

AUTHORITY REGULATORY AGREEMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
))
))
Housing Authority of the City of Riverside)
3900 Main Street)
Riverside, CA 92522)
Attn: Executive Director)
))
Project: Mission Heritage)

(Space above for Recorder's Use Only)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT ("**Regulatory Agreement**") is entered into the day of _____, 2017, by and between the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public body corporate and politic (the "**Authority**") and MISSION HERITAGE LP, a California limited partnership ("**Developer**").

RECITALS

Capitalized terms used in these recitals and not otherwise defined shall have the meaning set forth in Section 1 of this Regulatory Agreement.

A. The Authority is a public body corporate and politic established by action of the City Council of the City of Riverside pursuant to Resolution No. 21275 for the purpose of providing affordable housing opportunities through a variety of programs within the City of Riverside and exercising governmental functions and powers pursuant to the California Housing Authorities Law (California Health and Safety Code § 34200, *et seq.*, the "**Housing Authority Law**").

B. The sole member and manager of Developer's managing general partner is an experienced affordable housing developer.

C. The Authority has established certain sources of funding for the purpose of increasing, improving and preserving the community's supply of housing available to low and moderate income households at an affordable housing cost.

D. In furtherance of the Authority's affordable housing goals and activities, Authority and Developer have entered into that certain Loan Agreement dated for identification purposes only as of _____, 2017 (the "**Loan Agreement**"), which is incorporated herein by this reference and a copy of which is on file as public record of the Authority at its offices located at

3900 Main Street, Riverside, CA 92522. Pursuant to the Loan Agreement, the Authority has agreed to provide financial assistance (the “*Authority Loan*”) to Developer in connection with the acquisition of certain real property located in the City of Riverside, as more particularly described on Exhibit A, attached hereto and incorporated herein by this reference (the “*Site*”) and the development of a mixed used development composed of approximately _____ square feet of commercial space (the “*Commercial Component*”) and a multifamily, affordable housing development consisting of approximately seventy-two (72) Affordable Units, including one (1) unrestricted Manager’s Unit, to be constructed on the Site together with any improvements appurtenant thereto (the “*Residential Component*” and together with the Commercial Component, the “*Project*”).

E. As a condition to the disbursement of the Authority Loan, the Developer has agreed to maintain and operate the Project in accordance with certain covenants, conditions and restrictions as set forth in this Regulatory Agreement. This Regulatory Agreement is intended to ensure that Developer, its successors, its assigns and every successor in interest to the Site or any part thereof, shall use, maintain and operate the Project in accordance with the terms and conditions of this Regulatory Agreement, including that the Units be made available to Qualified Households at Affordable Rent as specified herein for a term of fifty-five (55) years from the date of the recordation of the Release of Construction Covenants.

F. The provision of the Authority Loan to Developer and the completion and operation of the Project pursuant to the terms and conditions of the Loan Agreement and this Regulatory Agreement are in the vital and best interest of the City and the health, safety and welfare of its residents, and are in accord with the public purposes and provisions of applicable state and local laws, including (without limitation) the Authority’s replacement and inclusionary housing obligations pursuant to Section 33413 of the Community Redevelopment Law.

NOW, THEREFORE, the foregoing recitals are a substantive part of this Regulatory Agreement and in consideration of their mutual covenants and conditions, the Parties hereto agree as follows:

1. DEFINITIONS

The following terms of this Regulatory Agreement shall have the meanings set forth below. Any capitalized terms not defined below shall have the meaning set forth therefor in the Loan Agreement and attachments thereto:

“*Affordable Rent*” means the amount of monthly rent, including a reasonable utility allowance, that does not exceed the lesser of the maximum allowable rent to be charged by Developer and paid by Qualified Households, as the case may be, occupying the Affordable Units, as determined pursuant to (i) any applicable Tax Credit Regulatory Agreement, (ii) Section 50053 of the Health & Safety Code or any successor statute, (iii) applicable regulations pursuant to any other source of financing secured for, and continuing to be secured by, the Project, or (iv) if applicable, any effective Section 8 Program regulations as to any Affordable Unit designated as a project-based Section 8 unit or otherwise occupied by a holder of a Rental Voucher or Rental Certificate evidencing participation in the Section 8 Program. For purposes of calculating

Affordable Rent a “reasonable utility allowance” shall be the allowance established by the Tax Credit Rules or such lesser allowance reasonably permitted by the Authority.

“**Affordable Units**” means the seventy-one (71) Units, composed of one, two and three-bedroom Units required to be maintained on the Site and made available to, occupied by Qualified Households, fifty (50) Units of which shall be available to Qualified Low Income Households, and twenty-one (21) Units of which shall be available to Very Low-Income Households.

“**Affordability Period**” means the period commencing upon the recordation of the Release of Construction Covenants and terminating on the fifty-fifth (55th) anniversary thereof.

“**Authority**” means the Housing Authority of the City of Riverside, a public body, corporate and politic, exercising governmental functions and powers and organized and existing under Chapter 2 of the Community Redevelopment Law and an express third-party beneficiary to this Regulatory Agreement pursuant to Section 10 hereof.

“**City**” means the City of Riverside, a California charter city and municipal corporation.

“**Community Redevelopment Law**” means California Health & Safety Code 33000, *et seq.* “Developer” is defined in Section 1.1 of the Agreement.

“**Displaced Persons**” means any individual, partnership, limited partnership or association who is temporarily or permanently displaced from the Site due to the implementation of the Project and the Loan Agreement and who qualify as a “displaced person” pursuant to the definition provided in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Section 4601(6) and in Government Code Section 7260(c) of the California Relocation Assistance Act of 1970, as amended from time to time.

“**Effective Date**” means the Effective Date of the Loan Agreement.

“**Environmental Laws**” means any and all present and future federal, state and local laws (whether under common law, statute, ordinance, rule, regulation or otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment or to any Hazardous Substance or Hazardous Substance Activity (including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601, *et seq.*), as heretofore or hereafter amended from time to time (“**CERCLA**”), and the applicable provisions of the California Health and Safety Code and the California Water Code, and any and all successor statutes and regulations, orders, decrees, guidelines, or pronouncements promulgated thereunder).

“**Event of Default**” means the failure of a party to perform any action or covenant required by this Regulatory Agreement within the time periods provided herein following notice and opportunity to cure.

“Executive Director” means the Executive Director of the Authority or his/her designated representative.

“Governmental Regulations” means any applicable local, state, and federal laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, environmental, labor relations, prevailing wage, notification of sale to employees, Hazardous Substance, occupational health and safety, water, earthquake hazard reduction and building and fire codes) bearing on the demolition, alteration, replacement, repair, refurbishing, rehabilitation, improvement, construction, maintenance, management, use, or operation of the Project.

“Hazardous Substance” means (i) any chemical, compound, material, mixture or substance that is now or hereafter defined or listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101), as amended from time to time, or now or hereafter otherwise classified or regulated pursuant to any Environmental Laws as a “hazardous substance”, “hazardous material”, “hazardous waste”, “extremely hazardous waste”, “infectious waste”, “toxic substance”, “toxic pollutant” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or “EP toxicity”, (ii) any asbestos or asbestos containing material, (iii) any polychlorinated biphenyls (PCB’s), (iv) any urea formaldehyde, and (v) any petroleum, natural gas, natural gas liquid, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas), ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources. Notwithstanding the foregoing, “Hazardous Substances” shall not include any household cleaning supplies, chemical, compound, material, mixture or substance used in the normal course of operating an apartment complex, so long as such household cleaning supplies, chemical, compound, material, mixture or substance is used in accordance with Environmental Laws and is stored in reasonable quantities.

“Hazardous Substance Contamination” means contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Site by Hazardous Substance, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Substance at any time (whether before or after the Effective Date) emanating from the Site.

“Loan Agreement” means that certain Loan Agreement dated for identification purposes only as of as of _____, 2017, entered into by and between the Authority and Developer. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Loan Agreement.

“Management Plan” means the plan for the management of the Project to be submitted by Developer, as set forth in Section 3.C. of this Regulatory Agreement.

“Manager’s Unit” means one (1) Unit in the Project reserved for occupancy by an on-site manager of the Project who performs substantial duties directly related to the management and/or the maintenance of the Project.

“Marketing Plan” is defined in Section 5.A. of this Regulatory Agreement.

“Operating Reserve” is defined in Section 3E. of this Regulatory Agreement.

“Operating Expenses” is defined in Section 3.9 of the Authority Promissory Note.

“Parties” Authority and Developer.

“Project” has the meaning set forth in Recital D.

“Property Manager” means the manager of the Project, as set forth in Section 3C.

“Qualified Household” means a Qualified Low Income Household or Very Low Income Household.

“Qualified Low Income Household” means a Household whose gross annual income does not exceed sixty (60%) of the Riverside County median income adjusted for family size as set forth from time to time by regulation of the California Department of Housing and Community Development.

“Relocation Laws” means the California Relocation Assistance Act, California Government Code Section 7260 *et seq.* and the implementing regulations thereto in 25 California Code of Regulations Section 6000 *et seq.*, any other applicable local, state, or federal regulations relating to the provision and administration of relocation assistance and benefits to eligible persons and households who are or may be temporarily or permanently displaced from the Site due to the implementation of the Project and this Regulatory Agreement.

“Request for Notice of Default” means a request for notice of default to be recorded against the Site substantially in the form shown in Attachment No. 12 to the Loan Agreement.

“Service-Disabled Veteran Households” mean households consistent with the requirement of Civil Code Section 51.11.

“Schedule of Performance” means that certain Schedule of Performance of required actions attached to the Loan Agreement as Attachment No. 4.

“Site” means that certain real property referenced in Recital D above as delineated on the Site Plan (Attachment No. 1 to the Loan Agreement) and more particularly described on the Site Legal Description (Attachment No. 2 to the Loan Agreement).

“TCAC” means the California Tax Credit Allocation Committee.

“Tax Credit Regulatory Agreement” means that certain regulatory agreement to be recorded against the Site as a condition of the receipt by the Project of an allocation of Low Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*

“Units” means the individual Units within the Project to be constructed and operated by the Developer on the Site, in accordance with the terms and conditions of this Regulatory Agreement.

“Very Low Income Household” means a household whose gross annual income does not exceed fifty percent (50%) of the Riverside County median income adjusted for family size as set forth from time to time by regulation of the California Department of Housing and Community Development.

2. USE RESTRICTIONS

A. **Permitted Uses.** Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that Developer, and such successors and assigns, shall (i) construct, use, maintain and operate the Residential Component of the Site as a housing development containing seventy-two (72) Units; (ii) make available, restrict occupancy to, and rent at an Affordable Rent: (a) fifty (50) Qualified Low Income Households and (b) twenty-one (21) Units which shall be available to Very Low Income Households and one (1) unrestricted Manager’s Unit.

During the Affordability Period, all uses undertaken by Developer on the Site shall conform to this Regulatory Agreement and to all applicable provisions of the Riverside Municipal Code and Governmental Regulations. None of the Units on the Site shall at any time be utilized on a transient basis, nor shall the Site or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home. Developer shall not convert the Site to condominium ownership during the Affordability Period without the prior written approval of Authority, which approval Authority may grant, withhold or deny in their sole and absolute discretion.

B. **Affordable Housing.** Except as provided herein below with respect to the Manager’s Unit, commencing upon and throughout the Affordability Period, Developer covenants and agrees that all of the Units in the Project shall be operated and maintained for affordable housing purposes and made available for occupancy to Qualified Households at an Affordable Rent in accordance with the provisions of this Regulatory Agreement. It is the intent of the Authority that the Affordable Units qualify as replacement housing and inclusionary housing pursuant to Section 33413 of the Community Redevelopment Law in furtherance of the Authority’s affordable housing goals and objectives and the requirements resulting from anticipated projects including demolition and new construction in the City’s redevelopment project areas and within the territorial jurisdiction of the Authority. The Manager Unit shall be occupied without income or rent restrictions by a qualified on- site manager selected by Developer or the Property Manager.

Developer agrees to make available, restrict occupancy to, and rent at an Affordable Rent: (a) fifty (50) of the Units to Qualified Low Income Households, and (b) twenty-one (21) Units to Very Low-Income Households. One (1) Unit shall be unrestricted and reserved for occupancy by an on-site manager.

C. **Income Requirements.** Prior to leasing an Affordable Unit and annually thereafter, Developer shall certify the eligibility of each tenant applicant as a Qualified Household. The Developer shall, upon request by Authority, complete such certification on forms provided by the Authority. Developer shall submit such income certification and such additional information as may be required in the future by Authority. Such supporting documentation shall include true copies of income tax returns from the tenant applicant for the most recent tax year in which a return was filed and at least one of the following:

- (1) two (2) paycheck stubs from the tenant's two (2) most recent pay periods;
- (2) an income verification certification from the tenant's employer;
- (3) an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, or
- (4) an alternate form of income verification reasonably requested by City or Authority if none of the above forms of verification is available to Developer.

D. **Determination of Affordable Rent.** All Affordable Units shall be rented at an Affordable Rent.

(1) **Rent Schedule and Utility Allowance.** TCAC (or, if TCAC fails to do so, the Authority) will establish maximum monthly allowances for utilities and services to be used by the Developer in calculating Affordable Rent. The Developer shall submit to the Housing Project Manager for review and approval the Affordable Rent proposed by Developer for all of the Units. The maximum monthly rent must be recalculated by Developer and reviewed and approved by the Authority annually.

(2) **Increases in Tenant Income.** Dwelling units shall qualify as Units as required by this Regulatory Agreement despite a temporary noncompliance with this Section D, if the noncompliance is caused by increases in the incomes of existing tenants and if actions satisfactory to Authority are being taken to ensure that all vacancies are filled in accordance with this Section until the noncompliance is corrected. A Qualified Household that qualifies as a Qualified Household prior to occupancy of a Unit shall be deemed to continue to be so qualified until such time as recertification of such Qualified Household's income demonstrates that such Qualified Household no longer qualifies as a Qualified Household.

A Qualified Household occupying a Unit whose income increases to an amount that exceeds the maximum qualifying income of a Very Low Income Household may continue to occupy his or her Unit and be charged rent, including a reasonable utility allowance, equal to the lesser of (i) Affordable Rent for a Qualified Low Income Household; (ii) the maximum allowable rent determined pursuant to the Tax Credit Regulatory Agreement; or (iii) applicable Section 8 rents if the Qualified Household receives Section 8 Program assistance.

(3) Adjustment of Affordable Rent. Affordable Rent may change as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance for utilities and services warrant. Any increase in rents is subject to the provisions of outstanding leases. Developer must provide Qualified Households occupying the Units not less than thirty (30) days prior written notice before implementing any rent increase.

E. **Tenant Protections.**

(1) Rental Agreement/Lease. The Developer shall execute or cause to be executed a written rental agreement/lease with each Qualified Household occupying a Unit identifying by name all permitted occupants. The rental agreement/lease must be in a form reasonably approved by the Authority and must be for not less than six (6) months, unless otherwise mutually agreed by the tenant and the Developer.

(2) Prohibited Rental Agreement/Lease Terms. The rental agreement/lease shall not contain any of the following provisions:

a. Agreement to be sued. Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Developer in a lawsuit brought in connection with the lease;

b. Treatment of property. Agreement by tenant that the Developer may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the Unit after the tenant has moved out of the Unit. The Developer may dispose of this personal property in accordance with state law;

c. Excusing Developer from responsibility. Agreement by the tenant not to hold Developer or Developer's agents legally responsible for any action or failure to act, whether intentional or negligent;

d. Waiver of notice. Agreement of the tenant that the Developer may institute a lawsuit without notice to the tenant;

e. Waiver of legal proceedings. Agreement by the tenant that the Developer may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

f. Waiver of a jury trial. Agreement by the tenant to waive any right to a trial by jury;

g. Waiver of right to appeal court decision. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

h. Tenant chargeable with cost of legal actions regardless of outcome. Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

F. **Termination of Tenancy.** The Developer may not terminate the tenancy of a tenant of the Project except for an uncured violation(s) of the terms and conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause. Any termination or refusal to renew must be preceded by not less than thirty (30) days' notice by the Developer's service upon the tenant of a written notice specifying the grounds for the action.

G. **Tenant Selection.** Developer must adopt written tenant selection policies and criteria approved by the Authority that:

a. Are consistent with the purpose of providing housing for Qualified Households;

b. Provide for:

(i) The selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

(ii) The prompt written notification to any rejected applicant of the grounds for any rejection.

H. **Compliance with Use and Occupancy Laws.** Developer agrees that for each lease, the Developer shall comply with all applicable state and local laws, statutes, ordinances, rules and regulations, which in any way restrict the use and occupancy and resale of the Site.

I. **Nondiscrimination.** There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, sexual orientation, gender, gender identity, gender expression, marital status, national origin, ancestry, or disability in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of any Unit nor shall the Developer establish or permit any such practice or practices of discrimination or segregation with reference to the location, subtenants, or vendees of any Unit or in connection with the employment of persons for the operation and management of the Site. All deeds, rental agreements, leases or contracts made or entered into by the Developer as to the Units or the Site or portion

thereof, shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(1) In deeds: “The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators 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 race, color, creed, religion, sex, gender, gender identity, gender expression, marital status, familial status, disability, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself or any person claiming under or through him or her, 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, subleases or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

(2) In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

“There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, gender, gender identity, gender expression, marital status, familial status, disability, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, 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, subleases, subtenants or vendees in the premises herein leased.”

(3) In contracts: “There shall be no discrimination against or segregation of, any person, or group of persons on account of race, color, creed, religion, sex, gender, gender identity, gender expression, marital status, familial status, disability, ancestry or national origin, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself or any person claiming under or through him or her, 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, subleases or vendees of the premises.”

The covenants established in this Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of Authority, its successors and assigns, Authority and any successor in interest to the Site, or any part thereof. The nondiscrimination covenants shall remain in effect in perpetuity.

J. No Nuisance. Developer shall not maintain, cause to be maintained, or allow to be maintained on or about the Site any public or private nuisance, including, without limitation, the

conduct of criminal activities set forth in the nuisance abatement provisions of the Uniform Controlled Substances Act (Health & Safety Code Section 11570, *et seq.*) as currently exists or as may be amended from time to time, or the Street Terrorism Enforcement and Prevention Act (Penal Code Section 186.22, *et seq.*), as currently exists or as may be amended from time to time.

K. **No Hazardous Material Activity**. Developer shall not engage in any Hazardous Material Activity and shall comply with all Governmental Regulations in connection with the construction and operation of the Project.

In addition, Developer shall take all necessary precautions to prevent the release into the environment of any Hazardous Material which are located in, on or under the Site. Such precautions shall include compliance with all Governmental Regulations with respect to Hazardous Substance. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Substance. Notwithstanding the foregoing, this Regulatory Agreement shall not prohibit the use of such products in quantities as are customarily used in the construction, maintenance, rehabilitation or management of residential developments or associated buildings and grounds, or used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Project including without limitation alcohol, aspirin, tobacco and saccharine.

3. OPERATION AND MANAGEMENT OF THE PROJECT

A. **Compliance with Agreement**. The Developer shall comply with all the terms and provisions of the Loan Agreement and all applicable Governmental Regulations.

B. **Taxes and Assessments**. The Developer shall pay all applicable real and personal property taxes, assessments and charges and all franchise, income, employment, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Site; provided, however, that the Developer shall have the right to contest in good faith, any such taxes, assessments, or charges. In the event the Developer exercises its right to contest any tax, assessment, or charge against it, Developer, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges and interest.

C. **Operation and Management**. Developer shall manage, operate and maintain the Project in first class condition and in accordance with professional property management standards for similar properties in the Southern California area and shall maintain or cause to be maintained the interiors and exteriors of the Units in a decent, safe and sanitary manner. The Units shall be maintained in accordance with the applicable requirements of the City's Municipal Code and all applicable Governmental Regulations.

The parties acknowledge that Authority is interested in the long-term management and operation of the Project and in the qualifications of any person or entity retained by the

Developer for that purpose (the “*Property Manager*”). Prior to the disbursement of any proceeds of the Authority Loan, the Developer shall submit for the reasonable approval of the Authority, a detailed “Management Plan” which sets forth in detail the duties of the Property Manager, the tenant selection process, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Project and manner of enforcement, a standard lease form, and other matters relevant to the management of the Project. The Developer may from time to time submit amendments and modifications to the Management Plan for the reasonable approval of the Authority. The management of the Project shall be in compliance with the approved Management Plan.

Developer shall contract for property management services with an experienced and qualified property management entity (based upon the criteria set forth herein below approved by Authority which approval shall not be unreasonably withheld. In the Event of Default by the Property Manager of the requirements set forth in this Regulatory Agreement, the Authority shall provide notice to Developer of such default and Developer shall use its best efforts to correct such default. Upon failure by the Property Manager and/or Developer to cure such default within thirty (30) days of written notice by the Authority, the Authority shall have the right to require Developer to immediately remove and replace the Property Manager with another property manager or property management company who is reasonably acceptable to Authority and who has not less than five (5) years’ experience in property management, including experience managing multifamily residential developments of the size, quality and scope of the Project.

The fee paid to Property Manager shall not exceed the reasonable and customary fees paid to such property managers for similar rental properties in Riverside County. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Developer shall ensure that the expenses of operating the Project do not materially exceed the budget which has been approved by the Authority. The Developer shall annually provide to the Authority a detailed accounting of operating expenses and shall make available its books and records to the Authority for inspection and copying, upon reasonable advance notice during its normal hours of business.

D. **Crime Free Multi Housing Program**. Throughout the Affordability Period, the Developer covenants and agrees to participate in and fully complete the City’s Crime Free Multi Housing Program for the Site within twelve (12) months following the close of Escrow for the acquisition of the Site by Developer. Developer shall continue its compliance with the City’s Crime Free Multi Housing Program throughout the Affordability Period, unless authorized by Authority to cease participation. Evidence of compliance with this requirement shall be forwarded annually to the Authority within said twelve (12) month period.

E. **Reserve Requirements**. Developer shall or shall cause the Property Manager to, set aside not less than Two Hundred Dollars (\$250.00) per Unit in the Project per year or such greater amount established and required by TCAC or other permanent lender or investor subject to annual adjustment, if any, into a separate interest-bearing trust account held by the Developer (the “*Capital Replacement Reserve*”). The amount required to be placed into the Capital Replacement Reserve shall increase at the rate determined by the permanent lender or investor.

Funds in the Capital Replacement Reserve shall be used for capital replacements to the Project fixtures and equipment which are normally capitalized under generally accepted accounting principles. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Developer, at its expense, shall submit to the City and the Authority an accounting for the Capital Replacement Reserve. Authority approval is not necessary for withdrawals made in accordance with this Agreement.

F. **Operating Reserve.** Developer shall, or shall cause the Property Manager to, set aside at the time the Release of Construction Covenants is recorded in a separate interest-bearing trust account held by the Developer with an initial amount equal to three (3) months of the projected annual Operating Expenses for the Development or in such lesser amount as allowed by the senior lender or investor (the “*Operating Reserve*”). Interest earned on funds in the Operating Reserve shall remain in the Operating Reserve. Developer may withdraw from the Operating Reserve those amounts exceeding the current year budget for operating expenses. Authority approval is not necessary for withdrawals made in accordance with this Agreement. Funds may be disbursed from the Operating Reserve to cover shortfalls between the income and actual Operating Expenses and Debt Service of the Development. Upon making disbursements to cover operating shortfalls, the Operating Reserve shall be replenished to the level prior to the disbursement from available Project cash flow unless such replenishment is not required by the senior lender or investor.

G. **Record Keeping.** Developer shall annually provide to the Authority its Annual Financial Statement for the preceding year and shall make available its books and records to Authority for inspection and copying, upon reasonable advance notice during its normal hours of business. As a part of the monitoring and compliance with this Regulatory Agreement the, Developer shall annually cause each Qualified Household occupying a Unit in the Project to complete an income certification in accordance with Section 2C. of this Regulatory Agreement. The Authority relies upon the information contained in such certifications to satisfy its reporting and record keeping requirements pursuant to the Community Redevelopment Law. In the event the Developer fails to submit to the Authority all of the documentation required by this Regulatory Agreement, the Developer shall be in default of this Regulatory Agreement. Upon failure by the Developer to cure such default within thirty (30) days of written notice by the Authority, the Authority may seek all available remedies as set forth in this Regulatory Agreement; provided, however, if the default is as of the result of the Developer not providing the a record that cannot be provided within thirty (30) days, the Developer shall have such additional time as is reasonable to provide such record so long as the Developer has in good faith commenced to obtain such record within the initial thirty (30) day period and continues to diligently pursue such record.

H. **Right of Entry For Inspection.** Subject to the rights of tenants, Representatives of Authority shall be entitled to enter the Site, upon at least forty-eight (48) hours’ notice during normal business hours to monitor compliance with this Regulatory Agreement, to inspect the records of the Project with respect to the Units, and to conduct an independent audit of such records. The Developer agrees to cooperate with Authority in making the Site available for such inspection. If for any reason the Authority is unable to obtain the Developer’s consent to such an

inspection, the Developer understands and agrees that the Authority may obtain at the Developer's expense an administrative inspection warrant or other appropriate legal order to obtain access to such records. The Developer agrees to maintain records in a business-like manner on the Site or in a location approved in writing by the Director and to make such records available to the Authority upon twenty-four (24) hours' notice. Unless the Authority otherwise approves, such records shall be maintained throughout the Affordability Period.

4. OBLIGATION TO CONSTRUCT, MAINTAIN, REPAIR AND REBUILD

A. **Construction Covenant.** The Developer covenants and agrees to complete the construction in accordance with the Loan Agreement, including, without limitation, the Project Development and all approved plans, drawings, documents and permits issued by the City and/or other governmental agency exercising jurisdiction over the Project.

(1) **Labor Standards.** The Developer shall comply with all applicable federal and state labor standards.

(2) **Compliance with Governmental Regulations.** Developer shall carry out the design, construction and operation of the Project in conformity with applicable Governmental Regulations, including, without limitation, all applicable labor standards, the applicable City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other applicable provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, as currently exists or as may be amended from time to time, Government Code Section 4450, *et seq.*, as currently exists or as may be amended from time to time, Government Code Section 11135, *et seq.*, as currently exists or as may be amended from time to time, and the California Building Standards Code, Health and Safety Code Section 18900, *et seq.* as currently exists or as may be amended from time to time.

B. **Schedule of Performance.** Developer covenants and agrees to commence the Project and to diligently prosecute to completion the Project in accordance with the Schedule of Performance (Attachment No. 4 to the Loan Agreement). Before commencement of development of the Project, Developer shall secure or cause to be secured any and all permits and permit ready letters which may be required by the City or other governmental agency affected by such work. Upon satisfactory completion of the construction of the Project as determined by the Authority and upon written request therefor by the Developer, the Authority shall record the Release of Construction Covenants releasing the Developer from the covenant to construct set forth above.

C. **Maintenance and Replacement.** Except for the normal wear and tear, the Developer shall, at its sole cost and expense, maintain and repair the Site keeping the same in first class condition and in a safe, decent and sanitary condition, including the Units, walkways, driveways and landscaping, and from time to time make all necessary and proper repairs, renewals and replacements as they may be required by this Regulatory Agreement and by all applicable Municipal Code and Uniform Code provisions. Developer shall manage and maintain the Project in accordance with all applicable housing quality standards and local code requirements,

concerning marketing, operation, maintenance, repair, security, rental policy and method of selection of tenants.

D. **Interior Maintenance.** Developer shall maintain the interior of buildings, including carpet, drapes and paint, in clean and habitable condition.

E. **Exterior Building Maintenance.** All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking and defacing marks. All graffiti and defacement of any type, including marks, words and pictures must be removed and any necessary painting or repair completed within the later of (1) seventy-two (72) hours of their creation or (2) seventy-two (72) hours after notice to Developer.

F. **Landscaping.** All landscaped parcels and all front and side-yard setback areas that are not buildings, driveways or walkways shall be adequately and appropriately landscaped in accordance with minimum standards established by the City and shall be maintained in sound horticultural condition in accordance with the standards established by the City from time to time. No structure, improvement or other non-plant material shall be constructed or otherwise placed on the landscaped areas of the Project without prior written approval by the Director.

The following minimum standards shall apply to all landscaped areas of the Project: (1) lawn grasses shall not exceed six (6) inches in height; (2) hedges shall be trimmed; (3) no trees, shrubbery, lawns, and other plant life shall be dying from lack of water or other necessary maintenance; (4) no trees or shrubbery shall grow uncontrolled without proper pruning; (5) no vegetation shall be overgrown so as to be likely to harbor rats or vermin; (6) no dead, decayed or diseased trees, weeds and other vegetation shall be allowed. In addition to the foregoing, no yard areas shall be left unmaintained, including: (1) no broken or discarded furniture, appliances and other household equipment stored in yard areas for periods exceeding one (1) week; (2) no packing boxes, lumber, trash, dirt and other debris stored in yards for periods exceeding one (1) week in areas visible from public property or neighboring properties; (3) no unscreened trash cans, bins or containers stored for unreasonable periods in areas visible from public property or neighboring properties; and (4) no vehicles parked or stored in other than approved parking areas.

G. **Right To Enter To Cure.** If at any time the Developer fails to maintain the Site in accordance with this Section 4 and such condition is not corrected within seventy-two (72) hours after written notice from the Authority with respect to graffiti debris, waste material, and general maintenance, or thirty (30) days after written notice from the Authority with respect to landscaping and building improvements with such additional time as may be reasonably necessary to diligently prosecute the cure to completion, then the Authority, in addition to whatever remedies it may have at law or at equity, shall have the right, subject to the rights of Tenants, to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to attach a lien upon the Site, or to assess the Site and add such amounts to the outstanding indebtedness then owed by the Developer to the Authority.

H. **Damage and Destruction; Developer's Duty to Rebuild.** If all or any portion of the Site and the improvements thereon is damaged or destroyed by fire or other casualty, it shall be the duty of the Developer, subject to the availability of funds, to rebuild, repair or construct said

portion of the Site and/or the improvements in a timely manner which will restore it to Riverside Municipal or Building Code compliance condition as approved by the City and the Authority.

In furtherance of the requirements of this Section 4.1., Developer shall keep the improvements on the Site insured by carriers at all times satisfactory to the Authority against loss by fire, rent loss and such other hazards (other than earthquake), casualties, liabilities and contingencies as included within an all risk extended coverage hazard insurance policy in an amount of the full replacement cost of the improvements as required by the Loan Agreement. In the event of loss, Developer shall give prompt notice to the insurance carrier and the Authority.

If the Site is abandoned by the Developer, or if Developer fails to respond to the Authority within thirty (30) days from the date notice is mailed by Authority to Developer that the insurance carrier offers to settle a claim for insurance benefits, Authority is authorized to correct and apply the insurance proceeds at its option either to restoration or repair of the Site or to the sums secured by the Authority Deed of Trust (as those terms are defined in the Loan Agreement).

I. **Time Limitation.** Upon damage to the Site or the improvements thereon, the Developer shall be obligated to proceed with all due diligence hereunder and commence reconstruction within one year after the damage occurs and complete reconstruction within a term deemed acceptable by the parties after damage occurs, or if appropriate, to demolition and vacation of the Site within one year, unless prevented by causes beyond its reasonable control.

5. MISCELLANEOUS PROJECT REQUIREMENTS

A. **Affirmative Marketing.** Within the time specified therefor in the Schedule of Performance, Developer shall submit for the approval by the Authority, which approval shall not unreasonably be withheld, a plan for marketing the rental of the Units (the "***Marketing Plan***"). The Marketing Plan shall include a plan for publicizing the availability of the Units within the City in a manner which gives notice to Qualified Households currently living within the City before residents of other cities receive such notice, such as notices in any City sponsored newsletter, newspaper advertising in local newspapers and notices in City offices.

6. COVENANTS

A. **Affordability Period.** The provisions of this Regulatory Agreement shall apply to the Site throughout the Affordability Period, even if the Authority Loan is paid in full. This Regulatory Agreement shall bind any successor, heir or assign of the Developer, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, with or without the approval of Authority, except as expressly released by the Authority. Authority makes the Authority Loan on the condition, and in consideration of this provision, and would not do so otherwise.

B. **Covenants to Run with the Land.** The Authority and the Developer hereby declare their express intent that the covenants and restrictions set forth in this Regulatory Agreement shall run with the land, and shall bind all successors in title to the Site. Each and every contract, deed or other instrument hereafter executed covering or conveying the Site or any portion

thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless Authority expressly releases such conveyed portion of the Site from the requirements of this Regulatory Agreement.

7. ENFORCEMENT AND REMEDIES

A. **Remedies.** Subject to the notice and cure rights of the Developer set forth in Section 8 of the Loan Agreement, in the event of default or breach of any of the terms or conditions of this Regulatory Agreement by Developer, its heirs, executors, administrators or assigns, Authority may, following any applicable notice and cure period, pursue the remedy thereof by any and all means of enforcement, both in equity and at law, as provided by the laws of the State of California, including, but not limited to, injunctive relief and/or specific performance.

B. **Rights of the City.** The City of Riverside has the right to enforce all of the provisions of this Regulatory Agreement. This Regulatory Agreement does not in any way infringe on the right or duties of the City to enforce any of the provisions of the Municipal Code including, but not limited to, the abatement of dangerous buildings. In addition to the general rights of enforcement, the City shall have the right, through its agents and employees, to enter upon any part of the Site for the purpose of enforcing the California Vehicle Code, and the ordinances and other regulations of the City, and for maintenance and/or repair of any or all publicly owned utilities.

C. **Jurisdiction and Venue.** Legal actions must be instituted and maintained in the Superior Court of the County of Riverside, State of California.

D. **Nuisance.** The result of every act or omission whereby any of the covenants contained in this Regulatory Agreement are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowable at law or equity, against a nuisance, either public or private, shall be applicable against every such result and may be exercised by any owner or its successors in interest, without derogation of the Authority's rights under law.

E. **Right of Entry.** Subject to the rights of tenants, the Authority has the right of entry at reasonable hours after reasonable attempts to contact Developer, to effect emergency repairs or maintenance which the Developer has failed to perform. Subsequent to sixty (60) days' written notice to the Developer specifically outlining the noncompliance, the Authority shall have the right of entry at reasonable hours to enforce compliance with this Regulatory Agreement which the Developer has failed to perform.

F. **Costs of Repair.** The costs borne by the Authority of any such repairs or maintenance emergency and/or non-emergency, shall become a charge for which the Developer shall be responsible and may, if unpaid, be assessed as a lien against the Site following the repayment of the indebtedness owed by the Developer to the Authority under the Loan Agreement.

G. **Cumulative Remedies.** The remedies herein provided for breach of the covenants contained in this Regulatory Agreement shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

H. **Failure to Enforce.** The failure to enforce any of the covenants contained in this Regulatory Agreement shall not constitute a waiver of the right to enforce the same thereafter.

8. **HOLD HARMLESS**

Except for the sole negligence or willful misconduct of the Authority's, its officer's, agent's, employee's, representative's, elected and appointed board's and officials' (collectively, the "**Indemnitees**"), the Developer agrees to defend and to hold the Indemnitees harmless from liability for damage or claims for any type of damage, including, but not limited to, personal injury and claims for property damage, which may arise from the activities of the Developer or those of Developer's contractors, subcontractors, agents, employees or other persons acting on Developer's behalf and which relate to the Project. Developer agrees to defend the Indemnitees in any action caused or alleged to be caused by reason of Developer's activities in connection with the Project.

9. **ASSIGNMENT OF AGREEMENT**

This Regulatory Agreement shall be binding upon the Developer, its executors, administrators and assigns and all persons claiming under or through the Developer. Wherever this Regulatory Agreement employs the term "Developer", it shall be deemed to include the Developer, its executors, administrators and assigns and all persons claiming under or through the Developer. Assignment of this Regulatory Agreement shall be limited to authorized assignees of the Loan Agreement in compliance with Section 2 thereof

10. **THIRD PARTY BENEFICIARIES**

This Regulatory Agreement is made and entered into for the sole protection and benefit of the Authority, its successors and assigns, and the Developer, its permitted successors and assigns, and no other person or persons shall have any right of action hereon.

11. **RECORDATION**

Developer agrees that this Regulatory Agreement and any amendment or cancellation hereof shall be recorded in the official records of Riverside County by the Developer within ten (10) days of the date of this Regulatory Agreement and within ten (10) days after any amendment or cancellation hereof.

12. **NOTICE**

Written notice, demands and communications between the City, the Authority and the Developer shall be sent by first-class registered or certified mail, postage prepaid, return receipt requested, or by private courier service which provides evidence of delivery. Unless a different

address is given by any party as provided in this Section, all such communications will be addressed as follows:

To Developer: Mission Heritage LP
c/o Wakeland Housing & Development Corporation
1230 Columbia Street
San Diego, CA 92101
Attn: Kenneth L. Sauder

With a Copy To: Downs Pham & Kuei LLP
One Embarcadero Center, Suite 500
San Francisco, CA 94111
Attn: Gary P. Downs, Esq.

To Authority: Housing Authority of the City of Riverside
Attn: Executive Director
3900 Main Street
Riverside, California 92522

Copies to: City of Riverside
Attn: City Attorney
3900 Main Street
Riverside, California 92522

Any Notice shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent. Any address for service of notice on any party may be changed by that party serving a notice upon the other of the new address, except that any change of address to a post office box shall not be effective unless a street address is also specified for use in effectuating personal service.

13. WAIVER

Failure by a party to insist upon the strict performance of any of the provisions of this Regulatory Agreement by the other party or the failure by the party to exercise its rights under or upon a default by the other party herein shall not constitute a waiver of such party's right to demand strict compliance from such other party in the future.

14. SUBORDINATION

This Regulatory Agreement and the covenants contained herein shall be subordinate to the senior construction loan, and when converted into its permanent phase, permanent loan, and the regulatory agreement recorded in connection with any award of low-income housing tax credits.

15. SEVERABILITY

If any one or more of the provisions contained in this Regulatory Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Regulatory Agreement, and this Regulatory Agreement shall be construed as if such invalid, illegal or unenforceable provision(s) had never been contained herein.

16. CAPTIONS; HEADINGS; PRONOUNS

The captions and headings of the various sections of this Regulatory Agreement are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular, and masculine, feminine and neuter shall be freely interchangeable.

17. MODIFICATION OF AGREEMENT

This Regulatory Agreement may be modified or amended by mutual consent of the Developer and Authority provided that all amendments are in writing and signed by all of the parties hereto.

18. SOLE AND ONLY AGREEMENT

This Regulatory Agreement, the Loan Agreement and all of the attachments thereto and incorporated therein integrate all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the Site. In the event of a conflict between this Regulatory Agreement and Loan Agreement, the provisions of this Regulatory Agreement shall control.

The Authority and the Developer acknowledge and agree that neither of them has made any representation with respect to the subject matter of this Regulatory Agreement or any representations inducing the execution and delivery, except representations set forth herein, and each party acknowledges that it has relied on its own judgment in entering this Regulatory Agreement. The Authority and the Developer further acknowledge that all statements or representations that heretofore may have been made by either of them to the other are void and of no effect, and that neither of them has relied thereon in its dealings with the other.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Regulatory Agreement as of the date and year set forth below.

“DEVELOPER”

MISSION HERITAGE LP,
a California limited partnership

By: Wakeland Mission Heritage LLC,
a California Limited Liability Company,
its Managing General Partner

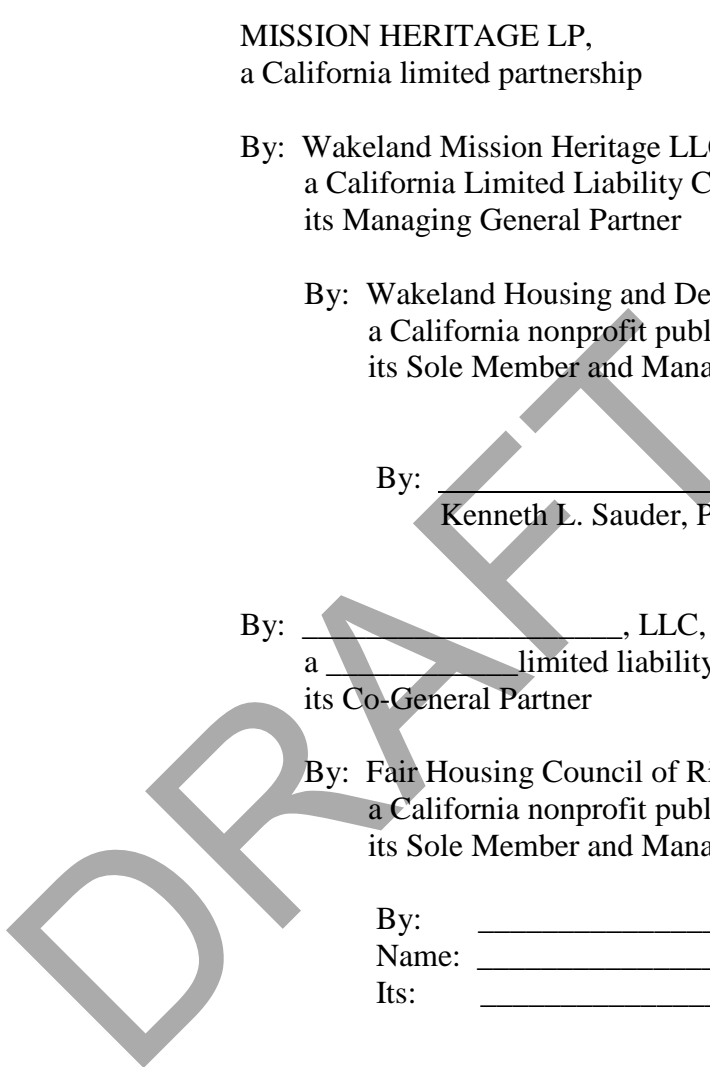
By: Wakeland Housing and Development Corporation,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Kenneth L. Sauder, President

By: _____, LLC,
a _____ limited liability company,
its Co-General Partner

By: Fair Housing Council of Riverside County,
a California nonprofit public benefit corporation
its Sole Member and Manager

By: _____
Name: _____
Its: _____



“AUTHORITY”

HOUSING AUTHORITY OF THE CITY OF RIVERSIDE,
a public body, corporate and politic

Date: _____

By: _____

Name: _____

Its: _____

ATTEST:

By: _____
Housing Authority Secretary

APPROVED AS TO FORM:

By: _____
Housing Authority General Counsel

DRAFT

EXHIBIT A

LEGAL DESCRIPTION

DRAFT