



# City of Costa Mesa

## PLANNING COMMISSION

### Agenda - **Final Amended**

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**Monday, January 24, 2022**

**6:00 PM**

**zoom**

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The Commission meetings are presented virtually via Zoom Webinar. Pursuant to the State of California Assembly Bill 361(Gov. Code §54953(b)(3)) Commission Members and staff will participate by video conference.

You may participate via the following options:

1. Members of the public can view the Commission meetings live on COSTA MESA TV (SPECTRUM CHANNEL 3 AND AT&T U-VERSE CHANNEL 99) or [http://costamesa.granicus.com/player/camera/2?publish\\_id=10&redirect=true](http://costamesa.granicus.com/player/camera/2?publish_id=10&redirect=true) and online at [youtube.com/costamesatv](https://youtube.com/costamesatv).

2. Zoom Webinar:

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- Select “Join Audio via Computer.”
- The virtual conference room will open. If you receive a message reading, “Please wait for the host to start this meeting,” simply remain in the room until the meeting begins.
- During the Public Comment Period, use the “raise hand” feature located in the participants’ window and wait for city staff to announce your name and unmute your line when it is your turn to speak. Comments are limited to 3 minutes, or as otherwise directed.

Participate via telephone:

Call: 1 669 900 6833 Enter Webinar ID: 960 6037 9921 / Password: : 595958

During the Public Comment Period, press \*9 to add yourself to the queue and wait for city staff to announce your name/phone number and press \*6 to unmute your line when it is your turn to speak. Comments are limited to 3 minutes, or as otherwise directed.

3. Additionally, members of the public who wish to make a written comment on a specific agenda item, may submit a written comment via email to the [PCPublicComments@costamesaca.gov](mailto:PCPublicComments@costamesaca.gov). Comments received by 12:00 p.m. on the date of the meeting will be provided to the Commission, made available to the public, and will be part of the meeting record.

4. Please know that it is important for the City to allow public participation at this meeting. If you are unable to participate in the meeting via the processes set forth above, please contact the City Clerk at (714) 754-5225 or [cityclerk@costamesaca.gov](mailto:cityclerk@costamesaca.gov) and staff will attempt to accommodate you. While the City does not expect there to be any changes to the above process for participating in this meeting, if there is a change, the City will post the information as soon as possible to the City's website.

Note that records submitted by the public will not be redacted in any way and will be posted online as submitted, including any personal contact information.

All pictures, PowerPoints, and videos submitted for display at a public meeting must be previously reviewed by staff to verify appropriateness for general audiences. No links to YouTube videos or other streaming services will be accepted, a direct video file will need to be emailed to staff prior to each meeting in order to minimize complications and to play the video without delay. The video must be one of the following formats, .mp4, .mov or .wmv. Only one file may be included per speaker for public comments. Please e-mail to [PCPublicComments@costamesaca.gov](mailto:PCPublicComments@costamesaca.gov) NO LATER THAN 12:00 Noon on the date of the meeting.

Note regarding agenda-related documents provided to a majority of the Commission after distribution of the agenda packet (GC §54957.5): Any related documents provided to a majority of the Commission after distribution of the Agenda Packets will be made available for public inspection. Such documents will be posted on the city's website and will be available at the City Clerk's office, 77 Fair Drive, Costa Mesa, CA 92626.

The City of Costa Mesa aims to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is currently provided, the Clerk's office will attempt to accommodate in a reasonable manner. Please contact the City Clerk's office 24 hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible 714-754-5225 or at [cityclerk@costamesaca.gov](mailto:cityclerk@costamesaca.gov). El objetivo de la Ciudad de Costa Mesa es cumplir con la ley de Estadounidenses con Discapacidades (ADA) en todos los aspectos. Si como asistente o participante en esta reunión, usted necesita asistencia especial, más allá de lo que actualmente se proporciona, la oficina del Secretario de la Ciudad intentara de complacer en una forma razonable. Favor de comunicarse con la oficina del Secretario de la Ciudad con 24 horas de anticipación para informarnos de sus necesidades y determinar si alojamiento es realizable al 714-754-5225 o [cityclerk@costamesaca.gov](mailto:cityclerk@costamesaca.gov).

**PLANNING COMMISSION REGULAR MEETING**

**MONDAY, JANUARY 24, 2022 - 6:00 P.M.**

**BYRON DE ARAKAL**  
Chair

**JON ZICH**  
Vice Chair

**DIANNE RUSSELL**  
Planning Commissioner

**RUSSELL TOLER**  
Planning Commissioner

**ADAM ERATH**  
Planning Commissioner

**JOHNNY ROJAS**  
Planning Commissioner

**JIMMY VIVAR**  
Planning Commissioner

**TARQUIN PREZIOSI**  
Assistant City Attorney

**JENNIFER LE**  
Director of Economic and  
Development Services

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**ANNOUNCEMENTS AND PRESENTATIONS**

**PUBLIC COMMENTS – MATTERS NOT LISTED ON THE AGENDA**

Comments are limited to three (3) minutes, or as otherwise directed.

**COMMISSIONER COMMENTS AND SUGGESTIONS**

**CONSENT CALENDAR: None**

**PUBLIC HEARINGS:**

*PROCEDURE: Announcement of Public Hearing Item, Report of Ex Parte Communications, Staff Report Presentation, Commission Questions for Staff, Open Public Hearing, Close Public Hearing, Motion.*

1. [MINOR CONDITIONAL USE PERMIT \(MCUP\) ZA-21-48 TO AMEND 21-534 PREVIOUSLY-APPROVED CONDITIONAL USE PERMIT \(CUP\) PA-91-102 FOR THE COSTA MESA VILLAGE AFFORDABLE HOUSING DEVELOPMENT, AND A REQUEST TO APPROVE A REGULATORY AGREEMENT AND THE TRANSFER OF OWNERSHIP OF THE COSTA MESA VILLAGE PROPERTY, LOCATED AT 2450 NEWPORT BOULEVARD.](#)

**Attachments:** [Agenda Report](#)

- [1. Planning Commission Draft Resolution](#)
- [2. Applicant Letter](#)
- [3. Regulatory Agreement](#)
- [4. Management Plan](#)
- [5. Termination of Original Regulatory Agreement](#)
- [6. Council Policy No. 500-05](#)
- [7. Original CUP Staff Report for PA-91-102](#)

**OLD BUSINESS:** None

**NEW BUSINESS:** None

**DEPARTMENT REPORTS:**

**1. PUBLIC SERVICES REPORT**

**2. DEVELOPMENT SERVICES REPORT**

**CITY ATTORNEY REPORTS:**

**1. CITY ATTORNEY**

**ADJOURNMENT**

Next Meeting: Planning Commission regular meeting, February 14, 2022, 6:00 p.m.



# City of Costa Mesa

## Agenda Report

77 Fair Drive  
Costa Mesa, CA 92626

File #: 21-534

Meeting Date: 1/24/2022

### TITLE:

**MINOR CONDITIONAL USE PERMIT (MCUP) ZA-21-48 TO AMEND PREVIOUSLY-APPROVED CONDITIONAL USE PERMIT (CUP) PA-91-102 FOR THE COSTA MESA VILLAGE AFFORDABLE HOUSING DEVELOPMENT, AND A REQUEST TO APPROVE A REGULATORY AGREEMENT AND THE TRANSFER OF OWNERSHIP OF THE COSTA MESA VILLAGE PROPERTY, LOCATED AT 2450 NEWPORT BOULEVARD.**

**DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES  
DEPARTMENT/PLANNING DIVISION**

**PRESENTED BY: NANCY HUYNH, SENIOR PLANNER**

**CONTACT INFORMATION:** [nancy.huynh@costamesaca.gov](mailto:nancy.huynh@costamesaca.gov)  
[<mailto:nancy.huynh@costamesaca.gov>](mailto:nancy.huynh@costamesaca.gov); (714) 754-5609

### **RECOMMENDATION:**

Staff recommends that the Planning Commission: (1) Recommend that the City Council approve MCUP ZA-21-48 to amend previously-approved CUP PA-91-102 to modify certain conditions of approval, and (2) Provide feedback to the City Council (as appropriate) pertaining to the Regulatory Agreement and transfer of ownership requests.

### **APPLICANT OR AUTHORIZED AGENT:**

The property owner is Costa Mesa Village, Ltd. The authorized agent is Brian D'Andrea with Century Affordable Development Inc.

### **BACKGROUND:**

Costa Mesa Village (CMV), located at 2450 Newport Boulevard, is a 96-unit single room occupancy (SRO) affordable housing development with one manager's unit for a total of 97 units on site. The subject property is zoned C1 (Local Business District) and has a General Plan land use designation of Commercial-Residential. The property to the north of CMV is a commercial development also zoned C1 and the properties to the south and east are existing multi-family residential developments zoned R2-MD (Multi-Family Residential District, Medium Density).

CMV was originally approved and developed as a two-story Travelodge motel in the mid-1980s under ZE-84-48. In 1991, a conditional use permit (CUP) under PA-91-102 was approved to allow the conversion of the existing motel into a single room occupancy (SRO) affordable housing development. (Today, SRO's are referred to as "efficiency units"). Subsequently in 1992, PA-91-102 was amended to modify two of the conditions of approval.

As part of the conversion project, the City through its Redevelopment Agency (Agency) provided

financial assistance for land acquisition costs in the form of a \$500,000.00 loan in addition to a \$1,200,000.00 loan from the Orange County Housing Authority. The Agency entered into several agreements with Costa Mesa Village, Ltd. (original developer and current owner of CMV) including a Regulatory Agreement to ensure that the units were provided as very low-income units at or below 50 -percent of the area median income (AMI) in perpetuity. The conversion improvements were completed in 1993 and the loans were fully repaid in 2014.

The Costa Mesa Housing Authority (Authority), which is the successor to the Costa Mesa Redevelopment Agency, continues to inspect and monitor the facility pursuant to the Regulatory Agreement to ensure:

- That new tenants qualify as very low-income occupants and are charged affordable rents and that all tenants are annually recertified;
- The structure does not present any threat to the health and safety of the occupants;
- Ceilings, walls, floors roofs, the foundation and exterior walls are maintained in a safe and sanitary condition and free of defects;
- Adequacy of heating, plumbing, sewage disposal and other equipment; and
- Exterior of the property is maintained in compliance with City requirements.

In 2020, the owner was awarded "Section 811" program funds for up to 24 of the 96 affordable units. The Section 811 program is a federal Housing and Urban Development (HUD) program administered by the State's Housing and Community Development (HCD) that provides subsidies for housing for very-low income persons with disabilities, in this case developmentally disabled persons. As such, as units become vacant through attrition, Section 811 eligible residents are being referred to CMV through the Regional Center of Orange County. The referral entity is responsible for providing the supportive services to the Section 811 tenants. Programming and services are individualized based on each person's needs and provided off-site.

### **DESCRIPTION:**

Costa Mesa Village, Ltd. is in the process of selling the subject property to CADI (Buyer) to be the new owner and operator of CMV. The original Regulatory Agreement as amended requires that any transfer of ownership be approved by the City/Authority.

The Applicant is requesting City/Authority approval for the following:

1. MCUP ZA-21-48 which amends PA-91-102 to modify certain conditions of approval.
2. Termination of Original Regulatory Agreement and Adoption of New Regulatory Agreement (Regulatory Agreement) which terminates the agreement with the current owner and replaces it with a new one for the new owner and also includes modifications to certain provisions in the original Agreement.
3. Transfer of the property to the Buyer as the new owner and operator of the project as required under the Regulatory Agreement.

The proposed CUP amendment includes modifying conditions of approval numbers 3 through 6 as well as 8, and 10. The CUP amendment proposes to update conditions of approval to be consistent

with the planned operation of CMV by the new Buyer, new Regulatory agreement, as well as Council Policy No. 500-05 (Attachment 6) which is the policy pertaining to the development guidelines and review process of SRO's and efficiency unit developments. (This policy was approved by the City Council on September 1, 1991 and modified on August 23, 2021). As an informational item, the Buyer has also provided an updated Management Plan (Attachment 4), which provides additional operation and management details for the site.

### ***Planning Commission Authority***

The requested CUP amendment would typically be processed as an MCUP, with the final decision making authority held by the City's Zoning Administrator. However, since the Regulatory Agreement and transfer of ownership must be decided upon by the City Council and the Authority, and the CUP amendment is a related request, staff has processed the requests together as a single package.

As such, the Zoning Administrator has deferred review authority for the MCUP to the Planning Commission. The Planning Commission may recommend approval, approval with modifications, or denial of the CUP amendment to the City Council. The Planning Commission has no review authority over the Regulatory Agreement or the transfer of property, but may provide its feedback to the City Council as part of its recommendation.

### **ANALYSIS:**

The Buyer proposes to maintain all 96 units for very-low income individuals (i.e., 50-percent AMI) working and/or living in Costa Mesa with up to 24 units set aside for households eligible under the Section 811 program consistent with the existing use. The affordability term will continue to remain in perpetuity. The Buyer does not propose any physical changes to the property.

### ***Amendment to CUP PA-91-102***

The CUP amendment proposes modifications to several conditions of approval to update the conditions to be consistent with the planned operation of CMV by the new Buyer, and to conform with City Council Policy No. 500-05 pertaining to SROs/efficiency units as well as provisions of the new Regulatory Agreement. All other conditions of approval from PA-91-102 including the two amendments in 1992 remain in effect.

In addition, this amendment will update the terminology of the development from "SRO" to efficiency unit development to be more consistent with HUD's terminology for this type of development; this change will not have any impacts to the existing use, its operations or the affordable income level of the residents served. This CUP amendment also imposes new standard/current planning conditions of approval on the project, such as limiting the use to that described in the project, defense and indemnity of the City, and various Code requirements.

The following are the CUP conditions proposed to be modified (~~striketrough~~ text proposed to be deleted and underline text proposed to be added):

- **Condition No. 3:** *Decorative wrought iron ~~shall be~~ added to the top of the existing perimeter block wall shall be maintained and any future changes including but not limited to material type*



shall be under direction of the Planning Division Director or their designee.

**Explanation of Condition Modification:** The conversion improvements were completed which included the decorative wrought iron fencing added to the top of the block wall. The condition has been modified to require the developer to continue to maintain it and any future proposed changes must be reviewed and approved by the Director or designee.

- **Condition No. 4:** *Securable bicycle storage racks shall be provided under the direction of the Planning Division Director or their designee.*

**Explanation of Condition Modification:** CMV currently provides three bicycle racks to accommodate 21 bicycles as required by the original condition. Staff removed the word “storage” to clarify the original intent to provide bicycle racks.

- **Condition No. 5:** *Linens and regular weekly laundry service for the room linens shall be provided at no additional charge to the tenants at the option of each tenant. Coin or card -operated washers and dryers shall be provided for tenant use.*

**Explanation of Condition Modification:** CMV currently does not offer weekly linen services but does offer laundry machines for tenants’ use. Linen services were provided when the development was a motel and offered as an option to short-term tenants at some point in the past, but is no longer a best practice for rental housing. Council Policy No. 500-05 indicates the developer shall provide coin operated washers and dryers (but does not require linen services).

- **Condition No. 6:** *Applicant shall provide 96 units to 50% AMI Very Low Income households in perpetuity at the applicable maximum monthly rent published by the Tax Credit Allocation Committee (TCAC), as required by the approved Regulatory Agreement. Tenant income shall be limited to very low-income levels rental rates tied to very-low income levels. The maximum rental rate would be 30% of 50% of the Orange County median income as published by HUD and adjusted for single person household size. If would not comply with either Council Policy No. 500-05 such change shall be referred back to the Planning Commission for review and approval.*

**Explanation of Condition Modification:** The condition is being modified to be consistent with the language in the new Regulatory Agreement.

- **Condition No. 8:** *The draft A Management Plan is required which shall govern the operation of the development SRO. and shall include but not limited to: tenant selection and income/rent verification and reporting procedures; property maintenance standards and repairs, property improvements and maintenance schedules; insurance requirements; tenant services or amenities; access control and security including regulations for guests; and project staffing. Any modification to the Management Plan shall require review and approval by the Planning Division Director or their designee, and must be consistent with. If any change would not comply with Council Policy 500-05 as amended, and the Regulatory Agreement, such change shall be referred back to the Planning Commission for review and approval.*

**Explanation of Condition Modification:** The council policy indicates a management plan shall be submitted for review to address the day-to-day operations and management of the project. The condition is being modified to require a Management Plan that includes all of the items required to be addressed by the council policy and ensures the plan is consistent with the new Regulatory Agreement. The new Buyer proposes to replace the existing plan with a new one that is in conformance with the council policy as amended and contains a more robust description of operational details. The new Management Plan is provided for informational purposes as Attachment 4 to this report.

- **Condition No. 10:** *During the first year of operation, quarterly reports (due March 1<sup>st</sup>, June 1<sup>st</sup>, September 1<sup>st</sup> and December 1<sup>st</sup>) shall be submitted to the Planning Division pertaining to the A report shall be submitted by the Applicant or its designee to the Executive Director of the City's Housing Authority or their designee on an annual basis on or before April 30<sup>th</sup> of each year and shall include all information required by the City's Housing Authority to confirm compliance with the Regulatory Agreement, including but not limited to: level of occupancy, certification of tenant income and rental rates charged, automobile ownership of tenants, and job locations of tenants. Thereafter, such report shall be submitted on an annual basis, due each March 1<sup>st</sup>.*

**Explanation of Condition Modification:** The condition is being modified to require annual income and rent certification reports consistent with the Regulatory Agreement.

- **Condition No. 11:** *Securable lockers or similar exterior storage exterior to the tenants' rooms shall be provided on the property for each unit where feasible under the direction of the Planning Division Director or their designee.*

**Explanation of Condition Modification:** The project was approved with and currently provides some exterior lockers but not one locker for each unit. Based on existing site capacity and constraints, it is problematic to retrofit the site at this point to provide lockers for each unit. Therefore, staff proposes to work with the new Buyer to identify potential areas for additional storage where possible without impacting required parking, walkways and common areas. Although the Council policy for SRO's/efficiency units call for lockers, the policy does not contain absolutes, but rather general guidelines intended to allow flexibility when appropriate. In this case, staff believes providing flexibility on the number of exterior storage lockers is appropriate, noting that each unit already contains an interior storage area which will remain in place.

### ***Regulatory Agreement and Transfer of Ownership***

The motel conversion improvements were completed many years ago, the public loans have been repaid and the efficiency unit development has provided low-income housing in Costa Mesa since the early 1990s. The Authority's continuing interest in this matter is to retain the authority to ensure that the housing units be provided as affordable units in perpetuity and that the property is maintained in compliance with applicable requirements. Approval of the new Regulatory Agreement will preserve the Authority's continuing interest. The original Regulatory Agreement will be terminated and a replaced with a new one. Changes from the original Regulatory Agreement to the new one primarily involve deleting operational requirements no longer necessary for the project, clarifying use of the

HUD calculation for income levels and affordable rents, allowing for future consideration of revising affordability limits to maintain project viability and providing options in the event rental subsidies are lost in the future. Furthermore, the property is in substantial compliance with the provisions of the Regulatory Agreement and the Buyer is well capitalized with sufficient operational capacity and experience owning and operating other similar affording housing developments. Therefore, the transfer of ownership is appropriate.

#### **GENERAL PLAN CONFORMANCE:**

The property has a General Plan designation of Commercial-Residential. Under this General Plan designation, a complementary mix of commercial and residential uses are allowed with residential development encouraged along Newport Blvd.

The development is existing and has been operating as an affordable efficiency unit development since the 1990's and will continue to operate as such but with a new owner and management entity. The proposed CUP amendment will not substantively change the use and the project will continue to conform with the City's General Plan. The following discussion evaluates the project's consistency with the most relevant goals, objectives, and policies of the General Plan.

**Policy LU-1.1** *Provide for the development of a mix and balance of housing opportunities, commercial goods and services, and employment opportunities in consideration of the needs of the business and residential segments of the community.*

**Consistency:** The need for affordable housing for very-low income populations has been exacerbated by the current housing crisis and high housing costs. The use will continue to provide affordable housing opportunities for an at risk segment of the community.

**Policy HOU-1.8** *Encourage the development of housing that fulfills specialized needs.*

**Consistency:** In addition to serving the very-low income population who live and/or work in Costa Mesa, the property will provide additional housing opportunities for disabled individuals under the Section 811 program by providing up to 24 units for the program. These units will provide disabled individuals with an opportunity for permanent supportive housing at a more affordable rate.

**GOAL HOU-2:** *Preserving and expanding affordable housing opportunities. It is the goal of the City of Costa Mesa to provide a range of housing choices for all social and economic segments of the community, including housing for persons with special needs.*

**Consistency:** The project currently provides affordable housing to those who live and/or work in Costa Mesa. The new Buyer will continue to preserve the affordable units in perpetuity. Additionally, the target population under the Section 811 program will also be served.

#### **FINDINGS:**

Pursuant to CMMC Section 13-29(g)(2), CUP and MCUP Findings, in order to recommend approval of the project, the Planning Commission shall find that the evidence presented in the administrative record substantially meets specified findings. Staff recommends Planning Commission recommend approval of the proposed project, based on the below assessment of facts and findings, which are

also reflected in the draft Resolution:

*Section 13-29(g)(2), CUP and MCUP Findings*

- *The proposed development or use is substantially compatible with developments in the same general area and would not be materially detrimental to other properties within the area.*

**Compliance with required findings:** The project has been operating as an affordable housing development since the 1990's and the proposed CUP amendment will continue the same use with a new owner and management entity which specializes in operating affordable housing developments. Furthermore, the proposed amendment does not involve any physical modifications or expansion of building square footage. As such, the project will continue to be compatible with the developments in the same general area.

- *Granting the conditional use permit will not be materially detrimental to the health, safety and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood.*

**Compliance with required findings:** The project is an existing development that has provided specialized housing to the City for many years. The proposed CUP amendment does not involve any change in use or other physical improvements that would impact the immediate neighborhood. The CUP amendment specifically involves modifying certain conditions of approval primarily for consistency with revised Council Policy No. 500-05. The modified conditions will not have an impact to the immediate neighborhood.

- *Granting the conditional use permit will not allow a use, density or intensity, which is not in accordance with the general plan designation and any applicable specific plan for the property.*

**Compliance with required findings:** The property has a General Plan designation of Commercial-Residential. Under this General Plan designation, a complementary mix of commercial and residential uses are allowed with residential development encouraged along Newport Blvd. The project's CUP was previously approved and the amendment including modified conditions does not involve a change in use, additional uses, or improvements that would intensify the use of the property.

**ENVIRONMENTAL DETERMINATION:**

The project is exempt from the provisions of the California Environmental Quality Act under section 15301 (Class 1) Existing Facilities. Class 1 exemptions consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures or facilities involving negligible or no expansion of the existing or former use. Because the facility is existing and does not propose any alterations or additions, the project qualifies for the exemption.

**ALTERNATIVES:**

The Planning Commission has the following alternatives:

1. Recommend approval of the project with modifications: The Planning Commission may

suggest specific changes that are necessary to alleviate concerns for City Council and the Housing Authority Board's consideration. If any of the additional requested changes are substantial, the item should be continued to a future meeting to allow for additional information or analysis.

2. Recommend denial of the project: If the Planning Commission believes that there are insufficient facts to support the findings for approval, the Planning Commission may recommend denial of the application to City Council and the Housing Authority Board and provide facts in support of denial to be included in the attached draft resolution.

### **LEGAL REVIEW:**

The City Attorney's office has reviewed the new Regulatory Agreement as well as the draft Resolution and approves them as to form.

### **PUBLIC NOTICE:**

Pursuant to Title 13, Section 13-29(d), of the Costa Mesa Municipal Code, three types of public notification have been completed, no less than 10 days prior to the date of the public hearing:

1. **Mailed notice.** A public notice was mailed to all property owners and occupants within a 500-foot radius of the project site. The required notice radius is measured from the external boundaries of the property.
2. **On-site posting.** A public notice was posted on each street frontage of the project site.
3. **Newspaper publication.** A public notice was published once in the Daily Pilot newspaper.

As of this report, no written public comments have been received. Any public comments received prior to the January 24, 2022 Planning Commission meeting will be provided separately.

### **CONCLUSION:**

Staff recommends that Planning Commission recommend that the City Council approve MCUP ZA-21-48 to amend the original CUP and provide feedback (where appropriate) regarding the new Regulatory Agreement and transfer of ownership.



# City of Costa Mesa

## Agenda Report

77 Fair Drive  
Costa Mesa, CA 92626

File #: 21-534

Meeting Date: 1/24/2022

### TITLE:

**MINOR CONDITIONAL USE PERMIT (MCUP) ZA-21-48 TO AMEND PREVIOUSLY-APPROVED CONDITIONAL USE PERMIT (CUP) PA-91-102 FOR THE COSTA MESA VILLAGE AFFORDABLE HOUSING DEVELOPMENT, AND A REQUEST TO APPROVE A REGULATORY AGREEMENT AND THE TRANSFER OF OWNERSHIP OF THE COSTA MESA VILLAGE PROPERTY, LOCATED AT 2450 NEWPORT BOULEVARD.**

**DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES  
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**PRESENTED BY: NANCY HUYNH, SENIOR PLANNER**

**CONTACT INFORMATION:** [nancy.huynh@costamesaca.gov](mailto:nancy.huynh@costamesaca.gov)  
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The property owner is Costa Mesa Village, Ltd. The authorized agent is Brian D'Andrea with Century Affordable Development Inc.

### **BACKGROUND:**

Costa Mesa Village (CMV), located at 2450 Newport Boulevard, is a 96-unit single room occupancy (SRO) affordable housing development with one manager's unit for a total of 97 units on site. The subject property is zoned C1 (Local Business District) and has a General Plan land use designation of Commercial-Residential. The property to the north of CMV is a commercial development also zoned C1 and the properties to the south and east are existing multi-family residential developments zoned R2-MD (Multi-Family Residential District, Medium Density).

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The Applicant is requesting City/Authority approval for the following:

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2. Termination of Original Regulatory Agreement and Adoption of New Regulatory Agreement (Regulatory Agreement) which terminates the agreement with the current owner and replaces it with a new one for the new owner and also includes modifications to certain provisions in the original Agreement.
3. Transfer of the property to the Buyer as the new owner and operator of the project as required under the Regulatory Agreement.

The proposed CUP amendment includes modifying conditions of approval numbers 3 through 6 as well as 8, and 10. The CUP amendment proposes to update conditions of approval to be consistent

with the planned operation of CMV by the new Buyer, new Regulatory agreement, as well as Council Policy No. 500-05 (Attachment 6) which is the policy pertaining to the development guidelines and review process of SRO's and efficiency unit developments. (This policy was approved by the City Council on September 1, 1991 and modified on August 23, 2021). As an informational item, the Buyer has also provided an updated Management Plan (Attachment 4), which provides additional operation and management details for the site.

### ***Planning Commission Authority***

The requested CUP amendment would typically be processed as an MCUP, with the final decision making authority held by the City's Zoning Administrator. However, since the Regulatory Agreement and transfer of ownership must be decided upon by the City Council and the Authority, and the CUP amendment is a related request, staff has processed the requests together as a single package.

As such, the Zoning Administrator has deferred review authority for the MCUP to the Planning Commission. The Planning Commission may recommend approval, approval with modifications, or denial of the CUP amendment to the City Council. The Planning Commission has no review authority over the Regulatory Agreement or the transfer of property, but may provide its feedback to the City Council as part of its recommendation.

### **ANALYSIS:**

The Buyer proposes to maintain all 96 units for very-low income individuals (i.e., 50-percent AMI) working and/or living in Costa Mesa with up to 24 units set aside for households eligible under the Section 811 program consistent with the existing use. The affordability term will continue to remain in perpetuity. The Buyer does not propose any physical changes to the property.

### ***Amendment to CUP PA-91-102***

The CUP amendment proposes modifications to several conditions of approval to update the conditions to be consistent with the planned operation of CMV by the new Buyer, and to conform with City Council Policy No. 500-05 pertaining to SROs/efficiency units as well as provisions of the new Regulatory Agreement. All other conditions of approval from PA-91-102 including the two amendments in 1992 remain in effect.

In addition, this amendment will update the terminology of the development from "SRO" to efficiency unit development to be more consistent with HUD's terminology for this type of development; this change will not have any impacts to the existing use, its operations or the affordable income level of the residents served. This CUP amendment also imposes new standard/current planning conditions of approval on the project, such as limiting the use to that described in the project, defense and indemnity of the City, and various Code requirements.

The following are the CUP conditions proposed to be modified (~~striketrough~~ text proposed to be deleted and underline text proposed to be added):

- **Condition No. 3:** *Decorative wrought iron ~~shall be~~ added to the top of the existing perimeter block wall shall be maintained and any future changes including but not limited to material type*



shall be under direction of the Planning Division Director or their designee.

**Explanation of Condition Modification:** The conversion improvements were completed which included the decorative wrought iron fencing added to the top of the block wall. The condition has been modified to require the developer to continue to maintain it and any future proposed changes must be reviewed and approved by the Director or designee.

- **Condition No. 4:** *Securable bicycle storage racks shall be provided under the direction of the Planning Division Director or their designee.*

**Explanation of Condition Modification:** CMV currently provides three bicycle racks to accommodate 21 bicycles as required by the original condition. Staff removed the word “storage” to clarify the original intent to provide bicycle racks.

- **Condition No. 5:** *Linens and regular weekly laundry service for the room linens shall be provided at no additional charge to the tenants at the option of each tenant. Coin or card -operated washers and dryers shall be provided for tenant use.*

**Explanation of Condition Modification:** CMV currently does not offer weekly linen services but does offer laundry machines for tenants’ use. Linen services were provided when the development was a motel and offered as an option to short-term tenants at some point in the past, but is no longer a best practice for rental housing. Council Policy No. 500-05 indicates the developer shall provide coin operated washers and dryers (but does not require linen services).

- **Condition No. 6:** *Applicant shall provide 96 units to 50% AMI Very Low Income households in perpetuity at the applicable maximum monthly rent published by the Tax Credit Allocation Committee (TCAC), as required by the approved Regulatory Agreement. Tenant income shall be limited to very low-income levels rental rates tied to very-low income levels. The maximum rental rate would be 30% of 50% of the Orange County median income as published by HUD and adjusted for single person household size. If would not comply with either Council Policy No. 500-05 such change shall be referred back to the Planning Commission for review and approval.*

**Explanation of Condition Modification:** The condition is being modified to be consistent with the language in the new Regulatory Agreement.

- **Condition No. 8:** *The draft A Management Plan is required which shall govern the operation of the development SRO. and shall include but not limited to: tenant selection and income/rent verification and reporting procedures; property maintenance standards and repairs, property improvements and maintenance schedules; insurance requirements; tenant services or amenities; access control and security including regulations for guests; and project staffing. Any modification to the Management Plan shall require review and approval by the Planning Division Director or their designee, and must be consistent with. If any change would not comply with Council Policy 500-05 as amended, and the Regulatory Agreement, such change shall be referred back to the Planning Commission for review and approval.*

**Explanation of Condition Modification:** The council policy indicates a management plan shall be submitted for review to address the day-to-day operations and management of the project. The condition is being modified to require a Management Plan that includes all of the items required to be addressed by the council policy and ensures the plan is consistent with the new Regulatory Agreement. The new Buyer proposes to replace the existing plan with a new one that is in conformance with the council policy as amended and contains a more robust description of operational details. The new Management Plan is provided for informational purposes as Attachment 4 to this report.

- **Condition No. 10:** *During the first year of operation, quarterly reports (due March 1<sup>st</sup>, June 1<sup>st</sup>, September 1<sup>st</sup> and December 1<sup>st</sup>) shall be submitted to the Planning Division pertaining to the A report shall be submitted by the Applicant or its designee to the Executive Director of the City's Housing Authority or their designee on an annual basis on or before April 30<sup>th</sup> of each year and shall include all information required by the City's Housing Authority to confirm compliance with the Regulatory Agreement, including but not limited to: level of occupancy, certification of tenant income and rental rates charged, automobile ownership of tenants, and job locations of tenants. Thereafter, such report shall be submitted on an annual basis, due each March 1<sup>st</sup>.*

**Explanation of Condition Modification:** The condition is being modified to require annual income and rent certification reports consistent with the Regulatory Agreement.

- **Condition No. 11:** *Securable lockers or similar exterior storage exterior to the tenants' rooms shall be provided on the property for each unit where feasible under the direction of the Planning Division Director or their designee.*

**Explanation of Condition Modification:** The project was approved with and currently provides some exterior lockers but not one locker for each unit. Based on existing site capacity and constraints, it is problematic to retrofit the site at this point to provide lockers for each unit. Therefore, staff proposes to work with the new Buyer to identify potential areas for additional storage where possible without impacting required parking, walkways and common areas. Although the Council policy for SRO's/efficiency units call for lockers, the policy does not contain absolutes, but rather general guidelines intended to allow flexibility when appropriate. In this case, staff believes providing flexibility on the number of exterior storage lockers is appropriate, noting that each unit already contains an interior storage area which will remain in place.

### ***Regulatory Agreement and Transfer of Ownership***

The motel conversion improvements were completed many years ago, the public loans have been repaid and the efficiency unit development has provided low-income housing in Costa Mesa since the early 1990s. The Authority's continuing interest in this matter is to retain the authority to ensure that the housing units be provided as affordable units in perpetuity and that the property is maintained in compliance with applicable requirements. Approval of the new Regulatory Agreement will preserve the Authority's continuing interest. The original Regulatory Agreement will be terminated and a replaced with a new one. Changes from the original Regulatory Agreement to the new one primarily involve deleting operational requirements no longer necessary for the project, clarifying use of the

HUD calculation for income levels and affordable rents, allowing for future consideration of revising affordability limits to maintain project viability and providing options in the event rental subsidies are lost in the future. Furthermore, the property is in substantial compliance with the provisions of the Regulatory Agreement and the Buyer is well capitalized with sufficient operational capacity and experience owning and operating other similar affording housing developments. Therefore, the transfer of ownership is appropriate.

### **GENERAL PLAN CONFORMANCE:**

The property has a General Plan designation of Commercial-Residential. Under this General Plan designation, a complementary mix of commercial and residential uses are allowed with residential development encouraged along Newport Blvd.

The development is existing and has been operating as an affordable efficiency unit development since the 1990's and will continue to operate as such but with a new owner and management entity. The proposed CUP amendment will not substantively change the use and the project will continue to conform with the City's General Plan. The following discussion evaluates the project's consistency with the most relevant goals, objectives, and policies of the General Plan.

**Policy LU-1.1** *Provide for the development of a mix and balance of housing opportunities, commercial goods and services, and employment opportunities in consideration of the needs of the business and residential segments of the community.*

**Consistency:** The need for affordable housing for very-low income populations has been exacerbated by the current housing crisis and high housing costs. The use will continue to provide affordable housing opportunities for an at risk segment of the community.

**Policy HOU-1.8** *Encourage the development of housing that fulfills specialized needs.*

**Consistency:** In addition to serving the very-low income population who live and/or work in Costa Mesa, the property will provide additional housing opportunities for disabled individuals under the Section 811 program by providing up to 24 units for the program. These units will provide disabled individuals with an opportunity for permanent supportive housing at a more affordable rate.

**GOAL HOU-2:** *Preserving and expanding affordable housing opportunities. It is the goal of the City of Costa Mesa to provide a range of housing choices for all social and economic segments of the community, including housing for persons with special needs.*

**Consistency:** The project currently provides affordable housing to those who live and/or work in Costa Mesa. The new Buyer will continue to preserve the affordable units in perpetuity. Additionally, the target population under the Section 811 program will also be served.

### **FINDINGS:**

Pursuant to CMMC Section 13-29(g)(2), CUP and MCUP Findings, in order to recommend approval of the project, the Planning Commission shall find that the evidence presented in the administrative record substantially meets specified findings. Staff recommends Planning Commission recommend approval of the proposed project, based on the below assessment of facts and findings, which are

also reflected in the draft Resolution:

*Section 13-29(g)(2), CUP and MCUP Findings*

- *The proposed development or use is substantially compatible with developments in the same general area and would not be materially detrimental to other properties within the area.*

**Compliance with required findings:** The project has been operating as an affordable housing development since the 1990's and the proposed CUP amendment will continue the same use with a new owner and management entity which specializes in operating affordable housing developments. Furthermore, the proposed amendment does not involve any physical modifications or expansion of building square footage. As such, the project will continue to be compatible with the developments in the same general area.

- *Granting the conditional use permit will not be materially detrimental to the health, safety and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood.*

**Compliance with required findings:** The project is an existing development that has provided specialized housing to the City for many years. The proposed CUP amendment does not involve any change in use or other physical improvements that would impact the immediate neighborhood. The CUP amendment specifically involves modifying certain conditions of approval primarily for consistency with revised Council Policy No. 500-05. The modified conditions will not have an impact to the immediate neighborhood.

- *Granting the conditional use permit will not allow a use, density or intensity, which is not in accordance with the general plan designation and any applicable specific plan for the property.*

**Compliance with required findings:** The property has a General Plan designation of Commercial-Residential. Under this General Plan designation, a complementary mix of commercial and residential uses are allowed with residential development encouraged along Newport Blvd. The project's CUP was previously approved and the amendment including modified conditions does not involve a change in use, additional uses, or improvements that would intensify the use of the property.

**ENVIRONMENTAL DETERMINATION:**

The project is exempt from the provisions of the California Environmental Quality Act under section 15301 (Class 1) Existing Facilities. Class 1 exemptions consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures or facilities involving negligible or no expansion of the existing or former use. Because the facility is existing and does not propose any alterations or additions, the project qualifies for the exemption.

**ALTERNATIVES:**

The Planning Commission has the following alternatives:

1. Recommend approval of the project with modifications: The Planning Commission may

suggest specific changes that are necessary to alleviate concerns for City Council and the Housing Authority Board's consideration. If any of the additional requested changes are substantial, the item should be continued to a future meeting to allow for additional information or analysis.

2. Recommend denial of the project: If the Planning Commission believes that there are insufficient facts to support the findings for approval, the Planning Commission may recommend denial of the application to City Council and the Housing Authority Board and provide facts in support of denial to be included in the attached draft resolution.

### **LEGAL REVIEW:**

The City Attorney's office has reviewed the new Regulatory Agreement as well as the draft Resolution and approves them as to form.

### **PUBLIC NOTICE:**

Pursuant to Title 13, Section 13-29(d), of the Costa Mesa Municipal Code, three types of public notification have been completed, no less than 10 days prior to the date of the public hearing:

1. **Mailed notice.** A public notice was mailed to all property owners and occupants within a 500-foot radius of the project site. The required notice radius is measured from the external boundaries of the property.
2. **On-site posting.** A public notice was posted on each street frontage of the project site.
3. **Newspaper publication.** A public notice was published once in the Daily Pilot newspaper.

As of this report, no written public comments have been received. Any public comments received prior to the January 24, 2022 Planning Commission meeting will be provided separately.

### **CONCLUSION:**

Staff recommends that Planning Commission recommend that the City Council approve MCUP ZA-21-48 to amend the original CUP and provide feedback (where appropriate) regarding the new Regulatory Agreement and transfer of ownership.

**RESOLUTION NO. PC-2022-**

**A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF COSTA MESA, CALIFORNIA RECOMMENDING APPROVAL OF MINOR CONDITIONAL USE PERMIT (MCUP) ZA-21-48 TO AMEND PREVIOUSLY-APPROVED CONDITIONAL USE PERMIT (CUP) PA-91-102 FOR THE COSTA MESA VILLAGE AFFORDABLE HOUSING DEVELOPMENT, AND APPROVAL OF A REGULATORY AGREEMENT AND THE TRANSFER OF OWNERSHIP OF THE COSTA MESA VILLAGE PROPERTY, LOCATED AT 2450 NEWPORT BOULEVARD**

THE PLANNING COMMISSION OF THE CITY OF COSTA MESA, CALIFORNIA FINDS AND DECLARES AS FOLLOWS:

WHEREAS, Planning Application ZA-21-48 was filed by Brian D'Andrea on behalf of Century Affordable Development Inc., authorized agent for the property owner, Costa Mesa Village, Ltd., requesting approval of the following:

1. MCUP ZA-21-48 which amends PA-91-102 to modify certain conditions of approval.
2. Termination of Original Regulatory Agreement and Adoption of New Regulatory Agreement (Regulatory Agreement) which terminates the agreement with the current owner and replaces it with a new one for the new owner and also includes modifications to certain provisions in the original Agreement.
3. Transfer of the property to the Buyer as the new owner and operator of the project as required under the Regulatory Agreement;

WHEREAS, a duly noticed public hearing held by the Planning Commission on January 24, 2022 with all persons having the opportunity to speak for and against the proposal;

WHEREAS, pursuant to the California Environmental Quality Act (CEQA), the project is exempt from the provisions of the California Environmental Quality Act (CEQA) per Section 15301 (Class 1), for Existing Facilities. The project is an existing affordable efficiency unit development and does not propose any alterations or additions.

WHEREAS, the CEQA categorical exemption for this project reflects the independent judgement of the City of Costa Mesa.

NOW, THEREFORE, based on the evidence in the record and the findings contained in Exhibit A, and subject to the conditions of approval contained within Exhibit

B, the Planning Commission hereby **RECOMMENDS THAT THE CITY COUNCIL AND THE HOUSING AUTHORITY BOARD APPROVE** Planning Application ZA-21-48 with respect to the property described above.

BE IT FURTHER RESOLVED that the Costa Mesa Planning Commission does hereby find and determine that adoption of this Resolution is expressly predicated upon the activity as described in the staff report for Planning Application ZA-21-48 and upon applicant's compliance with each and every condition contained in both Exhibit B and Exhibit C attached hereto, and compliance with all applicable federal, state, and local laws. Any approval granted by this resolution shall be subject to review, modification or revocation if there is a material change that occurs in the operation, or if the applicant fails to comply with any of the conditions of approval.

BE IT FURTHER RESOLVED that if any section, division, sentence, clause, phrase or portion of this resolution, or the document in the record in support of this resolution, are for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining provisions.

**PASSED AND ADOPTED this 24th day of January, 2022.**

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Byron de Arakal, Chair  
Costa Mesa Planning Commission

STATE OF CALIFORNIA   )  
COUNTY OF ORANGE    )ss  
CITY OF COSTA MESA    )

I, Scott Drapkin, Secretary to the Planning Commission of the City of Costa Mesa, do hereby certify that the foregoing Resolution No. PC-2022- \_\_ was passed and adopted at a regular meeting of the City of Costa Mesa Planning Commission held on January 24, 2022 by the following votes:

AYES:           COMMISSIONERS

NOES:           COMMISSIONERS

ABSENT:        COMMISSIONERS

ABSTAIN:       COMMISSIONERS

---

Scott Drapkin, Secretary  
Costa Mesa Planning Commission

Resolution No. PC-2022-\_\_



## **EXHIBIT A**

### **FINDINGS**

- A. The proposed project complies with Costa Mesa Municipal Code Section 13-29(g)(2), CUP and MCUP findings, because:

**Finding:** The proposed use is substantially compatible with developments in the same general area and would not be materially detrimental to other properties within the area.

**Facts in Support of Findings:** The project has been operating as an affordable housing development since the 1990's and the proposed CUP amendment will continue the same use with a new owner and management entity which specializes in operating affordable housing developments. Furthermore, the proposed amendment does not involve any physical modifications or expansion of building square footage. As such, the project will continue to be compatible with the developments in the same general area.

**Finding:** Granting the conditional use permit will not be materially detrimental to the health, safety, and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood.

**Facts in Support of Finding:** The project is an existing development that has provided specialized housing to the City for many years. The proposed CUP amendment does not involve any change in use or other physical improvements that would impact the immediate neighborhood. The CUP amendment specifically involves modifying certain conditions of approval primarily for consistency with revised Council Policy No. 500-05. The modified conditions will not have an impact to the immediate neighborhood.

**Finding:** Granting the conditional use permit will not allow a use, density, or intensity which is not in accordance with the General Plan designation and any applicable specific plan for the property.

**Facts in Support of Finding:** The property has a General Plan designation of Commercial-Residential. Under this General Plan designation, a complementary mix of commercial and residential uses are allowed with residential development encouraged along Newport Blvd. The project's CUP was previously approved and the amendment including modified conditions does not involve a change in use, additional uses, or improvements that would intensify the use of the property.

- B. The project is exempt from the provisions of the California Environmental Quality Act under section 15301 (Class 1) Existing Facilities. Class 1 exemptions consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures or facilities involving negligible or no expansion of the existing or former use. Because the facility is existing and does not propose any alterations or additions, the project qualifies for the exemption.

- C. The project is exempt from Chapter XII, Article 3 Transportation System Management, of Title 13 of the Costa Mesa Municipal Code.

## **EXHIBIT B**

### **CONDITIONS OF APPROVAL**

- Plng.
1. The use shall be limited to the type of operation described in this staff report and the staff report for the original CUP under PA-91-102. Any change in the operational characteristics shall be subject to Planning Division review and may require an amendment to the conditional use permit, subject to either Zoning Administrator, Planning Commission or City Council approval, depending on the nature of the proposed change. The applicant is reminded that the Zoning Code allows the Planning Commission to modify or revoke any planning application based on findings related to public nuisance and/or noncompliance with conditions of approval [Title 13, Section 13-29(o)].
  2. The applicant is reminded that all conditions of approval of PA-91-102, except for Conditions No. 3 through 6, 8, 10 and 11, continue to apply. Amended conditions under ZA-21-48 (Conditions No. 3 through 6, 8, 10 and 11) shall replace the original conditions No. 3 through 6, 8, 10 and 11 of PA-91-102. Refer to Exhibit C to this Resolution No. CC-2022-XX for a copy of the project's applicable conditions of approval as revised. In addition, the conditions of this Exhibit B shall also apply to the project. In the event of a conflict between any condition of PA-91-102 and any condition set forth in Exhibit B and/or C, the conditions of Exhibit B and/or C shall control, as applicable.
  3. The applicant shall defend, with attorneys of City's choosing, indemnify, and hold harmless the City, its elected and appointed officials, agents, officers and employees from any claim, legal action, or proceeding (collectively referred to as "proceeding") brought against the City, its elected and appointed officials, agents, officers or employees arising out of City's approval of the project, including but not limited to any proceeding under the California Environmental Act. The indemnification shall include, but not be limited to, damages, fees and/or costs awarded against the City, if any, and cost of suit, attorney's fees, and other costs, liabilities and expenses incurred in connection with such proceeding whether incurred by the applicant, the City and/or the parties initiating or bringing such proceeding. This indemnity provision shall include the applicant's obligation to indemnify the City for all the City's costs, fees, and damages that the City incurs in enforcing the indemnification provisions set forth in this section.

### **CODE REQUIREMENTS**

The following list of federal, state and local laws applicable to the project has been compiled by staff for the applicant's reference. Any reference to "City" pertains to the City of Costa Mesa.

- |       |  |
|-------|--|
| Plng. | <ol style="list-style-type: none"> <li>1. All contractors and subcontractors must have valid business licenses to do business in the City of Costa Mesa. Final inspections, final occupancy and utility releases will not be granted until all such licenses have been obtained.</li> <li>2. All noise-generating construction activities shall be limited to 7 a.m. to 7 p.m. Monday through Friday and 9 a.m. to 6 p.m. Saturday. Noise-generating construction activities shall be prohibited on Sunday and the following Federal holidays: New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.</li> <li>3. Street address shall be visible from the public street and shall be displayed on the freestanding sign. If there is no freestanding sign, the street address may be displayed on the fascia adjacent to the main entrance or on another prominent location. When the property has alley access, address numerals shall be displayed in a prominent location visible from the alley. Numerals shall be a minimum twelve (12) inches in height with not less than three-fourth-inch stroke and shall contrast sharply with the background. Identification of individual units shall be provided adjacent to the unit entrances. Letters or numerals shall be four (4) inches in height with not less than one-fourth-inch stroke and shall contrast sharply with the background.</li> </ol> |
| Fire  | <ol style="list-style-type: none"> <li>4. Comply with the requirements of the 2019 California Fire Code and referenced standards as amended by the City of Costa Mesa.</li> </ol>  |
| Bldg. | <ol style="list-style-type: none"> <li>5. Comply with the requirements of the following adopted codes Code, 2019 California Building Code, 2019 California Electrical code, 2019 California Mechanical code , 2019 California Plumbing code , 2019 California Green Building Standards Code and 2019 California Energy Code (or the applicable adopted, California Building code California Electrical code, California Mechanical code California Plumbing Code, California Green Building Standards and California Energy Code at the time of plan submittal or permit issuance ) and California Code of Regulations also known as the California Building Standards Code, as amended by the City of Costa Mesa. Requirements for accessibility to sites ,facilities, buildings and elements by individuals with disability shall comply with chapter 11B of the 2019 California Building Code.</li> </ol>   |

## **EXHIBIT C**

### **COSTA MESA VILLAGE APPLICABLE AMENDED CONDITIONS OF APPROVAL**

- |                     |     |   |
|---------------------|-----|---|
| PA-91-102           | 1.  | The Conditional Use Permit herein approved shall be valid until revoked, but shall expire upon discontinuance of the activity authorized hereby for a period of 180 days or more. The Conditional Use Permit may be referred to the Planning Commission for modification or revocation at any time if the Conditions of Approval have not been complied with, if the use is being operated in violation of applicable laws or ordinances, or if, in the opinion of the Development Services Director or his designee, any of the findings upon which the approval was based are no longer applicable.   |
| PA-91-102           | 2.  | A copy of the conditions of approval for the Conditional Use Permit must be kept on premises and presented to any authorized City official upon request. New business/property owners shall be notified of conditions of approval upon transfer of business or ownership of land.   |
| Amended<br>ZA-21-48 | 3.  | Decorative wrought iron added to the top of the existing perimeter block wall shall be maintained and any future changes including but not limited to material type shall be under direction of the Director or their designee.   |
| Amended<br>ZA-21-48 | 4.  | Securable bicycle racks shall be provided under the direction of the Director or their designee.  |
| Amended<br>ZA-21-48 | 5.  | Coin or card-operated washers and dryers shall be provided for tenant use.  |
| Amended<br>ZA-21-48 | 6.  | Applicant shall provide 96 units to 50% AMI Very Low Income households in perpetuity at the applicable maximum monthly rent published by the Tax Credit Allocation Committee (TCAC), as required by the approved Regulatory Agreement.  |
| PA-91-102           | 7.  | Security deposits shall be limited to one-half the first month's rent unless a higher limit is approved by the Planning Division.   |
| Amended<br>ZA-21-48 | 8.  | A Management Plan is required which shall govern the operation of the development and shall include but not limited to: tenant selection and income/rent verification and reporting procedures; property maintenance standards and repairs, property improvements and maintenance schedules; insurance requirements; tenant services or amenities; access control and security including regulations for guests; and project staffing. Any modification to the Management Plan shall require review and approval by the Director or their designee, and must be consistent with Council Policy 500-05 as amended, and the Regulatory Agreement. |
| PA-91-102           | 9.  | The Planning Division shall be provided with the name, address, and telephone numbers for contact persons of the management company and of any change made in the management company.   |
| Amended<br>ZA-21-48 | 10. | A report shall be submitted by the Applicant or its designee to the Executive Director of the City's Housing Authority or their designee on an annual basis on or before April 30th of each year and shall include all information required by the City's Housing Authority to confirm  |

compliance with the Regulatory Agreement, including but not limited to: level of occupancy, certification of tenant income and rental rates charged job locations of tenants.

- |                     |     |  |
|---------------------|-----|--|
| Amended<br>ZA-21-48 | 11. | Securable lockers or similar exterior storage shall be provided on the property for each unit where feasible under the direction of the Director or their designee.  |
| PA-91-102           | 12. | All units shall be single occupancy. Any proposed change to double occupancy shall be reviewed by the Planning Division. Any proposed change that would not comply with Council Policy No. 500-05 relative to either double occupancy limits or parking requirements based on occupancy shall be referred back to the Planning Commission for review and approval. |
| PA-91-102           | 13. | The project shall conform with sections 4 – Unit Requirements and 7 – Rental Term of Council Policy No. 500-05.  |

**COSTA MESA VILLAGE, LTD.**

P.O. Box 279  
Johns Island, SC 29457-1279

November 1, 2021

Katelyn Walsh  
Planning Department  
City of Costa Mesa  
77 Fairview Drive  
Costa Mesa, CA 92626

***Re: Application for Amendment to CUP PA-91-102***

Dear Ms. Walsh:

Costa Mesa Village, Ltd. ("CMV") is pleased to attach an application for an amendment to CUP PA-91-102 in connection with Costa Mesa Village, located at 2450 Newport Boulevard in the City of Costa Mesa (the "Property"). Costa Mesa Village is a 97-unit affordable housing community constructed in 1985. In 1992, the former Travelodge Motel was converted into a Single Room Occupancy ("SRO") apartment complex. The Property is approximately 69,300 SF in size and the assessor parcel number ("APN") for the Property is 439-281-48. The improvements have an approximate square footage of 34,420 SF. The Property is subject to existing CUP PA-91-102.

CMV has recently entered into a purchase and sale agreement to sell the Property to Century Affordable Development, Inc. ("CADI"). In connection with the prospective sale of the Property to CADI, we are seeking the City's assistance to modify and modernize the existing CUP, along with other elements of the regulatory regime applicable to the Property including the Regulatory Amendment and the Owner Participation Agreement ("Regulatory Amendments"). This modernization will be consistent with the City's recent SRO policy updates, including 500-05.

Pursuant to the purchase and sale agreement CMV has authorized CADI to act as CMV's agent for the sole and limited purposes of processing this application and attending hearings and meetings with the City of Costa Mesa for the modification of the CUP. However, CMV must approve in writing any changes to the CUP that may be applicable prior to CMV's sale of the Property. We request that CMV be copied on all communications between CADI and the City for this purpose.

Should you have any questions, please do not hesitate to contact me at (949) 244-7707 or [williamfpavone@gmail.com](mailto:williamfpavone@gmail.com).

Regards,



William F. Pavone, Jr.  
Costa Mesa Village, Ltd.

cc: Brian D'Andrea  
Robert Dyess

Recording Requested by and  
When Recorded Mail to:

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

This document is exempt from the payment  
of a recording fee pursuant to Government  
Code §§ 27383 and 6103.

(Space above for Recorder's use.)

### 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 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

**Costa Mesa Village**

**PROPERTY MANAGEMENT PLAN**

**Property**

2450 Newport Boulevard  
Costa Mesa, CA 92627

**Owner**

Century XV LLC  
1000 Corporate Pointe  
Culver City, California 90230

**Property Manager**

The John Stewart Company  
888 S. Figueroa Street, Suite 400  
Los Angeles, California 90017

**Lead Service Provider**

Century Oasis Resident Services.  
2001 River Avenue  
Long Beach, California 90810

**Public Agency**

City of Costa Mesa  
92 Fair Drive  
Costa Mesa, California 92626

**Dated**

January 5, 2022

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# 1 PROPERTY MANAGEMENT PLAN GOALS AND OBJECTIVES

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Century Affordable Development, Inc. (“CADI” or “Owner”) is committed to maintaining its properties to the highest standards and enriching the lives of the people who reside in its buildings. Whether self-performed through our property management affiliate, Century Villages Property Management, or through a third party, CADI’s property management services are delivered within the context of Century Housing Corporation’s mission of financing, building, and operating exceptional affordable housing so that the people we serve may have a dignified home, a healthy and hopeful future and attain economic independence.

The Owner, through the Management Company, takes responsibility for coordinating maintenance and operations of the Costa Mesa Village Project (“Property”), a 97-unit low-income development for individuals and small households in Costa Mesa, California. CADI’s Management Company will oversee all leasing, resident selection criteria, priority guidelines for the replacement units; eviction policies; community rules; security and emergency services; social services; and day-to-day management of operations. The Management Company will be responsible, by means of periodic budgets, financial statements, and status reports, for advising the development team on the operation of the Project. In addition, the following procedures shall be followed to ensure effective day-to-day operations and cooperation between the Management Company.

- a. Day-to-day operation of the project will be under the direct supervision of the Property Manager who will report to the Property Supervisor (to be employed by the Management Company).
- b. A senior management member of the Management Company will be the representative reporting to CADI.
- c. Regularly scheduled meetings with Century’s Oasis Resident Services (“CORS”), who is the Lead Service Provider (at least monthly)

Owner and Management Company acknowledge that there are multiple public agencies involved in the development and operation of the Property, including the City of Costa Mesa, the County of Orange, and the California Housing Finance Agency, among others. The Property shall be managed in a manner that complies with all applicable regulations and policies (“Operative Regulations”) of vested stakeholders, including those named above. The Operative Regulations shall supersede any term, condition, or language contained within this Property Management Plan that is inconsistent with said Operative Regulations.

## 2 AUTHORITY, BUDGET, ACCOUNTING & ADMINISTRATION

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### 2.1 AUTHORITY

The areas in which Property Manager may make decisions without consulting the Owner include, but are not limited to:

1. *Personnel.* All hiring, supervising, directing, contracting, and termination of on-site personnel and determination of compensation.
2. *Government requirements.* Such activities as may be necessary to comply promptly with any and all governmental requirements affecting the Project, except that in such cases Property Manager will notify the Owner after performing such activities unless the Owner instructs Property Manager in writing not to do so.
3. *Compliance.* Compliance with the pertinent requirements of the regulatory agreements (if any) as they pertain to management of the Project.

### 2.2 BUDGETING

The Annual Operating Budget for the Project will be prepared by the Management Company. Financial accounting, reports, and records will be in conformance with standard accounting procedures, and responsive to the guidelines provided by the regulatory agencies connected with the property. The Management Company will maintain accurate files of all resident transactions, revenue, and expenditures. Monthly deposits shall be made to the Replacement Reserve Account each month to ensure it is funded to cover any needed maintenance repairs.

### 2.3 FEES AND COMPENSATION

Property Manager will be paid a management fee and other fees for accounting, marketing, and consulting as applicable and outlined in the Management Agreement. The Property Manager will cover, from the fees, expenses incurred in the performance of its duties, such as off-site office overhead, bookkeepers, secretaries, etc. The Project will pay for, out of the General Operating Account, expenses incurred by the Project including on-site office overhead, administrative and maintenance staff, maintenance costs, etc. In addition, the Project will be responsible for a payroll processing fee.

### 2.4 COMPLIANCE WITH REGULATORY OR LENDER'S REQUIREMENTS.

The Property Manager will ensure that applicable residents (if any) meet income and other eligibility requirements for purposes of meeting the Regulatory Agreement or Lenders' requirements. Agent's Accounting Manager and Regional Manager will be responsible for

ensuring the coordination of all financial reporting and accounting requirements of the Project.

Property Manager will comply with all reporting requirements of the Regulatory Agreements. The Property Manager will assist the Auditors in the preparation of the annual audited financial statements. The Auditor will be required to make his/her arrangements for schedules and reconciliations at the expense of the Project. The Owner will select the Auditors. The Agent will also provide the certifications and other information required in connection with the payment of capital contributions.

## **2.5 INSURANCE**

The Owner will inform the Property Manager of insurance to be carried with respect to the Project and its operations, and the Property Manager will cause such insurance to be placed and kept in effect at all times. The Owner will place and approve the insurance coverage. The Property Manager will pay premiums out of the General Operating Account (or mortgagee impound), and premiums will be treated as Project expenses. All insurance will be placed with such companies, on such conditions, in such amounts, and with such beneficial interest appearing thereon as shall be acceptable to the Owner and approved by Lenders. Such insurance will include public liability coverage, with the Agent designated as an insured party, in amounts acceptable to the Property Manager and the Owner. The Property Manager will investigate and furnish the Owner with full reports of all accidents, claims, and potential claims for damage relating to the Project and will cooperate with the Owner and Lenders' insurers in connection therewith.

## **2.6 MONTHLY FINANCIAL REPORT**

A Monthly Financial Report will be provided to the Owner which includes a statement of receipts and disbursements, a schedule of accounts payable, an income/profit and loss statement with current month and year-to-date budget comparisons, a balance sheet, a trial balance, copies of monthly bank statements and reconciliations, rent roll, and a list of the balances in all bank accounts as of the last day of the previous account period. The report shall set forth the applicable data for the prior month and year-to-date. Cash flow will be closely monitored. These monthly accounting reports will be provided on the 20th of the following month on an ongoing basis. To the extent possible, the Management Agent will submit all reports electronically to the Owner and other entities, as required.



### 3 BUILDING MAINTENANCE

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The Management Company believes that the on-site staff is of critical importance to the success of the property, thus maintains the highest employment standards for our Management Company employees. The Management Company maintains positive and regular communication with residents and promptly completes requests and addresses complaints. The Management Company staff responds to and/or completes all resident work order requests within 24 hours of receipt.

#### 3.1 UNIT INSPECTIONS

For all inspections, Management Company Staff must make reasonable effort to conduct the inspection in the presence of the resident. Management Company Staff must give residents at least twenty-four-hour notice of entry. If the resident is not present, the Management Company Staff must receive verbal or written permission to enter and leave a notification that they entered the unit after the inspection is completed.

- a. **Move-Out Inspections:** When a unit has been vacated, the Property Manager will provide the resident with an opportunity to receive a Pre-Move-Out Inspection. At this time, the Management Company Staff will inspect the unit with the resident and determine any damages to be corrected or cleaning necessary over and above normal wear and tear, which shall be charged against the security deposit. A resident may, but will not be required to, participate in this inspection. The move-out inspection form will be compared to the move-in inspection form to determine the extent of resident-caused damages.
- b. **Move-In Inspections:** Move-In inspections are required at the time the resident signs their lease and receives the keys. Prior to the resident moving in, the resident must initial that the unit is in decent, safe, and sanitary condition as per program requirements. Move-In inspections establish the actual condition of the unit before the resident begins occupancy. All Move-In inspections must be conducted in the resident's presence and with Management Company Staff present. For any items indicating repair, replacement, or needing cleaning, a work order must be generated immediately. When the work order is completed, the inspection must be updated and initialed by the resident as complete.
- c. **Annual Unit Inspections:** All units must be inspected annually by Management Company Staff. The purpose of the annual unit inspection is to evaluate the physical condition of each unit. Management Company Staff may conduct unit inspections on a mass schedule or based on the Move-In date but must be according to the determined schedule. All annual inspections must be conducted in the resident's presence and with the management company staff- including the property manager and property

maintenance technician present. For any items indicating repair, replacement, or needing cleaning; a work order must be generated immediately. When the work order is completed, the work order must be updated and signed by the resident as complete. Any issues found during an annual inspection must be addressed. If a repair is necessary, a work order must be issued. The resident must be notified and must authorize entry for the work order. If it is determined that the resident is responsible for the deficiency, a letter must be issued to the resident explaining the issue and notifying them of the required remedy.

- d. **Pre-Move-Out Inspections:** Residents giving a 30-day written notice have the right to request a Pre-Move-Out inspection to be conducted 2 weeks prior to the Move-Out date. The intent of the inspection is to provide the resident with information about any damages or deficiencies that may exist in the unit and to allow the resident to make proper repairs and avoid forfeiture of some or all of their security deposit. At the time the Management Company office staff receives the 30-day written notice, the Management Company office staff and the resident must complete the Notice of Resident Option to Conduct Initial Inspection. All Pre-Move-Out inspections must be conducted in the resident's presence and with the Management Company's Property Manager and Maintenance Technician present. The unit inspections and the inspections must be conducted in pairs.

### 3.2 PREVENTATIVE MAINTENANCE

Inspections will be made on the exteriors and common areas for security and preventative maintenance purposes on a weekly, monthly, and quarterly basis. In general, the Project components will be inspected as follows:

- a. On-site physical inspections are conducted periodically by the Property Manager. This would be augmented as needed through inspections by the Management Company's Property Supervisor;
- b. Mechanical equipment inspection semi-annually or as needed;
- c. Walk-through with contract services quarterly and as needed;
- d. Roof inspections in the fall of each year and as needed;
- e. Internal components inspected by Management Company Property Manager or Management Company Regional Property Supervisor semi-annually or as needed;
- f. Exterior components such as lighting, building siding, asphalt, sidewalks, roof, etc. are inspected routinely (daily, weekly or monthly) as applicable by the Management Company Property Manager and Management Company Maintenance staff or vendor and periodically by the Management Company's Property Supervisor typically in the Spring and Fall;

- g. Lighting and security inspections are conducted routinely by on-site personnel and off-site personnel (as indicated in 6 above);

### **3.3 BUILDING AND CUSTODIAL MAINTENANCE**

Each member of the Management Company Staff must contribute to maintaining a clean property. When there is trash visible on the property, all members of the staff must pick up the trash immediately. The property and common areas must be dusted and cleaned on a daily basis. Management Company Staff is responsible for managing janitorial vendors to keep the property clean at all times. Office Staff must communicate to the Management Company's Property Supervisor if the janitorial vendors are not meeting Century's standards.

Unit Maintenance and Preventative Maintenance will be completed by the on-site Management Company Maintenance Staff.

Non-Routine maintenance/repairs of items outside of the Maintenance staff skillset and ability will be completed by a third-party vendor selected by the Management Company Staff and Management Company Property Supervisor as needed.

### **3.4 GROUNDS MAINTENANCE/LANDSCAPING**

Outside contractors will be utilized on an as-needed basis, except for grounds maintenance, which will be contracted to an outside landscaping company, and for routine garbage removal and extermination services.

### **3.5 SERVICE AND WORK ORDER CALL SYSTEM**

The Management Company requires a Work Order Request form to be verbally requested or filled out and signed by the resident for all repairs completed in a unit. Requests can be made by telephone, in-person, online, or in writing. Management Company Office Staff will assess each work order based on level of criticality and will respond based on level of priority ranging from emergency (within one hour) to deferred (work completed within one month). These response times will vary based on the criticality of each assignment. Office Staff must communicate the timing with the resident within 24-48 hours. The work order form is primarily used by residents when Management Company Office Staff is unavailable. It identifies the service required and the preferred time of service and is a record. Emergency and urgent repairs must be completed even if no work order form is filled out. Failure to complete a written work order is not grounds for a repair not being completed.

### **3.6 GREEN MANAGEMENT**

The Property Management Company practices energy conservation at all properties.

- a. Energy Conservation: Thermostats, HVAC systems, lighting, and other electrical devices are inspected as routine preventative maintenance to ensure they are working efficiently.
- b. Water Conservation: Management Company Property Staff must fix leaks immediately, not over irrigate the landscaping and only water during late-night hours, turn off irrigation systems during rainstorms (put systems on rain delay) and continually monitor the water and plants while walking around the property. Management Company Staff are expected to keep a consistent dialog with the entire team and watch for signs of stressed plants and work together to fine-tune the landscaping water needs.
- c. Resident Engagement: Management Company Staff to spend time with residents educating them on sustainability measures and environmental conservation. Resident engagement in conservation measures is critical.
- d. Green Education: As part of the initial move-in process, the Management Company will provide new residents with an educational flyer about the building's green features and benefits.

## **4 SAFETY AND SECURITY PLAN**

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Safety and security of the residents and property are of the utmost importance to the Property Management company. All Century-managed properties have security cameras in place to help protect the residents and property along with access control systems. The Property Management Company will implement a comprehensive Safety and Security Plan along with an Emergency Response Plan ("ERP") and perform regular emergency preparedness drills.

The Property Management Company adheres to a proactive approach concerning emergencies. The company participates in annual emergency preparedness drills such as The Great Shake-Out, Shelter in Place, and Active Shooter drills. It is vital that Management Company Staff be prepared for the variety of emergencies that may occur at any time. Office Staff are responsible for responding to all emergencies that occur on the property. This may entail ensuring that the property has appropriate emergency coverage (on-call maintenance with backup personnel). If circumstances prohibit Office Staff from temporarily taking this responsibility, they must notify the answering service to refer all emergencies to another staff member or the Property Supervisor.

### **4.1 EMERGENCY RESPONSE PLAN**

The property Emergency Response Plan (ERP) includes the following:

1. **Resident Education:** All residents and staff will be trained annually on the ERP. Incoming residents will receive training on the ERP during their new resident orientation.
2. **Emergency Binder:** Management Company Staff must create and consistently maintain a current and accurate Emergency Preparedness Binder with an Evacuation Plan for all residents on the property. This includes utilizing maps with detailed descriptions of how to exit the building(s) in the event of an emergency. Local fire departments or the Red Cross may assist with this plan. For additional support, contact the Resident Services department or the Regional Property Supervisor.
3. **Evacuation Plan:** The Property Management Company requires all properties to have an evacuation plan. The evacuation plan will be specific to each building and produced with specific plans including exit areas, emergency response locations, and resident evacuation safe zones. The evacuation plan will include the egress stairways located at the building with the egress doors for exiting the building in the event of an emergency. Management Company's designated Emergency Management Team Leader must discuss their property-specific plan with their Management Company's staff. Management Company Staff must be familiar with the emergency evacuation plan and practice it periodically. The evacuation plan is distributed to all residents upon Move-In (updates must be distributed to current residents). Evacuation plans may also be posted on bulletin boards, in the laundry room, elevators, stairwells, and hallways, as appropriate.
4. **Management Company Approach to Handling Emergencies:**
  - a. Only deal with the situation at hand and re-evaluate.
  - b. Go above and beyond. Take care of all residents and any affected neighbors.
  - c. Staff must never put themselves in harm's way.
  - d. In the event of an emergency that requires evacuation, it is important to have a plan and follow it. Below are some basic steps Management Company Staff must follow:
    - i. The safety and survival of the Management Company Staff and residents are the top priorities.
    - ii. Call 911 for help as soon as it is safe or possible to do so.
    - iii. Evacuate in a safe and orderly manner to the designated evacuation area. Residents can help one another when it does not jeopardize either person's safety.
    - iv. Office Staff will put forth their best effort to assist residents but must not put themselves in harm's way. If a resident refuses to leave their unit, Management Company Staff must keep moving forward with the evacuation and will inform hall monitors to do the same.
5. **Following an evacuation, the Management Company Staff must do the following:**
  - a. Utilize the Property Management Company Emergency Response System.

- b. Utilize Phone Tree to contact key help (phone tree can be obtained from the Resident Services department or the Property Supervisor).
  - c. Gather the team and assign responsibilities. The team may include Management Company Staff, hall monitors, other residents, or other members of the community available to help. Responsibilities may include:
    - i. Resident Care: Food, water, medication, first aid, contacting relatives, and booking overnight lodging.
    - ii. Property Care: Assessing damage and immediate necessary repairs.
    - iii. Take Roll Call: Is everybody accounted for? It is important to have a list of missing residents for emergency personnel. Management Company Staff must not re-enter a building after it has been evacuated to search for missing personnel. Emergency personnel will advise the Management Company Staff when it is safe to re-enter the building.
6. **Resident Emergency Contacts:** All resident emergency contact information must be consistently entered and maintained in the company database. This information is vital if an emergency occurs at the property. At annual recertification, Office Staff must request any updated emergency contact information and update it in the company database. Anytime that a resident notifies Office Staff of a change in their emergency contacts they must update it within 48 business hours.
7. **Resident Roster or Roll Call List:** If an emergency requiring evacuation occurs, the Management Company Staff must have a quick way to determine who is still in the building and their likely location. Office Staff must have an updated Resident Roster or Roll Call list. After an evacuation, it is vital that roll is taken as soon as possible so that the information on any missing individuals can be shared with emergency personnel.
8. **Emergency Drills:** New properties must practice their emergency evacuation drill within six months of the lease-up. Management Company Staff and hall monitors must practice their role in an evacuation drill periodically, but not less than twice a year.
9. **Fire Protection:**
- a. **Fire Monitoring:** All properties must contract with a fire monitoring and protection company that services the property fire alarm systems in accordance with local, state, and federal law. Management Company Staff must ensure all required fire and life safety inspections are completed on time. The fire monitoring and protection company conducts all annual inspections of and repairs for fire/life safety systems.
  - b. **Fire Extinguishers:** Fire extinguishers must be inspected on a monthly basis as part of the preventative maintenance and safety program. Each fire extinguisher has a tag attached that must be initialed by the Management Company Staff member conducting the inspection monthly. The extinguisher must be checked for damage, that the charge arrow is in the green, that the pin is present, that the service tag is

not expired, and that there are no other obvious issues including corrosion, broken pieces, or rusting on the box or extinguisher.

- c. **Smoke Alarms:** All smoke detectors will be hard-wired. Per the California State Fire Marshal Information Bulletin 13-006, Effective July 1, 2015, all battery-operated smoke alarms must also comply with Provision (1) which shall contain a non-replaceable, non-removable battery that is capable of powering the smoke alarm for at least 10 years. There must be smoke alarms on each floor, in each sleeping room, and in the immediate vicinity outside of the bedrooms (i.e., a hallway). Staff must upgrade smoke detectors to 10-Year batteries as they stop working and/or during unit turns. Maintenance Staff must install and maintain the detectors and may enter a unit for the purposes of installing, repairing, and testing with proper 24-hour notice.
- d. **Carbon Monoxide Alarms:** Buildings will not have an attached parking garage and will not have any appliances that utilize a fossil fuel source. (A fossil fuel is coal, kerosene, oil, wood, fuel gases, and other petroleum or hydrocarbon products that emit carbon monoxide as a byproduct of combustion.). The common area laundry room will have dryers that are natural gas-powered and there will be carbon monoxide alarms installed. Both smoke alarms/detectors and carbon monoxide devices are required to be installed in all dwellings. A combination smoke and carbon monoxide alarm/detector will satisfy both requirements. At a minimum, Carbon Monoxide devices must be installed outside each sleeping area in the unit. Maintenance Staff must install and maintain the detectors and may enter a unit for the purposes of installing, repairing, and testing with proper 24-hour notice.

## 4.2 ASSET PROTECTION AND SECURITY

The Management Company takes practical and prudent care to safeguard the security of each property, its residents, the resident files, and its staff members. It is essential that the residents and employees feel secure at all times and the property be protected from damage. Failure to adhere to the security requirements may result in corrective action. The Management Company Staff is the first line of defense against a security breach. Preventative measures must be taken to ensure the safety of the property, residents, and Management Company Staff. The items listed below are examples of things that must be considered in securing the property. This is not meant to be an exhaustive list. Management Company Staff must promote security in the following practices:

- a. All security devices must be properly maintained and be in constant operating order. This includes cameras, doors, locks, gates, and fences.

- b. Develop a relationship with local law enforcement and emergency response agencies including.
  - c. All staff are encouraged to become Certified in Community Emergency Response (C.E.R.T.) program provided in the local area.
  - d. Follow all mandatory screening requirements for all residents.
  - e. Walk the property daily and intermittently to look for possible weaknesses in the security of the property including, but not limited to malfunctioning gates, burnt lights, and possible outside access points.
  - f. Universally enforce the lease and rental agreement, house, and ground rules, and the addendum for housing that is smoke-free and drug-free (other than properly prescribed medication).
  - g. Note and correct general conditions such as rust on fences that could cause compromise to the structure's integrity.
  - h. Look for evidence of forced entry, document with photos and/or video, and immediately correct.
  - i. Maintain proper and adequate lighting and ensure the absence of dark areas around the property. Not only does adequate lighting look nice, but it also serves as a deterrent against crime. Management Company Staff must replace all non-functioning lighting immediately. Install lighting systems in unusually dark areas. The company also requires trees and shrubs to be trimmed to remove potential hiding places.
  - j. Look for evidence of loitering in dark areas and stairwells. Such evidence might be trash, cups, and cigarette butts, or drug paraphernalia.
  - k. Look for unauthorized vehicles surrounding the building.
  - l. Re-key locks and re-code remote controls.
  - m. Ensure all Security Cameras are working.
  - n. Maintain fences in good condition (not cut or broken, no damage or abnormalities).
  - o. Ensure gates and locks properly operate to ensure adequate security.
  - p. Office Staff are required to record security breaches on an incident report form. Incident report forms must be sent to the Property Supervisor immediately following completion.
5. **Office Security:** The management office must be secured when not occupied. Computers, electric equipment, security DVR systems, rent checks, resident files, and all other office valuables must be secured by the Office Staff even if the absence is intended for a short time.
6. **Property Safety:** Management Company Staff are responsible for identifying and correcting most small hazardous conditions. Where correction is beyond their expertise or expense authorization level, Management Company staff must contact the Property Supervisor.



During daily property inspections and walks of the Property Management Company staff, at a minimum, must look for:

- a. Trip hazards
- b. Fire hazards
- c. Slip hazards such as slick wet surfaces
- d. Flood hazards
- e. Damaged benches
- f. Obstructions
- g. Lighting and dark areas
- h. Nonfunctioning security devices
- i. Parking hazards

## 5 UTILITIES

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The following utilities will be available at the property:

- a. **Water:** The provider will be Irvine Ranch Water District and the water fees for the common areas and units will be paid for by the owner.
- b. **Electricity:** The provider will be Southern California Edison and the electricity fees for the common areas of the property will be paid for by the owner. In-unit electricity expenses will be paid for by the owner directly to the utility provider.
- c. **Gas:** The provider will be SoCalGas and the gas fees for the property will be paid for by the owner.
- d. **Trash:** The provider will be Waste Management and the trash fees for the property will be paid for by the owner.
- e. **Sewer:** The provider will be Costa Mesa Sanitary District and the sewage fees for the property will be paid for by the owner.

## 6 PROPERTY MANAGEMENT PRACTICES, POLICIES & PROCEDURES

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### 6.1 LEASE ENFORCEMENT PROCESSES:

Lease and rules violations will be addressed by the Property Management Staff in partnership with the onsite Service Provider utilizing a 4-Step Housing Retention Action Plan (“HRAP”) as outlined below.

## 6.2 OCCUPANCY GUIDELINES

The Project has adopted standards for the number of persons initially permitted to occupy units. These standards conform to Lender's, Owner's and/or regulatory guidelines. These standards shall be used at initial occupancy. Following are the unit size assignment standards subject to the clarifications and considerations indicated below:

Unit Size	Minimum # of Persons	Maximum # of Persons*
Studio	1	1

\*reasonable accommodation requests may be considered when determining occupancy.

If and when the household is “over-housed” (under-occupied), i.e., too few people for the unit, the household will be required to move to the next available appropriate sized unit. If the household is “under-housed” (over-crowded), the household will be required to move to the next available appropriate-sized unit. If no applicable unit size is available, for the household size, the household may be required to move, if required or allowed by regulation and law.

## 6.3 FOUR-STEP HOUSING RETENTION ACTION PLAN

We understand that many of our residents have multiple barriers and may have been unsuccessful in other housing environments. During their residency, we may expect some residents to exhibit behaviors that can jeopardize their housing stability.

The Four-Step Housing Retention Action Plan (“HRAP”) below serves as a tool for the service provider and property manager to work collaboratively to promote housing success for our residents. Through clearly detailing property management and supportive services roles, this housing team aims to build trust, safety, and transparency, with clear expectations for how lease violations and behavior issues will be addressed by all parties. This plan has been developed and adapted through years of experience within the supportive housing community context.

Furthermore, we believe that housing retention plans can and will empower residents to live independently within a supportive framework, building efficacy when implementing skills that promote housing stability. The following four-step plan is designed with this in mind, in order to reduce housing displacement and promote housing retention.

### Step One

<b>Resident concern/issue is noted:</b> example; potential lease violation, display of atypical behavior (ex. late rental payment, personality changes, etc.)	
<b>Property Manager</b>	<b>Supportive Services</b>

<ul style="list-style-type: none"> <li>• Notifies SS of concern by emailing a referral which details the concern(s) and bringing it to their joint weekly meeting. Be sure to include important dates and history and/or bring file to meeting, so next steps can be discussed.</li> <li>• Include notes in resident's file.</li> <li>• If rent payment, issue Pay or Quit notice by the 7th of the month.</li> <li>• Non-rent issue courtesy notice may be sent to resident.</li> </ul>	<ul style="list-style-type: none"> <li>• Follows up with conversation, one-on-one</li> <li>• Assesses for ongoing challenges to follow rules.</li> <li>• Identifies supports to meet expectations</li> <li>• Reviews lease terms.</li> <li>• Coordinates between service providers (such as VASH, DHS, DMH) as needed</li> </ul>
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## Step Two

<b>Resident concern/issue continues:</b> a reasonable period passes (typically 30 days) with no change in the same behavior/problem. Rent remains unpaid, neighbor issues have not been resolved, or a clear lease violation has occurred.	
<b>Property Manager:</b> <ul style="list-style-type: none"><li>• Notifies SS of violation/concern, discusses with SS next step. Be sure to include important dates and history of same violation if applicable</li><li>• If written lease violation is agreed upon, PM will issue it within 2 business days</li><li>• PM will email SS a copy of violation before/at same time it is served</li></ul>	<b>Supportive Services:</b> <ul style="list-style-type: none"><li>• File notice in Housing file section</li><li>• Meet with resident one on one</li><li>• <u>Verbally</u> create housing retention plan</li><li>• Explore situational factors and assess barriers</li><li>• Identify community resources</li><li>• Connect to necessary supports to follow lease</li></ul>

## Step Three

<b>Resident concern/issue progresses:</b> the resident issue remains unresolved. If there has been an agreed upon designated period for correction, that time has passed. In cases where resident or staff safety is at risk, plans may immediately escalate to a step 3.	
<b>Property Manager:</b> <ul style="list-style-type: none"><li>• Issues (3/30)-Day Notice Cure or Quit within 48 hours of agreement with SS (usually at standing meeting)</li><li>• Notifies SS with electronic CC: of notice</li><li>• Coordinates meeting with resident and SS</li><li>• PM reviews and signs resident's proposed Housing Retention Plan during retention meeting with resident, PM and SS</li></ul>	<b>Supportive Services:</b> <ul style="list-style-type: none"><li>• Creates a document plan with the resident with date to review intended plan, results, and end of plan date. (note: will create updates as needed, upon plan review date)</li><li>• Identifies barrier and 3 support items</li><li>• Bring plan to meeting with resident and SS</li><li>• Set regular meetings to support plan details</li></ul>

## Step Four

<b>Resident concern/issue continues:</b> The period designated by the Housing Retention Plan has passed and there has been no reasonable update in the concern.	
<b>Property Manager:</b> <ul style="list-style-type: none"><li>• PM discusses next step with SS</li><li>• PM issues 30 or 60-day notice to quit</li><li>• Notifies SS through electronic copy of notice</li><li>• If resident elects to leave in designated time frame, will stop any formal eviction proceedings</li></ul>	<b>Supportive Services:</b> <ul style="list-style-type: none"><li>• Responds in the designated time frame</li><li>• Looks for community resources and supports</li><li>• Connects to legal supports if resident wants to fight eviction</li><li>• Explores resident's housing options</li><li>• Identifies alternative housing</li><li>• Assists resident with relinquishing to avoid eviction</li><li>• Problem solves potential issues to obtaining apartment (budgeting, etc.)</li></ul>

## 6.4 RENT COLLECTION PROCESSES

- a. **Collecting Rent:** Office Staff must deposit by way of scanning all rent receipts each day they are received. Office Staff may not hold checks that are valid (dated the day received) overnight and must make every attempt to deposit all rent and security deposit checks the day they are received. The security deposit is typically equal to one month's rent and is collected at the time the lease is signed and shall be deposited into a separate account.
- b. **Security Deposit:** The Security Deposit Account may be a separate interest-bearing account (at the Owner's direction), which is FDIC insured. The interest on the security deposits will be distributed according to the Owner's directives and applicable law, if any. At the time a resident vacates the unit, a move-out inspection will be conducted with the resident, where possible. All items needing cleaning or repair plus the charges or estimated charges for each will be determined at the time of inspection. Both the Property Manager and the vacating resident will sign the inspection form. The final closing statement and refund of security deposit, less any charges for rent, fees, damage, etc. (excluding normal wear and tear) will be prepared for each vacating resident itemizing any charges to be made against the security deposit and forwarded to each vacating resident within 21 days of their vacating.
- c. **Rent Check, Cashier Check, or Money Order Theft:** Properties must have a secure location to accept rent checks. Secure means behind a locked door, in a locked drawer.
- d. **Payment Accepted:** Office Staff are prohibited from accepting cash as rent payment. Residents may pay their rent online through our online portal or in the form of a check, cashier's check, or money order made payable to the designated entity for Costa Mesa Village. Office Staff cannot accept any rental amounts other than the actual resident's rent. If a resident brings Office Staff an incorrect check, cashier's check, or money order, Office Staff must return the payment to the resident with a written explanation.
  - i. Second-party checks may be accepted as rent payment with proper documentation to management stating no tenancy will be created by its acceptance. Second-party checks are payments someone other than the resident submits as rent on behalf of the resident.
  - ii. Third-party checks cannot be accepted as rent payment (except as noted in subparagraph iii. below). Third-party checks are checks made payable to the resident by someone else. The resident then requests to endorse the check over to the property as a rent payment.
  - iii. Third-Party Rent Payment Exception: Non-Profit Rent Payment Assistance: The only exception to the Third-Party rent payment policy is for residents who are receiving financial support from a non-profit agency on a

one-time or reoccurring basis. Third-party checks may be accepted with a declaration that the payment does not constitute or initiate tenancy.

- e. **Timing of Rent Collection:** Rent is delinquent if not paid by the close of business on the fifth (5th) of each month. Delinquency dates may vary only if the fifth day of the month falls on a weekend or holiday (or if other delinquency periods are required by the property regulatory agreement). In such cases, the delinquency date moves to the next business day. See the property lease for late fee information. Pre-payments for rent are allowed.

## **6.5 RENT INCREASES**

Rent may be increased annually or as allowed by law or regulation, including as permitted by the Regulatory Agreement with the City of Costa Mesa. Management Agent will submit request to Owner for approval of increase. If approved, Agent will submit a 30-day or 60-day notice of rent change to resident, depending on program type and regulation to tenant.

## **6.6 REASONABLE ACCOMMODATIONS/MODIFICATIONS**

- a. The Management Company follows state and federal laws, which require housing providers to make or allow changes to either a unit, the common areas, or to community rules, policies, and procedures if such changes may be necessary to enable a person with a disability an equal opportunity to use and enjoy the housing.
- b. If the need is not otherwise obvious, a resident requiring such a change must make a verbal or written request with management company staff. When written, they must complete the Reasonable Accommodation/Modification Request Form which is the first step in our interactive process; when requested verbally; the management office staff will complete the form on the resident's behalf. Management Company Staff will then send the form to a third party to verify the resident's disability and their need for accommodation or modification. Assuming the third party confirms the need for the modification or accommodation, the resident will be notified. If the third party does not confirm the need the interactive process will continue until a decision is reached. If the accommodation request is denied due to physical, legal, or financial feasibility, the resident will be notified in writing.
- c. For Reasonable Accommodations for applicants, please review the Tenant Selection Plan.

## **6.6 BEHAVIORAL POLICIES**

Certain acts are considered to be contrary to the safety, well-being, peace, and enjoyment of the other Residents of the Property. These include, but are not limited to, the use, possession,

manufacturing, or sale of illegal drugs or controlled substances and the carrying or exhibiting of firearms or other lethal weapons on the Property. Such acts are prohibited.

The resident, any member of the Resident's household, or a guest or other person under the resident's control shall not engage in acts of harassment, violence, or threats of violence, including, but not limited to, the unlawful discharge of firearms on or near the project premises. The carrying or exhibiting of firearms on the Property are strictly prohibited.

The resident, any member of the Resident's household, or a guest or other person under the Resident's control shall not engage in or permit the dwelling unit to be used for, or to facilitate, criminal activity, including drug-related criminal activity, on or near project premises. "Drug-related criminal activity" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use, of a controlled substance (as defined in Controlled Substances Act (CSA), 21 U.S.C., Chapter 13, Section 801 and Section 802). This includes the use, possession, and/or cultivation of all forms of marijuana, including cultivation of marijuana plants. The use, possession, and/or cultivation of marijuana, including cultivation of marijuana plants, is illegal under federal law even if it is permitted under state law. Per Section 577 of the Quality Housing and Work Responsibility Act of 1998 (QHWRA), P.L. 105-276 (October 21, 1998), 42 W.D.C Section 13662, federally assisted housing providers are required to deny admission to anyone who is illegally using a controlled substance and allows Landlords of federally assisted housing to terminate the tenancy of anyone who is illegally using a controlled substance or whose illegal use is determined by the Landlord to interfere with the health, safety, or right of peaceful enjoyment of the premises by other residents. Resident or members of the household will not engage in the manufacture, sale, or distribution of any and all illegal drugs at any location, whether on or near the project premises or otherwise.

Resident units are smoke-free. All areas of the community are smoke-free with the exception of designated smoking areas. Residents, resident guests, staff, visitors, or any other person shall not smoke in the smoke-free areas to include but not limited to the entire area of the buildings including units, patios, balconies, halls, elevators, stairs, offices, community rooms, tot lots, laundry rooms, and parking lots. Designated smoking areas will be located outside on the common grounds and will be identified by "Designated Smoking Area" signs. These will be the only areas where smoking will be allowed within the community. Designated smoking areas will be covered areas with seating such as a gazebo that are at least 25 feet away from the entrance to buildings, doorways, or operable windows. The Smoking Policy promotes a smoke-free environment within the community, while permitting smoking in designated areas only. The No Smoking Rule applies to all areas except the designated smoking areas.

Violation of the above provisions of the property's drug-free, smoke-free and crime-free housing policy shall be a material violation of the house and ground rules and failure to comply with the house and ground rules is a violation of the lease, which may lead to the termination of tenancy pursuant the termination provision of the property lease. The Resident Smoking Policy addresses smoking for households residing in the project. While smoking will be prohibited on the property, this policy permits smoking for residents in designated areas. The Management Company and Lead Service Provider support the goal of achieving a smoke-free environment and promotes healthy lifestyles. Households will be provided supportive services and to support these goals and encouraged to connect to smoking cessation programs and other applicable life skills and treatment programs. By permitting smoking in designated areas only, the policy mitigates the following risks:

- Smoking increases the risk of fire
- Smoking is likely to damage the resident's premises
- Adverse health effects of secondhand smoke
- Secondhand smoke is likely to drift from one apartment to another
- The increased maintenance and cleaning costs associated with smoking

Definition of smoking: smoking includes inhaling, exhaling, breathing, carrying, or possession of any lighted cigarette, cigar, and pipe, other products containing any amount of tobacco, nicotine, or other similar product in any manner or in any form.

## **6.7 GRIEVANCE PROCEDURE**

Should a resident have a complaint of any nature concerning her/his dwelling unit, other resident(s), or other housing-related issues, and the issue is not resolved in a satisfactory manner, the resident may engage in the Grievance Procedure provided to the resident at lease signing. The process provides detailed information on the specific steps a resident may take in order to address in hopes to resolve the issue. These steps include a timeline for residents to receive responses to grievances, how to request a formal hearing and request form, documentation requirements and participants in each step of the process.

“Grievance” is defined as any dispute with respect to Management action or failure to act in accordance with lease requirements, or any Management action or failure to act involving the interpretation of the application of Management regulations, policies, or procedures which adversely affects the rights, duties, welfare or status of the complainant.

It is the policy of Management that all residents’ grievances be given complete and objective consideration. Since, on rare occasions, this may require reference of a problem to higher levels of authority; this procedure has been adopted to assure that opportunity for full “due process” is given to all residents.



This procedure applies to both applicants and residents of the Costa Mesa Village project. All residents are encouraged to use it without concern that it will reflect on their status as a resident.

Day-to-day contact and earnest communication between the manager and the residents is the most successful way to avoid misunderstandings and develop mutual respect. (See attached Grievance Procedure)

## **6.8 RESPONSIBILITY/GOVERNANCE**

Property management and/or designee is responsible for ensuring the policies and procedures contained herein are implemented, monitored, and regularly reviewed.

## **6.9 PET POLICY**

Pets shall not be allowed on the premises, except as approved by the Owner or required by law or local ordinance. A certified service animal or companion animal is not considered a "pet" and the resident requiring such animal shall be required to execute a service animal agreement describing the responsibilities of the resident.

## **6.10 LIVE-IN ATTENDANT**

In the event that a resident requires the services of a live-in attendant, the above occupancy standards shall still apply. Prior to the attendant moving in the resident's physician or other qualified person shall document the need for a live-in attendant. Any income received by the attendant shall not be considered in evaluating the rent to be charged to the household. The attendant is subject to a criminal background check. The attendant shall not be considered a resident of the Project and has no residual rights to the unit if the resident no longer resides in the unit. The attendant shall be considered a guest of the resident household, and the head of household shall be required to ensure that the attendant abides by all terms and conditions of the Lease or Rental Agreement. The live-in attendant must sign the House Rules and execute a Live-in-Attendant agreement.

## **6.11 FORMS AND AGREEMENTS**

With the approval of the Owner and Lenders, the Management Agent will develop leases or rental agreements, house rules, application forms and such documentation as may be necessary to facilitate the selection and admission of residents into the Project according to any Marketing Plan and/or CES process, and in accordance with applicable regulatory requirements.

## **6.12 TENANT FILE MANAGEMENT**

Resident information will be maintained in the property management software and safeguarded with passwords that are changed on a regular basis to protect resident information and privacy. All resident files are maintained in a fire safe, locked cabinet at the property.

## **6.13 GUEST POLICY**

Visitors and guests are required to sign in with office staff or a security guard when the office is closed. A tenant cannot have a guest stay overnight in excess of 14 nights per year. Guests must also provide their license plate to the office staff or security. Guest parking cannot exceed 24 consecutive hours.

## **6.14 SITE ACCESS AND PARKING**

The property has a wrought iron fence around its perimeter. Tenants have a key/fob that allows access through the pedestrian entrance and vehicular entrance. Tenant shall register their car with the office in order to get a parking permit. Spots are not assigned.

## **6.15 VIDEO CAMERA MONITORING**

Security cameras are in place to monitor the entrance, dumpsters, laundry rooms, lobby, and office.

## **6.16 TENANT AMENITIES**

The property consists of the following amenities: two laundry rooms, pool, BBQ, and bike racks.

## **6.17 SECTION 811**

Costa Mesa Village was allocated 24 Section 811 vouchers for individuals with disabilities. HUD provides funding to subsidize rental housing with the availability of supportive services for very low and extremely low-income adults with disabilities. The Section 811 program allows persons with disabilities to live as independently as possible in the community by

subsidizing rental housing opportunities which provide access to appropriate supportive services.

Tenant referrals are currently provided by the Regional Center of Orange County and Libertana. The referring entity is responsible for providing the services to the tenants. Programming and services are individualized based on each person's needs and provided off-site. The Regional Center of Orange County partners with many service providers, which can be found under service codes 520 and 896 in their service provider/vendor list located at: [https://www.rcocdd.com/wp-content/uploads/pdf/vendorsearch/Vendor\\_List.pdf](https://www.rcocdd.com/wp-content/uploads/pdf/vendorsearch/Vendor_List.pdf)

## **7 PROPERTY MANAGEMENT STAFFING PLAN**

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### **7.1 STAFFING PLAN**

The Management Company shall hire, train, pay, and supervise all personnel, including independent contractors. The management team will consist of:

- a. One (1) full-time, on-site Property Manager will be responsible for coordinating repair and maintenance of the building, the collection of rents, ensuring occupancy and compliance with various regulatory agencies, and providing support to the residents by maintaining records and files, maintaining information and referral resources, and collaborating with Resident Services to organize resident meetings and social events.
- b. One (1) Full-time, Maintenance Lead Technician, will be responsible for the oversight of day-to-day maintenance of the property. The maintenance technician will report to the property manager and will be responsible for the cleaning and repair of the property.
- c. Management Company Supervisor will oversee the Property Manager and coordinate issues and concerns among an array of similar facilities. This individual is responsible for the training of the Property Manager. This individual is available in case of any emergency and routinely visits the site to ensure the property is appropriately maintained and the Property Manager is fulfilling his/her responsibilities.

All hiring of on-site personnel shall conform to Equal Employment Opportunity guidelines without regard to race, religion, color, national origin, or sex. Leveraging the workforce programs for families with the Lead Service Provider and other local service providers, the Management Company shall make every effort to hire local vendors and employees when possible. Special efforts will be made to provide information regarding job openings to ensure

affirmative outreach. This includes outreach to community organizations, newspapers, and other communications media. All hiring materials will indicate that the Management Company is an Equal Opportunity Employer. The Lead Service Provider will be responsible for hiring its social service staff and will conform to Equal Employment Opportunity guidelines.

## **7.2 TRAINING**

Specific training in policies and procedures of the Regulatory Agencies and Lenders (if applicable) will be provided to the Property Manager to ensure Project conformity to program requirements.

The Property Manager becomes knowledgeable through training and ongoing property management. As the budget permits, the Property Manager will be required to participate in relevant training conducted by professional agencies and organizations to assure understanding of the occupancy requirements of the Project. Property Manager holds periodic training sessions of a general nature for all employees off-site as well as specific on-site sessions tailored to the needs of individual Projects. In addition to such site-specific training, additional monthly, quarterly and annual training includes, but is not necessarily limited to, Fair Housing and non-discrimination.

It is Property Manager's policy to promote from within when possible. Employees are reviewed for potential promotion when positions become available. Property Manager's job opportunities are posted on various websites and job boards.

If required by regulation, Property Manager will make reasonable efforts to hire eligible residents for available positions at the project, whereas a qualified applicant is found, and whereas their employment at the property does not pose a potential or actual conflict of interest or provide access to proprietary resident information that should be beyond the view or manipulation of the resident employee.

## **7.3 EMPLOYEE BENEFITS**

Sick time and benefits will be afforded to all employees working at the property in accordance with California labor regulations.

## **7.4 EMPLOYEE GRIEVANCE PROCEDURES**

The Regional Manager assigned to the Project regularly visits the Project at which time problems can be discussed. If this is not satisfactory to an employee, the employee may contact the Vice President of Property Management or an officer of Agent.

## 7.5 EMPLOYEE TERMINATION PROCEDURES

Demotion, layoff, or termination shall be determined on a non-discriminatory basis. When an employee's performance is substandard, the employee shall be notified in writing. Every effort will be made to work closely with an employee to provide additional training if this is deemed appropriate. If their performance continues to be substandard, the employee will be placed on probation, and/or terminated.

## 8 TARGET POPULATION, PREFERENCES AND REFERRALS

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Costa Mesa Village is intended to serve qualified low-income individuals and households in need of affordable housing. Up to 24 of the 96 housing units are anticipated to be supported by Section 811 subsidy administered by the California Housing Finance Agency (CalHFA). a

In accordance with CFR Title 24 Sections 5.410(a) and 5.655 the landlord will give "Preference" to the following:

- a. **Preference A:** 24 of 96 homes will be set aside for households eligible under the Section 811 program, administered by the California Housing Finance Agency (CalHFA)
- b. **Preference B:** 72 of the 96 homes will be set aside for individuals and households living and/or working in the City of Costa Mesa.

Marketing will be consistent with HUD Affirmative Fair Housing Marketing standards, CADI will market the units through a variety of methods to ensure populations who are least likely to apply will be notified of availability. Advertising shall include use of newspaper and online advertisements, social networking sites, and notification of availability of rental units to public and private agencies. Advertising material will be prepared in languages appropriate to the ethnic groups in the area. Advertising will include a statement regarding the policy of compliance with all Federal, state, and local fair housing laws and policies.

All qualified referred applications will be verified and approved by the Management Agent.

### 8.1 REFERRAL PROCESS- GENERAL

For Preference A, Costa Mesa Village will work with the applicable Orange Count Regional Center ("OCRC") and its referring agencies to source prospective residents.

All qualified applications will be sent from the OCRC to JSCo's agent with date and time stamp in preparation for scheduled interview.

JSCo's agent will notify applicants and their respective case managers to schedule a move-in date.

Although initial applications will be submitted through the OCRC, CADI's Management Company, in conjunction with Lead Service Provider, will assist eligible residents in completing the subsidy application, collection of required documents and subsequent submittal for voucher approval.

## **8.2 WAITING LISTS**

A site-based waiting list will be maintained for Preference B units. The Property's initial waiting list will be determined by date and time of application and/or a lottery, as directed by Owner. Those households selected from the waiting list will undergo a comprehensive screening procedure to reflect the Owner's Resident Selection Criteria/Tenant Selection Plan. Factors to be considered in the screening are housekeeping habits, tenant history, rent payment history, credit reports and criminal records.

Agent will maintain and update the Property's waiting list in accordance with regulatory requirements. The targeted number of applicants on the waiting list for each

category shall be no less than twice the average turnover rate for units in each category in the Property. When the number of applicants falls below one year of applications based on the average turn-over rate for the applicable unit size, Agent will initiate marketing procedures as described in this Plan to reestablish the minimum level of applicants. Agent will update the waiting lists periodically to determine if applicants are still interested in the Property. If an applicant does not wish to remain on the waiting list or fails to respond to Agent in writing, the applicant will be removed from the waiting list. Applicants on the waiting list will be notified that it is their responsibility to advise the Property of any address changes and that if they cannot be contacted by mail, either for vacant units or in the course of a waiting list update, they will be dropped from the waiting list.

## **9 RESIDENT SELECTION, INCOME ELIGIBILITY AND CERTIFICATIONS**

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### **9.1 RESIDENT SELECTION**

The Property Manager will be charged with the responsibility for screening residents referred to the Property. The Property Manager will be properly trained in resident eligibility requirements. In compliance with the Regulatory Agreements, only applicants that meet all eligibility requirements will be selected to occupy restricted units. Any applicable income limits or restrictions will be made available to the public upon request and/or in accordance with any and all regulatory guidelines. Applications and other records pertinent to a resident's continued eligibility will be kept on file in accordance with any and all Regulatory guidelines.

The Property Manager or other management personnel will not discriminate or give preferential treatment to any applicant or resident. Selection criteria must comply with eligibility requirements set forth by all program guidelines, included, but not limited to those of CalFHA.

The Management Company will utilize the low-barrier tenant selection process that is consistent with Housing First guidelines to ensure that the hardest to service populations have access to housing opportunities. Management will take a holistic view when determining selection criteria for Costa Mesa Village. As such, negative credit, past criminal history, or lack of landlord references, or behaviors that indicate a lack of “housing readiness”, may not be taken into consideration to determine eligibility unless information revealed suggests that the applicant may pose a threat to the health and safety of other residents, guests, staff or vendors or to the property.

### **9.2 INITIAL INCOME ELIGIBILITY**

The Property Manager will be responsible for determining income eligibility of each applicable household in the Project via third-party verification of all income and assets as programmatically required. Households whose gross annual income exceeds programmatically required income limits will be considered “over-income” and will not be considered income-eligible for units subject to any regulatory restrictions and/or guidelines.

### **9.3 RECERTIFICATION**

A re-determination of eligibility (recertification) shall be made by the Management Company at least once a year. Information required to be furnished by Resident for such determination includes, but is not limited to, income and asset verification and names and ages of household

members. Resident agrees via the lease that all information provided to Landlord shall be true, complete, and correct to the best of his/her knowledge. Failure to provide eligibility information, or providing false or misleading information, may result in the termination of his/her occupancy.

The Property Manager will maintain a “tickler file” for any applicable annual recertifications to ensure that processing is completed in a timely manner. Recertifications will also be performed by CalHFA as the subsidy provider. If, upon recertification, the resident's household income either increases or exceeds the project's applicable income limits as programmatically determined, the tenant portion of the rent will be adjusted accordingly and a lease addendum executed. All income regulations including over-income guidelines are included in the lease for recertification purposes. If a resident is determined to be no longer eligible for the program and regulation and law requires and allows the resident to vacate the unit, the owner will be notified and proper notice will be given based on applicable laws and regulation.

#### **9.4 RE-OCCUPANCY PROCEDURES**

When notice is given that a Preference A occupied unit will be vacated, re-occupancy procedures will begin with notification to the OCRC. The Management Agent will subsequently receive a referral from the OCRC. For Preference B units, the Property Manager will draw from the Waiting List.

The Property Manager will process applications in order received. Certification procedures (review of screening criteria) will be completed for the household and, provided the household is still eligible, shown the unit. If the first household declines the unit, it will be shown to the next eligible household referred from the referring agency. Re-occupancy procedures may include coordination with the Public Housing Authority and CalFHA, when applicable. Applicants with rental subsidies must have approval from the Housing Authority or other subsidy provider prior to move-in.

#### **9.5 CONFIDENTIALITY**

The Management Company shall maintain strict confidentiality when determining eligibility or during residency. Income information, programmatic compliance, and other confidential information will only be shared with appropriate agencies after applicant/resident consent is provided.



## **10 SUPPORTIVE SERVICES & RESIDENTIAL COORDINATION PLAN**

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The Management Company will collaborate with the resident services staff and Case Managers in an effort to improve the quality of life for residents and promote housing retention. To this end, the Management Company will communicate tenant issues such as late rent payments, behavioral issues, safety issues, etc. to the resident service staff and Case Managers in real-time and through direct written referral, regular meetings (weekly or biweekly or as needed) so that services staff can apply clinical interventions, connect to resources, and/or provide residential support as needed.

This integration between property management and supportive services is a critical component of Century's model for successful community building. The housing provided at Costa Mesa Village addresses the need for service-enriched, affordable housing. The services provided by our lead service provider focus on long-term healing, wellness, and economic independence.

### **10.1 LEAD SERVICE PROVIDER**

The lead supportive service provider in the building will be Century's Oasis Resident Services ("Lead Service Provider"), Century's in-house supportive service provider primarily dedicated to low-income populations, including homeless and at-risk individuals and families.

### **10.2 IMPLEMENTATION**

The Property Management Company and Lead Service Provider will draw from its existing locations in Southern Los Angeles County, including its large operation at the Villages at Cabrillo in West Long Beach, which have the staffing and service infrastructure in place to ensure that this project is successfully implemented.

### **10.3 HOUSING FIRST PHILOSOPHY**

The Management company and Lead Service Provider integrates the Housing First model within its projects, which ensures low barriers for admission and not having preconditions for entry - meaning there are no requirements for sobriety time, for having an income, for service participation/treatment, etc. The Management Company and Lead Service Provider are skilled in engaging residents, to include those who are vulnerable, and ensures comprehensive services are offered so that the model is not "Housing Only". Participation in services is continually offered and abstinence or harm reduction will be encouraged. Appropriate clinical interventions are utilized to address any issues that may jeopardize their housing.

## **10.4 COMMUNITY COLLABORATION**

To ensure community collaboration and access to resources, the Management Company and Lead Service Provider will work with the City of Costa Mesa, the County of Orange, and the OCRC. For the Lead Service Provider, it is not only about asking the community to help, it is about ensuring the Lead Service Provider contributes to the communities in which the agency is located and to the solutions that will address poverty, meet housing needs, and end homelessness. The Lead Service Provider will collaborate with community partners to both engage residents in need of housing provided by this project and leverage resources to provide services.

The Property Manager and Lead Service Provider will collaborate to determine the appropriate schedule of services and activities for resident's needs. While each resident will be encouraged to have a case management plan, HUD rules and Housing First practices prohibit denial of housing to individuals who do not participate in services. The Lead Service Provider and, if applicable, other leveraged staff, will collaborate to offer services and other activities to encourage all to engage in the therapeutic community environment.

If additional support is needed beyond the schedule of the Case Managers, then the Lead Service Provider will provide secondary case management services for emergencies or after-hours issues through the Lead Service Provider on-site or on-call staff. All residents will have a phone number for 24/7 response in case of crisis or decompensation.

## **10.5 RESIDENT RETENTION**

For residents who exhibit behaviors that can jeopardize their housing stability, The Management Company and Lead Service Provider will work collaboratively to support the resident in retaining housing. The Housing Retention Action Plan described above is a tool that sets clear expectations and details the role of each party for addressing lease violations and behavior issues. Furthermore, a tenant-specific Retention Plan outlining the factors jeopardizing housing retention, strengths and resources to support the tenant, and action steps may also be created with the resident.

**EXHIBIT C****TERMINATION OF REGULATORY AGREEMENT****RECORDING REQUESTED BY:****WHEN RECORDED MAIL TO:**

Good Wildman  
 19000 MacArthur Blvd, Suite 575  
 Irvine, CA 92612  
 Attn: Robert W. Dyess, Jr.

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**TERMINATION OF REGULATORY AGREEMENT**

This Termination of Regulatory Agreement (this “**Termination**”), is entered into and executed by Costa Mesa Village, Ltd., a California limited partnership (“**Seller**”), Costa Mesa Housing Authority (“**CMHA**”), and Orange County Housing Authority (“**OCHA**”).

**RECITALS**

A. Seller is the owner of certain improved real property known as Costa Mesa Village Apartments consisting of a 97-unit residential apartment complex located at 2450 Newport Blvd, Costa Mesa, California 92627 and more particularly described on Exhibit A Attached hereto (the “**Property**”).

B. The Property is subject to restrictions set forth in that certain Regulatory Agreement and Declaration of Restrictive Covenants, by and among Seller, CMHA and OCHA, recorded as Document No. 93-0517026 in the Official Records of Orange County, California (the “**Official Records**”), as amended by First Amendment to Regulatory Agreement and Declaration of Restrictive Covenants, recorded as Document No. 2003000364959 in the Official Records (collectively, the “**Regulatory Agreement**”).

C. Seller is in escrow for the sale of the Property to Century Affordable Development, Inc., a California nonprofit public benefit corporation, or its permitted assignee (“**Buyer**”).

D. CMHA, OCHA and Buyer have agreed to enter into an amended and restated regulatory agreement (the “**Replacement Regulatory Agreement**”) upon the closing of the sale of the Property by Seller to Buyer.

E. Seller, CMHA, and OCHA have agreed to terminate the Regulatory Agreement under the terms and conditions described herein.

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

#### AGREEMENT

1. Termination of Regulatory Agreement. Upon (i) the close of escrow for the sale of the Property (the “**Closing**”) from Seller to Buyer and (ii) the execution and recording of the Replacement Regulatory Agreement, the existing Regulatory Agreement is hereby terminated.

2. Release of Seller. CMHA and OCHA hereby release Seller from all obligations of Seller under the Regulatory Agreement and from all claims each of CMHA and OCHA may have, now or in the future, against Seller, but excluding any claims a third party may have against Seller. CMHA and OCHA each hereby acknowledge that it has read and is familiar with the provisions of California Civil Code § 1542 (“**Section 1542**”), which are set forth below:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

Each of CMHA and OCHA hereby waives the provisions of Section 1542 and of any statute, principle of common law or case law which would limit the scope of the foregoing waiver and release, in connection with matters which are the subject of the foregoing waiver and release.

\_\_\_\_\_ **CMHA’s Initials**

\_\_\_\_\_ **OCHA’s Initials**

3. Purpose. This Termination is executed and recorded for the purpose of imparting notice of the termination of the Regulatory Agreement, and the respective rights and obligations thereunder.

4. Construction; Governing Law. This Termination shall be construed according to its fair meaning and as if prepared by all parties hereto. This Termination shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement. The headings used in this Termination are for convenience only and are not to be used to interpret the meaning of any of the provisions of this Agreement.

5. Counterparts. This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

SELLER:

Costa Mesa Village, Ltd.,  
a California limited partnership

By: William M. Crawford Co. Inc.,  
a California corporation,  
General Partner

By: \_\_\_\_\_  
William F. Pavone, Jr.,  
President

CMHA:

Costa Mesa Housing Authority,  
a public body, corporate and politic

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

OCHA:

Orange County Housing Authority,  
a public body, corporate and politic

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

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

STATE OF CALIFORNIA    )  
  )  
COUNTY OF ORANGE    )       ss:

On \_\_\_\_\_, 20\_\_\_\_, before me, \_\_\_\_\_,  
Notary Public, personally appeared William F. Pavone, Jr., 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.

\_\_\_\_\_  
Notary Public

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

STATE OF CALIFORNIA    )  
  )  
COUNTY OF ORANGE    )       ss:

On \_\_\_\_\_, 20\_\_\_\_, 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  
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WITNESS my hand and official seal.

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STATE OF CALIFORNIA    )  
  )  
COUNTY OF ORANGE    )       ss:

On \_\_\_\_\_, 20\_\_\_\_, 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.

\_\_\_\_\_  
Notary Public



**EXHIBIT A**

**PROPERTY DESCRIPTION**

THAT PORTION OF LAND DEPICTED ON EXHIBIT "A" OF LOT LINE ADJUSTMENT LL-84-08, IN THE CITY OF COSTA MESA, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS DISCLOSED BY RESOLUTION NO. PC-84-12, RECORDED JULY 2, 1984, AS INSTRUMENT NO. 84-272684, AND RE-RECORDED JANUARY 21, 1985, AS INSTRUMENT NO. 85-021905, BOTH OF OFFICIAL RECORDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

**PARCEL 1:**

THE NORTHEASTERLY RECTANGULAR ONE-HALF OF LOT 57, AND THE SOUTHWESTERLY RECTANGULAR ONE-HALF OF LOT 59 OF TRACT NO. 300, IN THE CITY OF NEWPORT BEACH, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 14, PAGES 11 AND 12 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE RECORDER OF SAID COUNTY.

**PARCEL 2:**

THE SOUTHEASTERLY 150 FEET OF THE NORTHEASTERLY RECTANGULAR ONE-HALF OF LOT 59 OF TRACT NO. 300, IN THE CITY OF NEWPORT BEACH, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 14, PAGES 11 AND 12, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE RECORDER OF SAID COUNTY.

**PARCEL 3:**

THE SOUTHWESTERLY ONE-HALF OF LOT 57 OF TRACT NO. 300, IN THE CITY OF NEWPORT BEACH, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 14, PAGES 11 AND 12, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE RECORDER OF SAID COUNTY.

APN: 439-281-48

# CITY OF COSTA MESA, CALIFORNIA

## COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
SINGLE ROOM OCCUPANCY (SRO) UNITS/ EFFICIENCY UNIT DEVELOPMENTS	500-05	9.1.91 REVISED 08.31.21	1 of 4

### **BACKGROUND**

Title 13 of the Costa Mesa Municipal Code (CMMC) establishes what uses are allowed by right and with conditional use permits in various zones. Single Room Occupancy (SRO) residential hotels/Efficiency Unit Developments are not mentioned in the Code. The City can decide what similar uses can be considered with a conditional use permit in the commercial zones.

### **PURPOSE**

It is the purpose of this policy to:

Allow SRO residential hotels/Efficiency Unit Developments to be considered with a conditional use permit in all commercial zones where hotels are allowed with a conditional use permit.

Establish guidelines to assist the City in the future review of SRO/Efficiency Unit Developments proposals.

Provide the means for establishing housing available to citizens of Costa Mesa within the low and very low income segments of the population recognizing that there is a portion of the labor force within the business community that is these lower income levels. Traditional housing in Costa Mesa is simply not affordable to this segment. SROs/Efficiency Unit Developments should provide a new source of housing for this segment of the employment population of Costa Mesa.

### **POLICY**

#### 1. Process

SRO residential hotels/Efficiency Units may be considered with a conditional use permit in any zone where hotels are allowed.

Proposed SRO/Efficiency Unit Developments will require approval by the Planning Commission and may first require a pre-application screening before Planning Commission to allow initial feedback to be incorporated into the Applicant's submittal.

#### 2. Location

# CITY OF COSTA MESA, CALIFORNIA

## COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
SINGLE ROOM OCCUPANCY (SRO) UNITS/ EFFICIENCY UNIT DEVELOPMENTS	500-05	9.1.91 REVISED 08.31.21	2 of 4

SRO residential hotels/Efficiency Unit developments shall be located within proximity (1,000 ft.) to transit stops or within proximity to major employment areas. Ideally, SROs/Efficiency Unit developments shall also be located within proximity to grocery stores, retail stores, and services.

### 3. Room Sizes and Occupancy Limits

The following limits shall apply to new SRO developments.

Minimum size for single occupancy	175 sq.ft.
Minimum size for double occupancy	220 sq.ft.
Maximum size	450 sq.ft.
Maximum percent double occupancy	10%

Average unit size shall not exceed 300 sq.ft. The maximum unit size of 450 sq.ft. should only be considered for conversion projects or SROs designed exclusively for senior citizens.

### 4. Unit Requirements

Each unit shall have a kitchen or kitchenette and fully enclosed bathroom.

### 5. Parking

SRO hotels/Efficiency Unit developments shall be parked at 0.5 space per single occupancy guest room. Parking shall increase to a minimum of 0.8 space per unit for single occupancy guest rooms that are larger than the minimum room size standard. Parking shall be further increased to 1 space per unit for any rooms that are at the maximum size limit, unless the units are restricted to senior citizens. Double occupancy units shall have double the parking requirement of single occupancy rooms based on the proceeding formula.

Secure bicycle parking shall also be provided.

### 6. Management and Security

A complete management plan shall be submitted with each project. The plan shall address day to-day operations and management of the project including: tenant selection and income/rent verification and reporting procedures; property maintenance standards and repairs, property improvements and maintenance schedules; insurance requirements; tenant

# CITY OF COSTA MESA, CALIFORNIA

## COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
<b>SINGLE ROOM OCCUPANCY (SRO) UNITS/ EFFICIENCY UNIT DEVELOPMENTS</b>	500-05	9.1.91 <b>REVISED</b> 08.31.21	3 of 4

services or amenities; access control and security, and project staffing including a 24-hour live-in manager, desk clerk, security, and janitorial service/maintenance staff. The plan shall discuss both internal and exterior security including controlled entry and exit, guest sign-in and regulations for guests, and video camera monitoring of common use areas including parking and open space.

### 7. Rental Term

SRO rooms/Efficiency units may be rented on a monthly or annual basis. The SRO room/Efficiency unit shall be the primary residence for the tenant.

### 8. Rental Rates

All SRO/Efficiency units shall be rented at 50% Area Median Income (AMI) for Orange County or lower (with the exception of the manager's unit). Affordability requirements may be established on a case-by-case basis through the Conditional Use Permit process and as documented in a form approved by the City Attorney. The affordability requirements shall remain in perpetuity.

### 9. Common Areas

Common areas shall be provided as follows:

400 sq.ft. minimum.

If the project exceeds 30 units, the common areas shall be increased by 10 sq.ft. per unit above 30 units. The common area shall be divided between interior and exterior areas with neither having less than 40% of the total.

### 10. Storage Areas

Each unit shall be provided with a closet and/or storage area of at least 40 cu.ft. and a locker of at least 10 cu.ft. shall be provided for each unit.

### 11. Transient Occupancy Tax

# **CITY OF COSTA MESA, CALIFORNIA**

## **COUNCIL POLICY**

<b>SUBJECT</b>	<b>POLICY NUMBER</b>	<b>EFFECTIVE DATE</b>	<b>PAGE</b>
<b>SINGLE ROOM OCCUPANCY (SRO) UNITS/ EFFICIENCY UNIT DEVELOPMENTS</b>	500-05	9.1.91 <b>REVISED</b> 08.31.21	4 of 4

SROs/Efficiency units processed in accordance with this policy shall be exempt from the City's Transient Occupancy Tax.

### **12. Laundry Facilities**

Laundry facilities (coin operated washers and dryers) shall be provided near the common indoor open space area.

### **13. Additional Standards**

The applicable provisions of the California Construction and Fire Codes as adopted by CMMC Titles 5 and 7 shall apply to SROs/Efficiency units.

**PLANNING DIVISION STAFF REPORT**AGENDA NO. 6.1.SITE LOCATION 2450 Newport BoulevardAPPLICATION NO. PA-91-102AP # 439-281-48MANDATORY ACTION DATE April 25, 1992APPLICANT Shin Shen Chen  
(Owner of Record)AUTHORIZED AGENT Merrill Butler, IIIADDRESS 2450 Newport Boulevard  
Costa Mesa, CA 92627ADDRESS 401 Pirate Road  
Newport Beach, CA 92663

Applicant is reminded that all ordinances and regulations governing the use of the land or building(s) to which this application pertains must be complied with whether specified herein or not.

PREPARED BY Alice B. Angus  
Senior PlannerDATE PREPARED November 25, 1991LAST UPDATE November 25, 1991**REQUEST:**

Conditional Use Permit to convert an existing hotel (The Travelodge) into a 96 room, single-room occupancy (SRO) development.

**STAFF RECOMMENDATION:**

Approve, subject to conditions.

**FINAL COMMISSION ACTION:** November 25, 1991

Approved, based on Planning Staff analysis and findings contained in the Planning Division Staff report, subject to conditions.  
(4-0, Mr. Palme absent)

APPLICANT NOTIFIED es DATE 12/3/91

CITY OF COSTA MESA, 77 FAIR DRIVE, COSTA MESA, CA 92628-1200 (714) 754-5245



I. DESCRIPTION

A. Subject Property

1. Location - 2450 Newport Boulevard
2. General Plan Designation - Neighborhood Commercial
3. Zone - C2
4. Present Development - Two-story motel (Travelodge)
5. Lot Area - 69,300 sq.ft.
6. CEQA - Exempt

B. Surrounding Property

1. North - commercial, vacuum repair shop and construction contractor's office
2. South - auto repair
3. East - multi-family residential
4. West - Newport Boulevard and Costa Mesa Freeway

C. Request

A Conditional Use Permit (CUP) to convert the existing motel into a Single Room Occupancy residential hotel (SRO).

D. Background

Earlier this year the City Council adopted policy Number 500-5 to guide SRO development. This policy, which is attached, states that SRO projects will be processed as a CUP in zones where hotels are allowed with a CUP.

The policy also encourages potential projects to be reviewed informally by the Planning Commission prior to actual submittal. Accordingly, this project was brought before the Planning Commission at an informal Study Session in October for initial feedback. Subsequent to that meeting, the applicant submitted the application for this CUP.

In addition, the applicant has submitted requests for funding assistance to the Orange County Housing Authority and requested City approval to seek tax-exempt mortgage revenue bonds to finance the purchase and conversion of the project. The City Council did adopt an Inducement Resolution on November 4th to consider bond financing. Further action on the project's financing is pending the outcome of the project's review (this CUP).

Although this project is being processed as a CUP, it is unique in that it is the first SRO development to be considered by the City. To guide the review of this development is Policy 500-5. As a policy, the parameters given are not absolutes, but rather general guidelines against which to review specific projects. As such, if the project does not "meet" a particular parameter, a variance is not required. The reason the City adopted the SRO parameters as a policy instead of an ordinance was to allow flexibility to account for both conversion projects and possible new construction.

**II. PROJECT DESCRIPTION**

The applicant is requesting to convert the existing Travelodge motel built in 1985 to a 96 unit SRO. As part of this project, the applicant wants to convert some of the existing parking spaces into a common open space area for use by the tenants.

**III. PLANNING STAFF ANALYSIS**

The following analyzes how the proposal compares with the City's SRO Policy.

1. Process. The site is zoned C2, developed with an existing hotel and has a Neighborhood Commercial General Plan designation. The Policy states that SRO should be located in General Commercial or Commercial Center designations. This commercial area along Newport Boulevard is intended to be changed to General Commercial in the 1990 General Plan, although the Planning Commission has recommended that it remain Neighborhood Commercial.

During the public hearing on the SRO Policy, the City Council was alerted to the fact that the City may receive applications for SRO development along this segment of Newport Boulevard which is currently designated Neighborhood Commercial. While the Council did not change the Policy to include reference to this particular area of the City, the Council did indicate that this area is as appropriate for SRO development as other areas designated General Commercial.

2. Location. The nearest bus lines are on Orange Avenue and Del Mar Avenue. While not within 1,000 feet, they do seem within a reasonable walking distance. The two bus lines both run through-out the day with good service during the morning and evening peak hours. The Orange Avenue route extends south to Newport Beach and



north by South Coast Town Center, up Main Street past Main Place and further north to the Mall of Orange. The Del Mar Avenue route extends east through the airport area to Irvine Valley College and west by Orange Coast College then along Adams to Huntington Beach. From this route connections can be made at Adams and Harbor to continue either north or southbound. A current schedule for both bus lines is attached.

While Newport Boulevard is not a major employment area, there are an array of commercial businesses to the north and south of the site, with a convenience market to the south (within 1,000 ft.) at the corner of Wilson and Newport. The attached map indicates various retail and service uses located within proximity to the proposed project.

3. Room Sizes and Occupancy Limits. The existing units (even when divided to eliminate existing suites) have an average size of 340 sq.ft., slightly in excess of the recommended 300 sq.ft. average. The proposal consists of 96 SRO units: 95 "studios" and 1 one-bedroom unit. The applicant is proposing that all of the units be reserved for single occupancy but this may change as the applicant works through the funding process.
4. Unit Requirements. Each unit is currently furnished with bed(s) chairs, table(s), night stands, television, and telephone. The applicant plans to retrofit kitchenettes into the existing sink/closet alcoves. The bathrooms would remain intact. The kitchenette design is still being worked out. At a minimum, the kitchenette will include a sink with garbage disposal, a refrigerator, a microwave oven and cabinets.
5. Parking. There are 94 existing parking spaces on-site. The applicant plans to reduce the number of parking spaces to accommodate a larger outdoor landscape/recreation area adjacent to the pool. Depending on the number of double occupancy units proposed, the parking based on the Policy parameters should be as follows:

no double occupancy = 79 parking spaces  
10% (9 units) double occupancy = 86 spaces  
20% (19 units) double occupancy = 94 spaces

The current plan allows for 85 on-site parking spaces. This parking would adequately provide parking if all of the units are designated as single person occupancy.

Staff has researched parking standards and studies regarding SRO parking and low income residential parking. In San Diego, the standard requirement is 0.2 space per SRO unit. Actual parking at SROs that Staff contacted ranged from a low of 3% of occupants having automobiles to a high of 33%. According to Myles Pomeroy with the City of San Diego, a study of low income residents revealed the average automobile ownership among this income group was .6 autos per unit (non-SRO).

Bicycle parking has not been designated, but the applicant has indicated that it could be provided within the secured parking area adjacent to the lobby.

6. Management and Security. The applicant is working in conjunction with a non-profit corporation to develop a complete management plan. The applicant does have plans to secure the parking lot entry through a code activated gate and to restrict pedestrian access through the front lobby area. The site is already equipped with exterior video cameras and monitors in the lobby area.

The applicant has also indicated a willingness to install wrought iron on top of the existing block wall that surrounds the site.

The draft Management Plan details operational characteristics of the SRO development.

7. Rental Term. The applicant is proposing all monthly rentals to qualify for low interest housing loans.
8. Rental Rates. The City's Policy would equate to 48 units (50%) affordable to low income tenants (\$665/month maximum), 24 units (25%) affordable to very low income tenants (\$456/month maximum), and 24 units (25%) affordable to the low end of very low income tenants (\$304/month maximum). The applicant is investigating various financing options and rental rate scenarios, including keeping a minimum number of units affordable to minimum wage workers. The latest rental rate scenario submitted by the applicant is as follows: 78 units (81.25%) affordable to very low income tenants (\$456/month), and 18 units (18.75%) affordable to minimum wage earners at \$250/month.

Staff is concerned about the amount of security deposit that may also be charged to new tenants, the draft

management plan states that a "full security deposit is also payable at the signing of the lease". Staff believes that although the City's policy does not address limits on the amount of this deposit, it may be justified to do so to ensure affordability for future tenants.

9. Common Areas. The common area standard for this size of project would be approximately 1,060 sq.ft. divided between interior and exterior, with neither having less than 420 sq.ft.

The existing exterior pool area is approximately 2,000 sq.ft. The applicant intends to remodel the lobby area to serve as the interior common area, the open lobby area is currently approximately 700 sq.ft. As stated in the parking section, the applicant also proposes to remove some of the parking and replace it with landscaping, picnic tables, chairs, and bar-b-ques. Based on the current plan this area would add approximately 3,400 sq.ft. of outdoor recreation area.

10. Storage Areas. The applicant is proposing to build-in closet storage areas within the existing sink/alcove areas. The issue of lockers has not been addressed yet.
11. Laundry Facilities. The hotel has a large laundry facility as well as coin operated laundry room. The applicant is proposing to retain both of these services.

#### CONCLUSIONS

The proposed SRO conversion meets most of the policy guidelines of the City. In the cases where there is some deviation, it seems justified by the particulars of the project, i.e. since it is an existing, fairly new hotel that is being converted. Some of the details have not yet been worked out and some of the proposals may change due to funding qualification requirements. Therefore, conditions have been worded to allow for some fine tuning of the project.

#### IV. PLANNING STAFF FINDINGS

- A. The information presented substantially complies with Costa Mesa Municipal Code Section 13-347 in that the proposed conversion of the existing motel into a Single Room Occupancy residential hotel (SRO) is

substantially compatible with developments in the same general area; granting of the Conditional Use Permit will not be detrimental to the health, safety and general welfare of the public or other properties or improvements within the immediate vicinity; and granting of the Conditional Use Permit will not allow a use, density or intensity which is not in accordance with the General Plan designation for the property.

- B. As required by Article 22-1/2, Transportation Systems Management of the City of Costa Mesa Municipal Code, pay applicable traffic impact fees identified for the Traffic Analysis Zone the project is located in prior to issuance of building permits.

V. PLANNING STAFF RECOMMENDATION

Approve, subject to conditions.

V. CONDITIONS, IF APPROVED

Shall meet all requirements of the various City Departments, copy attached hereto.

CONDITIONS OF APPROVAL

- Plng. 1. The Conditional Use Permit herein approved shall be valid until revoked, but shall expire upon discontinuance of the activity authorized hereby for a period of 180 days or more. The Conditional Use Permit may be referred to the Planning Commission for modification or revocation at any time if the Conditions of Approval have not been complied with, if the use is being operated in violation of applicable laws or ordinances, or if, in the opinion of the Development Services Director or his designee, any of the findings upon which the approval was based are no longer applicable.
2. A copy of the conditions of approval for the Conditional Use Permit must be kept on premises and presented to any authorized City official upon request. New business/property owners shall be notified of conditions of approval upon transfer of business or ownership of land.
3. Decorative wrought iron shall be added to the top of the existing perimeter block wall, under the direction of the Planning Division.
4. Securable bicycle storage shall be provided under the direction of the Planning Division.
5. Linens and regular laundry service for the room linens shall be provided at no additional charge to the tenants. Coin-operated washers and dryers shall be provided for tenant use.
6. Tenant income shall be limited to low and/or very low income levels with rental rates tied to these income levels. Any change in the proposed rental rate structure of 18 units affordable to minimum wage earners, and 78 units affordable to very low income wage earners shall require approval by the Planning Division. If any change would not comply with the Council Policy No. 500-5, such change shall be referred back to the Planning Commission for review and approval.
7. Security deposits shall be limited to one-half the first month's rent unless a higher limit is approved by the Planning Division.
8. The draft Management Plan shall govern the operation of the SRO. Any modification to the Management Plan shall require review by the Planning Division. If any change would not comply with Council Policy No. 500-5, such change shall be referred back to the Planning Commission for review and approval.
9. The Planning Division shall be provided with the name, address, and telephone numbers for contact persons of

- the management company and of any change made in the management company.
10. During the first year of operation, quarterly reports (due March 1st, June 1st, September 1st and December 1st) shall be submitted to the Planning Division pertaining to the level of occupancy, certification of tenant income and rental rates charged, automobile ownership of tenants, and job locations of tenants. Thereafter, such report shall be submitted on an annual basis, due each March 1st.
  11. Securable lockers or similar storage exterior to the tenants rooms shall be provided under the direction of the Planning Division.
  12. All units shall be single occupancy. Any proposed change to double occupancy shall be reviewed by the Planning Division. Any proposed change that would not comply with Council Policy No. 500-5 relative to either double occupancy limits or parking requirements based on occupancy shall be referred back to the Planning Commission for review and approval.
  13. The project shall conform with sections 4 - Unit Requirements and 7 - Rental Term of Council Policy No. 500-5.

**ORDINANCE AND/OR CODE PROVISIONS**

- Plng. 1. All contractors and subcontractors must have valid business licenses to do business in the City of Costa Mesa. Final occupancy and utility releases will not be granted, and final inspections will not be granted until all such licenses have been obtained.
2. Parking stalls shall be double-striped in accordance with City standards.
  3. Two (2) sets of detailed landscape/irrigation plans per the requirements set forth in Costa Mesa Municipal Code Sections 13-263 through 13-266, shall be submitted for review and approval by the Planning Division prior to issuance of any building permits. The two approved sets shall be attached to the two final building plan sets. Drought resistant vegetation together with a water conserving irrigation system shall be utilized. Landscaping shall be installed in accordance with the approved plan prior to release of utilities.
  4. All landscaped areas shall be separated from paved vehicular areas by 6" high continuous Portland cement concrete curbing.
  5. Permits shall be obtained for all signs, including banners and other special event signing, according to the provisions of the Costa Mesa Sign Ordinance.
  6. The paving under required covered parking spaces shall

- be portland cement concrete (PCC).
- Bldg. 7. Concrete wheel stops shall be installed 2' from the front edge of open parking spaces.
- Fire 8. Comply with the requirements of the Uniform Building Code as to design and construction.
9. Provide fire extinguishers with a minimum rating of 2A to be located within 75 feet of travel distance from all areas. Extinguishers may be of a type rated 2A,10BC as these extinguishers are suitable for all types of fires and are less expensive.
10. Provide approved smoke detectors to be installed in accordance with the 1988 Edition of the Uniform Fire Code.
11. Provide an automatic fire sprinkler system per Orange County SRO Housing Development Guide.
12. Provide 12" address numerals which conform to Fire Department standards with respect to size.
13. Provide a fire alarm system per Uniform Fire Code, 1985 Edition.

**SPECIAL DISTRICT REQUIREMENTS**

The requirement of the following special district is hereby forwarded to the applicant:

- Sani. 1. Developer to contact the Costa Mesa Sanitary District at (714) 631-1731 for current District requirements.

ABA (pa91102) sro

Condition #5 requires the provision of linens and laundry service as part of the basic rent. The developer has requested and Staff concurs that the laundry service may not be necessary or desired by all tenants. The financial consultant and the County believe that this service should qualify as an added cost rather than being included within the base rent.

The following changes to Planning Conditions of Approval #5 and #6 are recommended to facilitate the public participation in funding of this project. Additional text is in italics and deleted text is shown with strike-outs.

- \* 5. ~~Linens and regular laundry service for the room linens~~ shall be provided at no additional charge to the tenants. *Regular laundry service for the room linens shall be available to tenants at a reasonable additional charge. This service schedule and charge shall be approved by the Planning Division.* Coin-operated washers and dryers shall be provided for tenant use.
- \* 6. Tenant income shall be limited to low and/or very low income levels with rental rates tied to ~~these income levels the very low income level.~~ *Any change in the proposed rental rate structure of 18 units affordable to minimum wage earners, and 78 units affordable to very low income wage earners shall require approval by the Planning Division.* The maximum rental rate would be 30% of 50% of the Orange County median income as published by HUD and adjusted for single person household size. If any change would not comply with either the Council Policy No. 500-5 or this condition, such change shall be referred back to the Planning Commission for review and approval.

ABA(PA91102A.CND)

Attachment: PA-91-102 Staff Report

cc: Deputy City Mgr. - Dev. Services  
Assistant City Attorney  
Assistant City Engineer (2)  
Fire Protection Analyst  
Staff (4)  
File (2)

Butler-O'Bryon & Associates  
485 E. 17th Street Suite 501  
Costa Mesa, CA 92627

Shin Shen Chen  
2450 Newport Boulevard  
Costa Mesa, CA 92627