

Recording Requested by and  
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Costa Mesa Housing Authority  
P.O. Box 1200  
77 Fair Drive  
Costa Mesa, California 92628-1200  
Attention: Secretary/City Clerk

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### REGULATORY AGREEMENT (Costa Mesa Village)

This REGULATORY AGREEMENT (Costa Mesa Village) ("Regulatory Agreement") is entered into and dated as of \_\_\_\_\_, 202\_\_ (the "Effective Date") by and among COSTA MESA HOUSING AUTHORITY, a public body, corporate and politic ("CMHA"), and ORANGE COUNTY HOUSING AUTHORITY, a public body corporate and politic ("OCHA"), and CADI XV LLC, a California limited liability company ("Developer").

### R E C I T A L S

A. CMHA is a California housing authority formed by the City of Costa Mesa ("City") acting under the California Housing Authorities Law, Part 2 of Division 24, Section 34200, *et seq.*, of the Health and Safety Code. CMHA serves as the housing successor to the former Costa Mesa Redevelopment Agency ("CMRDA"), a dissolved redevelopment agency pursuant to Parts 1.8 and 1.85 of Division 24 of the Health and Safety Code, section 34160, *et seq.* and 34170, *et seq.*, respectively, and in particular Sections 34176 and 34176.1 and subsequent legislation.

B. Developer is the owner of certain improved real property located at 2450 Newport Boulevard, Costa Mesa, California 92627 (APN 439-281-48), which is more particularly described in Exhibit A attached hereto and fully incorporated by this reference ("Property"). The Property is improved with a ninety-seven (97) unit affordable rental apartment complex (the "Project").

C. In connection with certain loans (the "Loans") made by OCHA and CMRDA for the purpose of acquisition and development of the Project, OCHA, CMRDA, and Costa Mesa Village, Ltd., Developer's predecessor-in-interest ("Original Developer"), entered into that certain Regulatory Agreement and Declaration of Restrictive Covenants dated as of May 11, 1993 and recorded in the Official Records of Orange County ("Official Records") on August 3, 1993 as Instrument No. 93-0517026, as amended by that certain First Amendment to Regulatory Agreement and Declaration of Restrictive Covenants dated as of November 19, 2002 and recorded in the Official Records on April 2, 2003 as Instrument No. 2003-000364959 (collectively, the

“Original Regulatory Agreement”). The Original Regulatory Agreement has been terminated pursuant to a termination agreement recorded in the Official Records.

D. The City of Costa Mesa issued a conditional use permit, Conditional Use Permit No. PA-91-102, to entitle the land use and authorize a single-room occupancy affordable housing development at the Property, as amended on September 28, 1992 (collectively, the “CUP”). As of the Date of Agreement, Developer has requested that the City further amend the CUP to remove certain conditions set forth therein which are no longer applicable to the Project.

E. The Loans have been repaid in full on or around August 2014.

F. The parties now desire to enter into this Regulatory Agreement, pursuant to which Developer agrees to the terms and conditions set forth herein as of the Effective Date.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

## ARTICLE 1

### DEFINITIONS AND GENERAL TERMS

**Section 1.1** Definitions. As used in this Regulatory Agreement (and in all other Project Documents, unless otherwise defined), the following capitalized terms shall have the following meanings:

(a) “50% AMI Very Low Income Household” means a household where the income does not exceed 50 percent of the AMI adjusted for family size appropriate for the unit, as may be published by TCAC or HUD. If TCAC shall cease to publish such levels or they are not updated for a period of at least eighteen (18) months, CMHA shall provide Developer with other income determinations that are reasonably similar with respect to methods of calculation to those previously published by TCAC. In the case of discrepancy, the TCAC income levels shall prevail.

(b) “Annual Income” means the total anticipated gross annual income of all persons in a household as calculated using the methods to calculate income adopted by TCAC, or if TCAC no longer calculates income, then it means the total anticipated annual income of all persons in a household, as defined in 24 CFR 5.609 and as calculated pursuant to 24 CFR 5.611.

(c) “Affiliate” means any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer which, if Developer is a partnership or limited liability company, shall include each of the constituent partners or members (but not the Tax Credit Investor), respectively thereof. The term “control” as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to the exercise, directly or indirectly, of at least fifty percent (50%) of the voting rights attributable to the shares of the controlled corporation and, with respect to a person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

(d) “Affordability Period” means the duration of this Regulatory Agreement, which shall continue in perpetuity.

(e) “Affordable Units” means and refers to all of the Units, except one (1) two-bedroom onsite Manager’s Unit, which are located on the Property and are an integral part of the Project and are required to be restricted to and occupied by households meeting the requirements of this Regulatory Agreement.

(f) “Allowable Rent” and “Rents” 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 including parking (for one (1) currently registered operable vehicle per Apartment, if available); any separately charged fees or service charges assessed by Developer which are customarily charged in rental housing and required of all Qualified Tenants, other than security deposits; an allowance for the cost of an adequate level of service for utilities paid by the Qualified 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 Developer, and paid by the Qualified Tenant, at the rates calculated as set forth in section 2.4(a) hereof.

(g) “Annual Project Revenue” shall mean all gross income and all revenues of any kind from the Property actually received by Developer in a calendar year, including without limitation, rents, Section 8 housing assistance payments, if any, late charges, laundry income, vending machine income, and any other revenues of whatever kind or nature from the Property, except that interest on security deposits and required reserves shall not be considered Annual Project Revenue.

(h) “Area Median Income” or “AMI” means the median gross yearly income, adjusted for Actual Household Size as specified herein, in the County of Orange, California as published from time to time by TCAC and HUD, but in the case of discrepancy, the TCAC incomes shall prevail. In the event that such income determinations are no longer published, or are not updated for a period of at least eighteen (18) months, CMHA shall provide Developer with other income determinations that are reasonably similar with respect to methods of calculation to those previously published by HUD.

(i) “Assumed Household Size” means the assumed household size determined or utilized by TCAC, used to calculate Rent or if TCAC no longer calculates rent, then it means the household size “adjusted for family size appropriate to the unit” as such term is defined in HSC Section 50052.5(h).

(j) “CMHA” means the Costa Mesa Housing Authority and is further described in Recital A and includes any assignee of, or successor to, its rights, powers and responsibilities.

(k) “City” means the City of Costa Mesa, a California municipal corporation and general law city.

(l) “Closing” means the date of recordation of this Regulatory Agreement in the Official Records.

(m) “County” means the County of Orange, California.

(n) “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, as set forth herein.

(o) “Developer” means CADI XV LLC, a California limited liability company, and its permitted successors and assignees.

(p) “Effective Date” means the date this Regulatory Agreement is recorded in the Official Records.

(q) “General Partner” means, in the event Developer is a limited partnership, any general partner of such limited partnership.

(r) “Governmental Requirements” means all laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States, the state, the County, City (including applicable City Council Policies, the conditional use permit for the property, and any applicable written agreement between the City or CMHA and the Developer), CMHA and OCHA, or any other political subdivision in which the Project is located, and of any other political subdivision, agency, or instrumentality exercising jurisdiction over Developer or the Project.

(r) “HCD” is the California Department of Housing and Community Development.

(s) “HUD” is the United States Department of Housing and Urban Development.

(t) “Improvements” means all improvements, improvements pertaining to the realty, fixtures, works of improvement at the Project, including, without limitation, buildings; landscaping, trees and plant materials; and offsite improvements, including, without limitation, streets, curbs, storm drains, and adjacent street lighting.

(u) “Indemnitees” means City, County, CMHA and OCHA and their elected and appointed officials, officers, employees, attorneys, contractors, elective and selected boards and commissions, representatives, agents, and volunteers.

(v) “Legal Description” means the legal description of the Project set forth in Exhibit A attached and fully incorporated to this Regulatory Agreement.

(w) “Lender” means a lender of any loan for the Project (other than a loan from an Affiliate).

(x) “Manager’s Unit” means one (1) unrestricted two-bedroom unit within the Project, which unit shall be designated by Developer for use of the onsite manager.

(y) “Notice of Affordability Restrictions” means an instrument substantially in the form of Exhibit B, which instrument is caused to be recorded in the Official Records.

(z) “OCHA” means the Orange County Housing Authority and any assignee of, or successor to, its rights, powers and responsibilities.

(aa) “Official Records” means the official land records maintained by the County Recorder of the County.

(bb) “Party” means individually each of CMHA, OCHA, and Developer.

(cc) “Parties” means together CMHA, and OCHA, and Developer.

(dd) “Partnership Agreement” means, if Developer is a limited partnership, the agreement which sets forth the terms of Developer’s limited partnership, as such agreement may be amended from time to time.

(ee) “Permitted Transfer” shall have the meaning given in Section 6.3(a).

(ff) “Project” means the affordable housing development located at 2450 Newport Boulevard, Costa Mesa, CA and consisting of 96 Housing Units and one (1) unrestricted Manager’s Unit which Developer shall manage and operate as long-term, affordable rental housing for occupancy by 50% AMI Very Low Income Households, in accordance with this Regulatory Agreement.

(gg) “Property” means that certain real property, land and improvements, located at 2450 Newport Boulevard, Costa Mesa, California and is further described in Recital B. The Project is more fully and legally described in the Legal Description attached hereto as Exhibit A.

(hh) “Qualified Tenant” or “Qualified Tenants” mean the income-qualified households occupying the Affordable Units as 50% AMI Very Low Income Households.

(ii) “Regulatory Agreement” means this Regulatory Agreement to be recorded as an encumbrance against the Property.

(jj) “State” means the State of California.

(kk) “Subordination and Intercreditor Agreement” means one or more estoppel, intercreditor and/or subordination agreement(s) or instrument(s) as may be requested by a Lender or Developer’s Tax Credit Investor for approval by CMHA/OCHA.

(ll) “Tax Credit Investor” means, in the event Developer is a limited partnership, the investor limited partner admitted as a limited partner of the Developer in connection with a reservation or allocation of Tax Credits from TCAC for the Project.

(mm) “Tax Credit Rules” means the provisions of Section 42 of the Internal Revenue Code and/or, if applicable, California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*, as the foregoing may be amended from time to time, to the extent applicable to the Project and the rules

and regulations implementing the foregoing, including the regulations set forth in Title 4 Cal. Code Regs. Section 10300, *et seq.*

**(nn)** “Tax Credit Regulatory Agreement” means the regulatory agreement that may be required to be recorded against the Project with respect to the Project’s allocation of Tax Credits.

**(oo)** “Tax Credits” means federal 4% or 9% low income housing tax credits granted pursuant to Section 42 of the Internal Revenue Code and/or, if applicable, State tax credits pursuant to California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Sections 50199, *et seq.*

**(pp)** “TCAC” means the California Tax Credit Allocation Committee.

**(qq)** “TCAC 50% Rent” means the maximum rent published by TCAC for a “50% AMI Very Low Income Household” in Orange County for the applicable bedroom number.

**(rr)** “TCAC Regulatory Agreement” means the regulatory agreement to be recorded against the Project with respect to the Tax Credits for the Project as required under the TCAC Rules.

**(ss)** “Term” means the term of this Regulatory Agreement, which commences on the Effective Date and continues in perpetuity.

**(tt)** “Third Party Costs” are defined and described in Articles 7 and 13.

**(uu)** “Unit” or “Units” means the ninety-seven (97) individual apartment units at the Project that will be owned, leased, managed, and operated by Developer pursuant to this Regulatory Agreement.

**Section 1.2** Developer’s Representations and Warranties. As a material inducement to CMHA and OCHA to enter into this Regulatory Agreement, Developer represents and warrants to CMHA and OCHA the following regarding its formation, qualifications, and compliance:

**(a)** Developer is a California limited liability company whose sole member is Century Affordable Development, Inc.

**(b)** Developer has all required authority to conduct its business and own, acquire, develop, improve, operate, and buy and sell its property, including the Property and Project hereunder.

**(c)** To the best of Developer’s knowledge, Developer is in compliance in all material respects with all laws applicable to its business and has obtained all approvals, licenses, exemptions and other authorizations from, and has accomplished all filings, registrations and qualifications with any governmental agency that are necessary for the transaction of its business;

**(d)** Developer has and will in the future duly authorize, execute and deliver this Regulatory Agreement and all other agreements and documents, if any, required to be executed

and delivered by Developer in order to carry out, give effect to, and consummate the transaction contemplated by this Regulatory Agreement;

(e) To the best of Developer's knowledge, Developer does not have any material contingent obligations or any material contractual agreements which could materially adversely affect the ability of Developer to carry out its obligations hereunder;

(f) There are no material pending or, so far as is known to Developer, threatened, legal proceedings to which Developer is or may be made a party or to which any of its property is or may become subject, which have not been fully disclosed in the material submitted to CMHA and OCHA which could materially adversely affect the ability of Developer to carry out its obligations hereunder;

(g) There is no action or proceeding pending or, to Developer's best knowledge, threatened, looking toward the dissolution or liquidation of Developer and there is no action or proceeding pending or, to Developer's best knowledge, threatened by or against Developer which could affect the validity and enforceability of the terms of this Regulatory Agreement, or materially and adversely affect the ability of Developer to carry out its obligations hereunder.

## ARTICLE 2

### LAND USE AND AFFORDABILITY RESTRICTIONS

**Section 2.1** Permitted Uses. The Property and Project shall be used in compliance with the CUP and Management Plan for the Property, as amended, and each and all other amendments, modifications or changes approved in the sole discretion of the City of Costa Mesa and shall be used and operated only as an affordable housing complex as set forth in this Regulatory Agreement. This is a rental housing project with ancillary amenities intended for use and occupancy as affordable housing and for no other purposes.

(a) Affordable Housing. Commencing upon the Effective Date of this Regulatory Agreement and continuing in perpetuity, Developer covenants and agrees to make available, restrict occupancy and rental of the Housing Units to 50% AMI Very Low Income Households at an Affordable Rent with one unrestricted Manager's Unit reserved for the on-site property manager. Notwithstanding the foregoing, in the event a future tax credit investor's residual analysis indicates that the perpetual affordability restriction results in the Project not meeting the "true debt" test for tax purposes, at the close of any low income housing tax credit financing for the Project, CMHA and OCHA will reasonably consider an increase in the rent and income limit from 50% AMI to 60% on some or all of the Units commencing after the 55<sup>th</sup> year.

(b) Affordability Period. The Project and all the Housing Units thereon shall be subject to the requirements of this Article 2 in perpetuity.

**Section 2.2** Selection of Tenants. Developer shall be responsible for the selection of Qualified Tenants for the Housing Units in compliance with all applicable Governmental Requirements and as set forth in any management plan submitted by the Developer and approved by OCHA and the City, if any (the "Management Plan"). The Management Plan, including

marketing, tenant screening and selection of tenants for the 96 Housing Units shall refer to and Developer shall cause compliance with this Regulatory Agreement.

**Section 2.3** Income and Occupancy Restrictions. As included in the annual income certification provided by Developer or as required by TCAC so long as the TCAC Regulatory Agreement is in existence, and upon termination thereof, as reasonably requested by CMHA and OCHA, and Developer shall endeavor to make available for CMHA's and OCHA's review and approval such information as Developer has reviewed and considered in its selection process, together with the statement by Developer that Developer has determined that each selected Qualified Tenant will comply with all applicable terms and conditions of this Regulatory Agreement in each tenant's occupancy of a Unit, including without limitation, that each corresponding household satisfies the income eligibility requirements, Affordable Rent requirements, and other requirements of this Regulatory Agreement.

(a) Tenant Selection Covenants; Household Income Requirements. Developer covenants and agrees that (i) each tenant (other than the on-site Property Manager) shall qualify, as applicable, as a 50% AMI Very Low Income Household, and (ii) the cost to each tenant household (other than the onsite Property Manager) for the corresponding Unit on the Property shall be at and within the defined Affordable Rent, and (iii) the occupancy and use of the Property shall comply with all other covenants and obligations of this Regulatory Agreement (collectively, "Tenant Selection Covenants").

(b) Unit Mix; Manager's Unit. Developer covenants that 96 Units shall be Affordable Units occupied at an Affordable Rent to 50% AMI Very Low Income Households, and one Unit shall be the Manager's Unit reserved for occupancy by an onsite property manager.

(c) Income Certification Requirements. Annually (on or before April 30 of each year), or at such other time as may be agreed upon by CMHA and Developer, Developer shall submit to CMHA and OCHA, at Developer's expense, a written summary of the income, household size and rent payable by each of the tenants of the Affordable Units. Developer shall obtain, or shall cause to be obtained by the Property Manager, an annual certification from each household leasing an Affordable Unit demonstrating that such household is a 50% AMI Very Low Income Household and meets the eligibility requirements established for the Affordable Unit. Developer shall verify, or shall cause to be verified by the Property Manager, the income certification of each tenant household. In order to comply with this Article 2, Developer shall submit to CMHA and OCHA any and all tenant income and occupancy certifications and supporting documentation required, as applicable, to be submitted to TCAC pursuant to the Tax Credit Rules and the Tax Credit Regulatory Agreement, and such documentation shall satisfy the requirements of this Section 2.3(c).

(d) Verification of Income of New and Continuing Tenants. Developer shall verify the Annual Income and information provided in the income certification of the proposed tenant as set forth below.

(i) Developer shall verify the income of each proposed tenant of the Project pursuant to the Tenant Selection Covenants set forth above, and by at least one of the following methods as appropriate to the proposed tenant:



(A) obtain two (2) paycheck stubs from the person's two (2) most recent pay periods.

(B) obtain a true copy of an income tax return from the person for the most recent tax year in which a return was filed.

(C) obtain an income verification certification from the employer of the person.

(D) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the person receives assistance from such agencies.

(E) obtain an alternate form of income verification reasonably requested by CMHA and/or OCHA, if none of the above forms of verification is available to Developer.

(e) Verification regarding Eligibility of New Tenants. Developer shall retain documentation regarding the eligibility of each new tenant household, including that each such household satisfied the applicable priorities set forth in this Article 2.

(f) Non-Qualifying Household. If, upon recertification of the income of a tenant, Developer determines that a former 50% AMI Very Low Income Household has an Adjusted Income exceeding the qualifying income for a 50% AMI Very Low Income Household, then such tenant shall be permitted to continue to occupy the Affordable Unit and such tenant's Affordable Rent may be increased to one-twelfth of thirty percent (30%) of the household's actual income, adjusted for Assumed Household Size, upon ninety (90) days written notice to the tenant. The unit will continue to be classified as an Affordable Unit for no longer than one year, at which time, subject to applicable law, rules and regulations, including the requirements of any public agency financing for the Project, Developer shall cause the non-qualifying household to vacate the unit at which time Developer shall re-rent the unit to a 50% AMI Very Low Income Household to meet the requirements of Section 2.1 above.

(g) Termination of Occupancy. Upon termination of occupancy of an Affordable Unit by a Qualified Tenant, such unit will be deemed to be continuously occupied by a 50% AMI Very Low Income Household, until such unit is reoccupied. Developer will use best efforts to rent any vacant unit to a Qualified Tenant within thirty (30) days of such unit becoming vacant. In any event, Developer shall maintain the occupancy requirements set forth in Section 2.1 above.

(h) Tenant Transfer. Existing tenants shall be permitted to transfer into a different unit once per year, at the time of recertification. As to such transfers Developer will cause Property Manager to provide a list of tenants that are transferring units to include the original unit and unit to which they transferred.

## **Section 2.4    Affordable Rent.**

(a)    Maximum Monthly Rent.    The maximum monthly rent chargeable for Affordable Units shall be the maximum rent published by TCAC for a "50% AMI Very Low Income Household" in Orange County for the applicable bedroom number. In the event that TCAC no longer publishes the income and rent information contemplated herein, then the HUD published income and rent information shall prevail. In the case that both cease to be published, CMHA and OCHA will provide Developer with other income and rent determinations which are reasonably similar with respect to methods of calculation to those previously published by TCAC, as applicable.

(b)    Rent Schedule.    Developer must annually reexamine the income of each tenant household living in the Affordable Units annually in accordance with this Article 2. The maximum monthly rent must be recalculated by Developer and submitted to CMHA and OCHA annually to confirm the rents are consistent with this Regulatory Agreement and applicable legal requirements and may change as changes in the applicable gross Affordable Rent amounts and the income adjustments warrant. Any increase in Affordable Rents for the Affordable Units is subject to the provisions of outstanding leases. Developer must provide all tenants not less than sixty (60) calendar days' prior written notice before implementing any increase in Affordable Rents.

(c)    Leases; Rental Agreements for Housing Units.    Developer shall submit a standard lease form, which shall comply with all applicable Governmental Requirements, and all requirements of this Regulatory Agreement, to CMHA and OCHA for approval. CMHA and OCHA shall reasonably approve such lease form upon finding that such lease form is consistent with this Regulatory Agreement. Developer shall enter into a written lease, in the form approved by CMHA and OCHA, with each Qualified Tenant household of the Project.

### **(d)    Tenant Protections.**

(i)    *Lease.*    Developer shall execute or cause to be executed a written lease in a form reasonably approved in writing by CMHA and OCHA (other than immaterial modifications thereto) which complies with all applicable Governmental Requirements and with each tenant household identifying by name all permitted occupant(s) of each Affordable Unit. The lease between tenants occupying the Affordable Units and Developer must be for not less than one year, unless by mutual agreement between the tenant and Developer.

(ii)    *Prohibited Lease Terms.*    The Qualified Tenant lease may 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 owner in a lawsuit brought in connection with the lease;

(B)    *Treatment of Personal Property.*    Agreement by the tenant that the owner may take, hold, or sell personal property of household 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. Developer may dispose of this personal property in accordance with State law;

(C) *Excusing Developer/owner 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 Developer may institute a lawsuit without notice to the tenant;

(E) *Waiver of Legal Proceedings.* Agreement by the tenant that 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;

(H) *Tenant Chargeable with Cost of Legal Actions Regardless of Outcome.* Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by Developer against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses; and

(iii) *Termination of Tenancy.* Developer may not terminate the tenancy or refuse to renew the lease of a tenant of a Housing Unit within the Project except for failure to pay rent, serious or repeated violation 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) calendar days (or such longer period as may be required by applicable laws) by Developer's service upon the tenant of a written notice specifying the grounds for the action.

(e) Loss of Subsidy.

(a) It is anticipated that certain Affordable Units (the "Subsidy Units") may receive Project-Based Section 8, Section 811 or other rental or operating subsidies (the "Rental Subsidy") throughout the Term. If any change in law occurs, or any action (or inaction) by Congress or any federal or state agency occurs, which results in a material reduction, termination or nonrenewal of the Rental Subsidy through no fault of Developer, such that the Rental Subsidy shown on the budget for the Project approved by CMHA and OCHA is no longer available, Developer shall, in anticipation of such loss in Rental Subsidy, use good faith efforts for a period of one hundred twenty (120) days, to obtain alternative sources of rental subsidies and shall provide CMHA and OCHA weekly progress reports on Developer's efforts to obtain alternative sources of rental subsidies. If at the end of such one hundred twenty (120) day period Developer is unable to secure an alternate source of rental subsidy, notwithstanding this Section 2.4(a) above, Developer may provide a written request to CMHA and OCHA and CMHA and OCHA will consider in their reasonable discretion, an increase in the Affordable Rent on one or

more of the Affordable Units that overlap with a Subsidy Unit, to the TCAC 60% AMI rent level but only to the minimum extent necessary to maintain Project feasibility.

In the event such a request is approved by CMHA and OCHA, Developer shall continue to use good faith efforts to obtain alternative sources of rental subsidies and shall provide CMHA and OCHA with annual progress reports on efforts to obtain alternative sources of rental subsidies that would allow the rents on the Affordable Units to be reduced back to the Affordable Rents set out in Section 2.4(a) above. Upon receipt of any alternative rental subsidies, Developer shall reduce the rents on the Affordable Units back to the Affordable Rents set out in Section 2.4(a), to the extent that the alternative rental subsidies provide sufficient income to cover the operating costs and debt service of the Project as shown on the annual Project budget.

## **Section 2.5    Nondiscrimination.**

(a)    Nondiscrimination and Equal Opportunity. Developer hereby covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, to comply with the following laws relating to nondiscrimination and equal opportunity: (1) The Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100 *et seq.*; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107; title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1; the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and implementing regulations at 24 CFR part 146; section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title; title II of the Americans with Disabilities Act, 42 U.S.C. 12101 *et seq.*; 24 CFR part 8; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135; Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107 (3 CFR, 1964-1965 Comp., p. 339; 3 CFR, 1966-1970 Comp., p.684; 3 CFR, 1966-1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p.264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60; Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971-1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development); and Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p.393 and 3 CFR, 1987 Comp., p. 245) (Women's Business Enterprise).

(b)    Prohibition of Inquiries on Sexual Orientation or Gender Identity. Developer further covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, not to inquire about the sexual orientation or gender identity of an applicant for, or occupant of, the Project or any Unit at the Property, for the purpose of determining eligibility for occupancy of such Units or otherwise making such Units available. This prohibition on inquiries regarding sexual orientation or gender identity does not prohibit any individual from voluntarily self-identifying sexual orientation or gender identity. Further, determinations of eligibility for occupancy of Units at the Project shall be made in accordance with the eligibility requirements provided for such program by HUD, and such Units shall be made available without regard to actual or perceived sexual orientation, gender identity, or marital status.

(c) Covenants Run with the Land. The nondiscrimination covenants established in this Article 2. shall, without regard to technical classification and designation, be binding for the benefit and in favor of CMHA and OCHA and their successors and assigns, and shall remain in effect in perpetuity.

(d) No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Property or the Project or any portion thereof.

**Section 2.6** Notice of Affordability Restrictions. CMHA as housing successor is required to prepare and cause recordation of the Notice of Affordability Restrictions, substantially in the form of Exhibit B, which shall be recorded concurrently with this Regulatory Agreement.

### ARTICLE 3

#### OPERATION AND MANAGEMENT OF THE PROJECT

**Section 3.1** Taxes and Impositions. Developer shall be responsible to and shall pay, prior to delinquency, all of the following (collectively, the “Impositions”): (i) all general and special real property taxes and assessments imposed on the Property, unless exempt therefrom; and (ii) all other taxes and assessments and charges of every kind that are assessed upon the Property and that create or may create a lien upon the Property (or upon any personal property or fixtures used in connection with the Property), including non-governmental levies and assessments pursuant to applicable covenants, conditions or restrictions. If permitted by law, Developer may pay any Imposition in installments (together with any accrued interest).

(a) Right to Contest. Developer shall not be required to pay any Imposition so long as (a) the validity of such Imposition is being actively contested in good faith and by appropriate proceedings, and (b) either (i) Developer has demonstrated to CMHA and OCHA’s reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of any parcel in satisfaction of such Imposition or otherwise impair CMHA and OCHA’s interests hereunder, or (ii) Developer has furnished CMHA and OCHA with a bond or other security satisfactory to CMHA and OCHA in an amount not less than 120% of the applicable claim (including interest and penalties).

(b) Evidence of Payment. Upon demand by CMHA and/or OCHA from time to time, Developer shall deliver to CMHA and OCHA within thirty (30) calendar days following the due date of any Imposition, evidence of payment of said Imposition reasonably satisfactory to CMHA and OCHA, unless Developer is contesting the imposition in conformity with Article 3, Section 1.1. In addition, upon demand by CMHA and/or OCHA from time to time, Developer shall furnish to CMHA and OCHA a tax reporting service for the Property of a type and duration, and with a company, reasonably satisfactory to CMHA and OCHA.

#### **Section 3.2** Management of the Project.

(a) Property Manager. Developer shall cause the Project, and all appurtenances thereto that are a part of the Project, to be managed in a prudent and business-like manner, consistent with property management standards for other comparable affordable rental housing

projects in Orange County, California. Developer shall contract with a property management company or property manager to operate and maintain the Project in accordance with the terms of this Article 3 Section 3.2. (“Property Manager”); provided, however, the selection and hiring of the Property Manager (and each successor or assignee Property Manager) is and shall be subject to prior written approval of CMHA and OCHA in their reasonable discretion. Any proposed property manager shall have prior experience with rental housing projects and properties comparable to the Project. Approval of a Property Manager by CMHA and OCHA shall not be unreasonably delayed but shall be in their sole and reasonable discretion, and CMHA and OCHA shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing management of the Project. Furthermore, the identity and retention of any approved Property Manager shall not be changed without the prior written approval of CMHA and OCHA, which approval shall not be unreasonably withheld or delayed, but shall be in their sole and reasonable discretion. The selection by Developer of any new Property Manager also shall be subject to the foregoing requirements. CMHA and OCHA hereby approve Solari Enterprises, Inc. as the initial Property Manager.

(b) Management Plan. Developer shall prepare and submit to CMHA and OCHA for review and approval a management plan that includes a detailed plan and strategy for long term operation, maintenance, repair, security, social/supportive services to the extent committed by Developer to TCAC in connection with an allocation of Tax Credits for, and marketing of the Project, method of selection of tenants, rules and regulations for tenants, and other rental and operational policies for the Project (“Management Plan”). CMHA and OCHA’s approval of the Management Plan shall not be unreasonably withheld or delayed. Subsequent to approval of the Management Plan by CMHA and OCHA the ongoing management and operation of the Project shall be in compliance with the approved Management Plan. Developer and Property Manager may from time to time submit to CMHA and OCHA proposed amendments to the Management Plan, which are also subject to the prior written approval of CMHA (by approval of City’s Planning Commission) and OCHA, which approval shall not be unreasonably withheld or delayed.

(i) Gross Mismanagement. In the event of “Gross Mismanagement” (as that term is defined below) of the Project or any part of the Project, and subject to the requirements of any Lender or Tax Credit Investor, CMHA and OCHA shall have and retain the authority to direct and require any condition(s), acts, or inactions of Gross Mismanagement to cease and/or be corrected immediately, and further to direct and require the immediate removal of the Property Manager and replacement with a new qualified and approved Property Manager, if such condition(s) is/are not ceased and/or corrected after expiration of thirty (30) calendar days from the date of written notice from either CMHA or OCHA. If Developer or Property Manager has commenced to cure such Gross Mismanagement condition(s) on or before the 20<sup>th</sup> day from the date of written notice (with evidence of such submitted to both CMHA and OCHA), but has failed to complete such cure by the 30<sup>th</sup> day, then Developer or Property Manager shall have an additional ten (10) calendar days to complete the cure of such Gross Mismanagement condition(s). In no event shall any condition of Gross Mismanagement continue uncured for a period exceeding forty-five (45) calendar days from date of the initial written notice of such condition(s). If such condition(s) do persist beyond such period CMHA and OCHA shall have the sole and absolute right to immediately and without further notice to Developer (or to Property Manager or any other person/entity) replace the Property Manager with a new property manager of the CMHA and

OCHA's selection at the sole cost and expense of Developer. If Developer takes steps to select a new Property Manager that selection is subject to the requirements set forth above for selection of a Property Manager.

(A) For purposes of this Regulatory Agreement, the term "Gross Mismanagement" shall mean management of the Project (or any part of Project) in a manner that violates the terms and/or intention of this Regulatory Agreement to operate a high quality, restricted affordable rental housing complex comparable to other similar complexes in Orange County, California, and shall include, but is not limited to, any one or more of the following:

(1) Knowingly or repeatedly leasing to tenants who are not Qualified Tenants;

(2) Failing to timely maintain the Project in accordance with the Management Plan and the manner prescribed herein;

(3) Failing to submit timely and/or adequate annual reports to CMHA and OCHA as required herein;

(4) Fraud or embezzlement of Project funds, including without limitation funds in any Project reserve accounts;

(B) Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use commercially reasonable efforts to correct any defects in property management or operations at the earliest feasible time and, if necessary, to replace the Property Manager as provided above. Developer shall include advisement and provisions of the foregoing requirements and requirements of this Regulatory Agreement within any contract between Developer and its Property Manager.

**Section 3.3 Marketing.** Subject to the tenant selection and marketing requirements set forth in Article 2, which provisions shall prevail in marketing the Units, Developer shall comply with an affirmative marketing plan reasonably approved by CMHA and OCHA, including methods for informing the public and potential tenants about the federal fair housing laws, procedures to inform and solicit applications from persons in the housing market area not likely to apply for tenancy at the Units without special outreach and recordkeeping methods that will permit CMHA and OCHA to evaluate the actions taken by Developer (or Property Manager) to affirmatively market the Units at the Project. Developer shall carry out the affirmative marketing procedures of the CMHA and OCHA to provide information and otherwise attract eligible persons from all racial, ethnic and gender groups in the housing market area to the Project. The Parties shall cooperate to effectuate this provision in connection with initial renting, upon occurrence of a vacancy, and upon the re-renting of any Affordable Unit.

**Section 3.4 Monitoring and Recordkeeping.** On or before April 30 in each year following the Closing, Developer shall annually complete and submit to CMHA and OCHA a certification of compliance substantially in the form provided by CMHA and OCHA. Representatives of CMHA and OCHA shall be entitled to enter the Property during regular

business hours, upon at least seventy-two (72) hours' notice, to monitor compliance with this Regulatory Agreement, to inspect the books and records of the Project, and to conduct an independent audit or inspection of such records. Developer agrees to cooperate with CMHA and OCHA in making the Property and all Units thereon available for such inspection or audit. Developer agrees to maintain records in a businesslike manner, to make such records available to CMHA and OCHA upon seventy-two (72) hours' notice. If Developer maintains such records at a location outside of the County of Orange, Developer shall reimburse CMHA or OCHA for any travel costs incurred by either of them in connection with inspection of those records outside of the County of Orange.

**Section 3.5** Required Submissions. Developer shall annually submit to the CMHA, or cause the Property Manager to submit to the CMHA, on or before March 1st of each year, the following reports:

- (a) An annual rent roll for each Apartment in the Property, certified to be true and correct.
- (b) An annual operating budget, and a quarterly reconciliation of the actual operating expenses to the operating expenses projected in the annual operating budget.

**Section 3.6** CMHA Right to Require Submittal of Audited Financial Statements for Property and its Operations. The CMHA expressly reserves the right to require Developer to submit (and in this regard Developer hereby agrees to make available all records and allow to be conducted and prepared) audited financial statements for the Property and its operations. Such audited financial statements for the Property shall be prepared and completed by an independent certified public accountant (CPA) in accordance with GAAP (and generally accepted auditing principles, as applicable.) The CMHA shall select the CPA and completion of such audited financial statements shall be the sole financial responsibility of the Developer.

**Section 3.7** Annual Report to CMHA and OCHA. In May of each year (or at such other reasonable time as required) the Developer shall submit an annual report for the previous calendar year to the CMHA and the OCHA in a form approved by the CMHA and OCHA. The annual report shall include for each rental Apartment covered by all Agreements, the rent, annual gross income, family size of leased household, date the tenancy commenced and such other information as the CMHA and/or OCHA may be required by law to obtain.

### **Section 3.8**

## **ARTICLE 4**

### **MAINTENANCE OF THE PROJECT**

**Section 4.1** General Maintenance. Developer shall maintain the Property and all improvements thereon, including lighting and signage, in good condition, free of debris, waste and graffiti, and in compliance with all applicable provisions of the City Codes. Developer shall maintain in accordance with the Maintenance Standards (as hereinafter defined) the improvements and landscaping on the Property. Such Maintenance Standards shall apply to all buildings, signage, common amenities, lighting, landscaping, irrigation of landscaping, architectural



elements identifying the Property and any and all other improvements on the Property and the Project. To accomplish the maintenance, Developer shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Regulatory Agreement.

**Section 4.2** Capital Reserve Contribution Requirements. Developer shall contribute and fund annually an account that is available for capital expenditures for repairs and replacement necessary to maintain the Property in the condition required by this Agreement (the "Capital Reserve Account"). Borrower shall deposit in the Replacement Reserve Account annually an amount equal to Two Hundred Dollars (\$200) per unit. These deposits may terminate, or be stayed, if the cumulative balance in the Capital Reserve Account reaches twenty-five percent (25%) of the Annual Project Revenue (gross annual income); provided however, in the event the cumulative deposits/balance in such Capital Reserve Account fall below or are less than 25% of gross annual income at any subsequent time then Developer contribution and funding annually of the Capital Reserve Account in accordance with this Section 4.2 shall resume until such time as the cumulative balance reaches twenty-five percent (25%) of the Annual Project Revenue.

## ARTICLE 5

### COMPLIANCE WITH LAWS

**Section 5.1** Governmental Requirements. Developer must carry out each activity in connection with the Project in conformance with this Regulatory Agreement and Governmental Regulations, to the extent applicable.

**Section 5.2** Records and Reports. Developer shall maintain and from time to time submit to CMHA and OCHA such records, reports and information as CMHA and OCHA may reasonably require. Without limiting the following, Developer shall maintain records and submit annual reports as required by this Regulatory Agreement.

## ARTICLE 6

### COVENANTS

**Section 6.1** Affordability Period. The provisions of this Regulatory Agreement shall remain in effect for the Term. This Regulatory Agreement shall bind any successor, heir or assign of Developer, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, with or without the approval of CMHA and OCHA, except as expressly released by CMHA and OCHA.

**Section 6.2** Covenants to Run with the Land. CMHA, OCHA and 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 Property. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property 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 CMHA and OCHA expressly releases the Property from the requirements of this Regulatory Agreement.

**Section 6.3** Transfers. The qualifications and identity of Developer as an experienced and successful developer and operator/manager of affordable housing are of particular concern to CMHA and OCHA. It is because of these identities and the qualifications that CMHA and OCHA have entered into this Regulatory Agreement with Developer. Accordingly, commencing on the Effective Date and throughout the Affordability Period, i.e., in perpetuity, except as provided below, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Regulatory Agreement, nor shall Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the Property, or any part thereof, or this Regulatory Agreement (collectively referred to herein as a “Transfer”) without the prior written approval of CMHA and OCHA, which approval shall not be unreasonably withheld or delayed.

(a) Permitted Transfers. Notwithstanding the provisions of this Regulatory Agreement prohibiting transfer of any interest in Developer, the Property, the Project, and this Regulatory Agreement, the following transfers shall be “Permitted Transfers” for which CMHA and OCHA approval is not required:

(i) The granting of easements or permits to facilitate the rehabilitation of the Project.

(ii) An assignment for financing purposes to secure the funds necessary for the acquisition or rehabilitation and operation of the Project on the Property.

(iii) Leasing of individual Affordable Units to Qualified Tenants in accordance with Article 2 of this Regulatory Agreement.

(iv) The transfer of or all or any part of the Property, the Property, or the Project, or assignment of any Project Document to Century Affordable Development, Inc. (“CADI”), or to an entity controlled by or under common control with CADI, or to an entity or entities in which a CADI Affiliate is a general partner or managing member.

(v) Following a transfer to a limited partnership, the removal and replacement of the General Partner of Developer as directed by the Tax Credit Investor in accordance with the terms of the Partnership Agreement.

(vi) The sale, transfer or pledge of any limited partnership interest or non-managing member’s interest in Developer or of any partnership or membership interest in the limited partner.

(vii) The sale, transfer, or conveyance of the General Partner’s interest in Developer to a CADI Affiliate.

In the event of a Transfer by Developer not requiring CMHA and OCHA’s prior approval, Developer nevertheless agrees that at least fifteen (15) calendar days prior to such Transfer it shall give written notice to CMHA and OCHA of such assignment and satisfactory

evidence that the assignee will assume all of the obligations of this Regulatory Agreement in writing through an assignment and assumption agreement in a form reasonably acceptable to CMHA and OCHA.

(b) CMHA and OCHA Consideration of Requested Transfer. CMHA and OCHA agree that it will not unreasonably withhold, condition, or delay approval of a request for approval of a Transfer made pursuant to this Section 6.3 (other than Permitted Transfers), provided Developer delivers written notice to CMHA and OCHA requesting such approval and includes the proposed assignment and assumption contract and, if required by CMHA and OCHA, all necessary and relevant background and experience information related to the proposed transferee.

(i) An assignment and assumption agreement in form reasonably satisfactory to CMHA and OCHA's respective legal counsel shall be required for each proposed Transfer. Within ninety (90) calendar days after the receipt of Developer's written notice requesting CMHA and OCHA approval of a Transfer pursuant to this Section 6.3, CMHA and OCHA shall either approve or disapprove such proposed assignment or shall respond in writing by stating what further information, if any, CMHA and/or OCHA reasonably require(s) in order to determine the request complete and determine whether or not to grant the requested approval. Upon receipt of such a response, Developer shall promptly furnish to CMHA and OCHA such further information as may be reasonably requested. Upon the effective date of the approved or permitted Transfer, if an assignment and assumption agreement reasonably acceptable to CMHA and OCHA has been executed and delivered to CMHA and OCHA, the assignor shall be released by CMHA and OCHA from any and all obligations assumed by the approved or permitted assignee.

(c) Payment of CMHA and OCHA Third Party Costs re Proposed Transfer. Any and all Third Party Costs incurred by CMHA and/or OCHA in connection with consideration and approval (or disapproval) of a proposed transferee for any Transfer shall be paid by Developer, and payment thereof shall be and remain a condition precedent to CMHA and OCHA's obligation to approve and execute any Transfer document, including without limitation any assignment and assumption agreement.

## ARTICLE 7

### ENFORCEMENT AND REMEDIES

**Section 7.1** Default Remedies. Subject to extensions of time set forth in this Article 7, failure by a Party to perform any action or covenant required by this Regulatory Agreement within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" or "Event of Default" under this Regulatory Agreement. A Party claiming a Default shall give written Notice of Default to the other Parties specifying the Default. Except as otherwise expressly provided in this Regulatory Agreement, the claimant shall not institute any proceedings against any other Party, and such other Party shall not be in Default if such Party within thirty (30) days from receipt of such Notice, immediately and with due diligence, commences to cure, correct or remedy the specified Default and shall complete such cure, correction or remedy with diligence. In the event the Party in Default, or causing such Default, fails to cure within said thirty (30) days, or if such breach is of a nature that it cannot be cured

within said thirty (30) days, then the defaulting Party shall commence to cure in an additional fifteen (15) days (i.e., within forty-five (45) days of Notice of Default) and the defaulting Party shall diligently complete such cure, correction or remedy within a reasonable time thereafter but in no event later than one hundred twenty (120) days from the date of the Notice of Default.

**Section 7.2** Institution of Legal Actions. In addition to any other rights or remedies and subject to the restrictions otherwise set forth in this Regulatory Agreement, any Party may institute an action at law or equity to seek specific performance of the terms of this Regulatory Agreement, or to cure, correct or remedy any Default, to recover damages for any Default, or to obtain any other remedy consistent with the purpose of this Regulatory Agreement. Such legal actions must be instituted in the Superior Court of the County of Orange, State of California.

**Section 7.3** Acceptance of Service of Process. In the event that any legal action is commenced against CMHA and/or OCHA, service of process on CMHA and OCHA, as applicable, shall be made by personal service upon the CMHA Secretary and OCHA Secretary, respectively, or in such other manner as may be provided by law. In the event that any legal action is commenced against Developer, service of process on Developer shall be made in such manner as may be provided by law and shall be effective whether served inside or outside of California.

**Section 7.4** Rights and Remedies Are Cumulative. Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the parties are cumulative, and the exercise by a Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by another Party.

**Section 7.5** Inaction Not a Waiver of Default. Any failures or delays by any Party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive either such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

**Section 7.6** Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Regulatory Agreement.

**Section 7.7** Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Regulatory Agreement, performance by any Party shall not be deemed to be in Default, and all performance and other dates specified in this Regulatory Agreement shall be extended, where delays or Defaults are due to: war; insurrection; riots; floods; unusually severe weather; earthquakes; fires; casualties; acts of God; pandemics; epidemics; quarantine restrictions; acts of the public enemy; acts or omissions of another Party, or acts or failures to act of City or any other public or governmental agency or entity (excepting that acts or failures to act of CMHA (or City) and OCHA (or County) shall not excuse performance by CMHA (or City) or OCHA (or County)). Notwithstanding anything to the contrary in this Regulatory Agreement, an extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause (or such longer period as is reasonably needed under the circumstances), if Notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause. Times of performance under this

Regulatory Agreement may also be extended in writing by the mutual agreement of CMHA, OCHA, and Developer. The executive directors shall have authority to approve extensions on behalf of CMHA and OCHA not to exceed a cumulative total of one hundred eighty (180) days.

**Section 7.8** Non-Liability of Officials and Employees of CMHA and OCHA. No member, official, officer or employee of CMHA (or City) or of OCHA (or County) shall be personally liable to Developer, or any successor in interest, in the event of any Default or breach by CMHA (or City) or of OCHA (or County) or for an amount, if any, which may become due to Developer or its successors, or on any obligations under the terms of this Regulatory Agreement.

**Section 7.9** Relationship among CMHA, OCHA and Developer. It is hereby acknowledged that the relationship among CMHA (or City) or of OCHA (or County) and Developer is not that of a partnership or joint venture and that (i) CMHA, on the one hand, and Developer, on the other hand, shall not be deemed or construed for any purpose to be the agent of the other, and (ii) OCHA, on the one hand, and Developer, on the other hand, shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, except as expressly provided in this Regulatory Agreement, including all Exhibits, CMHA (and City) or of OCHA (and County) shall not have any rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Project.

**Section 7.10** Indemnification. The Developer shall defend, indemnify and hold harmless the Agency and the CMHA and their respective officers, agents, employees, representatives and volunteers from and against any loss, liability, claim or judgment relating in any manner to this Agreement, except for any such claim which results from the sole negligence or willful misconduct of the OCHA or the CMHA or their respective officers, agents, employees, representatives or volunteers.

**Section 7.11** CMHA and OCHA Approvals and Actions. Whenever a reference is made herein to an action or approval to be undertaken by CMHA and/or OCHA, their respective executive director is authorized to act on behalf of CMHA and OCHA, as applicable, (and, if applicable, when action or approval of (i) City is necessary then the City Manager is authorized to act on behalf of City and (ii) County is necessary then the Chief Executive Officer is authorized to act on behalf of County), unless specifically provided otherwise or the law otherwise requires. CMHA and OCHA may designate City and County, respectively, to act on their behalf, as applicable, for some or all purposes of this Regulatory Agreement, provided that Notice thereof is provided to Developer; such Notice may be modified from time to time by instrument executed by CMHA and OCHA.

**Section 7.12** No Third Parties Benefited. Except as provided herein as to City and County, this Regulatory Agreement is made for the purpose of setting forth rights and obligations of Developer, CMHA, and OCHA, and no other person shall have any rights hereunder or by reason hereof.

## ARTICLE 8

### NOTICE

Written notice, demands and communications between and among CMHA, OCHA and Developer shall be deemed sufficient if dispatched by personal delivery, overnight delivery by a

regarded courier service, registered or certified mail, postage prepaid, return receipt requested to the principal offices of CMHA, OCHA, and Developer, the addresses of which are hereinafter set forth. Such written notices, demands and communications may be sent in the manner prescribed to each other's addresses as any Party may, from time to time, designate by mail, or the same may be delivered in person to representatives of a Party upon such premises. Said addresses are as follows:

If to Developer: c/o Century Affordable Development, Inc.  
1000 Corporate Pointe  
Culver City, CA 90230  
Attention: Brian D'Andrea

If to CMHA: Executive Director  
Costa Mesa Housing Authority  
77 Fair Drive  
Costa Mesa, CA 92626

If to OCHA:

Notices herein shall be deemed given as of the date of personal service or three (3) consecutive calendar days after deposit of the same in the custody of the United States Postal Service.

## ARTICLE 9

### MISCELLANEOUS

**Section 9.1** 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.

**Section 9.2** Actions through Respective Executive Directors. CMHA and OCHA shall maintain authority of this Regulatory Agreement through their respective executive directors. CMHA and OCHA's executive directors shall have the authority to issue interpretations, waive provisions, and/or enter into certain amendments of this Regulatory Agreement on behalf of CMHA and OCHA so long as such actions do not materially or substantively change the land uses and affordable housing covenants required on the Property, and such interpretations, waivers and/or amendments may include extensions of time to perform. All other material and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the respective governing boards of CMHA and OCHA.

**Section 9.3** Caption and Pronouns. The captions and headings of the various Articles and 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.

**Section 9.4** Attorneys' Fees. In any action to interpret or enforce any provision of this Regulatory Agreement, the prevailing Party shall be entitled to its costs and reasonable attorneys' fees and expert witness fees.

**Section 9.5** Modification of this Regulatory Agreement. This Regulatory Agreement may be modified or amended by mutual consent of all Parties, provided that all amendments are in writing.

[Signature blocks begin on next page.]

IN WITNESS WHEREOF, the parties hereto have caused this Regulatory Agreement to be executed as of the day and year first above written.

DEVELOPER:

CADI XV LLC,  
a California limited liability company

By: Century Affordable Development, Inc.,  
a California nonprofit public benefit corporation,  
its sole member/manager

By: \_\_\_\_\_  
Brian D'Andrea  
Senior Vice President

*[Signatures continue on next page.]*



CMHA:

COSTA MESA HOUSING AUTHORITY,  
a public body, corporate and politic

By: \_\_\_\_\_  
Lori Ann Farrell Harrison  
Executive Director

ATTEST:

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Kimberly Hall Barlow  
Authority General Counsel

*[Signatures continue on next page.]*

OCHA:

ORANGE COUNTY HOUSING AUTHORITY,

By:\_\_\_\_\_

APPROVED AS TO FORM

By\_\_\_\_\_

## EXHIBIT A

### LEGAL DESCRIPTION

The Land referred to herein below is situated in the City of Costa Mesa, County of Orange, State of California, and is described as follows:

## EXHIBIT B

### NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

This NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY (“Notice” or “Notice of Affordability Restrictions”) is executed and recorded pursuant to Section 33334.3(f)(3)(B) of the California Health and Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, “Chapter 690”).

Costa Mesa Housing Authority (“CMHA”) and Orange County Housing Authority (“OCHA”) (together, “CMHA/OCHA”) and Developer entered into that certain Regulatory Agreement (Costa Mesa Village) dated as of \_\_\_\_\_, 2022 (“Regulatory Agreement”) related to Developer’s acquisition, renovation and operation of an existing 97-unit affordable housing project on certain improved real property with a common address of 2450 Newport Boulevard, Costa Mesa, California, which is referred to as the “Property” therein and legally described in the attached and fully incorporated Attachment 1. Capitalized terms not defined herein shall have the meaning established therefor in the Regulatory Agreement.

The Project will provide long-term affordable housing for eligible and qualified 50% AMI Very Low Income Households at an Affordable Rent. All covenants and restrictions for the Project are set forth in the Regulatory Agreement, which also is recorded among the Official Records of Orange County, California. In the event of an inconsistency between this Notice of Affordability Restrictions and the Regulatory Agreement, the provisions in the Regulatory Agreement shall control.

IN WITNESS WHEREOF, CMHA, OCHA, and Developer have executed this Notice of Affordability Restrictions as of the date first written above.

DEVELOPER:

CADI XV LLC,  
a California limited liability company

By: Century Affordable Development, Inc.,  
a California nonprofit public benefit corporation,  
its sole member/manager

By: \_\_\_\_\_  
Brian D'Andrea  
Senior Vice President

[Signatures continue on following page.]

CMHA:

COSTA MESA HOUSING AUTHORITY,  
a public body, corporate and politic

By: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_

OCHA:

ORANGE COUNTY HOUSING AUTHORITY

By: \_\_\_\_\_

APPROVED AS TO FORM

By: \_\_\_\_\_

## ATTACHMENT 1

### LEGAL DESCRIPTION

The Land referred to herein below is situated in the City of Costa Mesa, County of Orange, State of California, and is described as follows:

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 )  
 )  
 ) ss.  
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

SIGNATURE OF 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 )  
 ) ss.  
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

SIGNATURE OF 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

)

)

ss.

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 names(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

\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC