



City of Palo Alto

City Council Staff Report

(ID # 4924)

Report Type: Consent Calendar

Meeting Date: 9/8/2014

Summary Title: \$200k PAHC CO Park Rehab Request

Title: Approval of a Request From Palo Alto Housing Corporation for \$200,000 for Rehabilitation Work at the Colorado Park Apartments Located at 1141 Colorado Avenue and Approval of a Budget Amendment Ordinance in the Residential Housing Fund, Loan Agreement and Regulatory Agreement to Ensure Long Term Affordability

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends that the City Council approve the Palo Alto Housing Corporation request to commit \$200,000 for the rehabilitation of the Colorado Apartments by adopting the attached Budget Amendment Ordinance to allocate \$200,000 from the Residential Housing Fund for the rehabilitation and direct the City Manager or designee to negotiate and execute the Loan Agreement and Regulatory Agreement in substantially the same form as Exhibits A and B and other necessary documentation.

Executive Summary

The Palo Alto Housing Corporation (PAHC) has requested a commitment of \$200,000 in funding from the City's Residential Housing Fund in order to finance termite fumigation and deck repairs of the Colorado Apartments apartment, a 60-unit affordable development that has served the City's extremely low, very low and low income population for forty years. Council approval of the recommended action will formalize the City's commitment to provide financial assistance for the rehabilitation in the future, allowing the City to "count" some of the units towards its Regional Housing Needs Allocation (RHNA) as explained further below. A Budget Amendment Ordinance (BAO) is attached as Attachment C.

Background

Colorado Apartments, located at 1141 Colorado Ave, has been serving extremely low, very low and low income Palo Alto seniors for forty years, although some of the units are not currently deed-restricted for affordable housing. Built in 1972, Colorado Apartments consists of 60 one,

two, three and four bedroom units. In addition to providing affordable housing, it offers services, meals and social programs for its residents. Currently, more than 80% of the resident population has incomes that qualify as extremely low income.

PAHC is the developer, owner and operator of Colorado Apartments. Originally funded through HUD Section 202 funds, the building has been well maintained over its lifespan. However, certain building components have recently begun to near the end of their useful lives. The minor rehabilitation is the first phase of a larger rehabilitation project that will insure the longer term viability of this affordable housing development.

Discussion

Colorado Apartments is situated on a 3 acre parcel in southern Palo Alto, near Greer Park. The 60 unit development is comprised of six two-story buildings, which house the 60 units. It also has a community center. The development is primarily surrounded by single family uses.

Scope of Rehabilitation Project

The proposed work will include termite repair for the buildings that show termite damage. There are some units that will also require repair of their patio decks. The cost of the termite work is estimated to be \$30,000 and the repair of the 16 decks is estimated to be a maximum of \$174,000. If the total amount of rehabilitation work for the termite work and deck repair is less than \$200,000, the remaining funds will be applied towards the installation of photovoltaic panels.

The larger rehabilitation scope of work will include installing drought tolerant landscaping, irrigation system work, common area walkway repair, roof replacement, exterior work, installation of a solar electric system and improving the solar thermal system. The larger rehabilitation project is estimated to cost approximately \$4 million. Funding will be provided through State tax credits. PAHC will be applying for tax credits in mid-August 2014.

Project Timeline

The termite and deck repairs should not take more than 6 months.

Loan Agreement

The City's \$200,000 Loan Agreement is similar to other approved loans. It is included as Attachment A. The loan will be evidenced by a Note and Deed of Trust secured by the property. The Note will bear simple interest at 3% per annum, and payments will be made from residual receipts over and above the project's net operating income expenses and will be divided among other funding agencies based on the City's proportionate share of its funding to total development costs. No interest will accrue and no payments will be required until after the rehabilitation work is completed. Due to the deep affordability of the rents, it is not expected that cash flow will be sufficient to pay the annual interest in full. The proposed project will be affordable to extremely low, very low and low income households, and the affordability

restrictions will be in place for a minimum of 55 years after the issuance of a certificate of occupancy. Some of the City's standard loan terms described here may need to be modified to meet the requirements of other lenders or funding programs for construction or permanent sources of funds.

Regulatory Agreement

A Regulatory Agreement will be recorded against the property. (Attachment B) The Agreement will deed restrict the maximum rents of 23 units not to exceed 50% of the County Area Median Income. The term of the Agreement will be the same 55 year term as the loan agreement.

Regional Housing Needs Allocation

This project will help the City meet its Regional Housing Needs Allocation (RHNA) requirement. RHNA is a state mandate that requires each jurisdiction plan for future housing growth for a certain time period. The future housing growth is calculated by the State and then it is the responsibility of local council of governments to allocate the housing units on a regional basis. The Association of Bay Area Governments assigned the City a total of 1,988 units that must be accommodated as part of its Housing element update for the period 2015-2023.

The City is in the process of updating its 2015-2023 Housing Element. As part of the process, the City must demonstrate that it can accommodate 1,988 units through zoning and other land use policies. Another approach of meeting the RHNA requirement is through existing units. The State allows up to 25% of the RHNA requirement be met using existing units under stringent circumstances including providing relocation benefits, although no relocation is anticipated for this project. The State Department of Housing and Community Development existing sites checklist demonstrating the stringent circumstances has been included as Attachment D.

23 units in the Colorado Apartments do not currently have affordability restrictions. Thus the units will meet the State's requirements if the City commits funding to their rehabilitation and places a deed-restriction on the units to ensure their long-term affordability. These units will qualify for the upcoming Housing Element cycle.

Resource Impacts

Sufficient fund balance is available in the Residential Housing In-Lieu Fund (Fund 233) for the commitment of \$200,000. It is anticipated that the funds will be drawn down on a reimbursement basis as the rehabilitation work is complete. No General Fund monies will be used for this housing activity.

Policy Implications

The actions recommended in this report implement the City's adopted Housing Element policies and programs supporting the development of very low and extremely low income housing. Policy H1.2 calls for supporting efforts to preserve multifamily housing units in existing neighborhoods. In addition, Policy 3.1 supports housing that encourages, fosters and

preserves diverse housing opportunities for very-low, low and moderate income households. The project is a 100% affordable housing project and serves low and very low income households who are earning 30 to 60 percent of the area wide median income.

Environmental Review

The work proposed is all in the nature of maintenance and rehabilitation of the existing facility, which is exempt from review under the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15301.

Attachments:

- Attachment A: Colorado Park Loan Agreement (PDF)
- Attachment B: Regulatory Agreement (PDF)
- Attachment C: Budget Ordinance Amendment (DOCX)
- Attachment D: HCD Sites Checklist (PDF)

AFFORDABLE HOUSING FUND LOAN AGREEMENT
FOR
LOW-INCOME HOUSING DEVELOPMENT REHABILITATION

Colorado Park
1141 Colorado Avenue, Palo Alto, California

**AFFORDABLE HOUSING FUND LOAN AGREEMENT
FOR
LOW-INCOME HOUSING DEVELOPMENT REHABILITATION**

**Colorado Park
(1141 Colorado Avenue, Palo Alto, California)**

This Agreement (the "Agreement") is entered into as of Sept. 8, 2014, (the "Effective Date"), by and between by and between the City OF PALO ALTO, a chartered city and a municipal corporation ("City"), and COLORADO PARK HOUSING CORPORATION, a California nonprofit public benefit corporation ("Owner"). The City and the Owner are referred to in this Agreement individually as a "Party" and collectively as the "Parties".

RECITALS

A. The City has established an Affordable Housing Fund for the purpose of increasing and preserving the supply of affordable rental housing in the City.

B. Owner has fee title to that certain real property located at 1141 Colorado Avenue, Palo Alto, California, as further described in Exhibit A attached to this Agreement (the "Property"). The Property contains sixty (60) dwelling units (the "Project"). Owner has requested a loan from the Affordable Housing Fund in the amount of Two Hundred Three Thousand Five Hundred Sixty One Dollars (\$203,561) (the "Loan") for repairs to the Project.

C. All affordability restrictions that run with the land expired in 2012 on twenty-three (23) units in the Project. As a material consideration for the Loan, this Agreement requires the Owner to enter into a regulatory agreement (the "Regulatory Agreement") with the City to ensure that the twenty-three (23) rental units on which the affordability restrictions have expired, as further described in Exhibit B attached to this Agreement (the "Affordable Units"), are maintained for occupancy by very low income households at affordable rents for a fifty-five (55)-year period.

D. There is a severe shortage of rental housing affordable to households with very low incomes in the City and nearby areas. The requirements of this Agreement will improve the Project and result in the long-term affordability of the entire Project and is consistent with the City's Affordable Housing Fund Guidelines and the City's affordable housing goals as outlined in the City's Housing Element of the Comprehensive Plan.

E. The Loan is being made to the Owner at an interest rate below the market rate in order to increase the supply of affordable rental housing in the City. In consideration for the Loan, the Owner has agreed to observe all the terms and conditions set forth below.

AGREEMENT

In consideration of the recitals and the mutual promises and covenants set forth in this Agreement, the Parties agree as follows. The foregoing recitals are hereby incorporated by reference and made part of this Agreement.

**ARTICLE 1.
DEFINITIONS**

Section 1.1 When used in this Agreement, the following terms shall have the respective meanings assigned to them in this Article 1 wherever used in this Agreement, attached Exhibits, or the Loan Documents.

(a) "Affordable Units" is defined in Recital C.

(b) "Agreement" is this Affordable Housing Fund Loan Agreement for Low-Income Housing Development Rehabilitation.

(c) "Area Median Income" is the area median income for Santa Clara County as published and periodically updated by the State of California pursuant to California Code of Regulations, Title 25, Section 6932, or successor provision, adjusted for Actual Household Size or Assumed Household Size as specified in this Agreement.

(d) "City" is defined in the first paragraph of this Agreement.

(e) "Completion Date" is defined in Section 3.3.

(f) "Deed of Trust" is the deed of trust to the City on the Property that secures repayment of the Loan and the performance of all covenants of the Loan Documents.

(g) "Default Rate" is defined in Section 2.3.

(h) "Effective Date" is defined in the first paragraph of this Agreement.

(i) "Existing Financing" includes the following deeds of trust encumbering the Property:

(1) Deed of trust dated as of November 19, 2012 and recorded on November 29, 2012 in the Official Records as Instrument No. 21975882, to secure Three Million Dollars (\$3,000,000) to Avidbank as beneficiary and lender.

(2) Deed of trust dated as of November 19, 2012 and recorded on November 29, 2012 in the Official Records as Instrument No. 21975883, to secure One Million Dollars (\$1,000,000) to Avidbank as beneficiary and lender.

(j) "Hazardous Materials" means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants which are defined, regulated, or listed as "hazardous substances," "hazardous wastes," "hazardous materials," "pollutants," "contaminants," or "toxic substances," under federal or state environmental and health and safety laws and regulations, including without limitation: petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating, or occupying a housing project, to the extent and degree that such substances are stored, used, and disposed of in the manner and in amounts that are consistent with normal practice and legal standards at the time of such use.

(k) "Loan" is defined in Recital B.

(l) "Loan Documents" are collectively this Agreement, the Note, the Deed of Trust, and the Regulatory Agreement, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

(m) "Note" means the promissory note from the Owner in favor of the City in the amount of Two Hundred Three Thousand Five Hundred Sixty One Dollars (\$203,561) evidencing the Loan, as well as any amendments to, modifications of, or restatements of the Note.

(n) "Official Records" are the Official Records of Santa Clara County.

(o) "Owner" is defined in the first paragraph of this Agreement.

(p) "Project" is defined in Recital B.

(q) "Property" is defined in Recital B.

(r) "Regulatory Agreement" means the agreement executed by Owner and City and recorded against the Property prior to or contemporaneously with the Loan which regulates the Affordable Units.

(s) "Term" is the term of this Agreement, which shall commence on the date that the Deed of Trust and the Regulatory Agreement are recorded in the Official Records and shall continue until the fifty-fifth (55th) anniversary of that date.

(t) "Title Company" means the title company selected by the City to issue the lender's title policy.

(u) "Very Low Income Household" is a household whose income does not exceed the very low income limits applicable to Santa Clara County, as published and periodically updated by the California Department of Housing and Community Development under Section 50105 of the California Health and Safety Code, or successor provision, with adjustments for Actual Household Size.

(v) "Work Write-Up" means the detailed description of the proposed repairs developed by the Owner and approved by the City describing the repairs to the Project, as shown in Exhibit C, attached to this Agreement.

Section 1.1 Exhibits.

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

EXHIBIT A: Legal Description of the Property

EXHIBIT B: Affordable Units

EXHIBIT C: Work Write-Up

**ARTICLE 2.
TERMS OF THE LOAN**

Section 2.1 Loan. Subject to satisfaction of the conditions contained in Section 2.8 below, the City shall lend to the Owner the Loan in the principal amount of Two Hundred Three Thousand Five Hundred Sixty One Dollars (\$203,561) for the purposes set forth in Section 2.4 of this Agreement. The Owner's obligation to repay the Loan shall be evidenced by the Note.

Section 2.2 Interest. Subject to the provisions of Section 2.3, the Note shall bear no interest on the outstanding principal balance of the Loan until paid.

Section 2.3 Default Interest. In the event of a Default, interest on the Loan will begin to accrue, as of the date of Default and continuing until such time as the Loan is repaid in full or the Default is cured, at the default rate of the lesser of eight percent (8%) per annum compounded annually (the "Default Rate") and the highest rate permitted by law.

Section 2.4 Use of Loan Funds. The Owner shall use all of the Loan to pay for actual and reasonable hard and soft costs of the repairs shown in the Work Write-up, including without limitation costs of architectural, engineering and related professional services needed for the preparation of plans and specifications and work write-ups, testing for and remediation of lead based paint and other Hazardous Materials on the Property, and the costs of required permits for the performance of the repairs to the Property. Owner shall not use the Loan for any other purpose without the prior written consent of the City. The Loan shall not be used for project reserve accounts, replacement and operating cost reserves, monitoring, servicing and origination fees, or expenditures made or incurred after the completion of the repairs.

Section 2.5 Term and Repayment of Loan. The principal of and all accrued interest on the Loan shall be due and payable on the earlier of: (a) the expiration of the Term, or (b) a Default by Owner which has not been cured as provided for in this Agreement.

Section 2.6 Security. The Owner shall secure its obligation to repay the Loan, as evidenced by the Note, by executing the Deed of Trust, and recording it as a lien against the Property senior in lien priority to all other deeds of trust recorded against the Property except the Existing Financing.

Section 2.7 Prepayment. The Owner may prepay the Loan at any time without penalty.

Section 2.8 Conditions to Disbursement of Loan Proceeds. The City shall not be obligated to make any disbursements of the Loan or take any other action under the Loan Documents, as defined below, unless the following conditions precedent are satisfied prior to or simultaneously with the disbursement of the Loan:

(a) No Default. There exists no Default nor any act, failure, omission or condition that would constitute an Default under this Agreement.

(b) Organizational Documents. Owner has delivered to the City copies of all of Owner's organizational documents, a certificate of status for the Owner dated within thirty (30) days of the Effective Date, and a copy of a corporate authorizing resolution authorizing Owner's execution of the Loan Documents.

(c) Execution and Delivery of Documents. Owner has executed and delivered to the City the Note, the Deed of Trust, the Regulatory Agreement and any other documents and instruments required to be executed and delivered by Owner.

(d) Recordation. The Title Company is prepared to record the Deed of Trust and the Regulatory Agreement as an encumbrance against the Property prior to the initial disbursement of the Loan, and is prepared to issue or cause the issuance to the City an American Land Title Association policy of lender's title insurance with mechanic's lien coverage in the amount of the Loan, together with such endorsements as the City may require, which shall insure the Deed of Trust and Regulatory Agreement as liens upon the Property subject only to such exceptions and exclusions as may be reasonably acceptable to the City.

(e) Permits and Approvals. The Owner has obtained any and all permits and approvals required by the City or other governmental agency for the repairs to the Property.

(f) Construction Contracts. The Owner has submitted to the City one or more construction contracts with a duly licensed, insured and bonded contractor or contractors reasonably acceptable to the City providing for the repairs to the Property in conformance with the terms of this Agreement.

(g) Insurance. The Owner has presented evidence to the City of the insurance coverage meeting the requirements of Section 4.1.

(h) Environmental Reports. Owner has delivered to City all reports on the environmental condition of the Property as required by Section 2.10(a) of this Agreement.

(i) Relocation of Tenants. Owner shall provide to the City plans for temporary or permanent relocation of tenants, if temporary or permanent relocation shall occur, in conformance with all applicable local, state, and federal statutes and regulations.

(j) Representations and Warranties. All representations and warranties of Owner contained in this Agreement are true and correct.

(k) Request for Payment. Owner has submitted a request for payment on a form supplied by the City, together with invoices from contractors and subcontractors, lien releases as applicable, and any other requested information and documents, and has certified that the work for which disbursement is requested has been completed.

(l) Inspection of Work. The City has inspected the work for which the payment is being requested and has determined that such work has been completed in accordance with this Agreement and the approved Work Write-up and has been completed in a satisfactory manner in accordance with the standards of the construction industry.

Section 2.9 Assumption of Loan. Except in connection with transfers approved or permitted under Section 7.4 of this Agreement, the Loan shall not be assignable or assumable by successors and assigns of Owner. In no event, however, shall the Loan be assigned except in connection with the conveyance of the Property to a person or entity that acquires the Property.

Section 2.10 Condition of the Property. The following requirements shall apply to the Property:

(a) Environmental Condition Prior to Loan Disbursement. Except as otherwise disclosed in reports obtained by or provided to the City, the Owner represents to the City that it is not aware of, to the best of its actual knowledge, and it has not received any notice or communication from any governmental agency having jurisdiction over the Property, notifying it of the presence of Hazardous Materials in, on, or under the Property, or any portion thereof. Owner knows of no circumstances, conditions or events that may, now or with the passage of time, give rise to any environmental claim against or affecting the Property. Owner represents that any inspection reports with respect to the Property, environmental audits, reports and studies which concern the Property, or inspection reports from applicable regulatory authorities with respect to the Property, which Owner has received, have been delivered to the City. The City's reasonable approval of the environmental condition of the Property is a condition precedent to the disbursement of the Loan.

(b) Indemnification. Owner shall save, protect, pay for, defend, indemnify and hold harmless the City and its officers, employees, representatives and agents, 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, 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 the City or its officers, employees, representatives or agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials, (ii) the environmental condition of the Property, and (iii) any Liabilities relating to Hazardous Materials.

(c) Release. The Owner hereby waives, releases and discharges forever the City and its employees, officers, agents and representatives, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the City's or the Owner's use, maintenance, ownership or operation of the Property, any Hazardous Materials on the Property, however they came to be placed there, except that arising out of the negligence or misconduct of the City or its employees, officers, agents or representatives.

The Owner acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

In relation to this Section 2.10, the Owner hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

(Owner's initials)

Section 2.11 Non-Recourse. Except as provided below, neither Owner, nor any partner of Owner, has any personal liability for payment of the principal of, and interest on, the Loan.

Following recordation of the Deed of Trust, the sole recourse of the City with respect to the principal of, or interest on, the Note will be to the property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability limits or impairs the enforcement of all the rights and remedies of the City against all such security for the Note, or impairs the right of City to assert the unpaid principal amount of the Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation to repay the principal and interest on the Note. Except as hereafter set forth; nothing contained herein is intended to relieve Owner of its obligation to indemnify the City under Sections 2.10, 4.2, 4.5, and 4.6 of this Agreement, or liability for (i) loss or damage of any kind resulting from waste, fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Owner other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

ARTICLE 3. REHABILITATION OF THE PROPERTY

Section 3.1 Rehabilitation of the Property. The Owner agrees to repair the Property in accordance with the Work Write-Up.

Section 3.2 Commencement of Rehabilitation. The Owner shall commence repairs to the Project within thirty (30) days after receiving all building permits and governmental approvals necessary to proceed with the repairs but in no event later than May 31, 2015.

Section 3.3 Completion of Rehabilitation. The Owner shall diligently prosecute to completion the repairs to the Project and shall complete the repairs to the Project no later than twelve (12) months following commencement of the repairs or by May 31, 2016, subject to extensions approved by the City Manager (the "Completion Date"). The Owner further covenants and agrees to diligently prosecute to completion the repairs to the Project in accordance with the approved Work Write-up and to file a Notice of Completion pursuant to California Civil Code Section 3093 by the Completion Date.

Section 3.4 Cost of Rehabilitation. The proceeds of the Loan shall be used solely for the cost of the repairs to the Property as shown in the Work Write-Up. Any further funds necessary to complete the work shown in the Work Write-Up shall be at the sole cost and expense of the Owner.

Section 3.5 City and Other Governmental Permits. Before commencement of the repairs to the Property, the Owner shall secure or cause its contractor to secure any and all permits which may be required by the City or any other governmental agency, including without limitation building permits. The Owner shall pay all necessary fees and timely submit to the City final drawings with final corrections to obtain such permits.

**ARTICLE 4.
INDEMNITY AND INSURANCE**

Section 4.1 Insurance. The Owner shall maintain the following insurance coverage for the Property and the Project throughout the Term of the Loan:

(a) Workers' Compensation insurance to the extent required by law, including Employer's Liability coverage, with limits not less than One Million Dollars (\$1,000,000) each accident.

(b) Comprehensive General Liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(c) Comprehensive Automobile Liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired vehicles, as applicable.

(d) Property Insurance for the Property and the Project, in a form appropriate for the nature of the Project, covering all risks of loss, excluding earthquake, for one hundred percent (100%) of the replacement value, with deductible, if any, acceptable to the City. Flood insurance shall be obtained if required by applicable federal regulations.

(e) The required insurance shall be provided under an occurrence form, and Owner shall maintain the coverage described in subsections (a) through (d) continuously throughout the Term. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

(f) Comprehensive General Liability, Comprehensive Automobile Liability and Property insurance policies shall be endorsed to name as an additional insured the City and its officers, agents, employees and members of the City Council.

(g) All policies shall contain (i) the agreement of the insurer to give the City and Agency at least thirty (30) days notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (ii) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the City and Agency; (iii) a provision that no act or omission of the Owner shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; (iv) a waiver by the insurer of all rights of subrogation against the City and its authorized parties in connection with any loss or damage insured against; and (v) a lender's loss payable endorsement in a form approved by City.

(h) The City Manager is authorized to modify the requirements of this Section 4.1 upon a finding that the requirements are unnecessary or commercially unavailable.

Section 4.2 Indemnity. The Owner shall indemnify, defend and hold the City and its councilmembers, employees, agents, successors and assigns harmless against any and all claims, suits, actions, losses and liability of every kind, nature and description made against it

and expenses (including reasonable attorneys' fees) which arise out of or in connection with this Agreement, including but not limited to the repairs to the Project, except to the extent such claim arises from the grossly negligent or willful misconduct of the City and its councilmembers, employees, agents, successors and assigns. The provisions of this Section shall survive the expiration of the Term and the reconveyance of the Deed of Trust.

Section 4.3 Entry by the City.

(a) Owner shall permit the City, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the work to determine that the same is in conformity with the Work Write-Up and all the requirements hereof.

(b) Owner agrees to coordinate inspections with all tenants and to ensure the City has sufficient access to perform its inspections in a timely manner. In the event, the City is denied reasonable access by Owner, Owner's tenants or agents, such occurrence shall be treated as a "Default" as provided in Section 6.1 below.

(c) Owner acknowledges that the City is under no obligation to supervise, inspect, or inform Owner of the progress of construction. Any inspection by the City is not for the purpose of determining or informing Owner of the quality or suitability of construction. Owner shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, contractors, subcontractors, and material suppliers.

Section 4.4 Taxes and Assessments. The Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Owner's right to contest in good faith any such taxes. The Owner may apply for and receive any exemption from the payment of property taxes or assessments on any interest in or to the Property without the prior approval of the City.

Section 4.5 Relocation. Owner has represented to the City that the repairs to be financed with the Loan will not result in any permanent displacement or relocation of the tenants residing in the Project but may result in temporary relocation. To the extent that the repairs result in any temporary or permanent displacement or relocation of the tenants residing in the Project, Owner agrees to comply with all applicable local, state, and federal statutes and regulations, (including without limitation the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, California Government Code Section 7260 et seq., and accompanying regulations) with respect to preparation of a relocation plan, relocation planning, advisory assistance, and payment of monetary benefits. Owner shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with such relocation laws. Owner shall indemnify, defend and hold harmless (with counsel reasonably acceptable to the City) the City and its councilmembers, employees, agents, successors and assigns against any claim for damages, compensation, fines, penalties, relocation payments or other amounts and expenses (including reasonable attorneys' fees) arising out of the failure or alleged failure of any person or entity (including Owner or the City) to satisfy relocation obligations related to the repairs to the Property. This obligation to indemnify shall survive the termination of this Agreement and the reconveyance of the Deed of Trust.

Section 4.6 Compliance with Laws; Prevailing Wages.

(a) Owner shall comply with all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) the prevailing wage provisions of Sections 1770 et seq., of the California Labor Code and implementing rules and regulations as set forth below, in completing the repairs on the Property.

(b) This Agreement has been prepared with the intention that City assistance under this Agreement does not require payment of state prevailing wages in connection with construction work that is paid for in whole or in part out of public funds; provided, however, that nothing in this Agreement constitutes a representation or warranty by the City regarding the applicability of the provisions of Labor Code Section 1720 et seq., and the hiring of apprentices pursuant to Labor Code Sections 1777.5 et seq., to the Loan. To the extent applicable, Owner shall pay and shall cause the general contractor and subcontractors to pay prevailing wages in connection with the repairs to the Project, as those wages are determined pursuant to Labor Code Sections 1720 et seq., to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the Department of Industrial relations ("DIR"). Owner shall and shall cause the consultants and contractors to comply with any other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and implementing regulations of the DIR. Owner shall cause the contractors to keep and retain such records as are necessary to determine if such prevailing wages have been paid as required pursuant to Labor Code Sections 1720 et seq., and apprentices have been employed as required by Labor Code Sections 1777.5 et seq. Copies of the currently applicable current per diem prevailing wages are available from DIR.

(c) Owner shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Owner, its contractor and subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq., to employ apprentices pursuant to Labor Code Sections 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the repairs to the Project. The requirements in this subsection (c) shall survive the termination of this Agreement and the reconveyance of the Deed of Trust.

Section 4.7 Liens and Stop Notices. The Owner shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Owner shall within thirty (30) days of such recording or service or within five (5) days of the City's demand whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the City a surety bond in sufficient form and amount, or otherwise; or provide the City with other assurance which the City deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of City from the effect of such lien or bonded stop notice.

**ARTICLE 5.
CONTINUING OBLIGATIONS**

Section 5.1 Operation of Property. Owner shall lease, operate and manage the Project in full conformance with the terms of the Regulatory Agreement.

Section 5.2 Affordable Units. In consideration for the Loan to be provided to the Owner on below-market terms, the Owner hereby agrees that the twenty-three (23) Affordable Units shall be affordable to Very Low Income Households for fifty-five (55) years as further specified in the Regulatory Agreement. The Owner shall record the Regulatory Agreement against the Property prior to the disbursement of any Loan funds.

Section 5.3 Non-Discrimination. Owner covenants by and for itself and its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, nor denial of the benefits of this Agreement to, any person or group of persons, including employees, applicants for employment, and contractors, on the basis of race, color, ancestry, national origin or ethnic group identification, religion or religious creed, gender or self-identified gender, sexual orientation, marital status, age, mental disability, physical disability or medical condition (including cancer, HIV and AIDS) or political affiliation or belief. In addition to the foregoing general obligations, Owner shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12900, et seq.), the regulations promulgated thereunder (Title 2, California Code of Regulations, section 7285.0, et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (sections 11135-11139.5) and any state or local regulations adopted to implement any of the foregoing, as such statutes and regulations may be amended from time to time. To the extent this Agreement subcontracts to Owner services or works required of City by the State of California pursuant to agreement between City and the State, the applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a) through (f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are expressly incorporated into this Agreement by reference and made a part hereof as if set forth in full, and Owner and any of its subcontractors shall give written notice of their obligations thereunder to labor organizations with which they have collective bargaining or other agreements.

**ARTICLE 6.
DEFAULT AND REMEDIES**

Section 6.1 Events of Default. A "Default" by Owner shall occur under this Agreement when the Owner fails to perform any condition, covenant, warranty, promise or representation contained in this Agreement or in any of the Loan Documents, or if a default is declared under any other financing for the Property or Project, and such Default shall continue for a period of forty-five (45) days after written notice to the Owner without the Owner curing such breach, or if such breach cannot reasonably be cured within such forty-five (45) day period, commencing the cure of such breach within such forty-five (45) day period and thereafter diligently proceeding to cure such breach; provided, however, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Agreement, the specific provision shall control. Notwithstanding the above, if a default is declared under any other financing for the Property or Project, the indebtedness evidenced by the Note shall accelerate automatically, without the need for any action by the City.

Section 6.2 Remedies. The occurrence of any Default following the expiration of all applicable notice and cure periods shall give the City the right to proceed with any and all remedies set forth in this Agreement and/or the Loan Documents, including an action or proceeding for specific performance to require the Owner to perform its obligations and covenants under the Loan Documents or to enjoin acts or things which may be unlawful or in violation of the provisions of the Loan Documents, and the right to terminate this Agreement. In addition, the occurrence of any Default by Owner will relieve the City of any obligation to perform under this Agreement, including without limitation to make, disburse, or continue the Loan, and the right to cause all indebtedness of the Owner to the City under this Agreement and the Note, together with any accrued interest, to become immediately due and payable.

Section 6.3 Remedies Cumulative. No right, power, or remedy given to the City by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Owner and any other person.

Section 6.4 Waiver of Terms and Conditions. The City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained in this Agreement shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

Section 6.5 Non-Liability of City Officials and Employees. No member, official, employee or agent of the City shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

ARTICLE 7. GENERAL PROVISIONS

Section 7.1 Time. Time is of the essence in this Agreement.

Section 7.2 Notices. Any notice requirement set forth in this Agreement shall be made, in writing, and shall be sent by the United States mail, certified, return receipt requested or by express delivery or overnight courier service with a delivery receipt, and shall be deemed given as of the date shown on the delivery receipt as the date of delivery or the date on which delivery was refused, and shall be addressed to the following addresses:

Owner:

Colorado Park Housing Corporation
c/o Palo Alto Housing Corporation
725 Alma Street
Palo Alto, CA 94301
Attn: Executive Director

City:

City of Palo Alto
Office of the City Clerk
PO Box 10250

Palo Alto, CA 94303

With a copy to:

City of Palo Alto
Director, Department of Planning & Community Environment
PO Box 10250
Palo Alto, CA 94303

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

Section 7.3 Representations and Warranties of Owner. Owner hereby represents and warrants to the City as follows:

(a) Organization. Owner is duly organized, validly existing, and in good standing under the laws of the State of California and has the power and authority to own the Property and carry on their business as now being conducted.

(b) Authority of Owner. Owner has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, under this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, under this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of the Owner, and all actions required under the Owner's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, under this Agreement, have been duly taken.

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered under this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Owner enforceable against it in accordance with their respective terms.

(e) Pending Proceedings. Owner is not in default under any law or regulation or under any order of any court, board, City or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Owner, threatened against or affecting Owner or the Property, at law or in equity, before or by any court, board, City or agency whatsoever which might, if determined adversely to Owner, materially affect Owner's ability to repay the Loan or impair the security to be given to the City under this Agreement.

(f) Title to Land. At the time of recordation of the Deed of Trust, Owner will have good and marketable fee title to the Property and there will exist no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property

taxes and assessments not yet due and payable, and liens in favor of the City or approved in writing by the City.

(g) Hazardous Materials. To the best of Owner's knowledge, except as disclosed in writing by Owner to the City: (i) no Hazardous Material has been disposed of, stored on, discharged from, or released to or from, or otherwise now exists in, on, under, or around, the Property, (ii) no aboveground or underground storage tanks are now or have ever been located on or under the Property, (iii) neither the Property, nor Owner, is in violation of any hazardous materials law; and (iv) neither the Property, nor Owner, is subject to any existing, pending or threatened hazardous materials claims.

Section 7.4 Transfer

(a) Transfer. For purposes of this Agreement, "Transfer" is any sale, assignment, or transfer, whether voluntary or involuntary, of (i) any rights and/or duties under this Agreement, and/or (ii) any interest in the Project, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Project is transferred and the Owner retains title. "Transfer" shall exclude the leasing of any single unit in the Project to an occupant and the transfer of an easement interest in the Property for utility purposes. The City Manager or his/her designee is authorized to execute assignment and assumption agreements on behalf of the City to implement any approved Transfer.

(b) City Interest. City is entering into this Agreement based on the experience, skill, and ability to perform of Owner. The Owner recognizes that its qualifications and identity are of particular concern to the City, in view of: (i) the importance of affordable housing to the general welfare of the community; (ii) the reliance by the City upon the unique qualifications and ability of the Owner to ensure the quality of the affordability, use, operation, and maintenance of the proposed Project; (iii) the requirement that the Property be used for affordable housing; and (iv) Owner's representation that the Property is not to be acquired or used for speculation, but only for use by the Owner for affordable housing.

(c) City Consent. No Transfer not specifically authorized in this Section shall be permitted without the prior written consent of the City, which the City may withhold in its sole discretion. The Loan shall automatically accelerate and be due in full upon any Transfer made without the prior written consent of the City. The City hereby approves the Transfer of this Agreement to a limited partnership, of which Palo Alto Housing Corporation or its wholly controlled affiliate is the general partner, provided Owner gives written notice to City of such assignment or transfer at least ten (10) days before such assignment or transfer.

Section 7.5 Successors and Assigns. This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Owner and the permitted successors and assigns of the Owner. Whenever the term "Owner" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

Section 7.6 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of the City, its successors and assigns, and Owner, its permitted successors and assigns, and no other person or persons shall have any right of action hereon.

Section 7.7 No Claims. Nothing contained in this Agreement shall create or justify any claim against the City, by any person Owner may have employed or with whom Owner may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the Project.

Section 7.8 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 7.9 Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired

Section 7.10 Governing Law. This Agreement and the Loan Documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

Section 7.11 Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Owner and the City.

Section 7.12 Further Actions. The Parties agree that they will take such further actions, and execute such further documents, as may be necessary or appropriate in order to carry out the purposes of this Agreement.

Section 7.13 Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the City, such approval may be given on behalf of the City by the City Manager. The City Manager is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement. The City Manager is authorized to execute amendments to this Agreement so long as such amendments do not materially increase the costs to be incurred by the City or materially decrease the revenues to be received by the City.

Section 7.14 Multiple Originals; Counterparts. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year set forth above.

CITY:

CITY OF PALO ALTO, a chartered city and municipal corporation

By:

Its:

APPROVED AS TO FORM BY CITY ATTORNEY

OWNER:

COLORADO PARK HOUSING CORPORATION, a California nonprofit public benefit corporation

By:

Ch

Its:

Exec Secretary

EXHIBIT "A"
LEGAL DESCRIPTION

The land referred to is situated in the County of Santa Clara, City of Palo Alto, State of California, and is described as follows:

PARCEL ONE:

Portion of Lots 150 and 151, as shown upon that certain map entitled, "Map of C.M. Wooster Company's Subdivision of the Clarke Ranch", which was filed for record in the Office of the Recorder of the County of Santa Clara, State of California, on November 11, 1912, in Book "O" of Maps, Page 16, and more particularly described as follows:

Beginning at a point in the centerline of Colorado Avenue, formerly Stanford Avenue, distant thereon North 54°30'00" East 350.03 feet from the point of intersection thereof with the centerline of Marian Road; thence from said point of beginning North 51°59'37" West 31.286 feet to the true point of beginning; thence from said true point of beginning and along the Northwesterly line of Colorado Avenue, as described in the parcels of land in the deeds to the City of Palo Alto, recorded August 9, 1960, in Book 4881, Page 307, and recorded April 12, 1960, in Book 4761, Page 129, North 54°30' East 340.84 feet to a point in the Southwesterly line of the parcel of land described in the deed to Lee Denton, recorded May 10, 1948, in Book 1618, Official Records, Page 1; thence leaving said Northwesterly line of Colorado Avenue and running North 52°00'23" West along said Southwesterly line of said parcel deeded to Denton 388.81 feet to the Westernmost corner thereof in the Southeasterly line of that certain parcel of land conveyed to the City of Palo Alto, by deeds recorded in Book 1332, Official Records, Page 447, Book 1352 Official Records, Page 6, and Book 1332, Official Records, Page 448, Santa Clara County Records; thence South 54°27'26" West along said Southeasterly line of land conveyed to the City of Palo Alto 340.68 feet to the point of intersection thereof with the Northeasterly line of that certain parcel of land described in the deed to Morton L. Wolfe, et al, recorded May 27, 1964, in Book 6519, Official Records, Page 13, Santa Clara County Records; thence South 51°59'37" East along said Northeasterly line of said land deeded to Wolfe 388.52 feet to the true point of beginning.

Said parcel is also shown on that certain Parcel Map filed for record March 1, 1971, in Book 279 of Parcel Maps, at Page 26.

PARCEL TWO:

Beginning at the most Westerly corner of Lot 151 of the C.M. Wooster Company's Subdivision of the Clarke Ranch, which map was filed for record on November 11, 1912, in Book "O" of Maps, at Page 16, records of Santa Clara County, California;

Thence South 51°45' East (shown as South 52° East on said map) 3.13 feet to the true point of beginning;

Thence North 54°43'50" East parallel to the Northwesterly line of said Lot 151, 290.82 feet to the Northwesterly prolongation of the Southwesterly line of the parcel of land described in the Deed to Lee Denton, recorded May 19, 1948, in Book 1618 Official Records, Page 1, Santa Clara County Records, California; Thence South 51°45' East along said prolongation 28.16 feet to the Southeasterly line of that certain parcel of land conveyed to the City of Palo Alto by deeds recorded in Book 1332 Official Records, Page 447, Book 1352 Official Records, Page 6, and Book 1332 Official Records, Page 448, Santa Clara County Records, California; Thence South 54°43'50" West, 340.82 feet along said Southeasterly line to the Northeasterly line of that certain parcel of land described in the deed to Morton L. Wolfe, et al, recorded May 27, 1964, in Book 6519 Official Records, Page 13, Santa Clara County, California;

Thence North 51°45' West along said Northeasterly line and its prolongation 28.16 feet;

Thence North 54°43'50" East 50.00 feet to the true point of beginning.

APN: 127-01-154

EXHIBIT "B"
AFFORDABLE UNITS

Number of Bedrooms	Number of Units
One	2
Two	13
Three	7
Four	1

**EXHIBIT "C"
WORK WRITE-UP**

Termite fumigation:	\$29,161
Balcony repairs (16 units) @ \$10,900/balcony:	\$174,400

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

City of Palo Alto
Office of City Attorney
250 Hamilton Avenue
Palo Alto, CA 94301

RECORDED WITHOUT CHARGE
GOVERNMENT CODE §§ 6103, 27383

**REGULATORY AGREEMENT, DECLARATION OF RESTRICTIVE COVENANTS, AND
OPTION TO PURCHASE**

**Colorado Park
(1141 Colorado Avenue, Palo Alto, California)**

This REGULATORY AGREEMENT, DECLARATION OF RESTRICTIVE COVENANTS, AND OPTION TO PURCHASE (the "Agreement") is made and entered into as of Sept. 8, 2014 (the "Effective Date"), by and between the CITY OF PALO ALTO, a chartered city and a municipal corporation ("City"), and COLORADO PARK HOUSING CORPORATION, a California nonprofit public benefit corporation ("Owner") with reference to the following facts.

RECITALS

A. The City and Owner have entered into an Affordable Housing Fund Loan Agreement (the "Loan Agreement"), pursuant to which the City agreed to provide a loan in the principal amount of up to Two Hundred Three Thousand Five Hundred Sixty One Dollars (\$203,561) (the "Loan") to Owner for repairs to sixty (60) units (the "Project") located on that certain real property located at 1141 Colorado Avenue, Palo Alto, California, as further described in Exhibit A attached hereto (the "Property").

B. All affordability restrictions that run with the land expired in 2012 on twenty-three (23) units in the Project. As a material consideration for the Loan, the Loan Agreement requires the Owner to enter into this Agreement with the City to ensure that the twenty-three (23) rental units on which the affordability restrictions have expired, as further described in Exhibit B attached hereto (the "Affordable Units"), are maintained for occupancy by Very Low Income Households at Affordable Rents for the Term of this Agreement. This Agreement, in conjunction with any other regulatory agreements recorded by other parties, will ensure the entire Project's continuing affordability.

C. The funds loaned to Owner pursuant to the Loan Agreement are from the City's Affordable Housing Fund, created by the City for the purpose of increasing and preserving the

supply of affordable rental housing in the City. There is a severe shortage of rental housing affordable to households with very low incomes in the City and nearby areas. The requirements of this Agreement will result in the long-term affordability of the entire Project and is consistent with the City's Affordable Housing Fund Guidelines and the City's affordable housing goals as outlined in the City's Housing Element of the Comprehensive Plan.

D. The Loan is being made to the Owner at an interest rate below the market rate in order to increase the supply of affordable rental housing in the City. In consideration for the Loan, the Owner has agreed to observe all the terms and conditions set forth below.

E. This Agreement requires no allocation of Article 34 authority from the County of Santa Clara, under Measure A as approved by the voters in November 1998, in that this Agreement is not subject to Article 34 for the following reasons:

1. The Agreement regulates less than forty-nine percent (49%) of the Project, and the Project is privately owned housing receiving no ad valorem property tax exemption other than exemptions granted by subdivision (f) or (g) of the Revenue and Taxation Code. (Health & Safety Code Section 37001(a)(1).); and

2. The development consists of the improvement of dwelling units of a previously existing low-rent housing project. (Health & Safety Code Section 37001(f).)

F. On September 8, 2014, the City Council authorized the Loan to the Owner on certain terms and conditions and authorized the City Manager to execute all necessary documents required by the Loan.

AGREEMENT

THEREFORE, the City and the Owner hereby agree as follows. The foregoing recitals are hereby incorporated by reference and made part of this Agreement.

ARTICLE 1 DEFINITIONS

1.1 Definitions.

When used in this Agreement, the following terms shall have the respective meanings assigned to them in this Article 1. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Loan Agreement.

- (a) "Actual Household Size" is the actual number of persons in the applicable household.
- (b) "Additional Term" is defined in Section 6.1(a) below.
- (c) "Affordable Unit" is defined in Recital B.

(d) "Agreement" is this Regulatory Agreement, Declaration of Restrictive Covenants, and Option to Purchase.

(e) "Area Median Income" is the area median income for Santa Clara County as published and periodically updated by the State of California pursuant to California Code of Regulations, Title 25, Section 6932, or successor provision, adjusted for Actual Household Size or Assumed Household Size as specified in this Agreement.

(f) "Assumed Household Size" is defined in Section 2.2(b) below.

(g) "City" is defined in the first paragraph of this Agreement.

(h) "Deed of Trust" is the deed of trust to the City on the Property that secures repayment of the Loan and the performance of all covenants of the Loan Documents.

(i) "Default" is defined in Section 7.7(a).

(j) "Effective Date" is defined in the first paragraph of this Agreement.

(k) "Fair Market Value" is defined in Section 6.2(d).

(l) "HCD" is the California Department of Housing and Community Development.

(m) "Loan" is defined in Recital A.

(n) "Loan Agreement" is defined in Recital A.

(o) "Loan Documents" are collectively the Loan Agreement, the Note, the Deed of Trust, and this Agreement, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

(p) "Low Income Household" is a household whose income does not exceed the low income limits applicable to Santa Clara County, as published and periodically updated by the California Department of Housing and Community Development under Section 50105 of the California Health and Safety Code, or successor provision, with adjustments for Actual Household Size.

(q) "Management Agent" is defined in Section 5.2 below.

(r) "Note" is the promissory note from the Owner in favor of the City in the amount of Two Hundred Three Thousand Five Hundred Sixty One Dollars (\$203,561) evidencing the Loan, as well as any amendments to, modifications of, or restatements of the Note.

(s) "Notice of Exercise" is defined in Section 6.2(b).

(t) "Official Records" are the Official Records of Santa Clara County.

(u) "Option to Purchase" is defined in Section 6.2(a).

(v) "Owner" is defined in the first paragraph of this Agreement.

(w) "Project" is the Property and the sixty (60) rental housing units located on the Property as described in Recital A, as well as any additional improvements, and all landscaping, roads and parking spaces existing thereon, as the same may from time to time exist.

(x) "Property" is defined in Recital A. "Referee" is defined in Section 6.2(d).

(z) "Rent" is the total of monthly payments by the Tenant of an Affordable Unit for all of the following: (1) use and occupancy of the Affordable Unit and land and all facilities associated with the Affordable Unit, including but not limited to parking, bicycle storage, storage lockers, and use of all common areas; (2) any separately charged fees or service charges assessed by the Developer which are required of all tenants of Units in the Project, except security deposits; (3) an allowance for utilities paid by the Tenant as established by the Santa Clara County Housing Authority, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not telephone service or cable TV; and (4) any other interest, taxes, fees or charges for use of the land or associated facilities that are assessed by a public or private entity other than the Developer and paid by the Tenant.

(aa) "Tenant" is a household legally occupying an Affordable Unit pursuant to a valid lease or rental agreement with Owner.

(bb) "Term" is the term of this Agreement, which shall commence on the date that this Agreement is recorded in the Official Records and shall continue until the fifty-fifth (55th) anniversary of the date that this Agreement is recorded in the Official Records.

(cc) "Unit" is one of the sixty (60) rental housing units constructed on the Property.

(dd) "Very Low Income Household" is a household whose income does not exceed the very low income limits applicable to Santa Clara County, as published and periodically updated by the California Department of Housing and Community Development under Section 50105 of the California Health and Safety Code, or successor provision, with adjustments for Actual Household Size.

(ee) "Very Low Income Rent" is the maximum allowable Rent for an Affordable Unit as described in Section 2.2(a) below, subject to the provisions of Section 2.3.

1.2 Exhibits

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

EXHIBIT A: Legal Description of the Property

EXHIBIT B: Affordable Units

ARTICLE 2
AFFORDABILITY AND OCCUPANCY COVENANTS

2.1 Occupancy Requirements.

As and when the Affordable Units on the Property become vacant, they shall be rented to and occupied by Very Low Income Households. This Agreement does not require existing Tenants of the Affordable Units that do not qualify as Very Low Income Households to vacate their Units.

2.2 Allowable Rent.

(a) Subject to the provisions of Section 2.3 below, the maximum Rent (including utility allowance) charged to Tenants of the Affordable Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income, adjusted for Assumed Household Size (the "Very Low Income Rent").

(b) Assumed Household Size. In calculating the allowable Rent for the Affordable Units, the following "Assumed Household Sizes" shall be utilized (except that if any federal statutes or regulations require use of alternate household size assumptions in calculating rents, such federally-mandated household size assumptions shall be used instead of the assumptions provided below):

<u>Number of Bedrooms</u>	<u>Assumed Household Size</u>
Studio	1
One	2
Two	3
Three	4
Four	5

(c) City Approval of Rents. Rents for all Affordable Units shall be approved by the City. Owner shall certify to the City that Owner is not charging any fee other than Rent to Tenants of the Affordable Units for all of the components of Rent defined in Section 1.1(z) above.

(d) In the event that income determinations are no longer published by HCD, or are not updated for a period of at least eighteen (18) months, the City shall provide the Owner with other income and Rent determinations which are reasonably similar with respect to methods of calculation to those previously published by HCD.

2.3 Increased Income of Tenants.

(a) Increase from Very Low Income to at or below Low Income. If, upon recertification of a Tenant's income, the Owner determines that a Very Low Income Household's income exceeds the qualifying income for a Very Low Income Household, but does not exceed the qualifying limit for a Low Income Household, then, upon expiration of the Tenant's lease, such Tenant's Rent may be increased to one-twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of Area Median Income, adjusted for Assumed Household Size, upon sixty (60) days written notice to the Tenant

(b) Non-Qualifying Household. If, upon recertification of a Tenant's income, the Owner determines that a former Very Low Income Household or Low Income Household's income has increased and exceeds the qualifying income for a Low Income Household, then, upon expiration of the Tenant's lease, such Tenant's Rent may be increased to equal one-twelfth (1/12th) of thirty percent (30%) of Tenant's actual income, upon sixty (60) days written notice to the Tenant. Alternatively, at Owner's option, Owner may require that Tenant vacate the Affordable Unit either six (6) months from the date of the notice or upon expiration of the Tenant's lease, whichever is later.

(c) Tax Credit or State Financing. Federal and State financing requirements regarding increased incomes of households at recertification shall apply in lieu of this Section 2.3 so long as a regulatory agreement with a Federal or State agency is in force.

(d) Agreement to Limitation on Rents. The Project has received direct financial assistance in the form of the Loan from the City. Sections 1954.52(b) and 1954.53(a)(2) of the Costa-Hawkins Act provide that, where a developer has received such assistance, certain provisions of the Costa-Hawkins Act do not apply if a developer has so agreed by contract. The Owner hereby agrees to limit Rents as provided in this Agreement in consideration of the Owner's receipt of the Loan and further agrees that any limitations on Rents imposed on the Affordable Units are in conformance with the Costa-Hawkins Act. The Owner further covenants that the terms of this Agreement are fully enforceable.

2.4 Section 8 Voucher and Certificate Holders.

The Owner will accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing certificate program or the Housing Choice Voucher Program under Section 8 of the United States Housing Act, or its successor. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that is more burdensome than criteria applied to all other prospective Tenants, nor shall the Owner apply or permit the application of management policies or lease provisions with respect to the Affordable Units which have the effect of precluding occupancy of Affordable Units by such prospective Tenants.

2.5 Lease Provisions.

The Owner shall use a form of Tenant lease approved by the City for the Affordable Units. The form of Tenant lease shall also comply with all requirements of the Loan Documents, and shall, among other matters:

(a) provide for termination of the lease and consent by the Tenant to immediate eviction for failure: (1) to provide any information required under this Agreement or reasonably requested by the Owner to establish or recertify the Tenant's qualification, or the qualification of the Tenant's household, for occupancy of the Affordable Units in accordance with the standards set forth in this Agreement, or (2) to qualify as a Very Low Income Household as a result of any material misrepresentation made by such Tenant with respect to the income computation or certification;

(b) be for an initial term of not less than one (1) year. After the initial year of tenancy, the lease may be month to month by mutual agreement of the Owner and the Tenant, however the Rent may not be raised more often than once every twelve (12) months after such initial year. The Owner will provide each Tenant with at least thirty (30) days' written notice of

any increase in Rent applicable to such Tenant, or such notice as otherwise required by law, and with such further notice as may be required by Section 2.3 above;

(c) prohibit subleasing of the Affordable Unit, contain nondiscrimination provisions, and include the Tenant's obligation to inform the Owner of any need for maintenance or repair;

(d) include reasonable rules of conduct consistent with California law; and

(e) allow termination of the tenancy only for good cause, including serious or repeated violation of the terms and conditions of the rental agreement, violations of applicable federal, state, or local law; or other good cause.

2.6 Security Deposits

Any security deposits collected by Owner or Owner's agent shall be kept separate and apart from all other funds in a trust account with a depository insured by the Federal Deposit Insurance Corporation or other comparable federal deposit insurance program and shall be held and disbursed in accordance with California law. The balance in the trust account shall at all times equal or exceed the aggregate of all outstanding obligations, plus accrued interest thereon.

ARTICLE 3 INCOME CERTIFICATION AND REPORTING

3.1 Income Certification.

The Owner will obtain, complete and maintain on file, immediately prior to initial occupancy and annually thereafter, income certifications for each Tenant renting any of the Affordable Units. Owner shall make a good faith effort to verify that the income statement provided by an applicant or Tenant is accurate by taking two or more of the following steps as a part of the verification process: (a) obtain a minimum of the three (3) most current pay stubs for all adults age eighteen (18) or older; (b) obtain an income tax return for the most recent tax year; (iii) conduct a credit agency or similar search; (c) obtain the three (3) most current savings and checking account bank statements; (d) obtain an income verification form from the applicant's current employer; (e) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (f) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Owner shall retain in the Tenant's file all verifications of Tenant's income (tax returns, W-2 forms, paycheck stubs, etc.). Copies of Tenant income certifications shall be made available to the City upon request.

3.2 Annual Report to City.

(a) The Owner shall provide any information reasonably requested by the City in connection with the Project. In particular, the Owner shall provide the City with annual reports required by the Regulatory Agreement, including but not limited to reports regarding the Project's Rent and occupancy levels, as well as the annual operating budget. Without limitation, the Owner shall provide the City no later than the ninetieth (90th) day after the close of each fiscal year following the Effective Date, PDF copies of the following documents:

(1) audited financial statements for the Project; and

(2) an occupancy report including: (i) the verified income of each Tenant, (ii) the number of members of each Tenant household; (iii) the current Rents charged Tenant and whether these Rents include utilities, and (iv) the date tenancy commenced for each Affordable Unit.

(b) Within fifteen (15) days after receipt of a written request, Owner shall provide any other information or completed forms requested by the City to ensure compliance with the Loan Documents or this Agreement.

(c) Substitution of Monitoring and Compliance Reports Prepared for Other Financing Programs. If similar reports on some or all of the Affordable Units are required for regulatory compliance with other financing programs, those reports may be deemed satisfactory for the purpose of this Section by the City, with respect to the portion of the requirements of this Section covered by such reports, provided that copies are provided on an annual basis to the City with an owner certification addressed to the City certifying that the Owner has complied with this Agreement.

3.3 Additional Information.

The Owner shall provide any additional information reasonably requested by the City. The City shall have the right to examine and make copies of all books, records or other documents of the Owner which pertain to the Affordable Units.

3.4 Records.

(a) The Owner shall maintain complete, accurate and current records pertaining to the Affordable Units, and shall permit any duly authorized representative of the City to inspect records, including but not limited to records pertaining to income and household size of Tenants and Rent charged Tenants, upon reasonable prior notice during normal business hours. All Tenant lists, applications and waiting lists relating to the Affordable Units shall at all times be kept separate and identifiable from any other business of the Owner and shall be maintained as required by the City, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the City. The Owner shall retain copies of all materials obtained or produced with respect to occupancy of the Affordable Units for a period of at least five (5) years.

(b) The City shall notify Owner of any records it deems insufficient. Owner shall have fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the City in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Owner shall begin to correct the deficiency within fifteen (15) days and correct the deficiency within thirty (30) days, or as otherwise agreed by City if a longer time period is reasonably required.

3.5 On-Site Inspection.

The City shall have the right to perform on-site inspections of the Project, including the Affordable Units, as is reasonably required to ensure compliance with the Loan Documents, but in any case at least once per year. The Owner agrees to cooperate in such inspection(s). If City

desires to inspect the interior of the Affordable Units, City shall give Owner sufficient notice to allow Owner to give seventy-two (72) hours' notice to Tenants.

**ARTICLE 4
OPERATION OF THE DEVELOPMENT**

4.1 Residential Use.

The Property and the Units shall be used only for rental residential purposes consistent with the Loan Documents, and the Units shall be operated and maintained as rental residences for the Term of this Agreement. No part of the Affordable Units shall be operated as transient housing in which the term of occupancy is less than thirty (30) days, nor shall the Owner convert or apply to convert the Project to condominium or cooperative ownership or to a community apartment project or sell condominium or cooperative conversion rights in the Project or the rights to convert the Property or the Project to condominium or cooperative ownership or as a community apartment project.

4.2 Compliance with Loan Documents.

Owner shall comply with all the terms and provisions of the Loan Documents.

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

**ARTICLE 5
PROPERTY MANAGEMENT AND MAINTENANCE**

5.1 Management Responsibilities.

The Owner is responsible for all management functions with respect to the Units, including without limitation the selection of Tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City shall have no responsibility over management of the Units. The Owner shall retain a professional property management company approved by the City in its reasonable discretion to perform its management duties hereunder.

5.2 Management. The Project shall at all times be managed by an experienced management agent reasonably acceptable to the City, with demonstrated ability to operate residential facilities like the Project in a manner that will provide decent, safe, and sanitary housing (as approved, the "Management Agent"). The Owner shall submit for the City's

approval the identity of any proposed Management Agent. The Owner shall also submit such additional information about the background, experience and financial condition of any proposed Management Agent as is reasonably necessary for the City to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the City shall approve the proposed Management Agent by notifying the Owner in writing. Unless the proposed Management Agent is disapproved by the City within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved. The City hereby approves PAHC Management and Services Corporation as the initial Management Agent.

5.3 Performance Review.

The City reserves the right to conduct an annual (or more frequently, if deemed necessary by the City) review of the management practices and financial status of the Project. The purpose of each periodic review will be to enable the City to determine if the Project is being operated and managed in accordance with the requirements and standards of this Agreement. The Owner shall cooperate with the City in such reviews.

5.4 Replacement of Management Agent.

If, as a result of a periodic review, the City determines in its reasonable judgment that the Project is not being operated and managed in accordance with any of the material requirements and standards of this Agreement, the City shall deliver notice to Owner of its intention to cause replacement of the Management Agent, including the reasons therefor. Within fifteen (15) days of receipt by Owner of such written notice, City staff and the Owner shall meet in good faith to consider methods for improving the financial and operating status of the Project, including, without limitation, replacement of the Management Agent.

If, after such meeting, City staff recommends in writing the replacement of the Management Agent, Owner shall promptly dismiss the then Management Agent, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in Section 5.2 above and approved by the City pursuant to Section 5.2 above.

Any contract for the operation or management of the Project entered into by Owner shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section shall constitute Default under this Agreement, and the City may enforce this provision through legal proceedings as specified in Section 7.7 below.

5.5 Approval of Management Policies.

The Owner shall submit its written management policies with respect to the Affordable Units to the City for its review, and shall amend such policies in any way necessary to ensure that such policies comply with the provisions of this Agreement.

5.6 Property Maintenance.

(a) The Owner agrees, for the entire Term of this Agreement, to maintain all interior and exterior improvements, including landscaping, on the Property in good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable

laws, rules, ordinances, orders and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials, and in accordance with the following maintenance conditions:

(1) Landscaping. The Owner agrees to have landscape maintenance performed every other week, including replacement of dead or diseased plants with comparable plants. Owner agrees to adequately water the landscaping on the Property. No improperly maintained landscaping on the Property shall be visible from public streets and/or rights of way.

(2) Yard Area. No yard areas on the Property shall be left unmaintained, including:

(A) broken or discarded furniture, appliances and other, household equipment stored in yard areas for a period exceeding one (1) week;

(B) packing boxes, lumber trash, dirt and other debris in areas visible from public property or neighboring properties; and

(C) vehicles parked or stored in other than approved parking areas.

(3) Building. No buildings located on the Property may be left in an unmaintained condition so that any of the following exist:

(A) violations of state law, uniform codes, or City ordinances;

(B) conditions that constitute an unsightly appearance that detracts from the aesthetics or value of the Property or constitutes a private or public nuisance;

(C) broken windows;

(D) graffiti (must be removed within 72 hours); and

(E) conditions constituting hazards and/or inviting trespassers, or malicious mischief.

(b) The City places prime importance on quality maintenance to protect its investment and to ensure that all City-assisted affordable housing projects within the City are not allowed to deteriorate due to below-average maintenance. Normal wear and tear of the Units will be acceptable to the City assuming the Owner agrees to provide all necessary improvements to assure the Units are maintained in good condition. The Owner shall make all repairs and replacements necessary to keep the improvements in good condition and repair.

(c) In the event that the Owner breaches any of the covenants contained in this Section and such Default continues for a period of ten (10) days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance or thirty (30) days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the Default. Pursuant to such right of entry, the City shall be permitted (but is

not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to attach a lien on the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, which amount shall be promptly paid by the Owner to the City upon demand.

5.7 Safety Conditions.

(a) The Owner acknowledges that the City places a prime importance on the security of City assisted projects and the safety of the residents and surrounding community. The Owner agrees to implement and maintain throughout the Term the following security measures in the Project:

(1) to the extent feasible employ defensible space design principles and crime prevention measures in the operation of the Project including but not limited to maintaining adequate lighting in parking areas and pathways;

(2) use its best efforts to work with the City Police Department to implement and operate an effective neighborhood watch program; and

(3) provide added security including dead-bolt locks for every entry door, and where entry doors are damaged, replace them with solid-core doors.

(b) The City shall have the right to enter on the Property and/or contact the City Police Department if it becomes aware of or is notified of any conditions that pose a danger to the peace, health, welfare or safety of the Tenants and/or the surrounding community, and to perform or cause to be performed such acts as are necessary to correct the condition.

**ARTICLE 6
EXPIRATION OF TERM**

6.1 Notification to City and Tenants.

(a) At least six (6) months but not more than one (1) year prior to the expiration of the Term, the Owner shall provide irrevocable written notice to the City regarding whether Owner elects to extend the Term of this Agreement for an additional period of forty-five (45) years or for the longest feasible period of time mutually acceptable to the City and the Owner or that is consistent with the remaining terms of the other regulatory agreements in place on the Project (the "Additional Term"). If Owner fails to provide written notice to City of Owner's election, Owner shall be deemed to have provided notice of Owner's decision not to extend the Term on the date that is six (6) months prior to the expiration of the Term. If Owner elects to extend the Term of this Agreement for the Additional Term, this Agreement will remain binding upon Owner and Owner's successors until the expiration of the Additional Term.

(b) At least one (1) year prior to the expiration of the Term or any Additional Term, the Owner shall provide by first-class mail, postage prepaid, a notice to all Tenants in Affordable Units containing (1) the anticipated date of the expiration of the Term, (2) any anticipated Rent increase upon the expiration of the Term or Additional Term, (3) a statement that a copy of such notice will be sent to the City, and (4) a statement that a public hearing may

be held by the City on the issue and that the Tenant will receive notice of the hearing at least fifteen (15) days in advance of any such hearing. The Owner shall also file a copy of the above-described notice with the City Manager. In addition, Owner shall comply with all requirements set forth in California Government Code Sections 65863.10 and 65863.11 or successor provisions and all other requirements of State and federal law.

ARTICLE 7 MISCELLANEOUS

7.1 Nondiscrimination.

(a) Owner covenants by and for itself and its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, nor denial of the benefits of this Agreement to, any person or group of persons, including employees, applicants for employment, and contractors, on the basis of race, color, ancestry, national origin or ethnic group identification, religion or religious creed, gender or self-identified gender, sexual orientation, marital status, age, mental disability, physical disability or medical condition (including cancer, HIV and AIDS) or political affiliation or belief. In addition to the foregoing general obligations, Owner shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12900, et seq.), the regulations promulgated thereunder (Title 2, California Code of Regulations, section 7285.0, et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (sections 11135-11139.5) and any state or local regulations adopted to implement any of the foregoing, as such statutes and regulations may be amended from time to time. To the extent this Agreement subcontracts to Owner services or works required of City by the State of California pursuant to agreement between City and the State, the applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a) through (f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are expressly incorporated into this Agreement by reference and made a part hereof as if set forth in full, and Owner and any of its subcontractors shall give written notice of their obligations thereunder to labor organizations with which they have collective bargaining or other agreements.

(b) The provisions of paragraph (a) shall further apply to the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Project, and Owner and any person claiming under or through the Owner, shall not 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 Project.

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

(d) The Owner shall include the provisions contained in this Section in all contracts and subcontracts related to the Project.

(e) The requirements in this Section shall survive the repayment of the Loan, and the reconveyance of the Deed of Trust.

7.2 Term.

The provisions of this Agreement shall apply to the Property for the entire Term even if the Loan and all accrued interest are paid in full prior to the end of the Term. This Agreement shall bind any successor, heir or assign of the Owner, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, except as expressly released by the City. The City makes the Loan on the condition, and in consideration of, this provision, and would not do so otherwise.

7.3 Effect of Other Financing Programs.

The Project may be subject to the terms of other governmental subsidy programs. This Agreement and the agreements entered into by the Owner pursuant to these subsidy programs independently regulate Units in the Project. If any provision of another regulatory agreement is found in conflict or in contradiction with the terms of this Agreement in relation to the Affordable Units, the most restrictive requirement, providing the greatest affordability to the most Tenants for the longest term, shall apply to those Affordable Units, except as otherwise specified.

7.4 Loan Documents.

In the event of any conflict among the Loan Documents, the most restrictive requirements shall apply.

7.5 Covenants to Run With the Land.

The City and the Owner hereby declare their express intent that the covenants and restrictions set forth in this Agreement shall run with the land, and shall bind all successors in title to the Property, provided, however, that on the expiration of the Term of this Agreement, said covenants and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof, shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the City expressly releases such conveyed portion of the Property from the requirements of this Agreement.

7.6 Indemnification

(a) To the full extent permitted by law, the Owner shall indemnify, defend at its own expense, and hold the City and its elected officials, officers, employees and agents in their official capacity (collectively "Indemnitees") harmless against any and all claims, suits, actions, losses and liability of every kind, nature and description made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with this Agreement, including but not limited to the purchase of the Property, and the marketing, maintenance, and operation of the Project, except to the extent such claim arises from the grossly negligent or willful misconduct of the City or Indemnitees. Each Party shall notify the other Party immediately in writing of any claim or damage related to activities performed under this Agreement. The Parties shall cooperate with each other in the investigation and disposition of any claim arising out of the activities under this Agreement, provided that nothing shall require either party to

disclose any documents, records or communications that are protected under the attorney-client privilege or attorney work product privilege.

(b) The provisions of this Section shall survive the expiration of the Term, the reconveyance of the Deed of Trust, and any release of part or all of the Property from the burdens of this Agreement.

7.7 Default.

(a) The occurrence of any of the following is a "Default" and shall constitute a material breach of this Agreement if not corrected, cured or remedied in the time period set forth in subsection (b) of this Section:

(1) Failure of Owner or any person under its direction or control to comply with or perform when due any obligation under this Agreement;

(2) Any warranty, representation, or statement made to City by Owner under this Agreement that is false or misleading in any material respect either now or at the time made or furnished; or

(3) A Default pursuant to the Loan Agreement or any Loan Document.

(b) If the Owner fails to cure the Default within thirty (30) days after the City has notified the Owner in writing of the Default or, if the Default cannot be cured within thirty (30) days, failed to commence to cure within thirty (30) days and thereafter diligently pursue such cure and complete such cure within sixty (60) days, or such longer period as approved by the City, in writing, the City shall have the right to enforce this Agreement by any or all of the following actions, or by any other remedy provided by law.

(c) Calling the Loan. The City may declare a Default under the Note, accelerate the indebtedness evidenced by the Note, and with respect to the Loan, proceed with foreclosure under the Deed of Trust.

(d) Action to Compel Performance or for Damages. The City may bring an action at law or in equity to compel the Owner's performance of its obligations under this Agreement, and/or for damages.

(e) Remedies Provided Under Loan Agreement. The City may exercise any other remedy provided under the Loan Agreement.

7.8 Recording and Filing.

The City and the Owner shall cause this Agreement, and all amendments and supplements to it, to be recorded in the Official Records.

7.9 Governing Law and Venue.

This Agreement shall be governed by the laws of the State of California. Venue shall be Santa Clara County.

7.10 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of the Agreement's provisions.

7.11 Waiver of Requirements.

No waiver of the requirements of this Agreement shall occur unless expressly waived by the City in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or Default of Owner or to pursue any remedy permitted under this Agreement or applicable law. Any extension of time granted to Owner to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the City to any act or omission by Owner shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

7.12 Amendments.

This Agreement may be amended only by a written instrument executed by all the parties hereto or their successors in title, and duly recorded in the Official Records.

7.13 Notices.

Any notice requirement set forth herein shall be deemed to be satisfied three (3) days after mailing of the notice first-class United States certified mail, postage prepaid, addressed to the appropriate party as follows:

Owner: Colorado Park Housing Corporation
c/o Palo Alto Housing Corporation
725 Alma Street
Palo Alto, CA 94301
Attn: Executive Director

City: City of Palo Alto
Office of the City Clerk
PO Box 10250
Palo Alto, CA 94303

With a copy to:

City of Palo Alto
Director, Department of Planning & Community Environment
PO Box 10250
Palo Alto, CA 94303

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt shall be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

7.14 Severability.

If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions of this Agreement shall not in any way be affected or impaired thereby.

7.15 Multiple Originals; Counterparts.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

IN WITNESS WHEREOF, the City and the Owner have executed this Agreement by duly authorized representatives, all on the date first written above.

CITY:

CITY OF PALO ALTO, a chartered city and municipal corporation

By: _____

Its: _____

APPROVED AS TO FORM BY CITY ATTORNEY

OWNER:

COLORADO PARK HOUSING CORPORATION, a California nonprofit public benefit corporation

By: Cyr

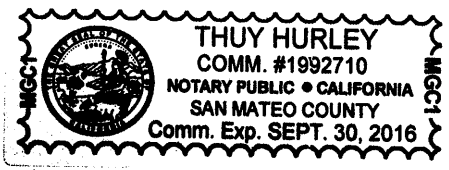
Its: Exec. Secretary

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CLARA)

On August 28, 2014 before me, Thuy Hurley, Notary Public, personally appeared Candice Gonzalez Oshanton, 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.



Thuy Hurley
Notary Public

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CLARA)

On _____, before me, _____, Notary Public, personally appeared _____, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT "A"

The land referred to is situated in the County of Santa Clara, City of Palo Alto, State of California, and is described as follows:

PARCEL ONE:

Portion of Lots 150 and 151, as shown upon that certain map entitled, "Map of C.M. Wooster Company's Subdivision of the Clarke Ranch", which was filed for record in the Office of the Recorder of the County of Santa Clara, State of California, on November 11, 1912, in Book "O" of Maps, Page 16, and more particularly described as follows:

Beginning at a point in the centerline of Colorado Avenue, formerly Stanford Avenue, distant thereon North 54°30'00" East 350.03 feet from the point of intersection thereof with the centerline of Marian Road; thence from said point of beginning North 51°59'37" West 31.286 feet to the true point of beginning; thence from said true point of beginning and along the Northwesterly line of Colorado Avenue, as described in the parcels of land in the deeds to the City of Palo Alto, recorded August 9, 1960, in Book 4881, Page 307, and recorded April 12, 1960, in Book 4761, Page 129, North 54°30' East 340.84 feet to a point in the Southwesterly line of the parcel of land described in the deed to Lee Denton, recorded May 10, 1948, in Book 1618, Official Records, Page 1; thence leaving said Northwesterly line of Colorado Avenue and running North 52°00'23' West along said Southwesterly line of said parcel deeded to Denton 388.81 feet to the Westernmost corner thereof in the Southeasterly line of that certain parcel of land conveyed to the City of Palo Alto, by deeds recorded in Book 1332, Official Records, Page 447, Book 1352 Official Records, Page 6, and Book 1332, Official Records, Page 448, Santa Clara County Records; thence South 54°27'26" West along said Southeasterly line of land conveyed to the City of Palo Alto 340.68 feet to the point of intersection thereof with the Northeasterly line of that certain parcel of land described in the deed to Morton L. Wolfe, et al, recorded May 27, 1964, in Book 6519, Official Records, Page 13, Santa Clara County Records; thence South 51°59'37" East along said Northeasterly line of said land deeded to Wolfe 388.52 feet to the true point of beginning.

Said parcel is also shown on that certain Parcel Map filed for record March 1, 1971, in Book 279 of Parcel Maps, at Page 26.

PARCEL TWO:

Beginning at the most Westerly corner of Lot 151 of the C.M. Wooster Company's Subdivision of the Clarke Ranch, which map was filed for record on November 11, 1912, in Book "O" of Maps, at Page 16, records of Santa Clara County, California;

Thence South 51°45' East (shown as South 52° East on said map) 3.13 feet to the true point of beginning;

Thence North 54°43'50" East parallel to the Northwesterly line of said Lot 151, 290.82 feet to the Northwesterly prolongation of the Southwesterly line of the parcel of land described in the

Deed to Lee Denton, recorded May 19, 1948, in Book 1618 Official Records, Page 1, Santa Clara County Records, California; Thence South $51^{\circ}45'$ East along said prolongation 28.16 feet to the Southeasterly line of that certain parcel of land conveyed to the City of Palo Alto by deeds recorded in Book 1332 Official Records, Page 447, Book 1352 Official Records, Page 6, and Book 1332 Official Records, Page 448, Santa Clara County Records, California; Thence South $54^{\circ}43'50''$ West, 340.82 feet along said Southeasterly line to the Northeasterly line of that certain parcel of land described in the deed to Morton L. Wolfe, et al, recorded May 27, 1964, in Book 6519 Official Records, Page 13, Santa Clara County, California;

Thence North $51^{\circ}45'$ West along said Northeasterly line and its prolongation 28.16 feet;

Thence North $54^{\circ}43'50''$ East 50.00 feet to the true point of beginning.

APN: 127-01-154

EXHIBIT "B"
AFFORDABLE UNITS

Number of Bedrooms	Number of Units
One	2
Two	13
Three	7
Four	1

Attachment C

ORDINANCE NO.

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO
AMENDING THE BUDGET FOR FISCAL YEAR 2015 TO
PROVIDE ADDITIONAL APPROPRIATION OF \$200,000 FROM
THE RESIDENTIAL HOUSING IN-LIEU FUND FOR A LOAN
TO THE PALO ALTO HOUSING CORPORATION (PAHC) FOR
THE COLORADO APARTMENTS REHABILITATION

The Council of the City of Palo Alto does ordain as follows:

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. The Palo Alto Housing Corporation is the owner and operator of the Colorado Apartments, located at 1141 Colorado Avenue, that has provided low-income housing to Palo Alto seniors for over forty-years; and

C. The City's Affordable Housing Fund Guidelines require that funds be used to expand, preserve, or improve the supply of low and moderate income housing in the City as defined by the City's comprehensive plan and this project will help the City meets its Regional Housing Needs Allocation (RHNA) requirement as mandated by the State of California; and

D. A loan of \$200,000 from the Residential Housing In-Lieu Fee Fund balance will be committed to the Palo Alto Housing Corporation for the rehabilitation of the Colorado Apartments.

SECTION 2. The sum of Two Hundred Thousand Dollars (\$200,000) is hereby appropriated to the Palo Alto Housing Corporation for the Colorado Apartments Rehabilitation Project and the ending fund balance in the Residential Housing In-Lieu Fund is hereby decreased by Two Hundred Thousand Dollars (\$200,000)

SECTION 3. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 4. The proposed rehabilitation project is for repair and maintenance of an existing structure and is exempt from review under the California Environmental Quality Act pursuant to CEQA Guidelines section 15301.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

Senior City Attorney

Director of Planning and
Community Environment

Director of Administrative
Services

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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ATTACHMENT D

**Adequate Sites Program Alternative Checklist
Government Code Section 65583.1(c)**

As provided for in Government Code Section 65583.1(c), local governments can rely on existing housing units to address up to 25 percent of their adequate sites requirement by counting existing units made available or preserved through the provision of "committed assistance" to low- and very low-income households at affordable housing costs or affordable rents. The following is a checklist intended to provide guidance in determining whether the provisions of Government Code Section 65583.1(c) can be used to address the adequate sites program requirement. Please be aware, all information must be provided in the housing element to demonstrate compliance.

		HE Page #
65583.1(c)(4) Is the local government providing, or will it provide "committed assistance" during the period of time from the beginning of the RHNA projection period to the end of the first 2 years of the housing element planning period? See the definition of "committed assistance" at the end of the checklist.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Program 2.2.4 in Chapter X: Housing Plan
65583.1(c)(1)(A) Has the local government identified the specific source of "committed assistance" funds? If yes: specify the amount and date when funds will be dedicated through a (legally enforceable agreement). <p style="text-align: center;">\$200,000- Residential Housing Fund Date: prior to January 1, 2017</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Page XX in Chapter X: Housing Resources and Sites
65583.1(c)(3) Has at least some portion of the regional share housing need for very low-income (VL) or low-income (L) households been met in the current or previous planning period? Specify the number of affordable units permitted/constructed in the previous period. 290 units Specify the number affordable units permitted/constructed in the current period and document how affordability was established. 96 affordable units (affordability established through the City's Density Bonus provisions and the Mayfield development agreement)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Page XX of Chapter X: Housing Plan Page XX in Chapter X: Housing Resources and Sites
65583.1(c)(1)(B) Indicate the total number of units to be assisted with committed assistance funds and specify funding source. Number of units: 23 Funding source: Residential Housing Fund		Page XX in Chapter X: Housing Resources and Sites
65583.1(c)(1)(B) Will the funds be sufficient to develop the identified units at affordable costs or rents?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
65583.1(c)(1)(C) Do the identified units meet the substantial rehabilitation, conversion, or preservation requirements as defined? Which option? Conversion	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Note: If you cannot answer "yes" to all of the general requirements questions listed above, your jurisdiction is not eligible to utilize the alternate adequate sites program provisions set forth in Government Code Section 65583.1(c).		

CONVERSION OF MULTIFAMILY RENTAL AND OWNERSHIP UNITS OF 3 OR MORE OR FORECLOSED PROPERTIES FROM NON-AFFORDABLE TO AFFORDABLE (65583.1(c)(2)(B))		
Include reference to specific program action in housing element.	Program # _____	Page # _____
<p>65583.1(c)(2)(B) Specify the number of multifamily rental (3 or more units) to be converted. 23 units</p> <p>Specify the number multifamily ownership units to be converted. N/A</p> <p>Specify the number of foreclosed properties acquired. N/A Date Acquired? Will these units be for rent?</p>	Program 2.2.4	
<p>65583.1(c)(2)(B)(i) Will the acquired units be made affordable to low- or very low-income households?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<p>65583.1(c)(2)(B)(ii) For units to be converted to very-low income, were those units affordable to very low-income households at the time they were identified for acquisition? For units to be converted to low-income, were those units affordable to low-income households at the time they were identified for acquisition? N/A</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No	
<p>65583.1(c)(2)(B)(iii) If the acquisition results in the displacement of very low- or low-income households, is the local government providing relocation assistance consistent with Government Code Section 7260, including rent and moving expenses equivalent to four (4) months, to those occupants permanently or temporary displaced?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A	N/A
<p>65583.1(c)(2)(B)(iv) Will units be decent, safe, and sanitary upon occupancy?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<p>65583.1(c)(2)(B)(v) Will affordability and occupancy restrictions be maintained at least 55 years?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<p>65583.1(c)(2)(B)(vi)* For conversion of multifamily ownership units: Has at least an equal share of newly constructed multifamily rental units affordable to lower-income households been constructed within the current planning period or will be constructed by the of program completion as the number of ownership units to be converted? (Note: this could be demonstrated by providing certificates of occupancy) Specify the number of affordable multifamily rental units constructed in the planning period.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A # of lower-income units: _____	N/A
<p>*NOTE: After January 1, 2015 foreclosed units acquired and converted must meet the requirements of GC 65583.1(c)(2)(B)(vi)</p>		

NOTE:

- By no later than July 1st of the third year of the planning period, local governments must report on the status of its program implementation for substantial rehabilitation, conversion, and/or preservation (of affordability) as described above (Government Code 65583.1(c)(7)).
- The report must specify and identify those units for which committed assistance has been provided or which have been made available to low- and very low-income households and document how each unit complies with the substantial rehabilitation, conversion, and/or preservation provisions.
- If the local government has not entered into an enforceable agreement of committed assistance for all units specified in the identified program(s), by the July 1st due date, it must amend its element to identify additional appropriately zoned and suitable sites, sufficient to accommodate the number of units for which committed assistance was not provided. This follow-up action must be taken no later than July 1st of the fourth year of the planning period.
- If a local government fails to amend its element to identify adequate sites to address any shortfall, or fails to complete the rehabilitation, acquisition, purchase of affordability covenants, or the preservation of any housing unit within two years after committed assistance was provided to that unit, the local government cannot use the alternate adequate sites program provisions of Government Code Section 65583.1(c)(1) in its next housing element update, beyond the number of units actually provided or preserved due to committed assistance.

DEFINITIONS:

Committed Assistance: When a local government has entered into a legally enforceable agreement within a specific timeframe spanning from the beginning of the RHNA projection period through the end of the second year of the housing element planning period, obligating funds for affordable units available for occupancy within two years of the agreement.

Assisted Housing Development: A multifamily rental housing development that receives governmental assistance under any of the following programs:

- (A) New construction, substantial rehabilitation, moderate rehabilitation, property disposition, and loan management set-aside programs, or any other program providing project-based assistance, under Section 8 of the United States Housing Act of 1937, as amended (42 U.S.C. Sec. 1437f).
- (B) The following federal programs:
 - (i) The Below-Market-Interest-Rate Program under Section 221(d)(3) of the National Housing Act (12 U.S.C. Sec. 1715l(d)(3) and (5)).
 - (ii) Section 236 of the National Housing Act (12 U.S.C. Sec. 1715z-1).
 - (iii) Section 202 of the Housing Act of 1959 (12 U.S.C. Sec. 1701q).
- (C) Programs for rent supplement assistance under Section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. Sec. 1701s).
- (D) Programs under Sections 514, 515, 516, 533, and 538 of the Housing Act of 1949, as amended (42 U.S.C. Sec. 1485).
- (E) Section 42 of the Internal Revenue Code.
- (F) Section 142(d) of the Internal Revenue Code (tax-exempt private activity mortgage revenue bonds).
- (G) Section 147 of the Internal Revenue Code (Section 501(c)(3) bonds).
- (H) Title I of the Housing and Community Development Act of 1974, as amended (Community Development Block Grant Program).
- (I) Title II of the Cranston-Gonzales National Affordable Housing Act of 1990, as amended (HOME Investment Partnership Program).
- (J) Titles IV and V of the McKinney-Vento Homeless Assistance Act of 1987, as amended, including the Department of Housing and Urban Development's Supportive Housing Program, Shelter Plus Care program, and surplus federal property disposition program.
- (K) Grants and loans made by the Department of Housing and Community Development, including the Rental Housing Construction Program, CHRP-R, and other rental housing finance programs.
- (L) Chapter 1138 of the Statutes of 1987.

- (M)The following assistance provided by counties or cities in exchange for restrictions on the maximum rents that may be charged for units within a multifamily rental housing development and on the maximum tenant income as a condition of eligibility for occupancy of the unit subject to the rent restriction, as reflected by a recorded agreement with a county or city:
- (i) Loans or grants provided using tax increment financing pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code).
 - (ii) Local housing trust funds, as referred to in paragraph (3) of subdivision (a) of Section 50843 of the Health and Safety Code.
 - (iii) The sale or lease of public property at or below market rates.
 - (iv) The granting of density bonuses, or concessions or incentives, including fee waivers, parking variances, or amendments to general plans, zoning, or redevelopment project area plans, pursuant to Chapter 4.3 (commencing with Section 65915).

Assistance pursuant to this subparagraph shall not include the use of tenant-based Housing Choice Vouchers (Section 8(o)) of the United States Housing Act of 1937, 42 U.S.C. Sec. 1437f(o), excluding subparagraph (13) relating to project-based assistance). Restrictions shall not include any rent control or rent stabilization ordinance imposed by a county, city, or city and county.