), in favor of Kitsap Bank (the "Kitsap Bank Note"). The Kitsap Bank Note is secured by: a Deed of Trust and Assignment of Rents, granted by the Developer in favor of Pacific Northwest Title, as trustee, and Kitsap Bank, as beneficiary, and recorded in Kitsap County encumbering the Property; referred to herein as the "Kitsap Bank Deed of Trust".

E. Purpose. The Parties wish to enter into this Agreement in order to establish their respective rights and priorities regarding the Property, the Kitsap Bank Deed of Trust, State Deed of Trust, State Covenant, and the County Covenant, all as more fully set forth herein.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Document Priority.**

(a) The Parties hereto agree that the documents, instruments, and rights identified and described above, regardless of recording order, shall have priority in the order set forth below in this Section, with the most senior of the respective documents and instruments listed first:

- (i) The State Covenant
- (ii) The County Covenant
- (iii) The Kitsap Bank Deed of Trust
- (v) The State Deed of Trust

(b) The State Covenant and County Covenant shall survive any foreclosure sale, trustee's sale, or deed in lieu thereof under the Kitsap Bank Deed of Trust and State Deed of Trust and shall be binding on any person acquiring the Property by any such means, or that is a successor to one who acquires the Property by such means, for so long as such person shall retain an interest in the Property, subject to the terms of each of the State Covenant, and County Covenant regarding the termination thereof.

(c) Regardless of priority as among the State Covenant and County Covenant, Developer, its successors, and any other parties obligated thereunder shall be obligated to comply with the provisions of each of the State Covenant and County Covenant except as expressly provided herein. The Parties hereto acknowledge that the State Covenant and County Covenant apply simultaneously and that the grantors thereunder are obligated to comply with each of them regardless of the relative priority or order of recording of the State Covenant and County Covenant. In the event of any conflict between the State Covenant and County Covenant, the most restrictive terms shall apply.

2. **Reliance by Kitsap Bank and State; Consent.** It is understood by the parties hereto that Kitsap Bank and the State would not be making their respective loans without this Agreement, and the Developer and County consent to all terms hereof.

3. **Miscellaneous.**

(a) **Entire Agreement.** This Agreement comprises the entire agreement among the parties with respect to the priority of each Party's covenants and liens upon and interests in the Property, and all prior understandings or agreements on that subject are superseded hereby.

(b) **Applicable Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. Venue of any action or proceeding to enforce, interpret or otherwise related hereto shall lie in Kitsap County, Washington.

(c) **Successors; Assignment.** This Agreement is for the benefit of Kitsap Bank, the State, the County, and each of their respective successors and assigns, in each case for so long as such Party's Deed of Trust or Covenant, or both, remains in effect with respect to the Property or any part thereof, and any provision hereof may be waived or modified by written agreement among all of them, or so many of them as are affected thereby, without the consent of the Developer and without affecting the priority of the liens and interests of the other Parties. The heirs, administrators, assigns, and successors-in-interest of the Parties hereto shall be bound by this Agreement. This Agreement may be assigned by a Party only as a part of an assignment of that Party's entire interest in the Property or its loan secured by a deed of trust described herein.

(d) **Notices.** All notices to be given pursuant to this Agreement shall be in writing and shall be deemed given when hand-delivered within normal business hours, when actually received by facsimile transmission during normal business hours, or two (2) business days after deposit in the U.S. mail, postage prepaid, (one (1) business day if sent by overnight courier) to the parties hereto at the addresses set forth below or to such other place as a Party may from time to time designate by notice to the other Parties. No transferee or successor of a Party hereto shall be entitled to notices or opportunity to cure defaults hereunder unless notice of the transfer is given in accordance with this subsection. For purposes of this subsection, a "business day" is any day other than a Saturday, Sunday, statutory federal or Washington state bank holiday.

Kitsap Bank: Kitsap Bank
 619 Bay Street
 Port Orchard, WA 98366

State: Washington State Department of Commerce
 Housing Trust Fund
 1011 Plum Street SE
 P.O. Box 42525
 Olympia, Washington 98504-2525
 Attention: Contracts/Fiscal Group

County: Kitsap County Department of Human Services
614 Division St., MS-23
Port Orchard, WA 98366 – 4676

Developer: Housing Resources Bainbridge
730 Ericksen Ave NE, Suite 100
Bainbridge Island, WA 98110

(e) **Amendment.** Except as stated in Section 3(c) above, this Agreement may be amended only by a writing signed by the Parties hereto, but this subsection shall not impair the validity of any further agreements among fewer than all of the Parties hereto as among themselves.

(f) **Counterparts.** This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and whether or not all parties execute each counterpart. The Parties expressly intend to be bound by authenticated electronic signatures.

(g) **Completion of Recording Information.** If this Agreement is signed without completion of certain recording information called for above, any Party hereto or any title insurance company acting on the instructions of any Party is hereby authorized to insert such information prior to recording this Agreement.

(h) **Attorney Fees.** If any Party, with the exception of Commerce, whom shall be exempt from this section, shall bring an action against any other Party by reason of the breach of any covenant, provision, or condition of this Agreement, or otherwise arising out of this Agreement, the unsuccessful Party shall pay to the prevailing party reasonable attorneys' fees, which fees shall be payable whether or not any action is prosecuted to judgment. The term "prevailing party" shall include, without limitation, a Party who brings an action against the other by reason of the other's breach or default and obtains substantially the relief sought, whether by compromise, settlement, or judgment.

(i) **Consent to Other Parties' Documents.** By executing this Agreement, each Party hereby acknowledges and consents to the execution of, and where appropriate, the recording of, the Kitsap Bank documents and the State documents by the Developer, Kitsap Bank, and the State. Notwithstanding such consent, the terms hereof, the terms of any such documents, and the acceptance by lenders of their respective liens and other rights and interests under the documents, a lender shall not, prior to any acquisition of title to the Property by such lender, be liable or responsible for any obligation of the Developer under such documents, or of any "Owner" as defined in any such documents.

(j). **Kitsap Bank, State and County Approvals.** Kitsap Bank, the State, and the County execute this Agreement solely in their respective capacities, with (1) the State being through the Housing Trust Fund with the Department of Commerce, as the beneficiary under the State documents, and nothing herein shall affect the rights or interests of the State with respect to encumbrances on the Property that are not described herein; and (2) the County through the Department of Health and Community Services, as the beneficiary under the County documents, and nothing herein shall affect the rights or interests of the County with respect to encumbrances on the Property that are not described herein. Nothing herein shall be construed as any commitment, representation or assurance by the State or County with regard to any action or approval that may be required by any of them for the Project or Property. It is understood that such actions and approvals depend on determinations and decisions of other governmental departments and officials, and it is the obligation of the Developer to comply with all relevant conditions and requirements and to obtain all necessary approvals.

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

[SIGNATURES AND ACKNOWLEDGMENTS FOLLOW]

KITSAP BANK,
a Washington Bank Corporation

By: Elizabeth Robertson
Name: Elizabeth Robertson
Title: SVP Credit Administrator

STATE OF WASHINGTON)
)
COUNTY OF KITSAP)

I hereby certify that I know or have satisfactory evidence that Elizabeth Robertson appeared before me, and acknowledged that s/he signed this instrument, on oath stated that s/he was authorized to execute this instrument, and acknowledged it as the SVP Credit Admin of the **KITSAP BANK**, a Washington Bank Corporation, to be the free and voluntary act of such entity for the uses and purposes mentioned in this instrument.

GIVEN under my hand and official seal this 10 day of June, 2025.

Rachel L. Nelson
NOTARY PUBLIC in and for the State of Washington
My commission expires 7-9-28
Print Name: Rachel L. Nelson

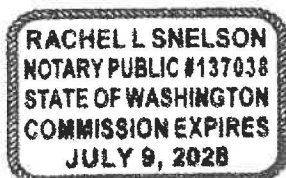


EXHIBIT A
LEGAL DESCRIPTION

That portion of the North 240 feet of the East quarter of the South half of the Southwest quarter of the Northwest quarter, Section 26, Township 25 North, Range 2 East, W.M., in Kitsap County, Washington, lying Westerly of State Highway Number 21-A;

Except the West 30 feet thereof deeded to the Town of Winslow for road by deed recorded under Auditor's File No. 1028552;

And except the West 145 feet of the South 95 feet thereof.



Debarred Contractors List

A debarred contractor may not bid on, or have a bid considered on, any public works contract. You can search and filter this list using the options presented below.

Company Name: Principal: From: To:

WA UBI Number: RCW: Penalty Due: Wage Due:

License Number:

[Download all debarment data](#)

Show <div>25</div> per page	Showing 0 records										First	Previous	Next	Last
Company Name	UBI	License	Principals	Related Business	Status	RCW	Debar Begins	Debar Ends	Penalty Due	Wages Due				
There are no records that match your search criteria.														
Show <div>25</div> per page	Showing 0 records										First	Previous	Next	Last