

46. Ratify draft regulatory agreement for the Freedom House project ()



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Human Services Department

Subject: Ratification of the Recordation of the Freedom House Draft Regulatory Agreement

Meeting Date: May 20, 2025

Formal Title: Ratify draft regulatory agreement for the Freedom House project

Recommended Actions

Ratify the draft regulatory agreement for the Freedom House project following recordation against the real property.

Executive Summary

During the December 17th Board meeting, the Board authorized the Human Services Department (HSD) to record the draft regulatory agreement for the Freedom House project and return for ratification. HSD is now returning to the Board with the recorded regulatory agreement for ratification.

Discussion

During the May 9th, 2023, meeting, the Board authorized submittal of a joint application for the State of California's Project Homekey Program for the Freedom House housing project. On December 19, 2023, HSD and CFSC Inc. received a conditional award of \$3,577,362. The terms of the Homekey Standard Agreement informed the final terms of a locally developed Project Agreement outlining the roles and responsibilities of the parties involved in implementing the Freedom House project.

As a requirement milestone of the State Homekey Standard Agreement, the award recipients must comply with providing the California Department of Housing and Community Development (HCD) with a draft copy of the regulatory agreement for the Freedom House project. Upon approval, the State requires that the regulatory agreement be recorded against the project real property. The recordation of the draft regulatory agreement occurred on April 10, 2025, and is being brought to the Board for ratification.

Financial Impact

There is no financial impact resulting from the recordation of the draft regulatory agreement for the Freedom House project.

Strategic Initiatives

Operational Plan - Comprehensive Health & Safety, Attainable Housing

Submitted By:

Randy Morris, Director of Human Services

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this

agenda item.

REQUESTED BY
AND WHEN RECORDED MAIL TO:

County of Santa Cruz
701 Ocean Street, Room 418
Santa Cruz, CA 95060
Attention: CDI Director



2025-0006992 04/08/2025 11:09:49 AM

OFFICIAL RECORDS OF Santa Cruz County
Sheri Thomas Recorder
RECORDING FEE: \$0.00
COUNTY TAX: \$0.00
CITY TAX: \$0.00



[This document is exempt from a recording fee
pursuant to Government Code Sections 6103 and
27383]

AFFORDABLE HOUSING REGULATORY AGREEMENT

This **AFFORDABLE HOUSING REGULATORY AGREEMENT** (this "**Regulatory Agreement**"), dated for purposes of identification only as of April 2, 2025 (the "**Date of Regulatory Agreement**"), is entered by and between the **COUNTY OF SANTA CRUZ**, a political subdivision of the State of California, (the "**County**"), and **CFSC, INC.**, a California nonprofit public benefit corporation (the "**Developer**"). County and Developer are hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. Developer owns fee title to certain real property located at 2716-2718 Freedom Blvd., Watsonville, CA 95076 (APN 050-081-01), in the unincorporated area of the County of Santa Cruz (the "**Property**"). The Property is more particularly described in Exhibit "A", which is attached hereto and incorporated herein by this reference. The Property is improved with (i) a vacant 10-bedroom, 7-bath structure commonly known as "**Freedom House**," which was previously used as a 20-bed residential care facility, (ii) seven (7) occupied rental cottages (the "**Cottages**"), and (iii) a functioning administrative building (the "**Administrative Building**"). The Freedom House, Cottages and Administrative Building are collectively referred to as the "**Property Improvements**."

B. The Property was previously assisted by the former Santa Cruz County Redevelopment Agency (the "**RDA**") in 1998 with an acquisition/rehabilitation loan that was made to Mercy Housing California ("**Mercy**"), the prior owner of the Property (the "**RDA Loan**"). In connection with the RDA Loan, Mercy (i) executed that certain Deed of Trust, which secures repayment of the RDA Loan and was recorded on December 31, 1998 in the Official Records of the County of Santa Cruz as Instrument Number 1998-0080710 (the "**RDA Deed of Trust**"), and (ii) entered into with the RDA that certain Agreement and Declaration of Covenants, Conditions and Restrictions, which requires that the Property be used as low-income rental housing for a period of fifty-five (55) years from the date thereof and which was recorded on December 31, 1998 in the Official Records of the County of Santa Cruz as Instrument Number 1998-0080709 (the "**RDA Regulatory Agreement**").

C. In connection with Developer's acquisition of the Property, Developer assumed all of the rights and obligations of Mercy in and to the Property, the RDA Loan,

the RDA Deed of Trust, and the RDA Regulatory Agreement pursuant to that certain Assignment and Assumption Agreement (\$120,000 Santa Cruz Community Credit Union Loan) dated February 23, 2006 and recorded in the Official Records of the County of Santa Cruz on March 17, 2006, as Instrument No. 2006-0014941. County is the housing successor entity to the former RDA, acquired all of the housing assets of the RDA, and has the right to administer, implement and enforce all of the housing assets of the former RDA, including, without limitation, the RDA Deed of Trust, RDA Regulatory Agreement, and any other document or agreement executed by Mercy and/or Developer in favor of the RDA with respect to the Property.

D. On or about July 3, 2023, Developer and County entered into that certain Predevelopment Loan Agreement and Promissory Note (the “**County Predevelopment Agreement**”), pursuant to which, among other things, County provided a predevelopment loan to Developer in the amount of One Hundred One Thousand Eight Hundred Seventy-One Dollars and Forty Cents (\$101,871.40) in State Permanent Local Housing Allocation (PLHA) funds (the “**County Predevelopment Loan**”), to assist Developer with certain studies, design, permitting, environmental review, and other predevelopment activities necessary for purposes of determining the feasibility of Developer renovating the Freedom House into transitional housing for Transitional Aged Youth (“**TAY**”).

E. Pursuant to the County Predevelopment Agreement, as a condition to any disbursements of the County Predevelopment Loan, Developer executed that certain Deed of Trust with Assignment of Rents, which was recorded against the Property on July 27, 2023, as Instrument No. 2023-0013850 (the “**County Deed of Trust**”).

F. In connection with Developer’s proposal to convert the Freedom House into transitional housing for TAY, on December 19, 2023, pursuant to a joint application filed with County, County and Developer received an award of grant funds from the Homekey Round 3 program (the “**Homekey Program**”), which is administered by the California Department of Housing and Community Development (“**HCD**”), pursuant to which grant funding is made available to local public entities, within California, for purposes of sustaining and expanding housing for persons experiencing homelessness or at risk of homelessness, and who are thereby inherently impacted by COVID-19 and other communicable diseases.

G. In furtherance of the award under the Homekey Program, (i) on or about September 30, 2024, Developer and County entered into with HCD a Standard Agreement (the “**Standard Agreement**”), and (ii) Developer and County entered into or will enter into a Project Agreement (the “**Project Agreement**”). Pursuant to the Standard Agreement and Project Agreement, copies of which are or will be on file with the County Clerk, Developer has agreed to convert the Freedom House to eleven (11) efficiency studio units, with associated improvements to site infrastructure to support this conversion, to be operated as transitional housing for homeless or at-risk TAY (“**TAY Transitional Housing**”) during the term of the Standard Agreement and Project Agreement (collectively, the “**Project**”).

H. This Regulatory Agreement serves as a deed restriction for purposes of the Homekey Program, and implements the special population requirements set forth in the Project Agreement and Standard Agreement.

I. The County Predevelopment Agreement further provides that the Parties execute and record this Regulatory Agreement against the Property, to ensure that the Freedom House shall be operated continuously, for a period of fifty-five (55) years, as TAY Transitional Housing or as "Long-Term Affordable Housing" (as defined in in Section 1 below) in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, and for other valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

SECTION 1. DEFINITIONS.

"Affiliate" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with Developer, whether by direct or indirect ownership of equity interests, by contract or otherwise, where **"Person"** means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, **"Control"** means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and **"Controlling"** and **"Controlled"** means exercising or having Control.

"Affordable Units" means the eleven efficiency units to be developed within the Freedom House, each of which such unit shall have its own bathroom and kitchenette.

"Affordable Rent" means the maximum Monthly Rent that may be charged to and paid by Extremely Low Income Households, as annually determined pursuant to Health and Safety Code Section 50053(b)(2), as the same may be amended from time to time, and the regulations promulgated pursuant to and incorporated therein.

"AHAP Contract" means an Agreement to Enter into Housing Assistance Payments Contract entered into by and between Developer and the Housing Authority of the County of Santa Cruz.

"AMI" means the median household income (adjusted for household size) for the Santa Cruz County Area promulgated and published annually by HCD pursuant to Title 25, Section 6932 of the California Code of Regulations. If HCD ceases to annually publish median incomes, the Parties shall agree upon an adequate substituted manner for determining AMI.

"CDI Director" means the person duly appointed to the position of Deputy CAO/Director of Community Development & Infrastructure of County. The CDI Director shall represent County in all matters pertaining to this Regulatory Agreement. Whenever a reference is made herein to an action or approval to be undertaken by County, the CDI Director is authorized to act unless this Regulatory Agreement specifically provides otherwise or the context should otherwise require.

“Certification of Continuing Program Compliance” means an annual recertification form substantially in the form attached hereto and incorporated herein as Exhibit “E”.

“Certificate of Occupancy” means the final certificate of occupancy issued by the County for the completion of construction of the Project, or equivalent County approval, if County does not issue certificates of occupancy.

“County” means the County of Santa Cruz, a political subdivision of the State of California.

“County and County Personnel” means County and all of County’s officers, officials, directors, members, employees, agents, and representatives.

“County Deed of Trust” is defined in Recital E hereof.

“County Note” means a promissory note prepared by County and executed by Developer on or about the same date hereof, that evidences Developer’s obligation to repay the County Predevelopment Loan.

“County Predevelopment Agreement” is defined in Recital D hereof.

“Date of Regulatory Agreement” is defined in the initial paragraph hereof.

“Default” means the failure of a Party to perform any action or covenant required by this Regulatory Agreement within the time periods provided hereunder, following notice and opportunity to cure, as set forth in Section 15.01 of this Regulatory Agreement.

“Developer” means CFSC Inc., a California nonprofit public benefit corporation, and any permitted assignees of Developer.

“Eligible Tenant/Participant” means a household who qualifies as (a) an Extremely Low Income Household, and (b) a Homeless Youth or a Youth at Risk of Homelessness; provided, however that if the Freedom House is converted to Long-Term Affordable Housing pursuant to the terms of this Regulatory Agreement, then the term Eligible Tenant/Participant shall be automatically revised to mean a household who qualifies as (i) an Extremely Low Income Household, and (ii) a Homeless Youth or a Youth at Risk of Homelessness.

“Environmental Laws” means (i) Sections 25115, 25117, 25122.7 or 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) Article 9 or Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (vi) Section 311 of the Clean Water Act (33 U.S.C. §1317), (vii) Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq.*

(42 U.S.C. §6903) or (viii) Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq.

“Extremely Low Income Household” shall have the meaning ascribed thereto in California Health and Safety Code Section 50106, as the same may be amended from time to time, and the regulations promulgated pursuant to and incorporated therein.

“Governmental Requirements” means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees, of the United States, the State of California, the County, and any other political subdivision, agency, instrumentality, or other entity exercising jurisdiction over County, Developer, the Project, or the Property, including common law.

“HAP Contract” means a Housing Assistance Payments contract entered into by and between Developer and the Housing Authority of the County of Santa Cruz.

“Hazardous Materials” means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste”, “acutely hazardous waste”, “extremely hazardous waste”, or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a “hazardous material”, “hazardous substance”, or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as “hazardous” or “extremely hazardous” pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate, or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as “hazardous” or harmful to the environment. For purposes hereof, “Hazardous Materials” excludes materials and substances in quantities as are commonly used in constructing and operating apartment complexes, provided such materials and substances are used in accordance with all applicable laws.

“Hazardous Materials Contamination” means the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or

the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time emanating from the Property.

"HCD" has the meaning ascribed thereto in Recital F.

"HUD" means the United States Department of Housing and Urban Development.

"Homekey Program" has the meaning ascribed thereto in Recital F.

"Homeless Youth" means a child, youth, or current or former foster youth through the age of 25 who qualifies as "homeless" under any of the relevant definitions set forth or identified at Part 578.3 of Title 24 of the Code of Federal Regulations.

"Institutional Lender" means any of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars (\$100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an "incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Sections 2600 et seq. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or a subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker; college or university; pension or retirement fund or system, either governmental or private, or any pension or retirement fund or system of which any of the foregoing shall be trustee, provided the same be organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange.

"Legal Description" means that certain legal description of the Property which is attached hereto and incorporated herein as Exhibit "A".

"Long-Term Affordable Housing" means the conversion of the Freedom House to regular, long-term affordable rental housing for a Homeless Youth or a Youth at Risk of Homelessness.

"Marketing Plan" means a marketing plan for the rental of the Affordable Units which provides, to the extent authorized by applicable federal, state and local laws and regulations, that a preference be given to tenants who are currently residents of the County or currently work in the County. Prior to conversion of the Freedom House to Long-Term Affordable Housing pursuant to the terms of this Regulatory Agreement, Developer shall submit to the CDI Director and obtain approval of Developer's proposed Marketing Plan. The Marketing Plan is further discussed in Section 4.03(b) hereof.

“Monthly Rent” means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone, internet, or cable service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer. In the event that all utility charges are paid by the landlord rather than the tenant, no utility allowance shall be deducted from the rent.

“Notice” means a notice in the form prescribed by Section 16.01 hereof.

“Official Records” means the Official Records of the County of Santa Cruz, California.

“Operating Budget” means an operating budget for the Project, which budget shall be subject to the annual written approval of County in accordance with Section 9.01 hereof.

“Operating Expenses” has the meaning ascribed thereto in the County Note.

“Program Requirements” means, collectively, (i) the Notice of Funding Availability for the Homekey Program issued by HCD on March 29, 2023, (ii) the Project Agreement, (iii) the Standard Agreement, (iv) the Multifamily Housing Program Guidelines, (v) the Coronavirus Aid, Relief, and Economic Security Act and federal interpretive guidance issued in connection therewith, and (vi) the American Rescue Plan Act and federal interpretive guidance issued in connection therewith.

“Project” has the meaning ascribed thereto in Recital G.

“Project Agreement” has the meaning ascribed thereto in Recital G.

“Property” has the meaning ascribed thereto in Recital A.

“Property Improvements” has the meaning ascribed thereto in Recital A.

“RDA Regulatory Agreement” has the meaning ascribed thereto in Recital B.

“Regulatory Agreement” means this Affordable Housing Regulatory Agreement.

“Reserve Account” has the meaning ascribed thereto in Section 10

“Standard Agreement” has the meaning ascribed thereto in Recital G.

“Term” means the term of this Regulatory Agreement, which is fifty-five (55) years following the date County issues a Certificate of Occupancy.

“Youth at Risk of Homelessness” means a child, youth, or current or former foster youth through the age of 25 who qualifies as “at risk of homelessness” or

"homeless" under any of the relevant definitions set forth or identified at Part 578.3 of Title 24 of the Code of Federal Regulations.

SECTION 2. COVENANTS REGARDING CONSTRUCTION OF THE PROJECT.

Developer shall carry out the design, construction, and operation of the Project in compliance with applicable Governmental Requirements, all of the terms and conditions set forth in this Regulatory Agreement, the all of the Program Requirements.

SECTION 3. COVENANTS REGARDING USE.

3.01 Covenants To Use In Accordance With County Code And This Regulatory Agreement. Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to Developer's interest in the Property or any part thereof, that during the Term Developer shall devote the Property to the uses specified in the Santa Cruz County Code, this Regulatory Agreement, the Project Agreement the Standard Agreement, and the RDA Regulatory Agreement. All uses conducted on the Property, including, without limitation, all activities undertaken by Developer pursuant to this Regulatory Agreement, shall conform to all applicable provisions of the Santa Cruz County Code. The foregoing covenants shall run with the land.

3.02 Covenant Regarding Specific Uses. Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to Developer's interest in the Property or any part thereof, that during the Term Developer shall use the Freedom House to operate the Project.

3.03 Covenants Regarding Term And Priority of Agreement. This Regulatory Agreement shall remain in effect for the Term, notwithstanding the payment in full of the RDA Loan and County Predevelopment Loan. Developer's performance under this Regulatory Agreement is secured by the County Deed of Trust, and Developer shall not be entitled to a reconveyance of the County Deed of Trust until expiration of the Term; provided that, upon Developer's repayment of the County Predevelopment Loan, Developer shall be entitled to a partial reconveyance of the County Deed of Trust solely to release therefrom Developer's obligations to repay the County Predevelopment Loan. This Regulatory Agreement shall unconditionally be and remain at all times an encumbrance on the Property prior and superior to any monetary liens on the Property.

3.04 Effect of this Regulatory Agreement on RDA Regulatory Agreement. Except to the extent the terms of this Regulatory Agreement are in conflict with the terms of the RDA Regulatory Agreement, including, without limitation, (i) the terms regarding the rehabilitation, operation and use of the Freedom House as required pursuant to this Regulatory Agreement which amend and restate, and fully replace, the terms in the RDA Regulatory Agreement that pertain to the operation and use of the Freedom House, and (ii) the terms regarding the Reserve Account in Section 10 of this Regulatory Agreement, which amend and restated, and fully replace, the terms and requirements RDA Regulatory Agreement that pertain to establishing and retaining operating and reserve accounts, Developer shall comply with the terms of this Regulatory Agreement and with the terms of the RDA Regulatory Agreement. In the event of a conflict between this

Regulatory Agreement and the RDA Regulatory Agreement, the terms of this Regulatory Agreement shall control. In the event of any uncertainty as whether such a conflict exists, Developer shall consult with the CDI Director, who shall resolve any such conflict.

3.05 Lease to County; Sublease to Supportive Services Provider. Notwithstanding anything to the contrary in this Regulatory Agreement, following Developer's completion of construction of the Project, and during the portion of the Term when the Freedom House is operated as TAY Transitional Housing, with the exception of Developer's insurance obligations hereunder and any obligations of Developer under the "Developer/County Lease" (as defined hereinafter), Developer shall be deemed to be in compliance with the requirements under this Regulatory Agreement that pertain to the operation of the Freedom House if during such portion of the Term Developer has leased the Freedom House to County pursuant to a lease agreement with terms contemplated and pursuant to the terms of the Project Agreement (a "**Developer/County Lease**"). The Parties acknowledge and agree that the Project Agreement further contemplates that in the event the Parties enter into a Developer/County Lease, County will sublease the Freedom House to a nonprofit supportive service provider (a "**Supportive Services Provider**"). As of the Effective Date, the Parties contemplate that the Supportive Services Provider will be the Bill Wilson Center.

SECTION 4. COVENANTS REGARDING AFFORDABLE UNITS.

Developer shall provide for the Affordable Units in accordance with this Section.

4.01 Residential Use. Without County's prior written consent, which consent may be given or withheld in County's sole and absolute discretion, except during the portion of the Term when the Freedom House is operated as TAY Transitional Housing, none of the Affordable Units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, residential care facility, nursing home, hospital, sanitarium, or trailer court or park, nor shall the Affordable Units be used as a place of business except as may otherwise be allowed by applicable law.

4.02 Provision of Affordable Units. For the Term, Developer shall make available, restrict occupancy to, and rent the Affordable Units to Eligible Tenants/Participants, at Affordable Rents, in compliance with the Affordable Unit Mix attached hereto and incorporated herein as Exhibit "B"; provided, however, that during the portion of the Term when the Freedom House is operated as TAY Transitional Housing, Developer may not charge any rent.

4.03 Selection of Tenants.

(a) During the portion of the Term when the Freedom House is operated as TAY Transitional Housing, referrals to the Affordable Units shall be made through the local Coordinated Entry System ("CES"), or another comparable prioritization system based on greatest need. All referral protocols for the Affordable Units shall be developed in collaboration with the local Continuum of Care and implemented consistent with all applicable Program Requirements.

(b) During the portion of the Term, if any, when the Freedom House is operated as Long-Term Affordable Housing, the requirements in this paragraph (b) shall apply. Developer shall be responsible for the selection of tenants for the Affordable Units in compliance with all lawful and reasonable criteria, as set forth in the Marketing Plan. Developer shall not refuse to lease to (i) a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria, or (ii) an applicant who would be qualified to be a tenant in accordance with the approved tenant selection criteria but for a poor credit rating resulting from a foreclosure of a mortgage on a single family home previously owned by the applicant. Developer shall maintain a waiting list of persons interested in renting an Affordable Unit. Subject to Sections 4.05 and 4.07 below, at such time as an Affordable Unit becomes available for rental, Developer shall rent such Affordable Unit to the first person on the waiting list that qualifies as an Eligible Tenant/Participant to rent the Affordable Unit. Developer shall use commercially reasonable efforts to lease Affordable Units that become available as quickly as possible.

4.04 Occupancy Restrictions. Developer shall comply with all applicable occupancy standards and restrictions promulgated by HUD, HCD, and/or any other applicable funding source.

4.05 Participation Agreement; Leases for Affordable Units.

(a) During the portion of the Term when the Freedom House is operated as TAY Transitional Housing, Developer shall enter into with each Eligible Tenant/Participant of an Affordable Unit a Transitional Housing Program Participation Agreement that complies with the California Transitional Housing Misconduct Act.

(b) During the portion of the Term, if any, when the Freedom House is operated as Long-Term Affordable Housing, Developer shall enter into with each Eligible Tenant/Participant of an Affordable Unit a written lease, the form of which shall comply with the requirements of this Regulatory Agreement. Developer shall submit the form of lease, or a copy of any executed lease, to County upon written request by County.

4.06 Additional Requirements Applicable to Long-Term Affordable Housing. The requirements in this Section 4.06 shall apply during the portion of the Term, if any, when the Freedom House is operated as Long-Term Affordable Housing.

(a) Occupancy By Eligible Tenant/Participant. An Affordable Unit occupied by an Eligible Tenant/Participant who qualified as an Eligible Tenant/Participant at the commencement of the occupancy shall be treated as occupied by an Eligible Tenant/Participant until a recertification of such Eligible Tenant's income in accordance with paragraph (d) below demonstrates that such tenant no longer qualifies as an Eligible Tenant/Participant. An Affordable Unit previously occupied by an Eligible Tenant/Participant and then vacated shall be considered occupied by an Eligible

Tenant/Participant until the Affordable Unit is reoccupied, provided Developer uses its best efforts to re-lease the vacant Affordable Unit to an Eligible Tenant/Participant. Any vacated Affordable Unit shall be held vacant until re-leased to an Eligible Tenant/Participant.

(b) Income Computation and Certification. Immediately prior to an Eligible Tenant/Participant's occupancy of an Affordable Unit, Developer shall obtain an Income Computation and Certification Form in the form attached hereto and incorporated herein as Exhibit "C" from each such Eligible Tenant/Participant dated no more than one hundred twenty (120) days prior to the date of initial occupancy in the Project by such Eligible Tenant/Participant. In addition, Developer shall provide such further information as may be reasonably required in the future by County for purposes of verifying a tenant's status as an Eligible Tenant/Participant. Developer shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (i) obtain three (3) pay stubs for the most recent pay periods; (ii) obtain a written verification of income and employment from the applicant's current employer; (iii) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (iv) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to County. Developer shall maintain in its records each Income Computation and Certification Form obtained pursuant to this section for a minimum of five (5) years.

(c) Rental Priority. Subject to all applicable Governmental Requirements, and any funding obtained by Developer to operate and/or develop the Project that has been approved by County, Developer shall use its reasonable commercial efforts to lease the Affordable Units to Eligible Tenants/Participants in the following order of priority: (i) Eligible Tenants/Participants who have been or will be displaced by an activity of County, or (ii) Eligible Tenants/Participants who live and/or work in the County.

(d) Recertification. Within one hundred twenty (120) days prior to the first anniversary date of the occupancy of an Affordable Unit by an Eligible Tenant/Participant, and on each anniversary date thereafter, Developer shall recertify the income of such Eligible Tenant/Participant by obtaining a completed Income Recertification Form, in the form attached hereto and incorporated herein as Exhibit "D", based upon the current income of each known occupant of the Affordable Unit.

If, after renting an Affordable Unit, the household income increases above the income level permitted for an Affordable Unit, that household may not be permitted to remain in the unit unless requiring such household to move will violate the requirements of any of the regulations of the financing obtained by Developer and that has been approved by County pursuant to the terms of this Regulatory Agreement. In such event, Developer shall notify County in writing of such occurrence, and shall inform County of (1) its plans for removing the household from the Affordable Unit, or (2) the specific rule or regulation that prohibits such action, and shall provide written evidence of the same.

(e) Certification of Continuing Program Compliance. During the term of this Regulatory Agreement, on or before each July 1st following the date County issues a Certificate of Occupancy, Developer shall annually advise County of the occupancy of the Project during the preceding calendar year by delivering a Certification of Continuing Program Compliance in the form attached hereto and incorporated herein as Exhibit "E", stating (i) the Affordable Units of the Project which have been rented to and are occupied by Eligible Tenants/Participants and (ii) that to the knowledge of Developer either (a) no unremedied default has occurred under this Regulatory Agreement, or (b) a default has occurred, in which event said certification shall describe the nature of the default and set forth the measures being taken by Developer to remedy such default.

(f) Reliance on Tenant Representations. Each tenant lease shall contain a provision to the effect that Developer has relied on the income certification and supporting information supplied by the tenant in determining qualification for occupancy of the Affordable Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

(g) Remedy For Violation of Rental Requirements.

(1) It shall constitute a default for Developer to charge or accept for any Affordable Unit rent amounts in excess of the amount provided for in Section 4.02 of this Regulatory Agreement. In the event that Developer charges or receives such higher rental amounts, Developer shall be required to reimburse the tenant that occupied said Affordable Unit at the time the excess rent was received for the entire amount of such excess rent received, provided that such tenant can be found following reasonable inquiry, and to pay to such tenant interest on said excess amount, at the rate of six percent (6%) per annum, for the period commencing on the date the first excess rent was received from said tenant and ending on the date reimbursement is made to the tenant. For purposes of this paragraph (g)(1), "reasonable inquiry" shall include Developer's review of information provided by the tenant as part of the tenant's application, and forwarding information provided by the tenant, and Developer's reasonable attempts to contact the tenant and any other persons listed in either of such documents. If, after such reasonable inquiry, Developer is unable to locate the tenant, Developer shall pay all of such amounts otherwise to be paid to the tenant to County.

(2) Except as otherwise provided in this Regulatory Agreement, it shall constitute a default for Developer to knowingly (or without investigation as required herein) initially rent any Affordable Unit to a tenant who is not an Eligible Tenant/Participant. In the event Developer violates this paragraph (g)(2), in addition to any other equitable remedy County shall have for such default, Developer, for each separate violation, shall be required to pay to County an amount equal to (i) the greater of (A) the total rent Developer received from such ineligible tenant, or (B) the total rent Developer was entitled to receive for renting that Affordable Unit, plus (ii) any relocation expenses incurred by County as a result of Developer having rented to such ineligible person. The terms of this Section shall not apply if Developer rents to an ineligible person as a result of such person's fraud or misrepresentation.

(3) It shall constitute a default for Developer to knowingly (or without investigation as required herein) rent an Affordable Unit in violation of the

leasing preference requirements of paragraph (c) of this Section 4.06. In the event Developer violates said paragraph (c), in addition to any other equitable remedy County shall have for such default, Developer, for each separate violation, shall be required to pay County an amount equal to the greater of (A) the total rent Developer received from such ineligible tenant, or (B) the total rent Developer was entitled to receive for renting that Affordable Unit.

THE PARTIES HERETO AGREE THAT THE AMOUNTS SET FORTH IN THIS PARAGRAPH (g) (THE "DAMAGE AMOUNTS") CONSTITUTE A REASONABLE APPROXIMATION OF THE ACTUAL DAMAGES THAT COUNTY WOULD SUFFER DUE TO THE DEFAULTS BY DEVELOPER SET FORTH IN THIS PARAGRAPH (g), CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING ON THE DATE OF REGULATORY AGREEMENT, INCLUDING THE RELATIONSHIP OF THE DAMAGE AMOUNTS TO THE RANGE OF HARM TO COUNTY AND ACCOMPLISHMENT OF COUNTY'S PURPOSE OF ASSISTING IN THE PROVISION OF AFFORDABLE HOUSING TO ELIGIBLE TENANTS THAT REASONABLY COULD BE ANTICIPATED AND THE ANTICIPATION THAT PROOF OF ACTUAL DAMAGES WOULD BE COSTLY OR INCONVENIENT. THE AMOUNTS SET FORTH IN THIS PARAGRAPH (g) SHALL BE THE SOLE MONETARY DAMAGES REMEDY FOR THE DEFAULTS SET FORTH IN THIS PARAGRAPH (g), BUT NOTHING IN THIS PARAGRAPH (g) SHALL BE INTERPRETED TO LIMIT COUNTY'S REMEDY FOR SUCH DEFAULT TO SUCH A DAMAGES REMEDY AND IN THAT REGARD COUNTY MAY DECLARE A DEFAULT UNDER THE TERMS OF THE COUNTY NOTE OR OTHER AGREEMENTS ENTERED INTO BY AND BETWEEN COUNTY AND DEVELOPER. IN PLACING ITS INITIALS AT THE PLACES PROVIDED HEREINBELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY HAS BEEN REPRESENTED BY COUNSEL WHO HAS EXPLAINED THE CONSEQUENCES OF THE LIQUIDATED DAMAGES PROVISION AT OR PRIOR TO THE TIME EACH EXECUTED THIS REGULATORY AGREEMENT.

DEVELOPER'S INITIALS:

COUNTY'S INITIALS:

S.L.

[Signature]

(h) AHAP Contract; HAP Contract; PBV Units. Developer shall use commercially reasonable efforts to secure and enter into with the Housing Authority of the County of Santa Cruz an AHAP Contract and HAP Contract, and to continually renew such contracts throughout the term of this Regulatory Agreement. Notwithstanding anything to the contrary in this Regulatory Agreement, during the term of any HAP Contract for the Property, the units subject to project-based-voucher assistance pursuant to the HAP Contract (the "**PBV Units**") shall be subject to the tenant selection and rental requirements and restrictions set forth in the HAP Contract, and to the extent that with respect to the PBV Units there is a conflict between the terms of this Regulatory Agreement and the terms of the HAP Contract, then with respect to the PBV Units the terms of the HAP Contract shall control. For the avoidance of doubt, the PBV Units shall

not be subject to the tenant selection requirements in Section 4.03(b) or the priority requirements set forth in paragraph (c) of this Section 4.06.

4.07 Monitoring and Record Keeping. Representatives of County shall be entitled to enter the Property during normal business hours, upon not less than twenty-four (24) hours' notice, to monitor compliance with this Regulatory Agreement, to inspect the records of the Property, and to conduct an independent audit or inspection of such records. Developer agrees to cooperate with County in making the Property and all Affordable Units thereon available for such inspection or audit. Developer agrees to maintain records in a businesslike manner, and to maintain copies of original tenant certifications for fifteen (15) years (or such longer period as required by the Standard Agreement or Project Agreement) and all other records pertaining to the Project for five (5) years.

4.08 Relationship to Standard Agreement and Project Agreement. Notwithstanding any other provisions set forth in this Regulatory Agreement, during the term of the Standard Agreement, the terms of the Standard Agreement shall control over any conflicting provisions in this Regulatory Agreement.

Developer agrees to perform all of Developer's obligations under this Regulatory Agreement, and under each of the Standard Agreement and Project Agreement. A default under either or both of the Project Agreement or Standard Agreement that has not been cured within any applicable cure period in the respective document shall constitute a default hereunder.

SECTION 5. COVENANT TO PAY TAXES AND ASSESSMENTS.

Developer shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Developer's right to contest any such tax in good faith and any property tax exemption.

SECTION 6. COVENANTS REGARDING 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 Santa Cruz County Code, and in accordance with HUD's Housing Quality Standards. Developer shall maintain the improvements and landscaping on the Property in accordance with the "Maintenance Standards," as hereinafter defined. Such Maintenance Standards shall apply to all buildings, signage, lighting, landscaping, irrigation of landscaping, architectural elements identifying the Property and any and all other improvements on the Property. 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.

Developer and its maintenance staff, contractors or subcontractors shall comply with the following standards (the "**Maintenance Standards**"):

i) The Property shall be maintained in good condition and in accordance with the custom and practice generally applicable to comparable high quality, well-managed apartment complexes, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curb line.

ii) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

iii) Clean-up maintenance shall include, but not be limited to: maintenance of all sidewalks, paths, and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris, or other matter which is unsafe or unsightly; removal of all trash, litter, and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves, and other debris are properly disposed of by maintenance workers.

Upon County's written notification to Developer of any maintenance deficiency, Developer shall have thirty (30) days within which to correct, remedy or cure the deficiency, or such longer period as is reasonably necessary to complete the cure, provided Developer commences the correction, remedy, or cure within such thirty (30) day period and diligently pursues such correction, remedy, or cure to completion.

SECTION 7. COVENANTS REGARDING MANAGEMENT.

Developer shall provide for the management of the Project in accordance with this Section.

7.01 Property Manager. Developer shall manage or 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 high quality, well-managed rental housing projects and commercial developments in Santa Cruz County, California. Developer may contract with a property management company or property manager to operate and maintain the Project in accordance with the terms of this Section ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to prior written approval of County. Developer shall conduct due diligence and background evaluation of any potential outside property manager or property management company to evaluate experience, references, credit worthiness, and related qualifications as a property manager. Any proposed property manager shall have prior experience with projects and properties comparable to the Project and the references and credit record of such manager/company shall be investigated (or caused to be investigated) by Developer prior to submitting the name and qualifications of such proposed property manager to County for review and approval. A complete and true copy

of the results of such background evaluation shall be provided to County. Approval of a Property Manager by County shall not be unreasonably withheld or delayed and shall be in County's reasonable discretion, and County 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 County, which approval shall not be unreasonably delayed, and shall be in County's reasonable discretion. The selection by Developer of any new Property Manager also shall be subject to the foregoing requirements.

7.02 Management Plan. Not less than ninety (90) days prior to County's issuance of a Certificate of Occupancy, Developer shall prepare and submit to the CDI Director for review and approval an updated and supplemented management plan which includes a detailed plan and strategy for long-term marketing for the Affordable Units, operation, maintenance, repair, and security of the Project, method of selection of tenants, rules and regulations for tenants, and other rental policies for the Affordable Units (the "**Management Plan**"). Subsequent to approval of the Management Plan by the CDI Director, 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 the CDI Director proposed amendments to the Management Plan, which are also subject to the prior written approval of the CDI Director.

7.03 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Affordable Units or any part of the Project, County 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) days from the date of Notice from County. If such condition(s) acts, or inactions of gross mismanagement do persist beyond such period, County 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 County'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.

For purposes of this Regulatory Agreement, the term "**Gross Mismanagement**" shall mean management of any part of the Project in a manner which materially violates the terms and/or intention of this Regulatory Agreement to operate a high quality, well-managed residential complex, and shall include, but is not limited to, any one or more of the following:

- i) knowingly leasing Affordable Units to tenants who exceed the prescribed income levels;
- ii) knowingly allowing the tenants of Affordable Units to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;
- iii) underfunding the Reserve Account;

iv) failing to timely maintain the Project in accordance with the Management Plan and the manner prescribed herein;

v) failing to submit timely and/or adequate annual reports to County as required herein;

vi) committing fraud or embezzlement with respect to Project funds, including without limitation funds in the Reserve Account;

vii) failing to reasonably cooperate with the County of Santa Cruz Sheriff's Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project;

viii) failing to reasonably cooperate with the County Fire District or other local public safety agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project;

ix) failing to reasonably cooperate with the County Code Enforcement Division, or other local health and safety enforcement agency(ies) with jurisdiction over the Property and/or Project, in maintaining a safe environment within the Project; and

x) spending funds from the Reserve Account for purposes other than those expressly authorized pursuant to Section 10 hereof.

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use its best 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.

7.04 Property Inspections. Developer acknowledges and agrees that County and its employees and authorized agents shall have the right to conduct inspections of the Project and the individual Affordable Units, both exterior and interior, at reasonable times and upon reasonable notice (not less than 48 hours prior notice) to Developer and/or an individual tenant. If such notice is provided by the County or its representative(s) to Developer, then Developer (or its Property Manager) shall immediately and directly advise tenants of such upcoming inspection and cause access to the area(s) and/or units to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the lease/rental agreements for each Affordable Unit in order for each and every tenant and tenant household to be aware of this inspection right.

7.05 Drug Free Covenant. Developer shall use its best efforts to maintain a drug free environment on the Property. Developer covenants to County that Developer shall use its best efforts to ensure that all persons working on the Property shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as

said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes) on the Property.

SECTION 8. COVENANTS REGARDING NONDISCRIMINATION.

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

Developer agrees for itself and any successor in interest that Developer shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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

ii) **In leases:** "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the

selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

iii) **In contracts:** “There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

The covenants established in this Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of County, its successors and assigns, and any successor in interest to the Property, together with any property acquired by Developer pursuant to this Regulatory Agreement, or any part thereof. The covenants against discrimination shall remain in effect in perpetuity.

SECTION 9. OPERATING BUDGET OR ANNUAL BUDGET; ANNUAL AND QUARTERLY REPORTS.

9.01 Operating Budget. Developer shall submit to County on or before November 1 of each year an operating budget for the Project (“**Operating Budget**” or “**Annual Budget**”), which budget, including the format thereof, shall be subject to the written approval of the CDI Director or designee, which approval shall not be unreasonably withheld or conditioned so long as such budget is not inconsistent with this Regulatory Agreement. The CDI Director’s discretion in review and approval of each proposed annual Operating Budget or Annual Budget shall include, without limitation, authority to review individual categories, line items, and accounts, such as the following: property and other taxes and assessments imposed on the Project; premiums for property damage and liability insurance; utility services not paid for directly by the tenants, including (as applicable), but not limited to, water, sewer, trash collection, gas, and electricity; maintenance and repairs including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial supplies; resident services pursuant to the Resident Services Plan; any additional supportive services to be provided by Developer that are necessary to help residents maintain personal or household stability and housing status; any license or certificates of occupancy fees required for operation of the Project; general administrative expenses, including, but not limited to, advertising, marketing, security services and systems, professional fees for legal, audit, accounting and tax returns, and other; property management fees and reimbursements including on-site manager expenses, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by County (which such approval will not be unreasonably withheld); asset management fees; annual cash deposited into the Reserve Account in the amount contemplated in Section 10 hereof; cash deposited into any such

other reserve account(s) as may be required by Developer's senior lender (if applicable) or, during the term of the Standard Agreement and Project Agreement, pursuant to any applicable Program Requirements; and any debt service payments of loans in senior position to the County Predevelopment Loan and/or RDA Loan. In the event Developer requires an amendment to an approved Annual Budget, then Developer shall submit a written request to the CDI Director explaining the requested amendment and reasons therefor; the CDI Director shall reasonably review and approve (or disapprove) each request for an amendment to an approved Annual Budget. The CDI Director shall communicate to Developer his or her reasonable approval or disapproval of a proposed annual Operating Budget or Annual Budget within thirty (30) days after receipt thereof; as to each amendment, the CDI Director shall communicate to Developer his or her reasonable approval or disapproval within fifteen (15) days after receipt of a complete submittal requesting an amendment to an approved Annual Budget. In the event the CDI Director fails to approve a proposed annual Operating Budget or Annual Budget within thirty (30) days after receipt thereof, Developer may operate the Project in accordance with such proposed annual Operating Budget or Annual Budget until the CDI Director notifies Developer that such proposed annual Operating Budget or Annual Budget is not approved; provided, however, that in such case any expenditure made by Developer prior to the CDI Director's notification that the proposed annual Operating Budget or Annual Budget is not approved shall be deemed an approved expenditure.

9.02 Annual Reports.

(a) Developer covenants and agrees to submit to County an annual report (the "**Annual Report**"), which shall include the information required by California Health & Safety Code Section 33418. The Annual Report shall include for each Affordable Unit the rental rate and the income and household size of the occupants. The Developer shall submit the Annual Report on or before July 1st of the year following the year covered by the Annual Report. The Developer shall provide for the submission of household information and certification in its leases with tenants.

(b) Developer covenants and agrees to submit an annual Homekey Program and Expenditure Report to County and to HCD for a period of five (5) years, on January 31 of each year commencing on January 31, 2025. Additionally, Developer shall submit to County and/or HCD such periodic reports, updates, and information as deemed necessary by County and/or HCD (as applicable) to monitor compliance and/or perform program evaluation.

9.03 Operating Budget for Remaining Property Improvements. During the Term, Developer shall prepare and maintain separate books and accounts and annual budgets, for (i) the Freedom House, and (ii) the Cottages and Administrative Building. With respect to the preparation of an annual budget for the Cottages and Administrative Building, Developer shall, to the extent applicable, comply with the terms and requirements in Section 9.01.

SECTION 10. COVENANTS REGARDING RESERVE ACCOUNT.

Developer shall set aside and deposit in a separate interest-bearing trust account (the "**Reserve Account**") on an annual basis Eight Thousand Five Hundred Dollars (\$8,500), to be increased annually by the increase in CPI, and shall retain such funds in the Reserve Account to cover shortfalls between income generated by operation of the Property Improvements and actual operating expenses incurred in the operation of the Property Improvements, and for capital replacements to the Property Improvements, fixtures, and equipment which are normally capitalized under generally accepted accounting principles. Developer shall obtain the prior written approval of the CDI Director, which approval shall not be unreasonably withheld, prior to any withdrawal from the Reserve Account of Twenty Thousand Dollars (\$20,000) or more for any expense item that was not included in Borrower's Operating Budget for the Project, or in Borrowers operating budget for the Cottages and Administrative Building.

The non-availability of funds in the Reserve Account does not in any manner relieve Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property and Property Improvements. On an annual basis, at its expense, shall submit to County an accounting of the Reserve Account, including the then-current balance, the annual deposit for the prior calendar year, and any withdrawals made in the prior calendar year, including the date and amount of any such withdrawal, and the specific purpose for the withdrawal, including, if requested by County, documentation that evidences and supports the expenditure.

SECTION 11. EFFECT OF VIOLATION OF THE TERMS AND PROVISIONS OF THIS REGULATORY AGREEMENT AFTER COMPLETION OF CONSTRUCTION.

County is deemed the beneficiary of the terms and provisions of this Regulatory Agreement and of the covenants running with the land, without regard to whether County has been, remains or is an owner of any land or interest therein in the Property or in the Project or Project Improvements. County shall have the right, if this Regulatory Agreement or any of the covenants herein are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Regulatory Agreement and covenants may be entitled. The County is hereby deemed the beneficiary of this Regulatory Agreement and the covenants contained herein with the right, but not the obligation, to enforce the terms hereof. Except as provided in the following sentence, the covenants contained in this Regulatory Agreement shall remain in effect until the expiration of the Affordability Period. The covenants regarding discrimination as set forth in Section 8 shall remain in effect in perpetuity.

SECTION 12. COMPLIANCE WITH LAWS; ENVIRONMENTAL MATTERS.

12.01 Compliance With Laws. Developer shall comply with (i) all Governmental Requirements applicable to the Project and/or Property, (ii) any permit issued pursuant to the National Pollutant Discharge Elimination System ("**NPDES**") and applicable to the Project and/or Property, and (iii) all rules and regulations of any assessment district of the County with jurisdiction over the Property.

12.02 Indemnity. Developer shall save, protect, defend, indemnify and hold harmless County and County Personnel from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "**Liabilities**") which may now or in the future be incurred or suffered by County or County's officers, officials, members, employees, agents, or representatives by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Developer's placement on or under the Property of any Hazardous Materials or Hazardous Materials Contamination, (ii) the escape, seepage, leakage, spillage, discharge, emission or release from the Site of any Hazardous Materials or Hazardous Materials Contamination, or (iii) any Liabilities incurred under any Governmental Requirements relating to the acts described in the foregoing clauses (i) and (ii); provided, however, that the same shall not apply to acts or omissions following County's conduct of a foreclosure sale or acceptance of a deed in lieu thereof.

12.03 Duty to Prevent Hazardous Material Contamination. Developer shall take commercially reasonable action to prevent the exacerbation of an existing release of any Hazardous Materials located on the Property and the release of any new Hazardous Materials to the Property after the Date of Regulatory Agreement. For the avoidance of ambiguity only, nothing in the previous sentence shall limit Developer from maintaining Hazardous Materials existing on the Property prior to the Date of Regulatory Agreement or consolidating such Hazardous Materials on the Property, all to the extent permitted by Law. Developer's duty to prevent Hazardous Materials Contamination shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with the standards generally applied by apartment complexes in Santa Cruz County, California as respects the disclosure, storage, use, removal, and disposal of Hazardous Materials.

12.04 Obligation of Developer to Remediate Premises. Notwithstanding the obligation of Developer to indemnify County and County Personnel pursuant to Section 12.02, and provided no Hazardous Materials exist on the Property as a result of County's actions, Developer shall, at its sole cost and expense, promptly take (i) all actions required by any federal, state, regional, or local governmental agency or political subdivision or any Governmental Requirements and (ii) all actions necessary to make full economic use of the Property for the purposes contemplated by this Regulatory Agreement, the Standard Agreement and the Project Agreement, which requirements or necessity arise from the presence upon, about or beneath the Property, of any Hazardous Materials or Hazardous Materials Contamination. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies or reports and the performance of any cleanup, remedial, removal or restoration work.


12.05 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials

Contamination, or when Developer is required to report to any governmental agency any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination, shall concurrently notify the CDI Director, and provide to him/her a copy or copies, of the environmental permits, disclosures, applications, entitlements, or inquiries relating to the Property, the notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements, and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Developer shall report to the CDI Director, as soon as possible after each incident, any unusual, potentially important incidents.

In the event of a responsible release of any Hazardous Materials into the environment in violation of law, Developer shall, as soon as possible after it becomes aware of the release, furnish to the CDI Director a notification that the release occurred and a copy of any and all test results and final reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of the CDI Director, Developer shall furnish to the CDI Director a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Property including, but not limited to, all permit applications, permits, test results and final reports including, without limitation, those reports and other matters which may be characterized as confidential. For the avoidance of ambiguity only, Developer shall be under no obligation to furnish any attorney-client privileged documents; provided, however, that Developer may not withhold from County facts regarding a violation of law that affects the Property.

SECTION 13. INSURANCE REQUIREMENTS.

13.01 General. Commencing on the Date of Regulatory Agreement and continuing in perpetuity, Developer shall procure and maintain, at its sole cost and expense, at minimum, compliance with all of the following insurance coverage(s) and requirements. Such insurance coverage shall be primary coverage as respects County and any insurance or self-insurance maintained by County shall be considered in excess of Developer's insurance coverage and shall not contribute to it. If Developer normally carries insurance in an amount greater than the minimum amount required by County for this Regulatory Agreement, that greater amount shall become the minimum required amount of insurance for purposes of this Regulatory Agreement. Therefore, Developer hereby acknowledges and agrees that any and all insurances carried by it shall be deemed liability coverage for any and all actions it performs in connection with this Regulatory Agreement. Insurance is to be obtained from insurers reasonably acceptable to County.

If Developer utilizes one or more subcontractors in the performance of this Regulatory Agreement, Developer shall obtain and maintain Contractor's Protective Liability insurance as to each subcontractor or otherwise provide evidence of insurance coverage from each subcontractor equivalent to that required of Developer in this Regulatory Agreement, unless Developer and County both initial here 

13.02

Types of Insurance and Minimum Limits.

(1) Workers' Compensation Insurance in the minimum statutorily required coverage amounts. This insurance coverage shall be required unless the Developer has no employees and certifies to this fact by initialing here (S.C.).

(2) Automobile Liability Insurance for each of Developer's vehicles used in the performance of this Regulatory Agreement, including owned, non-owned (e.g. owned by Developer's employees), leased or hired vehicles, in the minimum amount of \$1,000,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage is required unless the Developer does not drive a vehicle in conjunction with any part of the performance of this Regulatory Agreement and Developer and County both certify to this fact by initialing here (S.C.)

(3) Comprehensive or Commercial General Liability Insurance coverage at least as broad as the most recent ISO Form CG 00 01 with a minimum limit of \$3,000,000 per occurrence, and \$3,000,000 in the aggregate, including coverage for: (a) products and completed operations, (b) bodily and personal injury, (c) broad form property damage, (d) contractual liability, and (e) cross-liability.

(4) Professional Liability Insurance in the minimum amount of \$1,000,000 combined single limit, if, and only if, this subparagraph is initialed by Developer and County (S.C.)

(5) Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as County issues a Certificate of Occupancy, and storage and transportation risks. Such insurance shall protect/insure the interests of Developer/owner and all of Developer's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. County shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Notwithstanding anything to the contrary in this Section 13.02, however, Developer's requirement to maintain the insurance required by this paragraph shall terminate on the date County issues a Certificate of Occupancy.

(6) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Santa Cruz County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent required by any Project lender. County shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Notwithstanding anything to the contrary in this Section 13.02, however, Developer's requirement to maintain the

insurance required by this paragraph shall not commence until the date County issues a Certificate of Occupancy.

(7) Business interruption and extra expense insurance to protect Developer and County covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period. Notwithstanding anything to the contrary in this Section 13.02, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date County issues a Certificate of Occupancy.

(8) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance. Notwithstanding anything to the contrary in this Section 13.02, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date County issues a Certificate of Occupancy.

(9) Any additional insurance required (or similar insurance required at higher limits) pursuant to the Notice of Funding Availability for the Homekey Program.

13.03 Other Insurance Provisions

(1) All policies of Comprehensive or Commercial General Liability Insurance shall be endorsed to cover the County of Santa Cruz, and the County's officials, officers, members, employees, agents and volunteers as additional insureds with respect to liability arising out of the work or operations and activities performed by or on behalf of Developer, including materials, parts or equipment furnished in connection with such work or operations. Endorsements shall be at least as broad as ISO Form CG 20 10 11 85, or both CG 20 10 10 01 and CG 20 37 10 01, covering both ongoing operations and products and completed operations.

(2) All required policies shall be endorsed to contain the following clause:

"This insurance shall not be canceled until after thirty (30) days' prior written notice (10 days for nonpayment of premium) has been given to:

Santa Cruz County
Planning Department
Attn: Housing Manager
701 Ocean Street, Room 418
Santa Cruz, CA 95060

Should Developer fail to obtain such an endorsement to any policy required hereunder, Developer shall be responsible to provide at least thirty (30) days' notice (10 days for nonpayment of premium) of cancellation of such policy to the County as a material term of this Regulatory Agreement.

(3) Developer agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide County on or before the Date of Regulatory Agreement with Certificates of Insurance and endorsements for all required coverages. However, failure to obtain the required documents prior to the work beginning shall not waive the Developer's obligation to provide them. All Certificates of Insurance and endorsements shall be delivered or sent to:

Santa Cruz County
Planning Department
Attn: Housing Manager
701 Ocean Street, Room 418
Santa Cruz, CA 95060

(4) Developer hereby grants to County a waiver of any right of subrogation which any insurer of said Developer may acquire against County by virtue of the payment of any loss under such insurance. Developer agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the County has received a waiver of subrogation endorsement from the insurer.

13.04 Developer's Continuing Indemnification Obligations. Developer agrees that the provisions of this Section shall not be construed as limiting in any way County's right to indemnification or the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible.

13.05 Remedies for Defaults Re: Insurance. In addition to any other remedies County may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, County may at its sole option, obtain such insurance and invoice the Developer for the amount of said premium. Exercise of the remedy set forth herein, however, is an alternative to other remedies County may have and is not the exclusive remedy for Developer's failure to maintain insurance or secure appropriate endorsements.

13.06 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as it existed

prior to the casualty, and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this Regulatory Agreement. County shall cooperate with Developer, at no expense to County, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

13.07 Indemnification. Developer shall defend (by counsel satisfactory to County), assume all responsibility for and hold County and County Personnel harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorney's fees and costs), which may be caused by the activities or performance of Developer or any of Developer's employees, agents, representatives, contractors, or subcontractors under (i) this Regulatory Agreement, (ii) a claim, demand or cause of action that any person has or asserts against Developer; (iii) any act or omission of Developer, any contractor, subcontractor or material supplier, engineer, architect or other person with respect to the Property; or (iv) the ownership, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Regulatory Agreement. The obligations and indemnifications in this Section 13.07 shall constitute covenants running with the land.

SECTION 14. ASSIGNMENT.

14.01 Generally Prohibited. Developer shall not assign any of its rights or delegate any of its duties under this Regulatory Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation, stock transfers, sales of issuances, or transfers, sales or issuances of membership or ownership interests, or statutory conversions (any of the foregoing, a "Transfer"), without the prior written consent of the CDI Director, which consent may be withheld in his or her sole and absolute discretion. Any such Transfer without such consent shall, at County's option, be void.

14.02 Release of Developer. Upon any such Transfer made in compliance with Section 14.01 above which is evidenced by a written assignment and assumption agreement in a form approved by County's counsel, Developer shall be released from any liability under this Regulatory Agreement arising from and after the date of such Transfer.

SECTION 15. DEFAULTS AND REMEDIES.

15.01 Default. Subject to the extensions of time set forth in Section 16.02 of this Regulatory Agreement, failure by either Party to perform any action or covenant required by this Regulatory Agreement, or under the Project Agreement, or under the Standard Agreement, or pursuant to any of the Program Requirements within the time periods provided herein and therein following Notice and failure to cure as described hereafter, constitutes a "Default" under this Regulatory Agreement. A Party claiming a Default shall give written Notice of Default to the other Party specifying such Default. Except as otherwise expressly provided in this Regulatory Agreement, the claimant shall not institute any proceeding against any other Party, and the other Party shall not be in Default if such party within thirty (30) days from receipt of such Notice, cures, corrects or

remedies such failure or delay, or if such Default cannot reasonably be cured within thirty (30) days, such Party commences such cure within thirty (30) days of receipt of such Notice and thereafter diligently prosecutes such cure to completion.

15.02 Remedies; Institution of Legal Actions. Developer's sole remedy for County's breach of this Regulatory Agreement shall be to institute an action at law or equity to seek specific performance of the terms of this Regulatory Agreement. Developer shall not be entitled to recover damages for any Default of County hereunder. County shall be entitled to seek any remedy available at law and in equity for Developer's breach of this Regulatory Agreement. All legal actions must be instituted in the Superior Court of the County of Santa Cruz, State of California, or in the United States District Court for District of California in which Santa Cruz County is located.

15.03 Acceptance of Service of Process. In the event that any legal action is commenced by Developer against County, service of process on County shall be made by personal service upon the CDI Director or in such other manner as may be provided by law. In the event that any legal action is commenced by County against Developer, service of process on Developer shall be made in such manner as may be provided by law.

15.04 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 either 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 the other Party.

15.05 Inaction Not a Waiver of Default. Any failures or delays by either 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.

15.06 Applicable Law. The internal laws of the State of California shall govern the interpretation and enforcement of this Regulatory Agreement, without regard to conflict of law principles.

SECTION 16. GENERAL PROVISIONS.

16.01 Notices, Demands and Communications Between the Parties. Any notices, requests, demands, documents, approvals or disapprovals given or sent under this Regulatory Agreement from one Party to another (collectively, "**Notices**") may be personally delivered, delivered by reputable courier that provides a receipt with the date and time of delivery, or deposited with the United States Postal Service for mailing, postage prepaid, to the address of the other Party as stated in this Section, and shall be deemed to have been given or sent at the time of personal delivery, delivery by courier, or, if mailed, on the second day following the date of deposit in the course of transmission with the United States Postal Service. Notices shall be sent as follows:

If to Developer: CFSC, Inc.
2115 7th Avenue
Santa Cruz, CA 95062
Attn: Stephen Michael La Berge
Telephone No.: 831-420-0120

If to County: County of Santa Cruz
701 Ocean Street, Room 418
Santa Cruz, CA 95060
Attn: CDI Director and Housing Manager
Reference: Freedom House Homekey Project
Telephone No.: 831-454-2580

with a copy to Rutan & Tucker, LLP
18575 Jamboree Road, 9th Floor
Irvine, CA 92612
Attention: Allison LeMoine-Bui, Esq.
Telephone No.: 714-641-5100

16.02 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Regulatory Agreement, performance by either Party hereunder 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; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine; restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier; acts or omissions of the other Party; acts or failures to act of any public or governmental agency or entity (other than the acts or failures to act of County which shall not excuse performance by County); or any other causes beyond the control or without the fault of the Party claiming an extension of time to perform. 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, if notice by the Party claiming such extension is sent to the other party within ten (10) 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 County and Developer. Notwithstanding any provision of this Regulatory Agreement to the contrary, the lack of funding to complete the construction of the Project shall not constitute grounds of enforced delay pursuant to this Section.

16.03 Relationship Between County and Developer. It is hereby acknowledged by Developer that the relationship between County and Developer is not that of a partnership or joint venture and that County and Developer shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, with the exception of any provisions expressly set forth to the contrary herein, or in the exhibits hereto, County shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Project. Developer agrees

to indemnify, hold harmless and defend County from any claim made against County arising from a claimed relationship of partnership or joint venture between County and Developer with respect to the development, operation, maintenance or management of the Property or the Project, except to the extent occasioned by the active negligence or willful misconduct of County or its designated agents or employees.

16.04 No Third Party Rights. With the exception of the rights granted to HCD pursuant to Section 16.20 below, the Parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Regulatory Agreement or of any covenant, duty, obligation or undertaking established herein.

16.05 County Approvals and Actions. This Regulatory Agreement shall be administered and executed on behalf of County by the CDI Director. The CDI Director shall have the authority to issue interpretations, waive terms and conditions, enter into implementing agreements and amendments of this Regulatory Agreement on behalf of County provided that such actions do not substantially change the uses or development permitted on the Property, materially add to the costs or obligations, increase the risk of liability, or impair the rights or remedies, of County provided herein, or materially decrease the revenues or other compensation to be received by County hereby. All other waivers or amendments shall require the formal consent of the County Board of Supervisors.

16.06 Counterparts. This Regulatory Agreement may be signed in multiple counterparts which, when signed by all Parties, shall constitute a binding agreement.

16.07 Integration. This Regulatory Agreement contains the entire understanding between the parties relating to the transaction contemplated by this Regulatory Agreement. Each Party is entering this Regulatory Agreement based solely upon the representations set forth herein and upon each Party's own independent investigation of any and all facts such party deems material. This Regulatory Agreement constitutes the entire understanding and agreement of the Parties, notwithstanding any previous negotiations or agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

16.08 Real Estate Brokerage Commission. County and Developer each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and each agrees to defend and hold harmless the other from any claim to any such commission or fee resulting from any action on its part.

16.09 Attorneys' Fees. In any action between the Parties to interpret, enforce, reform, modify, rescind, or otherwise in connection with, any of the terms or provisions of this Regulatory Agreement, the prevailing Party in the action shall be entitled, in addition to damages, injunctive relief, or any other relief to which it might be entitled, reasonable costs, expenses including, without limitation, litigation costs, reasonable attorneys' fees, and expert witness fees.

16.10 Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe, or limit the scope or the intent of this

Regulatory Agreement or of any of its terms. Reference to section numbers are to sections in this Regulatory Agreement, unless expressly stated otherwise.

16.11 Interpretation. As used in this Regulatory Agreement, masculine, feminine, or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Regulatory Agreement shall be interpreted as though prepared jointly by both Parties.

16.12 No Waiver. All waivers of the provisions of this Regulatory Agreement must be in writing by the appropriate authorities of Developer and County. A waiver by either Party of a breach of any of the covenants, conditions or agreements under this Regulatory Agreement to be performed by the other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Regulatory Agreement.

16.13 Modifications. Any alteration, change or modification of or to this Regulatory Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each Party.

16.14 Severability. If any term, provision, condition or covenant of this Regulatory Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Regulatory Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

16.15 Computation of Time. The time in which any act is to be done under this Regulatory Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

16.16 Legal Advice. Each Party represents and warrants to the other the following: they have carefully read this Regulatory Agreement, and in signing this Regulatory Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Regulatory Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Regulatory Agreement; and, they have freely signed this Regulatory Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other Party, or their respective agents, employees, or attorneys, except as specifically set forth in this Regulatory Agreement, and without duress or coercion, whether economic or otherwise.

16.17 Time of Essence. Time is expressly made of the essence with respect to the performance by County and Developer of each and every obligation and condition of this Regulatory Agreement.

16.18 Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Regulatory Agreement including, but not limited to, releases or additional agreements.

16.19 Non-Liability of Officials and Employees of County. No member, director, officer, employee, or volunteer of County shall be personally liable to Developer, or any successor in interest, in the event of any Default or breach by County or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Regulatory Agreement. Developer hereby waives and releases any claim it may have against any of County and County Personnel with respect to any Default or breach by County or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Regulatory Agreement. Developer makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

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.

(S.L.)
Developer's Initials

16.20 HCD is Third Party Beneficiary. County and Developer acknowledge and agree that HCD is an express third party beneficiary of this Regulatory Agreement, that HCD has made the grant of Homekey funds to Developer in reliance on the execution and recording of this Regulatory Agreement, and that HCD has a direct right of enforcement against Developer in the event of Developer's breach, default, or other non-compliance under this Regulatory Agreement following written notice and expiration of any applicable cure period, which right is exercisable in HCD's sole and absolute discretion.

16.21 Lien Priority of this Regulatory Agreement. County hereby agrees that notwithstanding that this Regulatory Agreement will be recorded later in time than each of (i) the RDA Deed of Trust, (ii) the RDA Regulatory Agreement, and (iii) the County Deed of Trust (collectively, the "**Existing County Liens**"), this Regulatory Agreement shall (a) have a prior lien position than the Existing County Liens, and (b) will survive a foreclosure or deed in lieu of foreclosure under either of the RDA Deed of Trust or County Deed of Trust.

[End – signatures on next page]

Notary Acknowledgment

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

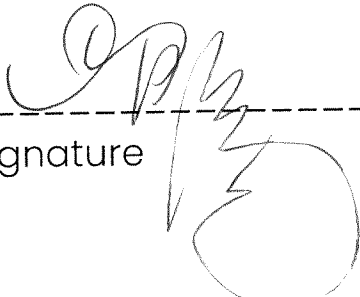
State of California

County of Santa Cruz

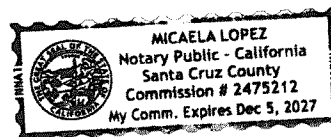
On 4/2/2025, before me, Micaela Lopez, Notary Public, personally appeared Matt Machado, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized 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



(Seal)

ACKNOWLEDGMENT

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 Santa Cruz

On April 1, 2025 before me, Holly Leroy Alexander, Notary Public
(insert name and title of the officer)

personally appeared Stephen LaBeaure
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

Holly Leroy Alexander

(Seal)



IN WITNESS WHEREOF, the parties have executed this Regulatory Agreement as of the respective dates set forth below.

"County"

COUNTY OF SANTA CRUZ, a political
subdivision of the State of California

Date: _____

By: _____
Matt Machado, CDI Director

RISK MANAGEMENT:

County Risk Manager

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

Allison LeMoine-Bui

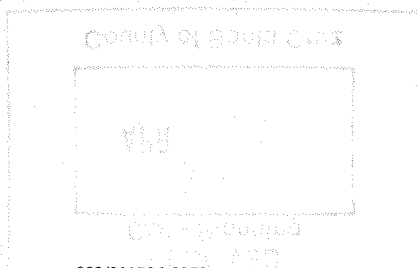
Allison LeMoine-Bui
Special Counsel to County

"Developer"

CFSC, INC., a California nonprofit public
benefit corporation

Dated: _____

By: _____
Stephen Michael La Berge
Chair, Board of Directors



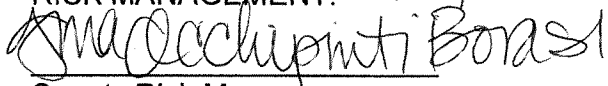
IN WITNESS WHEREOF, the parties have executed this Regulatory Agreement as of the respective dates set forth below.

"County"

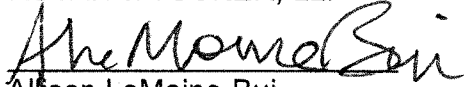
COUNTY OF SANTA CRUZ, a political subdivision of the State of California

Date: _____

By: _____
Matt Machado, CDI Director

RISK MANAGEMENT: 04/03/2025

County Risk Manager

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP


Allison LeMoine-Bui
Special Counsel to County

"Developer"

CFSC, INC., a California nonprofit public benefit corporation

Dated: _____

By: _____
Stephen Michael La Berge
Chair, Board of Directors

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to is situated in the unincorporated area of the County of Santa Cruz, State of California, and is described as follows:

Being a part of the Rancho Corralitos and beginning in the middle of the Watsonville-Santa Cruz highway at a point North 43 degrees 40' West 104 feet distant from the most Western corner of lands conveyed by Minnie B. Robinson and William R. Robinson to Michael J. Murphy and Frances Murphy, by deed dated April 16th, 1929 and recorded in Volume 145, Page 345, Official Records of Santa Cruz County and running thence along the centerline of said highway North 43 degrees 40' West 195.50 feet; thence leaving said highway North 41 degrees 48' East 295.52 feet to land of One Mann; thence along the boundary of said lands of Mann South 67 degrees 20' East 206.30 feet; thence leaving said lands of Mann South 41 degrees 48' West 378.87 feet to the place of beginning.

APN: 050-081-01-000

EXHIBIT "B"

AFFORDABLE UNIT MIX

# of Bedrooms	Total Affordable Units	Manager Units	Homekey- Assisted Affordable Units	Income Limit	Target Population Restriction
0 (Studio)	11	0	11	Extremely Low Income (HSC 50106)	Homeless Youth, or Youth at Risk of Homelessness
Total	11	0	11		

EXHIBIT "C"
INCOME COMPUTATION AND CERTIFICATION FORM

[SEE FOLLOWING DOCUMENT]

COUNTY OF SANTA CRUZ

701 Ocean Street, Room 418, Santa Cruz, CA 95060

INCOME COMPUTATION AND CERTIFICATION FORM
(Affordable Housing Eligibility for Renter Occupied Unit)

PART I. PROPERTY FINANCED WITH GOVERNMENT ASSISTANCE

Property Address: _____

PART II. TENANT HOUSEHOLD INFORMATION

		Date of Birth	Soc. Sec. #	Relationship

TOTAL NUMBER OF PERSONS IN HOUSEHOLD: _____ (Please list information on other household members below)

Mailing Address: _____ Telephone Numbers: Work(____)

Home (____) _____

PART III. GROSS HOUSEHOLD INCOME Complete the following, attach copies of required verification as specified below. Attach a note explaining any significant changes in household income between the previous year and the current year. INFORMATION IS REQUIRED FOR ALL MEMBERS OF THE HOUSEHOLD AGE 18 OR OLDER REGARDLESS OF WHETHER THEY CONTRIBUTE TO THE COSTS OF THE HOUSEHOLD. If you are not required to file a tax return, please indicate this in Part V by your signature.

	ANN INCOME	ANN INCOME	
INCOME SOURCES	for owner	others in household	VERIFICATIONS (needed for file)
A. Employment earnings			Last tax return & last 3 pay stubs, employer verification

B. Self-employment earnings			Last 2 tax returns & current financial stmt
C. Social Security (OASDI)			Annual award letter
D. Supplemental Security Income (SSI)			Annual award letter
E. Public assistance (AFDC, general assistance, unemployment, etc.)			Current benefit statement
F. Pension (s)			Annual award letter, year end stmt, W-2
G. Interest income			Last 2 statements for all accounts
H. Investment income (stocks, bonds, real estate, etc.)			Last 2 statements for all accounts
I. Room rental			Rental agreement, copies of checks, etc.
J. Other income (list type/source)			
K. TOTAL INCOME (sum of A thru J)			/ 12 months = _____ mo. income

PART IV. PROPERTY STATUS

Will this property be your primary residence? _____

Will someone other than the individuals listed above be occupying this property? _____

If yes - Name of occupants: _____

Telephone Number: _____ Mailing Address: _____

My/our housing expenses are as follows:

1. Monthly tenant rent _____

2. Average monthly utilities _____

PART V. TENANT CERTIFICATION

I/We understand that after the initial eligibility determination, completion of monitoring forms is required on an annual basis. I/We certify that I/we have disclosed all information pertaining to

my/our application and that the information presented in the foregoing Sections I through IV is true and accurate to the best of my (our) knowledge.

Tenant Date

Tenant Date

For more information regarding this application, please contact management staff at (760) _____.

FOR OFFICE USE ONLY

_____ Information verified

_____ Income category

_____ Maximum allowable annual income (_____ % of median)

_____ Applicant's annual income _____ gross monthly _____ max housing costs

Comments: _____

Management Staff Date

EXHIBIT "D"
INCOME RECERTIFICATION FORM

[SEE FOLLOWING DOCUMENT]

COUNTY OF SANTA CRUZ
701 Ocean Street, Room 418 Santa Cruz, CA 95060

INCOME RECERTIFICATION FORM
(Renter Occupied Unit)

PART I. GENERAL INFORMATION

1. Property Owner Name _____
2. Renter Name _____
3. Property Address _____
County of Santa Cruz, CA _____ (Please include P.O. Box No. if applicable)
4. Has there been a change in ownership of this property during the preceding 12 month period?
Yes() No()

(If yes, please explain) _____

PART II. UNIT INFORMATION

5. Number of Bedrooms _____
6. Number of Occupants _____
Names: _____

PART III. AFFIDAVIT OF RENTER

I, _____, and I, _____, as renters of units assisted pursuant to the County of Santa Cruz ("County") Affordable Housing Program (the "Program"), do hereby represent and warrant that the following computation includes all income (I/we) **anticipate receiving for the 12-month period commencing on January 1, 20__** (including the renter(s) and all family members of the renters):

- (a) amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses, and payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (before payroll deduction) _____
- (b) net income from business or profession or rental of property (without deduction for repayment of debts or expansion of business) _____
- (c) interest and dividends _____
- (d) periodic receipts such as social security, annuities, pensions, retirement funds, insurance policies, disability or death benefits, alimony, child support, regular contributions or gifts from persons not occupying unit _____
- (e) public assistance allowance or grant plus excess of maximum allowable for shelter or utilities over the actual allowance for such purposes _____

- (f) regular and special pay and allowances of a member of
armed services (whether or not living in the dwelling)
who is head of the family or spouse _____

Subtotal (a) through (f) _____

LESS: Portion of above items which are income of a family member
who is less than 18 years old or a full-time student (_____)

TOTAL ELIGIBLE INCOME _____

NOTE: The following items are not considered income: casual or sporadic gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payment such as inheritances, insurance payments, capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; government benefits to a veteran for education; special pay to a serviceman head of family away from home and under hostile fire; foster child care payments; value of coupon allotments for purpose of food under Food Stamp Act of 1964 which is in excess of amount actually charged the eligible household; relocation payments under Title II of Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; payments received pursuant to participation in the following programs: VISTA, Service Learning Programs, and Special Volunteer Programs, SCORE, ACE, Retired Senior Volunteer Program, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience.

2. This affidavit is made with the knowledge that it will be relied upon by the Landlord and County to determine maximum income for eligibility and (I/we) warrant that all information set forth in this Part III is true, correct and complete and based upon information (I/we) deem reliable and that the estimate contained in paragraph 1 is reasonable and based upon such investigation as the undersigned deemed necessary.
3. (I/We) will assist the Landlord and County in obtaining any information or documents required to verify the statements made in this Part III and have **attached hereto a copy of our federal income tax return for the last year (20__)**.
4. (I/We) acknowledge that (I/we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the Landlord to rent the unit and will additionally enable County to initiate and pursue all applicable legal and equitable remedies with respect to the unit and to me/us.

B. (My/Our) monthly housing expenses are limited to the following:

1. Base rent _____
2. Average Monthly Utilities _____
3. Other (explain) _____

(I/We) understand that completion of monitoring forms is required on an annual basis and agree to notify County in writing of any change in ownership or rental of the unit. (I/We) do hereby swear under penalty of perjury that the foregoing statements are true and correct.

Date _____ Renter(s) _____

EXHIBIT “E”

FORM OF CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

[SEE FOLLOWING DOCUMENT]

CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE
(Freedom House Homekey Project)

The undersigned, being duly authorized to execute this certificate on behalf of _____, owner of the _____ Project, hereby represents and warrants that:

1. He/she has read and is thoroughly familiar with the provisions of the Affordable Housing Regulatory Agreement between County and CFSC, Inc. a California nonprofit public benefit corporation, pertaining to the Freedom House Homekey Project.

2. As of June 30, 20__, the following number of residential units in the Project (i) are currently occupied by tenants qualifying as Extremely Low Income Households at Affordable Rents; or (ii) are currently vacant and being held available for occupancy by Eligible Tenants/Participants and have been so held continuously since the date Eligible Tenants/Participants vacated such unit, as indicated:

- i. _____ Units occupied by Extremely Low Income Households
- ii. _____ vacant Units

3. The unit number, unit size, rental amount charged and collected, number of occupants, and the income of the occupants for each Affordable Unit in the Project are set forth on the attached list. All Affordable Units in the Project are rented at Affordable Rent.

“Developer”

CFSC, INC., a California nonprofit public
benefit corporation

Dated: _____

By: _____
Stephen Michael La Berge
Chair, Board of Directors