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Contra Costa County
Department of Conservation and Development
30 Muir Road
Martinez, CA 94553
Attn: Deputy Director

No fee for recording pursuant to
Government Code Section 27383

COUNTY REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
(Church Lane Existing Loan Funds)

This County Regulatory Agreement and Declaration of Restrictive Covenants (the "County Regulatory Agreement") is dated December 1, 2017 and is between the County of Contra Costa, a political subdivision of the State of California (the "County"), and San Pablo Preservation, L.P., a California limited partnership ("Borrower").

RECITALS

A. Defined terms used but not defined in these recitals are as defined in Article 1 of this County Regulatory Agreement.

B. The County has received Home Investment Partnerships Act ("HOME") funds from the United States Department of Housing and Urban Development ("HUD") pursuant to the Cranston-Gonzales National Housing Act of 1990 ("HOME Funds"). The HOME Funds must be used by the County in accordance with 24 C.F.R. Part 92.

C. The County has received Community Development Block Grant Program ("CDBG") funds from HUD under Title I of the Housing and Community Development Act of 1974 (42 USC 5301, et seq.), as amended ("CDBG Funds"). The CDBG Funds must be used by the County in accordance with 24 C.F.R. Part 570.

D. Borrower intends to purchase that certain real property located at 2555 Church Lane in the City of San Pablo, County of Contra Costa, State of California, as more particularly described in Exhibit A (the "Property") from Church Lane-Rubicon Partners, a California limited partnership (the "Seller"). Borrower intends to rehabilitate the existing twenty-two (22) housing units located on the Property, with twenty-one (21) for rental to extremely low and very low income households and one (1) manager's unit. Together the Property and its improvements are the "Development".

E. Pursuant to a Development Loan Agreement by and between the County and Borrower of even date herewith (the "Loan Agreement"), the County is lending Borrower Three Million Eighty-Six Thousand Six Hundred Eleven Dollars (\$3,086,611) (the "Combined County Loan") to assist in the rehabilitation of the Development, and the concurrent rehabilitation of twenty-nine (29) units of affordable housing located at 10203 San Pablo Avenue in the Cities of Richmond and El Cerrito (the "Idaho Apartments Property"). The Development and the Idaho Apartments Property are collectively referred to as the "Combined Development". The Combined County Loan includes restructured existing financing associated with the Combined Development to assist in the rehabilitation of the Combined Development.

F. The Combined County Loan includes the following funds previously loaned by the County to the Seller and assumed by Borrower: (i) Nine Hundred One Thousand Five Hundred Thirty-Three Dollars (\$901,533) of CDBG Funds, and (ii) Eight Hundred Four Thousand Four Hundred Dollars (\$804,400) of HOME Funds.

G. In addition to the Loan Agreement, the Combined County Loan is evidenced by the following documents: (i) a deed of trust with assignment of rents, security agreement, and fixture filing of even date herewith, among Borrower, as trustor, North American Title Company, as trustee, and the County, as beneficiary; (ii) a subordination and intercreditor agreement of even date herewith among the City of El Cerrito, the County, and Borrower; (iii) two (2) promissory notes executed by Borrower of even date herewith, for the existing loan portions of the Combined County Loan assumed by Borrower; and (iv) two (2) regulatory agreements associated with the Development and the Idaho Apartments Property, including this Agreement, executed by Borrower of even date herewith, (collectively, the "Loan Documents"). The Loan Documents are described in more detail in the Loan Agreement.

H. The County has the authority to lend the Combined County Loan to Borrower pursuant to Government Code Section 26227, which authorizes counties to spend county funds for programs that will further a county's public purposes. In addition, the County has the authority to loan (i) the HOME Funds pursuant to 24 C.F.R. 92.205, and (ii) the CDBG Funds pursuant to 24 C.F.R. 570.202.

I. The County has agreed to make the Combined County Loan on the condition that Borrower maintain and operate the Development in accordance with restrictions set forth in this County Regulatory Agreement, and in the related documents evidencing the Combined County Loan. Eleven (11) of the Units are restricted by the County pursuant to this County Regulatory Agreement.

J. This County Regulatory Agreement supersedes in its entirety the Regulatory Agreement and Declaration of Restrictive Covenants dated December 9, 2015, recorded in the Official Records against the Church Lane Property on January 12, 2016, as Instrument No. 2016-0005265-00.

K. In consideration of receipt of the Combined County Loan at an interest rate substantially below the market rate, Borrower agrees to observe all the terms and conditions set forth below.

The parties therefore agree as follows:

AGREEMENT

ARTICLE 1
DEFINITIONS

1.1 Definitions.

The following terms have the following meanings:

- (a) "Accessibility Requirements" has the meaning set forth in Section 2.1(d).
- (b) "Actual Household Size" means the actual number of persons in the applicable household.
- (c) "Adjusted Income" means with respect to the Tenant of each County-Assisted Unit, the Tenant's total anticipated annual income as defined in 24 CFR 5.609 and calculated pursuant to 24 CFR 5.611.
- (d) "Approved Development Budget" has the meaning set forth in the Loan Agreement.
- (e) "Assumed Household Size" means the household size "adjusted for family size appropriate to the unit" as such term is defined in Health & Safety Code Section 50052.5(h).
- (f) "CDBG" has the meaning set forth in Paragraph C of the Recitals.
- (g) "CDBG Funds" has the meaning set forth in Paragraph C of the Recitals.
- (h) "City" means the City of San Pablo, California, a municipal corporation.
- (i) "Combined County Loan" has the meaning set forth in Paragraph E of the Recitals.
- (j) "Combined Development" has the meaning set forth in Paragraph E of the Recitals.
- (k) "Completion Date" the date a final certificate of occupancy, or equivalent document is issued by the City to certify that the Development may be legally occupied or that the work has been completed in accordance with the applicable governmental requirements.
- (l) "County-Assisted Units" means the eleven (11) Units that are restricted to occupancy by Very Low Income Households in compliance with Section 2.1 below.

(m) "County Regulatory Agreement" has the meaning set forth in the first paragraph of this County Regulatory Agreement.

(n) "Deed of Trust" means the Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing of even date herewith by and among Borrower, as trustor, North American Title Company, as trustee, and the County, as beneficiary, that encumbers the Property to secure repayment of the Combined County Loan and Borrower's performance of the Loan Documents.

(o) "Development" has the meaning set forth in Paragraph D of the Recitals.

(p) "Existing Tenants" means the tenants that occupy the County-Assisted Units on the date of Borrower's acquisition of the Property.

(q) "HOME" has the meaning set forth in Paragraph B of the Recitals.

(r) "HOME Funds" has the meaning set forth in Paragraph B of the Recitals.

(s) "HUD" has the meaning set forth in Paragraph B of the Recitals.

(t) "Idaho Apartments Property" has the meaning set forth in Paragraph E of the Recitals.

(u) "Loan Agreement" has the meaning set forth in Paragraph E of the Recitals.

(v) "Loan Documents" has the meaning set forth in Paragraph G of the Recitals.

(w) "Low Income Household" means a Tenant with an Adjusted Income that does not exceed eighty percent (80%) of Median Income, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than eighty percent (80%) of Median Income on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

(x) "Low Income Rent" means a monthly Rent amount not exceeding one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of Median Income, adjusted for Assumed Household Size.

(y) "Marketing Plan" has the meaning set forth in Section 4.3(a).

(z) "Median Income" means the median gross yearly income, adjusted for Actual Household Size as specified herein, in the County of Contra Costa, California, as published from time to time by HUD. In the event that such income determinations are no longer published, or are not updated for a period of at least eighteen (18) months, the County shall provide Borrower with other income determinations that are reasonably similar with respect

to methods of calculation to those previously published by HUD.

(aa) "Operating Budget" has the meaning set forth in Section 2.4(d) below.

(bb) "Property" has the meaning set forth in Paragraph D of the Recitals.

(cc) "Rent" means the total monthly payments by the Tenant of a Unit for the following: use and occupancy of the Unit and land and associated facilities; any separately charged fees or service charges assessed by Borrower which are customarily charged in rental housing and required of all Tenants, other than security deposits; an allowance for the cost of an adequate level of service for utilities paid by the Tenant, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not telephone service or cable TV; and any other interest, taxes, fees or charges for use of the land or associated facilities and assessed by a public or private entity other than Borrower, and paid by the Tenant.

(dd) "Rental Subsidy" has the meaning set forth in Section 2.4(d) below.

(ee) "Seller" has the meaning set forth in Paragraph D of the Recitals.

(ff) "TCAC" means the California Tax Credit Allocation Committee.

(gg) "TCAC Regulatory Agreement" has the meaning set forth in Section 2.2(c) below.

(hh) "Tenant" means the tenant household that occupies a Unit in the Development.

(ii) "Tenant Selection Plan" has the meaning set forth in Section 4.3(b).

(jj) "Term" means the term of this County Regulatory Agreement which commences as of the date of this County Regulatory Agreement, and unless sooner terminated pursuant to the terms of this County Regulatory Agreement, expires on the fifty-fifth (55th) anniversary of the Completion Date; provided, however, if a record of the Completion Date cannot be located or established, the Term will expire on the fifty-seventh (57th) anniversary of this County Regulatory Agreement.

(kk) "Unit(s)" means one (1) or more of the units in the Development.

(ll) "Very Low Income Household" means a household with an Adjusted Income that does not exceed fifty percent (50%) of Median Income, adjusted for Actual Household Size.

(mm) "Very Low Income Rent" means the maximum allowable rent for a Very Low Income Unit pursuant to Section 2.2(a) below.

(nn) "Very Low Income Units" means the Units which, pursuant to Section 2.1(a) below, are required to be occupied by Very Low Income Households.

ARTICLE 2
AFFORDABILITY AND OCCUPANCY COVENANTS

2.1 Occupancy Requirements.

(a) Very Low Income Units. During the Term Borrower shall cause eleven (11) Units to be rented to and occupied by or, if vacant, available for occupancy by, Very Low Income Households.

(b) Intermingling of Units. Borrower shall cause the County-Assisted Units to be intermingled throughout the Development and of comparable quality to all other Units. All Tenants must have equal access to and enjoyment of all common facilities in the Development. The County-Assisted Units must be of the bedroom size set forth in the following chart:

	Very Low Income Units
One-Bd. Units	4
Two-Bd. Units	3
Three-Bd. or 4 BR. Units	4
Total	11

(c) Disabled Persons Occupancy. Borrower shall cause the Development to be operated at all times in compliance with the applicable provisions of: (i) the Unruh Act, (ii) the California Fair Employment and Housing Act, (iii) Section 504 of the Rehabilitation Act of 1973, (iv) the United States Fair Housing Act, as amended, (v) the Americans With Disabilities Act of 1990, and (vi) Chapters 11A and 11B of Title 24 of the California Code of Regulations, which relate to disabled persons access (collectively, the "Accessibility Requirements"). Borrower shall indemnify, protect, hold harmless and defend (with counsel reasonably satisfactory to the County) the County, and its board members, officers and employees, from all suits, actions, claims, causes of action, costs, demands, judgments and liens arising out of Borrower's failure to comply with the Accessibility Requirements. The provisions of this subsection will survive expiration of the Term or other termination of this County Regulatory Agreement, and remain in full force and effect.

(d) Existing Tenants. Borrower shall provide the County a written report of the income and rent amount of all Existing Tenants within ninety (90) days of acquisition of the Development. Concurrent with providing the report to the County, Borrower shall also provide a proposal regarding designation of Units as Very Low Income Units. Borrower shall not implement any rent increases for Existing Tenants upon acquisition of the Development without the approval of the County. Any Existing Tenant lawfully residing in the Development as of the date of this Agreement is entitled to remain a resident of the Development if such Tenant does not meet the income and other eligibility criteria of this Section 2.1. If and when such non-

qualifying Existing Tenant voluntarily vacates the Unit, Borrower shall rent such Unit to a Very Low Income Household as necessary to meet the provisions of this Section.

2.2 Allowable Rent.

(a) Very Low Income Rent. Subject to the provisions of Section 2.4 below, the Rent paid by Tenants of Very Low Income Units may not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Median Income, adjusted for Assumed Household Size.

(b) No Additional Fees. Borrower may not charge any fee, other than Rent, to any Tenant of the County-Assisted Units for any housing or other services provided by Borrower.

(c) Compliance with TCAC Requirements. During the term of a regulatory agreement associated with the provision of low income housing tax credits by TCAC and recorded against the Property (the "TCAC Regulatory Agreement"), Borrower may use the occupancy standards, occupancy assumptions, income limits, and rent levels that are permitted by TCAC in the TCAC Regulatory Agreement, in place of such requirements imposed by this County Regulatory Agreement.

2.3 Rent Increases.

(a) Rent Amount. The initial Rent for all County-Assisted Units must be approved by the County prior to initial occupancy. The County will provide Borrower with a schedule of maximum permissible Rents for the County-Assisted Units and the maximum monthly allowances for utilities and services (excluding telephone) annually.

(b) Rent Increases. All Rent increases for all County-Assisted Units are subject to County approval pursuant to the terms of this Section. No later than sixty (60) days prior to the proposed implementation of any Rent increase affecting a County-Assisted Unit, Borrower shall submit to the County a schedule of any proposed increase in the Rent charged for County-Assisted Units. The Rent for such Units may be increased no more than once annually based upon the annual income certification described in Article 3. The County will disapprove a Rent increase if it violates the schedule of maximum permissible Rents for the County-Assisted Units provided to Borrower by the County, or is greater than a 5% increase over the previous year's Rent, provided that the County may approve a request from Borrower for a rent increase greater than 5%, with a written explanation for the request from Borrower. Borrower shall give Tenants written notice at least thirty (30) days prior to any Rent increase, following completion of the County approval process set forth above.

2.4 Increased Income of Tenants.

(a) Increased Income above Very Low Income but below Low Income Limit. If, upon the annual certification of the income of a Tenant of a Very Low Income Unit, Borrower determines that the income of the Tenant has increased above the qualifying limit for a Very Low Income Household, but not above the qualifying income for a Low Income Household, the Tenant may continue to occupy the Unit and the Tenant's Rent will remain at the Very Low

Income Rent. Borrower shall then rent the next available Unit to a Very Low Income Household to comply with the requirements of Section 2.1(a) above, at a Rent not exceeding the maximum Rent specified in Section 2.2(a), or re-designate another comparable Unit in the Development with a Very Low Income Household a Very Low Income Unit, to comply with the requirements of Section 2.1(a) above. Upon renting the next available Unit in accordance with Section 2.1(a) or re-designating another Unit in the Development as a Very Low Income Unit, the Unit with the over-income Tenant will no longer be considered a County-Assisted Unit.

(b) Non-Qualifying Household. If, upon the annual certification of the income a Tenant of a County-Assisted Unit, Borrower determines that the Tenant's income has increased above the qualifying limit for a Low Income Household, the Tenant may continue to occupy the Unit. Upon the expiration of such Tenant's lease:

(1) Borrower may, with 60 days' advance written notice, increase such Tenant's Rent to the lesser of (i) one-twelfth (1/12) of thirty percent (30%) of the actual Adjusted Income of the Tenant, and (ii) the fair market rent, and

(2) Borrower shall, rent the next available Unit to a Very Low Income Household to comply with the requirements of Section 2.1 above, at a Rent not exceeding the maximum Rent specified in Section 2.2, or designate another comparable Unit that is occupied by a Very Low Income Household as a County-Assisted Unit, to meet the requirements of Section 2.1 above. On the day that Borrower complies with Section 2.1 in accordance with this Section 2.4(b), the Unit with the over-income Tenant will no longer be considered a County-Assisted Unit.

(c) Termination of Occupancy. Upon termination of occupancy of a County-Assisted Unit by a Tenant, such Unit will be deemed to be continuously occupied by a household of the same income level as the initial income level of the vacating Tenant, until such unit is reoccupied, at which time categorization of the Unit will be established based on the occupancy requirements of Section 2.1.

(d) Loss of Subsidy. It is anticipated that the Development will receive Project-Based Section 8 or other rental subsidy payments (the "Rental Subsidy") throughout the Term, as reflected in the Approved Development Budget. If, during the Term, any change in federal law occurs, or any action (or inaction) by Congress or any federal or State agency occurs, which results in a reduction, termination or nonrenewal of the Rental Subsidy through no fault of the Borrower, such that the Rental Subsidy shown on the Approved Development Budget is no longer available, Borrower may increase the Rent on one or more of the County-Assisted Units to the Low Income Rent subject to the following requirements. At the time Borrower requests an increase in the Rent, Borrower shall provide the County with an operating budget for the Development for the County's approval pursuant to Section 4.3 of the Loan Agreement, showing the impact of the loss or reduction of the Rental Subsidy (the "Operating Budget"). The number of County-Assisted Units subject to the Rent increase may not be greater than the number required to ensure that the Development generates sufficient income to cover its operating costs and debt service as shown on the Operating Budget, and as is necessary to maintain the financial stability of the Development. Any such Rent increase must be pursuant to a transition plan

approved by the County, consistent with remedial measures set forth in California Code of Regulations Title 4, Division 17, Chapter 1, Section 10337(a)(3) or successor regulation applicable to California's Federal and State Low Income Housing Tax Credit Program.

Borrower shall use good faith efforts to obtain alternative sources of rental subsidies and shall provide the County with annual progress reports on efforts to obtain alternative sources of rental subsidies that would allow the rents on the County-Assisted Units to be reduced back to the Very Low Income Rent. Upon receipt of any alternative rental subsidies, Borrower shall reduce the rents on the County-Assisted Units back to the Very Low Income Rents to the extent that the alternative rental subsidies provide sufficient income to cover the operating costs and debt service of the Development as shown on the Operating Budget.

ARTICLE 3 INCOME CERTIFICATION; REPORTING; RECORDS

3.1 Income Certification. Borrower shall obtain, complete, and maintain on file, immediately prior to initial occupancy and annually thereafter, income certifications from each Tenant renting any of the County-Assisted Units. Borrower shall make a good faith effort to verify the accuracy of the income provided by the applicant or occupying household, as the case may be, in an income certification. To verify the information, Borrower shall take two or more of the following steps: (i) obtain a pay stub for the most recent pay period; (ii) obtain an income tax return for the most recent tax year; (iii) conduct a credit agency or similar search; (iv) obtain an income verification form from the applicant's current employer; (v) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (vi) if the applicant is unemployed and does not have a tax return, obtain another form of independent verification. Where applicable, Borrower shall examine at least two (2) months of relevant source documentation. Copies of Tenant income certifications are to be available to the County upon request.

3.2 Reporting Requirements.

(a) Borrower shall submit to the County within one hundred eighty (180) days after the Completion Date, and not later than forty-five (45) days after the close of each calendar year, or such other date as may be requested by the County, a report that includes the following data for each Unit and specifically identifies which Units are County-Assisted Units: (i) Tenant income, (ii) the number of occupants, (iii) the Rent, (iv) the number of bedrooms, and (v) the initial address of each Tenant. To demonstrate continued compliance with Section 2.1 Borrower shall cause each annual report after the initial report to include a record of any subsequent Tenant substitutions and any vacancies in County-Assisted Units that have been filled.

(b) Borrower shall submit to the County within forty-five (45) days after receipt of a written request, or such other time agreed to by the County, any other information or completed forms requested by the County in order to comply with reporting requirements of HUD, the State of California, and the County.

3.3 Tenant Records. Borrower shall maintain complete, accurate and current records pertaining to income and household size of Tenants. All Tenant lists, applications and waiting lists relating to the Development are to be at all times: (i) separate and identifiable from any other business of Borrower, (ii) maintained as required by the County, in a reasonable condition for proper audit, and (iii) subject to examination during business hours by representatives of the County. Borrower shall retain copies of all materials obtained or produced with respect to occupancy of the Units for a period of at least five (5) years. The County may examine and make copies of all books, records or other documents of Borrower that pertain to the Development.

3.4 Development Records.

(a) Borrower shall keep and maintain at the principal place of business of the Borrower set forth in Section 6.11 below, or elsewhere with the County's written consent, full, complete and appropriate books, records and accounts relating to the Development. Borrower shall cause all books, records and accounts relating to its compliance with the terms, provisions, covenants and conditions of the Loan Documents to be kept and maintained in accordance with generally accepted accounting principles consistently applied, and to be consistent with requirements of this County Regulatory Agreement. Borrower shall cause all books, records, and accounts to be open to and available for inspection and copying by HUD, the County, its auditors or other authorized representatives at reasonable intervals during normal business hours. Borrower shall cause copies of all tax returns and other reports that Borrower may be required to furnish to any government agency to be open for inspection by the County at all reasonable times at the place that the books, records and accounts of Borrower are kept. Borrower shall preserve such records for a period of not less than five (5) years after their creation in compliance with all HUD records and accounting requirements. If any litigation, claim, negotiation, audit exception, monitoring, inspection or other action relating to the use of the Combined County Loan is pending at the end of the record retention period stated herein, then Borrower shall retain the records until such action and all related issues are resolved. Borrower shall cause the records to include all invoices, receipts, and other documents related to expenditures from the Combined County Loan funds. Borrower shall cause records to be accurate and current and in a form that allows the County to comply with the record keeping requirements contained in 24 C.F.R. 92.508. Such records are to include but are not limited to:

(i) Records providing a full description of the activities undertaken with the use of the Combined County Loan funds;

(ii) Records demonstrating compliance with the maintenance requirements set forth in Section 5.6;

(iii) Records documenting compliance with the fair housing, equal opportunity, and affirmative fair marketing requirements;

(iv) Financial records; and

(v) Records demonstrating compliance with the marketing, tenant selection, affordability, and income requirements.

(b) The County shall notify Borrower of any records it deems insufficient. Borrower has fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the County in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Borrower must begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

ARTICLE 4 OPERATION OF THE DEVELOPMENT

4.1 Residential Use. Borrower shall operate the Development for residential use only. No part of the Development may be operated as transient housing.

4.2 Compliance with Loan Documents and Program Requirements. Borrower's actions with respect to the Property shall at all times be in full conformity with: (i) all requirements of the Loan Documents; and (ii) any other regulatory requirements imposed on the Development.

4.3 Marketing Plan; Tenant Selection Plan.

(a) Marketing Plan.

(1) No later than six (6) months prior to the date rehabilitation of the Development is projected to be complete, Borrower shall submit to the County for approval its plan for marketing the Development to income-eligible households as required by this County Regulatory Agreement (the "Marketing Plan"). The Marketing Plan must include information on affirmative marketing efforts and compliance with fair housing laws.

(2) Upon receipt of the Marketing Plan, the County will promptly review the Marketing Plan and will approve or disapprove it within fifteen (15) days after receipt. If the Marketing Plan is not approved, the County will give Borrower specific reasons for such disapproval and Borrower shall submit a revised Marketing Plan within fifteen (15) days of notification of the County's disapproval. Borrower shall follow this procedure for resubmission of a revised Marketing Plan until the Marketing Plan is approved by the County. If the Borrower does not submit a revised Marketing Plan that is approved by the County at least three (3) months prior to the date completion of the Development is projected to be complete, Borrower will be in default of this County Regulatory Agreement.

(b) Tenant Selection Plan.

(1) No later than six (6) months prior to the date rehabilitation of the Development is projected to be complete, Borrower shall submit to the County, for its review and approval, Borrower's written tenant selection plan (the "Tenant Selection Plan").

(2) Upon receipt of the Tenant Selection Plan, the County will promptly review the Tenant Selection Plan and will approve or disapprove it within fifteen (15) days after receipt. If the Tenant Selection Plan is not approved, the County will give Borrower

specific reasons for such disapproval and Borrower shall submit a revised Tenant Selection Plan within fifteen (15) days of notification of the County's disapproval. Borrower shall follow this procedure for resubmission of a revised Tenant Selection Plan until the Tenant Selection Plan is approved by the County. If the Borrower does not submit a revised Tenant Selection Plan that is approved by the County at least three (3) months prior to the date construction of the Development is projected to be complete, Borrower will be in default of this County Regulatory Agreement.

4.4 Lease Provisions.

(a) No later than four (4) months prior to the date rehabilitation of the Development is projected to be complete, Borrower shall submit to the County for approval Borrower's proposed form of lease agreement for the County's review and approval. When leasing Units within the Development, Borrower shall use the form of lease approved by the County. The form of lease must comply with all requirements of this County Regulatory Agreement, the other Loan Documents and must, among other matters:

(1) provide for termination of the lease for failure to: (i) provide any information required under this County Regulatory Agreement or reasonably requested by Borrower to establish or recertify the Tenant's qualification, or the qualification of the Tenant's household, for occupancy in the Development in accordance with the standards set forth in this County Regulatory Agreement, or (ii) qualify as a Very Low Income Household as a result of any material misrepresentation made by such Tenant with respect to the income computation.

(2) be for an initial term of not less than one (1) year, unless by mutual agreement between the Tenant and Borrower, and provide for no increase in Rent during such year. After the initial year of tenancy, the lease may be month-to-month by mutual agreement of Borrower and the Tenant. Notwithstanding the above, any rent increases are subject to the requirements of Section 2.3 above.

(3) include a provision that requires a Tenant who is residing in a Unit required to be accessible pursuant to the Accessibility Requirements and who is not in need of an accessible Unit to move to a non-accessible Unit when a non-accessible Unit becomes available and another Tenant or prospective Tenant is in need of an accessible Unit.

(b) Any termination of a lease or refusal to renew a lease for a County Assisted Unit within the Development must be preceded by not less than sixty (60) days written notice to the Tenant by Borrower specifying the grounds for the action.

(c) During the Term, Borrower shall comply with the Marking Plan and Tenant Selection Plan approved by the County.

ARTICLE 5 PROPERTY MANAGEMENT AND MAINTENANCE

5.1 Management Responsibilities. Borrower is responsible for all management

functions with respect to the Development, including without limitation the selection of Tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The County has no responsibility for management of the Development. Borrower shall retain a professional property management company approved by the County in its reasonable discretion to perform Borrower's management duties hereunder. An on-site property manager is also required.

5.2 Management Agent. Borrower shall cause the Development to be managed by an experienced management agent reasonably acceptable to the County, with a demonstrated ability to operate residential facilities like the Development in a manner that will provide decent, safe, and sanitary housing (the "Management Agent"). The County has approved the John Stewart Company as the Management Agent. Borrower shall submit for the County's approval the identity of any proposed subsequent management agent. Borrower shall also submit such additional information about the background, experience and financial condition of any proposed management agent as is reasonably necessary for the County to determine whether the proposed management agent meets the standard for a qualified management agent set forth above. If the proposed management agent meets the standard for a qualified management agent set forth above, the County shall approve the proposed management agent by notifying Borrower in writing. Unless the proposed management agent is disapproved by the County within thirty (30) days, which disapproval is to state with reasonable specificity the basis for disapproval, it shall be deemed approved.

5.3 Periodic Performance Review. The County reserves the right to conduct an annual (or more frequently, if deemed necessary by the County) review of the management practices and financial status of the Development. The purpose of each periodic review will be to enable the County to determine if the Development is being operated and managed in accordance with the requirements and standards of this County Regulatory Agreement. Borrower shall cooperate with the County in such reviews.

5.4 Replacement of Management Agent. If, as a result of a periodic review, the County determines in its reasonable judgment that the Development is not being operated and managed in accordance with any of the material requirements and standards of this County Regulatory Agreement, the County shall deliver notice to Borrower of its intention to cause replacement of the Management Agent, including the reasons therefor. Within fifteen (15) days after receipt by Borrower of such written notice, the County staff and Borrower shall meet in good faith to consider methods for improving the financial and operating status of the Development, including, without limitation, replacement of the Management Agent.

If, after such meeting, County staff recommends in writing the replacement of the Management Agent, Borrower shall promptly dismiss the then-current Management Agent, and shall appoint as the Management Agent a person or entity meeting the standards for a management agent set forth in Section 5.2 above and approved by the County pursuant to Section 5.2 above.

Any contract for the operation or management of the Development entered into by Borrower shall provide that the Management Agent may be dismissed and the contract

terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section constitutes a default under this County Regulatory Agreement, and the County may enforce this provision through legal proceedings as specified in Section 6.5 below.

5.5 Approval of Management Policies. Borrower shall submit its written management policies with respect to the Development to the County for its review, and shall amend such policies in any way necessary to ensure that such policies comply with the provisions of this County Regulatory Agreement.

5.6 Property Maintenance.

(a) Borrower shall maintain, for the entire Term of this County Regulatory Agreement, all interior and exterior improvements, including landscaping in decent, safe and sanitary condition, and in good condition and repair. Borrower shall cause the Development to be: (i) maintained in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials; and (ii) free of all health and safety defects. Borrower shall correct any life-threatening maintenance deficiencies, including those set forth in the Maintenance Standards immediately upon notification.

(b) At the beginning of each year of the Term, Borrower shall certify to the County that the Development is in compliance with the Maintenance Standards.

5.7 Property Inspections.

(a) On-Site Physical Inspections. The County will perform on-site inspections of the Development during the Term to ensure compliance with the Maintenance Standards. The County will perform an on-site inspection within twelve months after completion of construction of the Development and at least once every three (3) years during the Term. If the Development is found to have health and safety violations, the County may perform more frequent inspections. Borrower shall cooperate in such inspections.

(b) Violation of Maintenance Standards. If after an inspection, the County determines that Borrower is in violation of the Maintenance Standards, the County will provide Borrower a written report of the violations. Borrower shall correct the violations set forth in the report provided to Borrower by County. The County will perform a follow-up inspection to verify that the violations have been corrected. If such violations continue for a period of ten (10) days after delivery of the report to Borrower by the County with respect to graffiti, debris, waste material, and general maintenance, or thirty (30) days after delivery of the report to Borrower by the County with respect to landscaping and building improvements, then the County, in addition to whatever other remedy it may have at law or in equity, has the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the violation. Pursuant to such right of entry, the County is permitted (but is not required) to enter upon the Property and to perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to attach a lien on the Property, or to assess the Property, in the amount of the expenditures arising from

such acts and work of protection, maintenance, and preservation by the County and/or costs of such cure, which amount Borrower shall promptly pay to the County upon demand.

ARTICLE 6
MISCELLANEOUS

6.1 Nondiscrimination.

(a) All of the Units must be available for occupancy on a continuous basis to members of the general public who are income eligible. Borrower may not give preference to any particular class or group of persons in renting or selling the Units, except to the extent that the Units are required to be leased to income eligible households pursuant to this County Regulatory Agreement. Borrower herein covenants by and for Borrower, assigns, and all persons claiming under or through Borrower, that there exist no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, source of income (e.g., SSI), ancestry, age, familial status (except for lawful senior housing in accordance with state and federal law), or disability, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of any unit nor will Borrower or any person claiming under or through Borrower, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of any unit or in connection with the employment of persons for the construction, operation and management of any unit.

(b) Borrower shall accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor. Borrower may not apply selection criteria to Section 8 certificate or voucher holders that is more burdensome than criteria applied to all other prospective Tenants, nor will Borrower apply or permit the application of management policies or lease provisions with respect to the Development which have the effect of precluding occupancy of units by such prospective Tenants.

6.2 Application of Provisions. The provisions of this County Regulatory Agreement apply to the Property for the entire Term even if the Combined County Loan is paid in full prior to the end of the Term. This County Regulatory Agreement binds any successor, heir or assign of Borrower, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, except as expressly released by the County. The County is making the Combined County Loan on the condition, and in consideration of, this provision, and would not do so otherwise.

6.3 Notice of Expiration of Term.

(a) At least six (6) months prior to the expiration of the Term, Borrower shall provide by first-class mail, postage prepaid, a notice to all Tenants containing (i) the anticipated date of the expiration of the Term, (ii) any anticipated increase in Rent upon the expiration of the Term, (iii) a statement that a copy of such notice will be sent to the County, and (iv) a statement

that a public hearing may be held by the County on the issue and that the Tenant will receive notice of the hearing at least fifteen (15) days in advance of any such hearing. Borrower shall also file a copy of the above-described notice with the County Deputy Director, Department of Conservation and Development.

(b) In addition to the notice required above, Borrower shall comply with the requirements set forth in California Government Code Sections 65863.10 and 65863.11. Such notice requirements include: (i) a twelve (12) month notice to existing tenants, prospective tenants and Affected Public Agencies (as defined in California Government Code Section 65863.10(a)) prior to the expiration of the Term, (ii) a six (6) month notice requirement to existing tenants, prospective tenants and Affected Public Agencies prior to the expiration of the Term; (iii) a notice of an offer to purchase the Development to "qualified entities" (as defined in California Government Code Section 65863.11(d)), if the Development is to be sold within five (5) years of the end of the Term; (iv) a notice of right of first refusal within the one hundred eighty (180) day period that qualified entities may purchase the Development.

6.4 Covenants to Run With the Land. The County and Borrower hereby declare their express intent that the covenants and restrictions set forth in this County Regulatory Agreement run with the land, and bind all successors in title to the Property, provided, however, that on the expiration of the Term said covenants and restrictions expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof, is to be held conclusively to have been executed, delivered and accepted subject to the covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the County expressly releases such conveyed portion of the Property from the requirements of this County Regulatory Agreement.

6.5 Enforcement by the County. If Borrower fails to perform any obligation under this County Regulatory Agreement, and fails to cure the default within thirty (30) days after the County has notified Borrower in writing of the default or, if the default cannot be cured within thirty (30) days, fails to commence to cure within thirty (30) days and thereafter diligently pursue such cure and complete such cure within sixty (60) days, the County may enforce this County Regulatory Agreement by any or all of the following actions, or any other remedy provided by law:

(a) Calling the Combined County Loan. The County may declare a default under the Loan Documents, accelerate the indebtedness evidenced by the Loan Documents, and proceed with foreclosure under the Deed of Trust.

(b) Action to Compel Performance or for Damages. The County may bring an action at law or in equity to compel Borrower's performance of its obligations under this County Regulatory Agreement, and may seek damages.

(c) Remedies Provided Under Loan Documents. The County may exercise any other remedy provided under the Loan Documents.

The County shall provide notice of a default to Borrower's limited partner in the manner set forth in Section 6.5 of the Loan Agreement.

6.6 Attorneys' Fees and Costs. In any action brought to enforce this County Regulatory Agreement, the prevailing party must be entitled to all costs and expenses of suit, including reasonable attorneys' fees. This section must be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

6.7 Recording and Filing. The County and Borrower shall cause this County Regulatory Agreement, and all amendments and supplements to it, to be recorded in the Official Records of the County of Contra Costa.

6.8 Governing Law. This County Regulatory Agreement is governed by the laws of the State of California.

6.9 Waiver of Requirements. Any of the requirements of this County Regulatory Agreement may be expressly waived by the County in writing, but no waiver by the County of any requirement of this County Regulatory Agreement extends to or affects any other provision of this County Regulatory Agreement, and may not be deemed to do so.

6.10 Amendments. This County Regulatory Agreement may be amended only by a written instrument executed by all the parties hereto or their successors in title that is duly recorded in the official records of the County of Contra Costa.

6.11 Notices. Any notice requirement set forth herein will be deemed to be satisfied three (3) days after mailing of the notice first-class United States certified mail, postage prepaid, addressed to the appropriate party as follows:

County: County of Contra Costa
Department of Conservation and Development
30 Muir Road
Martinez, CA 94553
Attn: Deputy Director

Borrower: San Pablo Preservation, L.P.
c/o Resources for Community Development
2220 Oxford Street
Berkeley, California 94704
Attention: Executive Director

Investor Limited
Partner: RSEP Holding, LLC
c/o Red Stone Partners, LLC
200 Public Square, Suite 2050
Cleveland, OH 44114
Attn: Managing Director and General Counsel

Such addresses may be changed by notice to the other party given in the same manner as provided above.

6.12 Severability. If any provision of this County Regulatory Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions of this County Regulatory Agreement will not in any way be affected or impaired thereby.

6.13 Multiple Originals; Counterparts. This County Regulatory Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

6.14 Revival of Agreement after Foreclosure. In the event there is a foreclosure of the Property, this County Regulatory Agreement will revive according to its original terms if, during the Term, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the Development or Property.

[remainder of page intentionally left blank]

WHEREAS, this County Regulatory Agreement has been entered into by the undersigned as of the date first written above.

COUNTY:

COUNTY OF CONTRA COSTA, a political subdivision of the State of California

By: _____
John Kopchik
Director, Department of Conservation and Development

Approved as to form:

SHARON L. ANDERSON
County Counsel

By: _____
Kathleen Andrus
Deputy County Counsel

BORROWER:

SAN PABLO PRESERVATION, L.P.,
a California limited partnership

By: RCD GP LLC,
a California limited liability company,
its general partner

By: Resources for Community
Development, a California nonprofit
public benefit corporation its sole
member/manager

By: _____
Daniel Sawislak, Executive Director

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

EXHIBIT A

Legal Description
(Church Lane)

The land is situated in the State of California, County of Contra Costa, and is described as follows: