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Contra Costa County
Department of Conservation and Development
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REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
Rodeo Gateway Apartments

This Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") is dated May 1, 2023 and is between the County of Contra Costa, a political subdivision of the State of California (the "County"), and Rodeo Gateway II, 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 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").

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. The County is the Successor Housing Agency to the Redevelopment Agency of the County of the Contra Costa (the "Former Redevelopment Agency") and has assumed existing loans funded with funds from the Former Redevelopment Agency's Low and Moderate Income Housing Asset Fund (the "Housing Funds"). The Housing Funds must be used in compliance with the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) as amended by Health and Safety Code Section 34176.1. Pursuant to Health and Safety Code Section 33334.3 the County must restrict developments assisted with Housing Funds, so that the developments remain affordable to low-income households for the longest feasible time.

E. Borrower is acquiring from Rodeo Senior Apartments, Inc., a California nonprofit public benefit corporation (the "Seller") that certain real property located at 710 Willow Avenue, County of Contra Costa, State of California, as more particularly described in Exhibit A (the "Property"). Borrower intends to rehabilitate the existing forty-nine (49) units of multifamily senior rental housing and attendant site improvements located on the Property for rental to extremely low, very low, low and moderate income households, plus one manager's unit. Together the Property and its improvements are collectively referred to as the "Development."

F. Pursuant to a Development Loan Agreement of even date herewith between the County and Borrower (the "Loan Agreement"), the County is lending Borrower Five Million Five Hundred Forty-Four Thousand Three Hundred Forty-Seven Dollars (\$5,544,347) (the "Combined County Loan") to assist in the rehabilitation of the Development.

G. The Combined County Loan includes Two Million Two Hundred Thousand Dollars (\$2,200,000) in new CDBG Funds, and the following restructured debt: (i) of Nine Hundred Thirty-Two Thousand Four Hundred Eight Dollars (\$932,408) in CDBG Funds; (ii) One Million Four Hundred Twenty-One Thousand Eight Hundred Forty-Three Dollars (\$1,421,843) in HOME Funds; and (iii) Nine Hundred Ninety Thousand Ninety-Six Dollars (\$990,096) in Housing Funds.

H. 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, Old Republic Title Company, as trustee, and the County, as beneficiary; (ii) two (2) promissory notes executed by Borrower of even date herewith, for the existing loan portion of the Combined County Loan assumed by Borrower, and the newly funded portion of the Combined County Loan; (iii) an assignment agreement executed by the Seller, Borrower, and the County; (iv) a notice of affordability restrictions on transfer of property of even date herewith between the County and Borrower associated with the Housing Funds which is to be recorded against the Property, and (v) this Regulatory Agreement, (collectively, the "Loan Documents"). The Loan Documents are described in more detail in the Loan Agreement.

I. 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, (ii) the CBDG Funds pursuant to 24 C.F.R. 570.202, and (iii) the Housing Funds pursuant to Health and Safety Code Section 34176.1.

J. 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 Regulatory Agreement, and in the related documents evidencing the Combined County Loan. Forty-nine (49) of the Units are restricted by the County pursuant to this Regulatory Agreement.

K. This Regulatory Agreement supersedes in their entirety the following documents: (i) the Regulatory Agreement and Declaration of Restrictive Covenants dated October 1, 2001, recorded in the Official Records on October 26, 2001 as Instrument No. 2001-0329295-00 (the

"Original County Regulatory Agreement"); and (ii) the Regulatory Agreement and Declaration of Restrictive Covenants dated October 1, 2001, recorded in the Official Records against the Property on October 1, 2001, as Instrument No. 98-0287796-00. The HUD required term for enforcing the HOME requirements under the Original County Regulatory Agreement will expire on November 1, 2024.

L. 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(e).
- (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 CFR 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, provided that if a different calculation is required by the HOME Requirements, such calculation must be used for the HOME-Assisted Units.
- (e) "CDBG" has the meaning set forth in Paragraph C of the Recitals.
- (f) "CDBG Funds" has the meaning set forth in Paragraph C of the Recitals.
- (g) "Combined County Loan" has the meaning set forth in Paragraph F of the Recitals.
- (h) "Completion Date" means the date a final certificate of occupancy, or equivalent document is issued by the County to certify that the Development may be legally occupied.

(i) "County-Assisted Units" means the forty-nine (49) Units to be rehabilitated on the Property that are restricted to occupancy by Thirty Percent Income Households, Forty Percent Income Households, and Ninety Percent Income Households in compliance with Section 2.1 below.

(j) "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, Old Republic 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.

(k) "Development" has the meaning set forth in Paragraph E of the Recitals.

(l) "Development Regulatory Documents" has the meaning set forth in Section 4.2(a).

(m) "EAH" means EAH, Inc., a California nonprofit public benefit corporation, and its successors and assigns.

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

(o) "Fifteen Year Compliance Period" means the fifteen (15) year compliance period as described in Section 42(i)(1) of the Internal Revenue Code of 1986, as amended.

(p) "Former Redevelopment Agency" has the meaning set forth in Paragraph D of the Recitals.

(q) "Forty Percent Income Household" means a household with an Adjusted Income that does not exceed forty percent (40%) of Median Income, adjusted for Actual Household Size.

(r) "Forty Percent Income Rent" means the maximum allowable rent for a Forty Percent Income Unit pursuant to Section 2.2(b) below.

(s) "Forty Percent Income Units" means the Units which, pursuant to Section 2.1(b) below, are required to be occupied by Forty Percent Income Households.

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

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

(v) "Housing Funds" has the meaning set forth in Paragraph D of the Recitals.

(w) "HOME Requirements" means the regulations governing the use of HOME Funds set forth in 24 C.F.R. Part 92.

(x) "HOME Term" means the period expiring on November 1, 2024.

- (y) "HOME Units" means the following County-Assisted Units: twenty (20) Thirty Percent Income Units, and four (4) Forty Percent Income Units.
- (z) "HUD" has the meaning set forth in Paragraph B of the Recitals.
- (aa) "Investor Limited Partner" means MCC Housing LLC, a California limited liability company, and its successors and assigns.
- (bb) "Loan Agreement" has the meaning set forth in Paragraph F of the Recitals.
- (cc) "Loan Documents" has the meaning set forth in Paragraph H of the Recitals.
- (dd) "Low Income Rent" means one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of Median Income, adjusted for Assumed Household Size.
- (ee) "Maintenance Standards" has the meaning set forth in Section 5.6 (a).
- (ff) "Marketing Plan" has the meaning set forth in Section 4.3(a).
- (gg) "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.
- (hh) "Ninety Percent Income Household" means a household with an Adjusted Income that does not exceed ninety percent (90%) of Median Income, adjusted for Actual Household Size.
- (ii) "Ninety Percent Income Rent" means the maximum allowable rent for a Ninety Percent Income Unit pursuant to Section 2.2(c) below.
- (jj) "Ninety Percent Income Units" means the Units which, pursuant to Section 2.1(c) below, are required to be occupied by Ninety Percent Income Households.
- (kk) "Operating Budget" has the meaning set forth in Section 2.6(a).
- (ll) "Partnership Agreement" means the First Amended and Restated Agreement of Limited Partnership, dated on or about May [REDACTED], 2023, that governs the operation and organization of Borrower as a California limited partnership.
- (mm) "Property" has the meaning set forth in Paragraph E of the Recitals.
- (nn) "Regulatory Agreement" has the meaning set forth in the first paragraph of this agreement.

(oo) "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 (subject to the limitations set forth in 24 C.F.R. 92.214(b)(3)), 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.

(pp) "Rental Subsidy" means the Project-Based Section 8 rental subsidy provided to the Development pursuant to a PBRA Housing Assistance Payments Contract between Borrower and HUD.

(qq) "Seller" has the meaning set forth in Paragraph E of the Recitals.

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

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

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

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

(vv) "Term" means the term of this Regulatory Agreement which commences as of the date of this Regulatory Agreement, and unless sooner terminated pursuant to the terms of this 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 Regulatory Agreement.

(ww) "Thirty Percent Income Household" means a household with an Adjusted Income that does not exceed thirty percent (30%) of Median Income, adjusted for Actual Household Size.

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

(yy) "Thirty Percent Income Units" means the Units which, pursuant to Section 2.1(a) below, are required to be occupied by Thirty Percent Income Households.

(zz) "Transfer" has the meaning set forth in Section 6.1.

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

ARTICLE 2
AFFORDABILITY AND OCCUPANCY COVENANTS

2.1 Occupancy Requirements.

(a) Thirty Percent Income Units. During the Term Borrower shall cause twenty (20) Units to be rented to and occupied by or, if vacant, available for occupancy by, Thirty Percent Income Households.

(b) Forty Percent Income Units. During the Term Borrower shall cause four (4) Units to be rented to and occupied by or, if vacant, available for occupancy by Forty Percent Income Households.

(c) Ninety Percent Income Units. During the Term Borrower shall cause twenty-five (25) Units to be rented to and occupied by or, if vacant, available for occupancy by Ninety Percent Income Households.

(d) 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:

| | 30% Income Units | 40% Income Units | 90% Income Units |
|---------------|---------------------|---------------------|---------------------|
| One-Bd. Units | 20 | 4 | 25 |
| Total | 20 | 4 | 25 |

(e) Disabled Persons Occupancy.

(1) Borrower shall cause the Development to be 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").

(2) 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. This obligation to indemnify survives termination of this Regulatory Agreement, repayment of the Combined County Loan and the reconveyance of the Deed of Trust.

(f) Senior Occupancy. Borrower has elected to operate the Development as a senior housing development and as such to require all Units in the Development, except for the resident manager's unit, to be occupied or held available for occupancy by households containing "elderly" or "senior citizen" residents. Borrower shall operate the Development at all times in compliance with the provisions of: (i) the Unruh Act, (ii) the United States Fair Housing Act, as amended, and (iii) the California Fair Employment Housing Act, which relate to lawful senior housing. Borrower shall develop and implement appropriate age verification procedures to ensure compliance with the requirements of this Section. Borrower shall provide the County with a copy of its written verification procedures. Borrower shall indemnify, protect, hold harmless, and defend (by 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 applicable legal requirements related to housing for seniors. This obligation to indemnify survives termination of this Agreement, repayment of the County Loan and the reconveyance of the Deed of Trust.

(g) Existing Tenants. Borrower shall provide the County a written report of the income and rent amount of all Existing Tenants within thirty (30) 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 Thirty Percent Income Units, Forty Percent Income Units, and Ninety Percent 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 Thirty Percent Income Household, Forty Percent Income Household, or Ninety Percent Income Household, as necessary to meet the provisions of this Section.

2.2 Allowable Rent.

(a) Thirty Percent Income Rent. Subject to the provisions of Section 2.5 below, the Rent paid by Tenants of Thirty Percent Income Units, may not exceed one-twelfth (1/12) of thirty percent (30%) of thirty percent (30%) of Median Income, adjusted for Assumed Household Size.

(b) Forty Percent Income Rent. Subject to the provisions of Section 2.5 below, the Rent paid by Tenants of Forty Percent Income Units may not exceed one-twelfth (1/12) of thirty percent (30%) of forty percent (40%) of Median Income, adjusted for Assumed Household Size.

(c) Ninety Percent Income Rent. Subject to the provisions of Section 2.5 below, the Rent paid by Tenants of Ninety Percent Income Units may not exceed one-twelfth (1/12) of thirty percent (30%) of Ninety Percent (90%) of Median Income, adjusted for Assumed Household Size.

(d) 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 HOME Term; Compliance with TCAC Requirements. Following expiration of the HOME Term: (i) the HOME Units will no longer be restricted pursuant to the HOME Requirements but will continue to be restricted by the County as County-Assisted Units pursuant to this Agreement, and (ii) the HOME Requirements will no longer apply to the Development. After the HOME Term, and during the term of any 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 Regulatory Agreement.

2.4 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.

2.5 Increased Income of Tenants.

(a) Increased Income to at or below the Forty Percent Income Limit. Subject to Section 2.4 above, if, upon the annual certification of the income of a Tenant of a County-Assisted Unit, Borrower determines that the income of the Tenant has increased to above the qualifying limit for a Thirty Percent Income Household but below the qualifying income for a Forty Percent Income Household, the Tenant may continue to occupy the Unit and the Tenant's Rent will remain at the Thirty Percent Income Rent. Borrower shall then rent the next available Unit to a Thirty Percent Income Household to comply with the requirements of Section 2.1 above, at a Rent not exceeding the Thirty Percent Income Rent. At the time that Borrower rents the next available unit to a Thirty Percent Income Household, the Unit with the over-income Thirty Percent Income Household may be re-designated a Forty Percent Income Unit, or a Ninety Percent Income Unit as applicable, consistent with the current income level of the Tenant,

and as necessary to comply with the Unit mix requirements of Section 2.1 above.

(b) Increased Income to at or below Ninety Percent Income Limit. Subject to Section 2.4 above, if, upon the annual certification of the income of a Tenant of a County-Assisted Unit, Borrower determines that the income of the Tenant has increased to at or above the qualifying limit for a Forty Percent Income Household, but not above the qualifying income for a Ninety Percent Income Household, the Tenant may continue to occupy the Unit and the Tenant's Rent must remain, or may be increased to, the Forty Percent Income Rent, as applicable. Borrower shall then rent the next available Unit to a Thirty Percent Income Household or Forty Percent Income Household to comply with the requirements of Section 2.1 above, at a Rent not exceeding the Thirty Percent Income Rent or Forty Percent Income Rent, as applicable. At the time that Borrower rents the next available unit to a Thirty Percent Income Household or Forty Percent Income Household, the Unit with the over-income Thirty Percent Income Household or Forty Percent Income Household may be re-designated a Forty Percent Income Unit or a Ninety Percent Income Unit, as applicable, consistent with the current income level of the Tenant, and as necessary to comply with the Unit mix requirements of Section 2.1 above.

(c) 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 Ninety Percent Income Household, the Tenant may continue to occupy the Unit. Upon the expiration of such Tenant's lease, Borrower shall:

(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 (subject to 24 C.F.R. 92.252(i)(2) regarding low income housing tax credit requirements), and

(2) Rent the next available Unit to a Thirty Percent Income Household, Forty Percent Income Household, or Ninety 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 a Thirty Percent Income Household, Forty Percent Income Household, or Ninety Percent Income Household, as applicable, as a Thirty Percent Income Unit, a Forty Percent Income Unit, or a Ninety Percent Income Unit, as applicable, to meet the requirements of Section 2.1 above.

(d) 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.

2.6 Loss of Subsidy.

(a) It is anticipated that certain Units in the Development (the "Subsidy Units") will receive Rental Subsidy throughout the Term, as reflected in the Approved Development Budget. Notwithstanding Section 2.4(b), if 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 Low Income Rent, 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 4.3 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 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; and

(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 Rents set out in Section 2.2. Upon receipt of any alternative rental subsidies, Borrower shall reduce the rents on the County-Assisted Units back to the Rents set out in Section 2.2, 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 sixty (60) 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 County-Assisted Unit: (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 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. 570.506 and 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 the eligibility of activities under the CDBG regulations set forth in 24 C.F.R. 570 et seq., and that use of the CDBG Funds meets one of the national objectives of the CDBG program set forth in 24 C.F.R. Section 570.208;
- (iii) Records demonstrating compliance with the HUD property standards and lead-based paint requirements and the maintenance requirements set forth in Section 5.6 (which implements 24 C.F.R. 92.251);
- (iv) Records documenting compliance with the fair housing, equal opportunity, and affirmative fair marketing requirements;
- (v) Financial records as required by 24 C.F.R. 570.502, 24 C.F.R. 92.505, and 2 C.F.R. Part 200;
- (vi) Records demonstrating compliance with the marketing, tenant selection, affordability, and income requirements;
- (vii) Records demonstrating compliance with MBE/WBE requirements;
- (viii) Records demonstrating compliance with 24 C.F.R. Part 135 which implements Section 3 of the Housing Development Act of 1968;
- (ix) Records demonstrating compliance with applicable relocation requirements, which must be retained for at least five (5) years after the date by which persons displaced from the property have received final payments; and
- (x) Records demonstrating compliance with labor requirements including certified payrolls from Borrower's general contractor evidencing that applicable prevailing wages have been paid.

(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 Regulatory Requirements.

(a) Borrower's actions with respect to the Property shall at all times be in full conformity with: (i) all requirements of the Loan Documents; (ii) all requirements imposed on projects assisted with CDBG Funds, HOME Funds, and Housing Funds; and (iii) any other regulatory requirements imposed on the Development including but not limited to regulatory agreements associated with the Low Income Housing Tax Credits provided by TCAC, and rental subsidies provided to the Development (the "Development Regulatory Documents").

(b) Borrower shall promptly notify the County in writing of the existence of any default under any Development Regulatory Documents, and provide the County copies of any such notice of default.

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 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 rehabilitation of the Development is projected to be complete, Borrower will be in default of this 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"). 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 rehabilitation of the Development is projected to be complete, Borrower will be in default of this 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. Borrower may not permit the lease to contain any provision that is prohibited by 24 C.F.R. Section 92.253(b) and any amendments thereto. Borrower's form of lease must include any provisions necessary to comply with the requirements of the Violence Against Women Reauthorization Act of 2013 (Pub. L. 113-4, 127 Stat. 54) applicable to HUD-funded programs. The form of lease must comply with all requirements of this 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 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 Regulatory Agreement, or (ii) qualify as a Thirty Percent Income Household, Forty Percent Income Household, or Ninety 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; and

(3) include a provision that requires a Tenant who is residing in a Unit required to be accessible pursuant to Section 3.9(b) of the Loan Agreement, 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) During the Term, Borrower shall comply with the Marketing Plan and Tenant Selection Plan approved by the County.

(c) Any termination of a lease or refusal to renew a lease for a County Assisted Unit within the Development must be in conformance with the requirements of 24 C.F.R. 92.253(c) and the Violence Against Women Reauthorization Act of 2013 ((Pub. L. 113–4, 127 Stat. 54) applicable to HUD-funded programs, and must be preceded by not less than thirty (30) days written notice to the Tenant by Borrower specifying the grounds for the action.

4.5 CDBG and HOME Requirements.

(a) Borrower shall comply with all applicable laws and regulations governing the use of the CDBG Funds as set forth in 24 C.F.R. Part 570 and shall comply with regulations governing the use of HOME Funds as set forth in 24 C.F.R. Part 92 during the HOME Term. In the event of any conflict between this Regulatory Agreement and applicable laws and regulations governing the use of the Combined County Loan funds, the applicable laws and regulations govern.

(b) The laws and regulations governing the use of the Combined County Loan funds include (but are not limited to) the following:

(xi) Environmental and Historic Preservation. 24 C.F.R. Part 58, which prescribes procedures for compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321-4361), and the additional laws and authorities listed at 24 C.F.R. 58.5;

(xii) Applicability of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The applicable policies, guidelines, and requirements of 2 C.F.R. Part 200;

(xiii) Debarred, Suspended or Ineligible Contractors. The prohibition on the use of debarred, suspended, or ineligible contractors set forth in 24 C.F.R. Part 24;

(xiv) Civil Rights, Housing and Community Development, and Age Discrimination Acts. The Fair Housing Act (42 U.S.C. 3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Title VI of the Civil Rights Act of 1964 as amended; Title VIII of the Civil Rights Act of 1968 as amended; Section 104(b) and Section 109 of Title I of the Housing and Community Development Act of 1974 as amended; Section 504 of the Rehabilitation Act of 1973 (29 USC 794, et seq.); the Age Discrimination Act of 1975 (42 USC 6101, et seq.); Executive Order 11063 as amended by Executive Order 12259 and implementing regulations at 24 C.F.R. Part 107; Executive Order 11246 as amended by Executive Orders 11375, 12086, 11478, 12107; Executive Order 11625 as amended by Executive Order 12007; Executive Order 12432; Executive Order 12138 as amended by Executive Order 12608;

(xv) Lead-Based Paint. The requirement of the Lead-Based Paint Poisoning Prevention Act, as amended (42 U.S.C. 4821 et seq.), the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. 4851 et seq.), and implementing regulations at 24 C.F.R. Part 35;

(xvi) Relocation. The requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.), and

implementing regulations at 49 C.F.R. Part 24; Section 104(d) of the Housing and Community Development Act of 1974 and implementing regulations at 24 C.F.R. 42 et seq.; 24 C.F.R. 570.606; 24 C.F.R. 92.353; and California Government Code Section 7260 et seq. and implementing regulations at 25 California Code of Regulations Sections 6000 et seq. If and to the extent that development of the Development results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, then Borrower shall comply with all applicable local, state, and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. Borrower shall prepare and submit a relocation plan to the County for approval. Borrower is solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with such relocation laws. Borrower shall indemnify, defend (with counsel reasonably chosen by the County), and hold harmless the County against all claims that arise out of relocation obligations to residential tenants, homeowners, or businesses permanently or temporarily displaced by the Development;

(xvii) Discrimination against the Disabled. The requirements of the Fair Housing Act (42 U.S.C. 3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and federal regulations issued pursuant thereto, which prohibit discrimination against the disabled in any federally assisted program, the requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157) and the applicable requirements of Title II and/or Title III of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.), and federal regulations issued pursuant thereto;

(xviii) Clean Air and Water Acts. The Clean Air Act, as amended, 42 U.S.C. 7401 et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 C.F.R. Part 1500, as amended from time to time;

(xix) Uniform Administrative Requirements. The provisions of 24 C.F.R. 570.502 and 24 C.F.R. 92.505 regarding cost and auditing requirements;

(xx) Training Opportunities. The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u and implementing Regulations at 24 C.F.R. 75 ("Section 3");

(A) Pursuant to Section 3, to the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations Borrower shall ensure:

a. that employment and training opportunities arising in connection with the Development are provided to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the Development is located. Where feasible, priority for opportunities and training described above should be given to: (i) Section 3 workers residing within the service area or the neighborhood of the project, and (ii) participants in YouthBuild programs; and

b. that contracts for work awarded in connection with the Development are provided to business concerns that provide economic opportunities to

Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the Development is located. Where feasible, priority for opportunities and training described above should be given to: (i) Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the Development, and (ii) participants in YouthBuild programs.

(B) Borrower will be considered to have complied with the Section 3 requirements, in the absence of evidence to the contrary, if it certifies that it has followed the prioritization of effort set forth in subsection (1) above, and meets or exceeds the applicable Section 3 benchmark as described in 24 C.F.R. 75.23(b).

(C) Borrower shall maintain records of its Section 3 activities and cause such records to be accurate and current and in a form that allows the County to comply with the reporting requirements of 24 C.F.R. 75.25.

(D) Borrower shall require all contractors and subcontractors performing work on the Development to comply with the Section 3 requirements.

(xxi) Labor Standards. The labor requirements set forth in 24 C.F.R. Section 570.603 and 24 C.F.R. 92.354; the prevailing wage requirements of the Davis-Bacon Act and implementing rules and regulations (40 U.S.C. 3141-3148); the Copeland "Anti-Kickback" Act (40 U.S.C. 276(c)) which requires that workers be paid at least once a week without any deductions or rebates except permissible deductions; the Contract Work Hours and Safety Standards Act – CWHSSA (40 U.S.C. 3701-3708) which requires that workers receive "overtime" compensation at a rate of 1-1/2 times their regular hourly wage after they have worked forty (40) hours in one (1) week; and Title 29, Code of Federal Regulations, Subtitle A, Parts 1, 3 and 5 are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended;

(xxii) Drug Free Workplace. The requirements of the Drug Free Workplace Act of 1988 (P.L. 100-690) and implementing regulations at 24 C.F.R. Part 24;

(xxiii) Anti-Lobbying; Disclosure Requirements. The disclosure requirements and prohibitions of 31 U.S.C. 1352 and implementing regulations at 24 C.F.R. Part 87;

(xxiv) Historic Preservation. The historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. Section 470) and the procedures set forth in 36 C.F.R. Part 800. If archeological, cultural, or historic period resources are discovered during construction, all construction work must come to a halt and Borrower shall immediately notify the County. Borrower shall not shall alter or move the discovered material(s) until all appropriate procedures for "post-review discoveries" set forth in Section 106 of the National Historic Preservation Act have taken place, which include, but are not limited to, consultation with the California State Historic Preservation Officer and evaluation of the discovered material(s) by a qualified professional archeologist;

(xxv) Flood Disaster Protection. The requirements of the Flood Disaster Protection Act of 1973 (P.L. 93-234) (the "Flood Act"). No portion of the assistance provided under this Agreement is approved for acquisition or construction purposes as defined under Section 3(a) of the Flood Act, for use in an area identified by HUD as having special flood hazards which is not then in compliance with the requirements for participation in the national flood insurance program pursuant to Section 201(d) of the Flood Act. The use of any assistance provided under this Agreement for such acquisition or construction in such identified areas in communities then participating in the National Flood Insurance Program is subject to the mandatory purchase of flood insurance requirements of Section 102(a) of the Flood Act. If the Property is located in an area identified by HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, as amended, 42 U.S.C. 4001 et seq., the property owner and its successors or assigns must obtain and maintain, during the ownership of the Property, such flood insurance as required with respect to financial assistance for acquisition or construction purposes under Section 102(s) of the Flood Act. Such provisions are required notwithstanding the fact that the construction on the Property is not itself funded with assistance provided under this Agreement;

(xxvi) Religious Organizations. If the Borrower is a religious organization, as defined by the CDBG requirements and/or HOME Requirements, the Borrower shall comply with all conditions prescribed by HUD for the use of the CDBG Funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 C.F.R. 570.200(j) and C.F.R. 92.257;

(xxvii) Violence Against Women. The requirements of the Violence Against Women Reauthorization Act of 2013 (Pub. L. 113-4, 127 Stat. 54) applicable to HUD-funded programs;

(xxviii) Conflict of Interest. The conflict of interest provisions set forth in 24 C.F.R. 570.611 and 24 C.F.R. 92.356; and

(xxix) HUD Regulations. Any other HUD regulations present or as may be amended, added, or waived in the future pertaining to the Combined County Loan funds.

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 management representative is required to reside at the Property.

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 EAH Inc. 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 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 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 Regulatory Agreement, and the County may enforce this provision through legal proceedings as specified in Section 6.6 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 Regulatory Agreement.

5.6 Property Maintenance.

(a) Borrower shall maintain, for the entire Term of this Regulatory Agreement, all interior and exterior improvements, including landscaping: (i) in decent, safe and sanitary condition, (ii) in good condition and repair, and (iii) free of all health and safety defects. Such maintenance must be in accordance with (i) 24 C.F.R. Section 92.251, (ii) the lead-based paint requirements in 24 C.F.R. part 35, (iii) 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 (iv) any other standards provided by the County (collectively, the "Maintenance Standards"). 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 rehabilitation 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 Transfers.

(a) For purposes of this Agreement, "Transfer" means any sale, assignment, or transfer, whether voluntary or involuntary, of: (i) any rights and/or duties under the Loan Documents; and/or (ii) any interest in the Development and/or Borrower, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Development is transferred and Borrower retains title. The term "Transfer" excludes the leasing of any single unit in the Development to an occupant in compliance with this Regulatory Agreement. The County Director – Department of Conservation and Development is authorized to execute assignment and assumption agreements on behalf of the County to implement any approved Transfer.

(b) Except as otherwise permitted in this Section 6.1, no Transfer is permitted without the prior written consent of the County, which the County may withhold in its sole discretion. The Combined County Loan will automatically accelerate and be due in full upon any Transfer made without the prior written consent of the County.

(c) The County hereby approves the admission of the Investor Limited Partner to Borrower as a limited partner. The County hereby approves future Transfers of the limited partner interest of Borrower provided that: (i) such Transfers do not affect the timing and amount of the Investor Limited Partner capital contributions provided for in the Partnership Agreement; and (ii) in subsequent Transfers, the Investor Limited Partner or an affiliate thereof, retains a membership or partnership interest and serves as a managing member or managing general partner of the successor limited partner.

(d) The County hereby approves a Transfer of the Property from Borrower to EAH, or a non-profit affiliate of EAH, and an assumption of the Combined County Loan by such transferee at or prior to the end of the Fifteen Year Compliance Period, provided that: (i) such Transfer is pursuant to an option or right of first refusal agreement referenced in the Partnership Agreement, (ii) the assignment and assumption agreement evidencing such Transfer requires the transferee to expressly assume the obligations of Borrower under the Loan Documents, and (iii) the County is provided executed copies of all documents evidencing the Transfer.

(e) The County hereby approves the purchase of the Investor Limited Partner interest by EAH, or a non-profit affiliate of EAH at or prior to the end of the Fifteen Year Compliance Period, provided that (i) such Transfer is pursuant to an option or right of first refusal agreement referenced in the Partnership Agreement, and (ii) the County is provided executed copies of all documents evidencing the Transfer.

(f) In the event the general partner of Borrower is removed by the limited partner of Borrower for cause following default under the Partnership Agreement, the County hereby approves the Transfer of the general partner interest to (i) a 501(c)(3) tax exempt nonprofit corporation or other entity with a 501(c)(3) tax exempt nonprofit corporation member

or partner, that is selected by the Investor Limited Partner and approved by the County, and (ii) the Investor Limited Partner or an affiliate thereof, but only for a period not to exceed ninety (90) days from the date of removal of the general partner, during which time such entity shall diligently seek a replacement general partner meeting the requirements of subsection (i) above.

(g) The County hereby approves the grant of the security interests in the Development for Approved Financing as such term is defined in Section 1.1(g) of the Loan Agreement.

6.2 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 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.

6.3 Application of Provisions. The provisions of this 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 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.

6.4 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.

6.5 Covenants to Run With the Land. The County and Borrower hereby declare their express intent that the covenants and restrictions set forth in this 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 Regulatory Agreement.

6.6 Enforcement by the County.

(a) If Borrower fails to perform any obligation under this Regulatory Agreement, and fails to cure the default within thirty (30) days after the County has notified Borrower in writing of the default, the County may enforce this Regulatory Agreement by any or all of the following actions, or any other remedy provided by law:

(1) 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.

(2) 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 Regulatory Agreement, and may seek damages.

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

(b) The County shall provide notice of a default to the Investor Limited Partner and any limited partner of Borrower who has requested written notice from the County in the manner set forth in Section 6.5 of the Loan Agreement.

6.7 Mandatory Language in All Subsequent Deeds, Leases and Contracts. All deeds, leases or contracts made or entered into by Borrower, its successors or assigns, as to any portion of the Development shall contain therein the following language:

(a) In Deeds:

"(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed, nor shall the grantee or any person claiming under or through the grantee, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

(b) In Leases:

"(1) Lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee or any person claiming under or through the lessee, 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 in the premises herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

(c) In Contracts:

"(1) There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee 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, subtenants, sublessees or vendees of the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

6.8 Anti-Lobbying Certification.

(a) Borrower certifies, to the best of Borrower's knowledge or belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of

any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying, in accordance with its instructions.

(b) This certification is a material representation of fact upon which reliance was placed when the Loan Documents were made or entered into. Submission of this certification is a prerequisite for making or entering into the Loan Documents imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than Ten Thousand Dollars (\$10,000) and no more than One Hundred Thousand Dollars (\$100,000) for such failure.

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

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

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

6.12 Amendments. This 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.

6.13 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: Rodeo Gateway II, L.P.
c/o Rodeo Senior Apartments, Inc.
22 Pelican Way
San Rafael, California 94901
Attention: Welton Jordan

Investor Limited
Partner: MCC Housing LLC
c/o Merritt Community Capital Corporation

1970 Broadway, Suite 200
Oakland, California 94612
Tel: (510) 906-0243
Attention: President & CEO

With copy to:

Carle Mackie Power & Ross, LLP
100 B Street, Suite 400
Santa Rosa, CA 95401
Attention: Henry Loh II, Esq.

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

6.14 Severability. If any provision of this 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 Regulatory Agreement will not in any way be affected or impaired thereby.

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

6.16 Revival of Agreement after Foreclosure. In the event there is a foreclosure of the Property, this 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 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:

THOMAS L. GEIGER
County Counsel

By: _____
Kathleen Andrus
Deputy County Counsel

BORROWER:

RODEO GATEWAY II, L.P.,
a California limited partnership

By: Rodeo Gateway II EAH LLC,
a California limited liability company,
its General Partner

By: Rodeo Senior Apartments, Inc.,
a California nonprofit public benefit corporation,
its Sole Member

By: _____
Welton Jordan, Vice President

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

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

PARCEL ONE:

Parcel A as shown on that certain Parcel Map of Subdivision MS 980018, filed October 17, 2001, in Book 181 of Parcel Maps, Pages 43 to 46, Contra Costa County Records.

APN: 357-120-073

PARCEL TWO:

A non-exclusive easement appurtenant to Parcel One above for ingress, egress and utility purposes, over, under and upon that portion of Parcel B as shown on the Parcel Map, MS 980018, filed October 17, 2001, in Book 181 of Parcel Maps, Pages 43 to 46, Contra Cost County Records, designated as "private Access Storm Drain and Water Line Easement over Parcel B in favor of Parcel A", on said Parcel Map.