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

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COUNTY REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
(St. Paul's Commons)

This County Regulatory Agreement and Declaration of Restrictive Covenants (the "County Regulatory Agreement") is dated March 1, 2018 and is between the County of Contra Costa, a political subdivision of the State of California (the "County"), and SP Commons, 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 Housing Opportunities for Persons with AIDS Program funds from HUD pursuant to the HOPWA program ("HOPWA Funds"). The HOPWA Funds are available to and administered by the County, as the subrecipient of the City of Oakland, which is the representative for the Alameda-Contra Costa County Eligible Metropolitan Area. The HOPWA Funds must be used by the County in accordance with 24 C.F.R. Part 574.

D. St. Paul's Episcopal Church in Walnut Creek, California ("St. Paul's") is the owner of that certain real property located at 1860 Trinity Avenue in the City of Walnut Creek, County of Contra Costa, State of California, as more particularly described in Exhibit A (the "Property"). Concurrently herewith Borrower is entering into a ground lease agreement with St. Paul's (the "Ground Lease"), pursuant to which Borrower will acquire a leasehold interest in the Property from St. Paul's for a period of seventy-seven (77) years (the "Leasehold Interest"). Borrower intends to demolish the existing improvements on the Property and construct forty-five (45)

multifamily housing units on the Property for rental to extremely low, very low and low income households, including one (1) manager's unit, and attendant site improvements (the "Housing Improvements"). The Property will also be improved with a social service facility that will be leased back to St. Paul's and will house a homeless day shelter and service program (the "Service Facility Improvements"). The Housing Improvements and the Service Facility Improvements are collectively, the "Improvements". Borrower's Leasehold Interest and Borrower's fee interest in the Improvements, are collectively, the "Development".

E. Pursuant to a HOME and HOPWA Loan Agreement by and between the County and Borrower of even date herewith (the "Loan Agreement"), the County is lending Borrower Two Million Six Hundred Forty-Two Thousand Four Hundred Dollars (\$2,642,400) of HOME Funds (the "HOME Loan") and Two Hundred Thirty-Two Thousand Six Hundred Eighty-One Dollars (\$232,681) of HOPWA Funds (the "HOPWA Loan") for a total loan amount of Two Million Eight Hundred Seventy-Five Thousand Eighty-One Dollars (\$2,875,081) (the "Loan").

F. The County has the authority to lend the 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 HOPWA Funds pursuant to 24 C.F.R. 574.300.

G. The County has agreed to make the Loan on the condition that Borrower maintain and operate the Development in accordance with restrictions set forth in this County Regulatory Agreement and the HOME/HOPWA Regulatory Agreement, and in the related documents evidencing the Loan. Eighteen (18) of the Units are restricted by the County pursuant to this County Regulatory Agreement.

H. As it applies to the County-Assisted Units this County Regulatory Agreement will be in effect for the Term. The HOME/HOPWA Regulatory Agreement as it applies to the County-Assisted Units will be in effect for twenty-one (21) years from the Completion Date. Pursuant to Section 6.14 below, compliance with the terms of the HOME/HOPWA Regulatory Agreement will be deemed compliance with this County Regulatory Agreement during the term of the HOME/HOPWA Regulatory Agreement.

I. In consideration of receipt of the 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 Unit, the Tenant's total anticipated annual income as defined in 24 CFR 5.609 and as calculated pursuant to 24 C.F.R. 5.611.
- (d) "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), used to calculate Rent.
- (e) "City" means the City of Walnut Creek, California, a municipal corporation.
- (f) "Completion Date" means the date a final certificate of occupancy, or equivalent document is issued by the City to certify that the Housing Improvements may be legally occupied.
- (g) "County-Assisted Units" means the eighteen (18) Units constructed on the Development that are restricted to occupancy by Extremely Low Income Households and Thirty-Five Percent Income Households in compliance with Section 2.1 below.
- (h) "County Regulatory Agreement" has the meaning set forth in the first paragraph of this County Regulatory Agreement.
- (i) "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 Development to secure repayment of the Loan and Borrower's performance of the Loan Documents.
- (j) "Development" has the meaning set forth in Paragraph D of the Recitals.
- (k) "Extremely Low Income Household" means a household with an Adjusted Income that does not exceed thirty percent (30%) of Median Income, adjusted for Actual Household Size.
- (l) "Extremely Low Income Rent" means the maximum allowable rent for an Extremely Low Income Unit pursuant to Section 2.2(a) below.
- (m) "Extremely Low Income Units" means the Units which, pursuant to Section 2.1(a) below, are required to be occupied by Extremely Low Income Households.
- (n) "Ground Lease" has the meaning set forth in Paragraph D of the Recitals.

- (o) "HOME" has the meaning set forth in Paragraph B of the Recitals.
- (p) "HOME Funds" has the meaning set forth in Paragraph B of the Recitals.
- (q) "HOME/HOPWA Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, between the County and Borrower evidencing County requirements applicable to the Loan, to be recorded against the Development concurrently herewith.
- (r) "HOME Loan" has the meaning set forth in Paragraph E of the Recitals.
- (s) "HOME Term" has the meaning in Section 6.14.
- (t) "HOPWA" means the Housing Opportunities for Persons with AIDS Program pursuant to the AIDS Housing Opportunity Act (42 USC 12901 et. seq.), as amended by the Housing and Community Development Act of 1992 (42 USC 5301 et. seq.).
- (u) "HOPWA Funds" has the meaning set forth in Paragraph C of the Recitals.
- (v) "HOPWA Loan" has the meaning set forth in Paragraph E of the Recitals.
- (w) "Housing Improvements" has the meaning set forth in Paragraph D of the Recitals.
- (x) "HUD" has the meaning set forth in Paragraph B of the Recitals.
- (y) "Improvements" has the meaning set forth in Paragraph D of the Recitals.
- (z) "Intercreditor Agreement" means that certain intercreditor agreement of even date herewith among the City, the County, and Borrower.
- (aa) "Leasehold Interest" has the meaning set forth in Paragraph D of the Recitals.
- (bb) "Loan" has the meaning set forth in Paragraph E of the Recitals.
- (cc) "Loan Agreement" has the meaning set forth in Paragraph E of the Recitals.
- (dd) "Loan Documents" means the documents evidencing the Loan including this County Regulatory Agreement, the Note, the Loan Agreement, the Intercreditor Agreement, the HOME/HOPWA Regulatory Agreement, and the Deed of Trust.
- (ee) "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.

(ff) "Low Income Rent" means a monthly Rent amount not exceeding one-twelfth (1/12) of thirty percent (30%) of sixty-five percent (65%) of Median Income, adjusted for Assumed Household Size.

(gg) "Maintenance Standards" has the meaning set forth in Section 5.6(a).

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

(ii) "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.

(jj) "Note" means the promissory note that evidences Borrower's obligation to repay the Loan, as such may be amended from time to time.

(kk) "Operating Budget" has the meaning set forth in Section 2.6(a).

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

(mm) "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.

(nn) "Rental Subsidy" has the meaning set forth in Section 2.6(a).

(oo) "Service Facility Improvements" has the meaning set forth in Paragraph D of the Recitals.

(pp) "Social Services Plan" has the meaning set forth in Section 4.3(c).

(qq) "St. Paul's" has the meaning set forth in Paragraph D of the Recitals.

(rr) "Subsidy Units" has the meaning set forth in Section 2.6(a).

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

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

(uu) "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.

(vv) "Thirty-Five Percent Income Household" means a household with an Adjusted Income that does not exceed thirty-five percent (35%) of Median Income, adjusted for Actual Household Size.

(ww) "Thirty-Five Percent Income Rent" means the maximum allowable rent for a Thirty-Five Percent Income Unit pursuant to Section 2.2(b) below.

(xx) "Thirty-Five Percent Income Units" means the Units which, pursuant to Section 2.1(b) below, are required to be occupied by Thirty-Five Percent Income Households.

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

(zz) "Very Low Income Household" means a household with an Adjusted Income that does not exceed fifty percent (50%) of Median Income, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than fifty percent (50%) 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 as set forth in 24 C.F.R. Section 92.2.

(aaa) "Very Low Income Rent" means a monthly Rent amount not exceeding one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Median Income, adjusted for Assumed Household Size.

ARTICLE 2 AFFORDABILITY AND OCCUPANCY COVENANTS

2.1 Occupancy Requirements.

(a) Extremely 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, Extremely Low Income Households.

(b) Thirty-Five Percent Income Units. During the Term, Borrower shall cause seven (7) Units to be rented to and occupied by or, if vacant, available for occupancy by, Thirty-Five Percent Income Households.

(c) 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:

	Extremely Low Income Units	35% Income Units
Zero-Bd. Units	8	4
One-Bd. Units	3	3
Total	11	7

(d) Disabled Persons Occupancy. Borrower shall cause the Development to be constructed and operated at all times in compliance with all applicable federal, state, and local disabled persons accessibility requirements including, but not limited to 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"). In compliance with the Accessibility Requirements: (i) a minimum of three (3) Units must be construction to be fully accessible to households with a mobility impaired member and, (ii) an additional one (1) Unit must be fully accessible to hearing and/or visually impaired persons. In compliance with the Accessibility Requirements Borrower shall provide the County with a certification from the Development architect that to the best of the architect's knowledge, the Development complies with all federal and state accessibility requirements applicable to the Development. 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.

2.2 Allowable Rent.

(a) Extremely Low Income Rent. Subject to Section 2.4 below, the Rent paid by a Tenant of an Extremely Low Income Unit may not exceed one-twelfth (1/12) of thirty percent (30%) of thirty percent (30%) of Median Income, adjusted for Assumed Household Size.

(b) Thirty-Five Percent Income Rent. Subject to Section 2.4 below, the Rent paid by a Tenant of a Thirty-Five Percent Income Unit, may not exceed one-twelfth (1/12th) of

thirty percent (30%) of thirty-five percent (35%) of Median Income, adjusted for Assumed Household Size.

(c) 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.

2.3 Rent Increases.

(a) Rent Amount. The initial Rent for all County-Assisted Units must be approved by the County prior to 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. 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 of Extremely Low Income Household to Below the Very Low Income Limit. Subject to Section 2.3 above, if, upon the annual certification of the income of a Tenant of an Extremely Low Income Unit, Borrower determines that the income of the Tenant has increased to below the qualifying limit for a Very Low Income Household, the Tenant may continue to occupy the Unit and the Tenant's Rent will remain at the Extremely Low Income Rent. Borrower shall then rent the next available Unit to an Extremely Low Income Household to comply with the requirements of Section 2.1(a) above, at a Rent not exceeding the Extremely Low Income Rent, or re-designate another comparable Unit in the Development with an Extremely Low Income Household an Extremely 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 an Extremely Low Income Unit, the Unit with the over-income Tenant will no longer be considered a County-Assisted Unit.

(b) Increased Income of Thirty-Five Percent Income Household to Below the Very Low Income Limit. Subject to Section 2.3 above, if, upon the annual certification of the income of a Tenant of a Thirty-Five Percent Income Unit, Borrower determines that the income of the Tenant has increased to below the qualifying limit for a Very Low Income Household, the Tenant may continue to occupy the Unit and the Tenant's Rent will remain at the Thirty-Five

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

(c) Increased Income of Extremely Low Income Household to at or Above Very Low Income Limit but below Low Income Limit. Subject to Section 2.3 above, if, upon the annual certification of the income of a Tenant of an Extremely Low Income Unit, Borrower determines that the income of the Tenant has increased to at or 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 may be increased to the Very Low Income Rent. Borrower shall then rent the next available Unit to an Extremely Low Income Household to comply with the requirements of Section 2.1(a) above, at a Rent not exceeding the Extremely Low Income Rent, or re-designate another comparable Unit in the Development with an Extremely Low Income Household an Extremely 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 an Extremely Low Income Unit, the Unit with the over-income Tenant will no longer be considered a County-Assisted Unit.

(d) Increased Income of Thirty-Five Percent Income Household to at or Above Very Low Income but below Low Income Limit. Subject to Section 2.3 above, if, upon the annual certification of the income of a Tenant of a Thirty-Five Percent Income Unit, Borrower determines that the income of the Tenant has increased to at or 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 may be increased to the Very Low Income Rent. Borrower shall then rent the next available Unit to a Thirty-Five Percent Income Household to comply with the requirements of Section 2.1(b) above, at a Rent not exceeding the Thirty-Five Percent Income Rent, or re-designate another comparable Unit in the Development with a Thirty-Five Percent Income Household a Thirty-Five Percent Income Unit, to comply with the requirements of Section 2.1(b) above. Upon renting the next available Unit in accordance with Section 2.1(b) or re-designating another Unit in the Development as a Thirty-Five Percent Income Unit, the Unit with the over-income Tenant will no longer be considered a County-Assisted Unit.

(e) 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, Borrower may:

(1) 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) Rent the next available Unit to an Extremely Low Income Household or Thirty-Five Percent Income Household, as applicable, 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 an Extremely Low Income Household, or Thirty-Five Percent Income Household, as applicable, 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(c), the Unit with the over-income Tenant will no longer be considered a County-Assisted Unit.

(f) 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.

2.5 Compliance with TCAC Requirements. During the term of any regulatory agreement associated with the provision of low income housing tax credits by the California Tax Credit Allocation committee ("TCAC") recorded against the Development (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.

2.6 Loss of Subsidy.

(a) It is anticipated that certain Units in the Development (the "Subsidy Units") will receive Project-Based Section 8 or other rental subsidy payments (the "Rental Subsidy") throughout the Term, as reflected in the Approved Development Budget. Notwithstanding Section 2.3(b), if, after the expiration of the HOME 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 that overlap with a Subsidy Unit, to the Very Low Income Rent and/or Low Income Rent as applicable, subject to the following requirements:

(1) 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 4.4 of the Loan Agreement, showing the impact of the loss or reduction of the Rental Subsidy (the "Operating Budget").

(2) The number of County-Assisted Units subject to the Rent increase and the level of rent increase (i.e. Very Low Income Rent or Low Income Rent) may not be greater than the amount 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.

(3) 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.

(b) 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 Extremely Low Income Rent and the Thirty-Five Percent Income Rent, as applicable. Upon receipt of any alternative rental subsidies, Borrower shall reduce the rents on the County-Assisted Units back to the Extremely Low Income Rent and the Thirty-Five Percent Income Rent, as applicable, 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, within one hundred twenty (120) days before expected 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 (including the records required under the HOME/HOPWA Regulatory Agreement) 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 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 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, 24 C.F.R. 574.450, and 24 C.F.R. 574.530. 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 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, social services, 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 Housing Improvements 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 Development 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; and Social Services Plan.

(a) Marketing Plan.

(1) No later than six (6) months prior to the date construction 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 and 24 C.F.R. 92.351(a).

(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 construction 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"). Borrower's Tenant Selection Plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d), and any modifications thereto.

(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 construction 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 an Extremely Low Income Household, or Thirty-Five Percent 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 Section 2.1(d) 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 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, Social Services 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 (collectively, the "Maintenance Standards"). Borrower shall correct any life-threatening maintenance deficiencies 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 these 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 Development 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 Development and to perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Development, and to attach a lien on the Development, or to assess the Development, 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 and the HOME/HOPWA 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 Development for the entire Term even if the 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 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 Assistant 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 Development, 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 Development 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 Development 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 Loan. The County may declare a default under the Loan Documents, accelerate the indebtedness evidenced by the Note, 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 against the Development 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: Assistant Deputy Director

Borrower: SP Commons, L.P.
c/o RCD GP III, LLC

2220 Oxford Street
Berkeley, CA 94720
Attention: Executive Director

Investor Limited
Partner:

Bank of America, N.A.
Community Development Banking Group
MA1-225-02-02
225 Franklin Street
Boston, MA 02110
Attention: Asset Management

With a copy to:

Buchalter, a Professional Corporation
1000 Wilshire Boulevard, Suite 1500
Los Angeles, CA 90017
Attention: Michael A. Williamson, Esq.
Re: B0965-0363 (St. Paul Commons)

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 HOME/HOPWA Regulatory Agreement. The County and Borrower are entering into the HOME/HOPWA Regulatory Agreement concurrently with this County Regulatory Agreement. The HOME/HOPWA Regulatory Agreement will be in effect for twenty-one (21) years from the Completion Date (the "HOME Term") and include HOME and HOPWA requirements applicable to the use of HOME Funds and HOPWA Funds. Compliance with the terms of the HOME/HOPWA Regulatory Agreement will be deemed compliance with this County Regulatory Agreement during the HOME Term. In the event of a conflict between this County Regulatory Agreement and the HOME/HOPWA Regulatory Agreement during the HOME Term, the terms of the HOME/HOPWA Regulatory Agreement will prevail.

6.15 Revival of Agreement after Foreclosure. In the event there is a foreclosure of the Development, 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.

[remainder of page intentionally left blank]
[signatures on following page]

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:

SP Commons, L.P., a California limited
partnership

By: RCD GP III 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

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