



September 20, 2024

TO: CADA Board of Directors

**SUBJECT: September 27, 2024 Board Meeting
AGENDA ITEM 8**

**MIDDLE INCOME HOUSING PROGRAM – GATEWAY PROJECT – 3400
AND 3401 STOCKTON BOULEVARD**

CONTACT: Danielle Foster, Executive Director

RECOMMENDED ACTION:

Staff is recommending the Board adopt the attached resolution (Attachment 1), authorizing the Executive Director, or her designee, to execute and administer: (1) the attached form of Regulatory Agreement, substantially consistent with the enclosed draft to provide a 30-year Regulatory Agreement on the Gateway Project at Stockton Boulevard for the provision of 78 low- and 72 moderate- income housing units, or 150 units collectively, for households at or below 80% and 120% of the Area Median Income (AMI); (2) City affordability agreements on this development related to the density bonus and city funding assistance; and (3) the completion of any other related documents necessary to complete this transaction.

BACKGROUND

With the Aggie Square investment by UC Davis on the Stockton Boulevard corridor, the City of Sacramento identified the corridor as its first focus area for inclusive economic development and a priority area for the Middle-Income Program. Along with the funding that the City has invested in affordable housing development and anti-displacement programming, with UC Davis, the City has also worked closely with private developers in order to gain additional investment and housing production on Stockton. College Town International (CTI) is a private firm that has purchased multiple properties for housing development, with the Gateway Project being the first of three planned developments. The Gateway will be the first private housing development on the boulevard in decades and the first one that will offer workforce housing options.

The Gateway on Stockton Boulevard is a \$67 million, 196-unit mixed-use development of CTI Housing at the 9th and 10th Avenue cross-streets, with 131 units on the west and 65 on the east. This development is creating a vibrant new residential community with a mixed of affordability that aims to serve a broad range of the community. The Gateway will provide a broad and diverse mix of income-restricted housing options, ranging from market rate to workforce and affordable housing. Over 75% of the total units will be income-restricted and providing affordability to households who may otherwise be experiencing housing insecurity. Along with the development of the \$1.1B Aggie Square Life Sciences campus just a few blocks away, the Gateway will serve as a destination for the nearly 20,000 healthcare employees working nearby in the Medical Center at the UC Davis Medical Center and at the Shriners Hospitals, as well as at Aggie Square, all of whom need housing near their workplace.

Gateway will provide a living experience offering safety, enjoyable state-of-the-art amenities including a pool, outdoor deck, and fitness gym, along with comfortable and convenient housing

options for the many employees and their families working nearby. Residents of the Gateway will also be at the center of the exciting and invigorating transformation of the Stockton Boulevard corridor, which is undergoing a dramatic and profound shift from a tired, congested thoroughfare into a vibrant and walkable, urban infill community.

Ron Vrilakas has designed this development and CTI has hired Deacon Construction as the General Contractor. Construction is scheduled to break ground in November 2024. CTI expects to have construction completed with a certificate of occupancy before year end 2026. Lease up and marketing will commence in the first quarter of 2026, to properly prepare for the anticipated robust demand for residential and retail space at Gateway. The City has been a strong supporter of the Gateway due to its importance to the revitalization of the Stockton Boulevard corridor, as evidenced by the City's \$15 million low-interest loan to jumpstart the project's construction.

With the City's existing investment in the project, no additional funding will be provided through the Middle-Income Program. CADA will oversee a Middle-Income Regulatory Agreement on the project, as well as the City's similar agreements for its financial assistance and density bonus to the project. The City has identified CADA as its selected regulatory agency for these contracts, consistent with City Code and supports this project participating in the Middle-Income Program. CADA will collect monitoring fees to cover the costs of annual agency affordability monitoring of the project. Combining all local monitoring to be completed by one entity ensures monitoring efficiency, less added costs to the project, and a reduced impact on residents for site inspections.

ANALYSIS

Staff is excited to support City objectives of investing in this commercial corridor and sees this project as an opportunity to further support a variety of housing options in the Stockton Boulevard area as the market continues to tighten. These units will support efforts for anti-displacement of existing residents and will ensure a variety of housing options for current and future workforce members of the area.

Proposed affordability (a minimum of):

Affordability Levels	Unit Total and Sizes
Up to 80% AMI (low income)	78 Units – Studios, One, and Two Bedrooms
Up to 120% AMI (moderate income)	72 Units – Studios, One and Two Bedrooms

The project developers believe this mix of units will fit the needs of the project and the variety of housing needs in the area. This unit mix was already approved by the City as well. The project's welfare tax exemption will be prorated based on the number of qualifying 80% AMI households and rents. The project will be owned and operated through a partnership of Pacific Housing and College Town International. Pacific Housing is a qualified non-profit with over two decades of affordable housing experience and a 100% success rate complying with welfare tax exemption requirements on 287 properties statewide.

Staff reviewed this project and found it to be a good opportunity to further both CADA's middle-income program and City objectives for this corridor, with minimal risk, a low cost per unit, and no need for additional funds. The project complies with program guidelines. Staff is recommending the addition of this project into CADA's middle income program.

FINANCIAL IMPACT

No funds are required from CADA's middle income program since the City of Sacramento provided a \$15 million loan to the project already. Monitoring of this project will be covered by annual monitoring fees.

POLICY

Provision of this regulatory agreement to the proposed project supports CADA's work in providing a variety of housing types and affordability levels and furthers the community health by broadening the available range of household types and income levels that the housing is able to serve. This project also further supports CADA's partnership with the City of Sacramento, one of its founding agencies.

STRATEGIC PLAN

These projects fulfill the following components of the CADA Strategic Plan: "Deliver Community Development Leadership" and "Provide Policy and Innovation Leadership." The Middle-Income Program works towards both of these goals and is an innovative way to further the variety of housing types necessary for a healthy community and economy.

ENVIRONMENTAL IMPACT

This action is exempt under the California Environmental Quality Act (CEQA) as it involves only the provision of funding for a project that has already undergone CEQA review. CEQA review of this project development was completed by the City of Sacramento through the planning entitlement review process.

CONTRACT AWARD CONSIDERATIONS

Not applicable.

Attachments:

1. Resolution 24-48
2. Form of Regulatory Agreement

RESOLUTION NO. 24 - 48

September 27, 2024

Adopted by the Capitol Area Development Authority

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AND RECORD
THE NECESSARY MIDDLE-INCOME PROGRAM REGULATORY AGREEMENT AND
ACCOMPANYING CITY AFFORDABILITY AND DENSITY BONUS AGREEMENTS FOR
THE PROVISION OF 150 LOW- AND MODERATE- INCOME HOUSING UNITS
FOR 30 YEARS**

WHEREAS, the Gateway development ("the Development") qualifies under CADA's middle-income housing model that relies upon the welfare tax exemption and cost-efficient housing design to provide housing affordability;

WHEREAS, College Town International and their partners will utilize a \$15 million City loan and CADA-administered regulatory agreements to provide 150 units affordable to low-income and moderate-income households at 80% and 120% of the Area Median Income along Stockton Boulevard;

WHEREAS, provision of this middle-income housing addresses a significant community need, supports City objectives for the Stockton Boulevard corridor, supports community diversity and provides a stable workforce that will support the economic vitality of the City; and

WHEREAS, providing the Development with the necessary Regulatory Agreements ensures the ongoing affordability of the housing and its provision of middle-income housing for thirty years.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Capitol Area Development Authority that:

The Executive Director, or her designee, is authorized to execute and administer the necessary documents for the Gateway project, including: (1) the attached form of Regulatory Agreement, substantially consistent with the enclosed draft to provide a 30-year Regulatory Agreement on the Gateway Project at 3400 and 3401 Stockton Boulevard for the provision of 78 low- and 72 moderate- income housing units, or 150 units collectively, for households at or below 80% and 120% of the Area Median Income (AMI); (2) City affordability agreements on this development related to the density bonus and city funding assistance; and (3) the completion of any other related documents necessary to complete this transaction.

Ann Bailey, Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors

**[THIS DOCUMENT IS EXEMPT FROM
RECORDING FEES PURSUANT TO § 27383
OF THE CALIFORNIA GOVERNMENT CODE]**

RECORDING REQUESTED BY
AND WHEN RECORDED, MAIL TO:

Capitol Area Development Authority
c/o Executive Director
1522 14th Street
Sacramento, CA 95814

SPACE ABOVE THIS LINE FOR RECORDER'S USE

REGULATORY AGREEMENT
(Project Name - Address)

This Regulatory Agreement ("Agreement") is made _____, 2024 (the "Effective Date"), by and among between _____, LP, a California limited partnership ("Owner"), and **Capitol Area Development Authority**, a California joint powers agency ("Authority") (collectively, the "Parties").

RECITALS

A. Owner is development a _____-unit multifamily rental housing development (the "Project") located at _____, Sacramento, California, as legally described in Exhibit A (the "Property"), of which _____ units shall be rented at rents affordable to Qualified Households according to the schedule contained in Exhibit B (the "Regulated Units").

B. The Authority is providing a permanent loan to Owner for acquisition and operation of the Project pursuant to the terms of a Promissory Note secured by a Deed of Trust Assignment of Rents, Security Agreement and Fixture Filing dated the same date herewith (the "Authority Loan").

C. As further consideration for the Authority's funding and to further the public interests of Authority in seeing the Project maintained as affordable housing, Owner has agreed to enter into and record this Agreement. The purpose of this Agreement is to regulate and restrict the occupancy, rents, operation, ownership, and management of the Project for the benefit of Project occupants and the surrounding neighborhood. The covenants in this Agreement are intended to run with the land and be binding on Owner and Owner's successors-in-interest to the land for the full term of this Agreement.

NOW, THEREFORE, Owner and Authority hereby agree as follows:

1. **DEFINITIONS**

The following terms have the meanings set forth in this section wherever used in this Agreement or attached exhibits.

1.1 **"AFFORDABLE RENTS"** shall mean the following:

1.1.1 For all _____ of the units, the monthly charge for occupancy and use of a Regulated Unit shall not exceed the product of thirty percent (30%) times eighty percent (80%) of the Area Median Income or thirty percent (30%) times one-hundred twenty percent (120%) of the Area Median Income, adjusted for family size appropriate for the Unit, as shown in Exhibit B.

1.1.1.1 If Owner requires occupants of Regulated Units to reimburse Owner for utilities pursuant to this Agreement, the tenants of those units shall receive a utility allowance based on the then-current allowance established by a Utility Letter as defined within. If a Utility Letter is not available, the utility allowance shall be based on the Sacramento Housing Authority (or its successor) for units of a comparable size and type.

1.1.1.2 For purposes of this definition, "adjusted for family size appropriate for the Unit" shall mean the adjustments required in order to comply with state and federal laws and regulations governing projects receiving low income housing tax credits (which at the time of execution of this Agreement presume a household size of number of bedrooms plus one. This would mean one person for a studio, two for a one-bedroom, three for a two-bedroom, etc.)

1.2 **"AUTHORITY"** means the Capitol Area Development Authority, a California joint powers agency.

1.3 **"AREA MEDIAN INCOME"** ("AMI") means the median income for the Metropolitan Statistical Area which includes the City of Sacramento ("MSA"), with adjustments for household size, as determined from time to time by the U.S. Department of Housing and Urban Development ("HUD") pursuant to Section 8(f)(3) of the United States Housing Act of 1937 as amended, and the California Department of Housing and Community Development ("HCD"), or such other method of median income calculation applicable to the City of Sacramento that HUD or HCD may hereafter adopt in connection with said Act. If HUD should cease making such determination, Authority may designate another fair method of calculation of AMI used by any federal or state agency and applicable to the City of Sacramento.

1.4 **"DEED OF TRUST"** means the Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing placed on the Property as security for the Loans with Owner as Trustor and Authority as Beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust.

1.5 **"LIMITED PARTNERSHIP AGREEMENT"** means that certain Partnership Agreement of Owner dated _____, 2024.

1.6 **"LOAN"** means the loan of funds provided by Authority to Owner pursuant to the Note and Deed of Trust.

1.7 **"LOAN DOCUMENTS"** means collectively this Agreement, the Note, and Deed of Trust for the Project, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

1.8 **"NOTE"** means the Promissory Note in the amount of \$25,000, executed by Owner in favor of Authority evidencing the Loan for acquisition and construction of the Project, as well as any amendments to, modifications of, or restatements of said Note. The Note is on file with Authority.

1.9 **"OWNER"** means _____, LP, a California limited partnership, and all assigns, successors-in-interest, and transferees.

1.10 **"PROJECT"** means the development and operation of the Property for residential use according to the terms of the Limited Partnership Agreement and this Agreement.

1.11 **"PROPERTY"** means the real property described in the attached Exhibit A, which is hereby incorporated into this Agreement by this reference, and any buildings or improvements now or hereafter situated on such real property.

1.12 **"QUALIFIED HOUSEHOLD"** means a household in which household income does not exceed the percentage of AMI prescribed for the applicable housing unit by Exhibit B to this Agreement.

1.13 **"REGULATED UNITS"** means the _____ rental dwelling units constructed for the Project, having the composition and affordability breakdown shown in Exhibit B.

1.14 **"SENIOR DEED OF TRUST"** means the first position Deed of Trust, Assignment of Leases and Rents, Assignment of Contracts, Security Agreement, and Fixture Filing, for the benefit of [insert senior lender].

1.15 **"SENIOR LENDER"** means [insert senior lender], a _____.

1.16 **"SUBORDINATION AGREEMENT"** means that certain Subordination Agreement by and between Owner, Authority, and [insert senior lender], dated the same date herewith.

1.17 **"UTILITY ALLOWANCE"** means the local Utility Allowance for this type of housing, adjusted for unit size, as released regularly by the local Housing Authority, or a similar Authority-approved, third-party method for determining the appropriate utility allowance so that the combination of rent and utility allowance costs do not exceed thirty percent of the target household income.

2. **OWNER'S GENERAL OBLIGATIONS**

2.1 **COMPLIANCE WITH LOAN DOCUMENTS.** Owner's actions with respect to the Property and the use of Loan funds shall at all times be in full conformity with the requirements of the Loan Documents.

2.2 **TERM OF AGREEMENT.** This Agreement shall commence upon execution and shall remain in full force and effect for thirty (30) years. The obligations in this Agreement shall remain effective and fully binding on Owner for this full term regardless of any expiration of the term of any Loan, any payment or prepayment of any loan, any assignment of a Note, any reconveyance of a Deed of Trust, or any sale, assignment, transfer, or conveyance of the Property, unless terminated earlier by Authority in a recorded writing or extended by mutual consent of the Parties or unless terminated due to foreclosure as provided in the Subordination Agreement; provided however, that the obligations in this Agreement are and shall be subordinate in all respects to the liens, terms, covenants, and conditions of the Senior Deeds of Trust, as more fully set forth to the extent and in the manner provided in the Subordination Agreement. If, due to changes in State law, the Welfare Tax Exemption from the State of

California is no longer available or the Project no longer qualifies for the Welfare Tax Exemption, and there is no similar successor program or replacement State tax subsidy, then Authority agrees to remove the Regulatory Agreement from title upon Owner's full repayment of the Authority Loan.

3. **PROJECT OCCUPANCY AND RENTS**

3.1 **OCCUPANCY OF REGULATED UNITS.** Regulated Units shall be made available to and occupied by Qualified Households at Affordable Rents according to the schedule contained in Exhibit B herein and the following requirements:

3.1.1 Initial Occupancy of Regulated Units. The income levels and other qualifications of applicants required by this Agreement shall be confirmed by Owner or its manager prior to such person's initial occupancy in conformance with Owner's management procedures manual, the Authority's rules and Tax Credit Allocation Committee (TCAC) rules governing income certification, as these rules may be amended from time to time, unless otherwise approved by Authority.

3.1.2 Transition of Units from Market to Affordable Regulated Units. The Authority acknowledges that at the time of execution of this Agreement some of the Regulated Units may be pre-leased to households not qualifying for incomes identified for the Regulated Units. By no later than the end of the first year of occupancy, upon the conclusion of the initial 1-year lease terms, Owner shall ensure all non-qualifying units convert to income-qualified households and corresponding rents for Regulated Units. Owner will certify to Authority the actual number of compliant Regulated Units upon initial acquisition of Property and will ensure full conversion and compliance to Regulated Units requirements no later than September 1, 2024. Prior to transition to a Regulated Unit, the monthly charge for occupancy and use of non-qualifying units occupied by households with incomes over 80% of Area Median Income or 120% of Area Median Income, respectively, may be limited to thirty percent (30%) of the gross household income.

3.1.3 Households That Exceed Income Qualification after Initial Occupancy. Households that initially qualify as Qualified Households for Regulated Units and whose incomes exceed the qualifying income after initial occupancy will have one year to transition to other housing and may be charged at market rate rents for occupancy and use of the unit until their transition to other housing.

3.2 **RENTS FOR REGULATED UNITS.** Rents for Regulated Units shall not exceed Affordable Rents.

3.3 **CONVERSION OF PROJECT FROM RENTAL TO CONDOMINIUM.** Owner shall not convert Regulated Units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Regulated Units during the term of this Agreement without the prior written consent of Authority, which consent may be withheld for any reason.

3.4 **NONDISCRIMINATION.** Owner shall not discriminate or segregate in the use, enjoyment, occupancy, conveyance, lease, sublease, or rental of Project units on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age (except to the extent necessary to qualify the tenant as a senior citizen), marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-

related conditions (ARC), or any other arbitrary basis. Owner shall include a statement in all advertisements, notices, and signs for the availability of Project units for rent to the effect that Owner is an Equal Housing Opportunity Provider.

3.5 MANAGEMENT RESPONSIBILITIES. Owner is specifically responsible, subject to its obligations herein, for all management functions with respect to the Property, 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. Authority shall have no responsibility over management of the Property.

3.6 MANAGEMENT ENTITY. Authority shall have the right to review and approve the management entity chosen by Owner for the Property and subject to the rights of the Senior Lenders and the equity investors, the right to require a change in the management agent for reasonable cause at any time during the term of this Agreement. Any contracting of management services by Owner shall not relieve Owner of its primary responsibilities for proper performance of management duties.

3.7 FINAL MANAGEMENT PLAN. Within thirty (30) business days of filing this Agreement, Owner shall submit final management plan ("Final Management Plan") and marketing plans (collectively "Final Plans" or "Plans") to Authority for its review and approval, which shall not be unreasonably withheld. The Plans shall include but are not limited to provisions as set forth directly below:

3.7.1 Annual inspections of individual units to ensure continued compliance with state and local housing codes. Results of the inspections, including corrective actions, must be documented in a report, and copies may be requested by the Authority. The Authority may also independently schedule during a calendar year, one or more property inspections;

3.7.2 Audited annual financial statements prepared by a certified public accountant, approved in advance, in writing, by Lender, which reflect the status of the reserve fund for maintenance and replacement activities. Copies of audited annual financial statements must be provided to the Authority within ninety (90) days of the fiscal year-end date;

3.7.3 A maintenance and replacement schedule for the common areas and housing units;

3.7.4 A marketing strategy to outline methods to be used to achieve full and continuing lease up of the housing units on the Property and conformance with any applicable state and federal affirmative fair housing marketing guidelines;

3.7.5 A plan for certifying the eligibility of the households, including annual verification of tenant income and measures to take in the event a tenant exceeds the maximum income;

3.7.6 A tenant selection process that includes but is not limited to the following:

3.7.6.1 Review of the following criteria in tenant selection:

3.7.6.1.1 history of habitual rent delinquencies or evictions;

3.7.6.1.2 history of drug or alcohol abuse;

3.7.6.1.3 history of criminal or drug-related offenses, including but not limited to assault, battery, abuse, destructive or violent behavior;

3.7.6.2 Prospective tenants will be required to fill out an application form, verify income/employment, attend a private interview with the property management firm, consent to a credit check and agree to abide by property management rules for Property;

3.7.6.3 Selected tenants will be given a set of “rules and regulations” for the Property, and

3.7.6.4 Leases with tenants will provide that non-compliance with building rules shall be an Event of Default on the lease and grounds for eviction;

3.7.7 On-site management of the Project;

3.7.8 The duties of the manager regarding operation of the Project;

3.7.9 Tenant occupancy rules and regulations; and

3.7.10 A sample lease form.

3.7.11 Authority shall have the right to review and approve any changes to the management company, any new management contracts, and any substantive changes in the Final Management Plan during the term of this Agreement. Authority may also require the Owner to update the Final Management Plan not more than once every three (3) years. If Authority has not responded to any submission of the Final Management Plan or management contract (including amendments) by Owner within thirty (30) days of receipt of such Plan or contract by Authority, the Plan or contract (including amendments) shall be deemed approved by Authority.

4. PROJECT OPERATIONS

4.1 MAINTENANCE AND SECURITY.

4.1.1 Owner shall at its own expense maintain the Property in good condition, in good repair, and in decent, safe, sanitary, habitable, and tenantable living condition for the benefit of Project occupants. Owner shall not commit or permit any waste on or to the Property, and shall prevent and/or rectify any physical deterioration of the Property. Owner shall provide adequate ongoing security equipment and services for Project occupants. Owner shall maintain the Property in conformance with all applicable state, federal, and local laws, ordinances, codes, and regulations and the Final Management Plan; but Owner’s maintenance obligations shall not be limited only to the standards contained in these laws or the Plan.

4.1.2 In the event Owner fails to maintain the Property in accordance with these standards and after thirty (30) days’ prior written notice to Owner, and subject to the rights of the Senior Lenders and equity partners, Authority or its agent may, but shall be under no obligation to, enter upon the Property, make such repairs or replacements as are deemed necessary in Authority’s reasonable discretion, and provide for payment thereof. Any amount advanced by Authority to make such repairs, together with interest thereon from the date of such advance at

the same rate of interest as specified in the Note for the Project (unless payment of such an interest rate would be contrary to applicable law, in which case interest shall accrue at the rate then allowed by applicable law), shall become an additional obligation of Owner to Authority and shall be secured by the Deed of Trust.

4.2 UNIT VACANCIES. Owner shall use its best efforts to fill vacancies in the Regulated Units as quickly as possible.

4.3 INSPECTION AND RECORDS. Owner shall maintain records which clearly document Owner's performance of its obligations to operate the Property under the terms of this Agreement. Owner shall submit any records to Authority within twenty (20) business days of Authority's request. Owner shall permit Authority to enter and inspect the Property for compliance with obligations under this Agreement upon seven (7) days' prior written notice of such visit by Authority to Owner or Owner's management agent and to tenants of any inspected Project units, subject to the provisions of the lease regarding inspection and entry rights.

4.4 ANNUAL REPORT.

4.4.1 Owner shall submit an annual report to Authority, which shall include at a minimum for each Regulated Unit the initial and current rental rates and the income and household size of the occupants at the time such occupants initially take occupancy. The income information required under this report shall be supplied by the tenant in a certified statement on a form provided by Authority. Owner shall complete any additional monitoring or other form provided by Authority, and shall provide Authority a copy of the annual reports submitted to the County Assessor's office.

4.4.2 Owner shall pay to Authority an annual monitoring fee of thirty-five dollars per unit, or \$5,322 (the "Monitoring Fee"), which amount shall be due and payable in advance commencing on the Effective Date and on each [May 1] thereafter. This fee will be escalated by 3% annually.

4.5 FEES, TAXES, AND OTHER LEVIES. Without limiting its right to require the same to be reimbursed by tenants (but subject to Owner's obligation to provide tenants of Regulated Units the utility allowance referred to in Section 1.1.1.1 Owner requires reimbursement by tenants), Owner shall be responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property, and shall pay such charges prior to delinquency. However, Owner shall not be required to pay any such charge so long as (a) the legality thereof is being contested in good faith and by appropriate proceedings, and (b) Owner maintains reserves adequate to pay any contested liabilities.

4.6 INSURANCE COVERAGE. Owner shall cause to have in full force and effect during the term of this Agreement insurance coverage as required in the Deed of Trust.

4.7 PROPERTY DAMAGE OR DESTRUCTION. Subject to the terms and conditions of the Senior Deed of Trust, and subject to the availability of insurance proceeds, if any building or improvements erected by Owner on the Property is damaged or destroyed, Owner shall, at its own cost and expense, repair or restore the Property consistent with the original Plans and Specifications for the Project. Also, subject to the terms and conditions of the Senior Deed of Trust, such work shall commence within thirty (30) days, or up to one hundred eighty (180) days with written approval of Authority, after the damage or loss occurs and shall be completed within

a timely manner thereafter, as agreed to with the Authority. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration.

5. GENERAL PROVISIONS

5.1 RESTRICTIONS ON TRANSFER.

5.1.1 Transfer of Property. Prior to completion of the Project by Owner, Owner shall not, either voluntarily or by operation of law, sell, assign or otherwise transfer the Property, or any interest therein, without the express written consent of Authority. Any attempted sale, assignment or other transfer in violation of this Section shall constitute a material default of the terms of this Agreement. Notwithstanding, the foregoing, neither the withdrawal, removal, replacement, and/or addition of a general partner of the Owner pursuant to the terms of the Limited Partnership Agreement, nor the withdrawal, replacement, and/or addition of any of its limited partners or its limited partner's general partners or members, shall constitute a default under this Agreement, provided that any required substitute general partner is reasonably acceptable to the Authority and is selected with reasonable promptness.

5.1.2 Authority Approval. Any approvals or consents of Authority provided for herein are subject to the sole discretion of Authority, and must be in writing, and approved by the Board of Authority in the manner provided for by law, as required.

5.1.3 Request for Consent. In evaluating any request for consent or approval as contemplated herein, Authority may consider, among other factors it deems relevant, the operational and financial qualifications of any proposed assignee or transferee. If Authority approves a request for consent or approval, it may impose such conditions as it deems reasonably necessary to protect Authority's interest and the Project.

5.1.4 Assumption by Transferee. Upon any assignment or transfer approved by Authority, such approved assignee or transferee shall be required to expressly assume in writing the provisions of this Agreement in a form acceptable to Authority and its counsel.

5.2 **DEFAULT AND REMEDIES.** In the event of any breach or violation of any agreement, obligation, or warranty under this Agreement, Authority shall give written notice to Owner by specifying: (a) the nature of the breach or violation; (b) the action required to cure the breach or violation, if an action to cure is possible; and (c) a date, which shall not be less than ninety (90) calendar days from the mailing of the notice, by which such action to cure must be taken, if an action to cure is possible. Prior to exercising any remedies hereunder, Authority shall give Senior Lenders and equity investors of Owner simultaneous written notice of such default and they shall have the same cure rights as the Owner. If Owner fails to cure the breach or violation within the time frame specified in the notice, or if a cure is not possible, Authority may proceed with any of the following remedies:

5.2.1 Bring an action for equitable relief seeking the specific performance by Owner of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;

5.2.2 Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect any rents, income, deposits, or reserves and apply them to operate the Property, and continue in possession until such time

as Authority determines that Owner is in a position to operate the Property in compliance with this Agreement;

5.2.3 After notice provided for herein, make such repairs or replacements to the Property as are necessary and provide for payment thereof; or

5.2.4 For violations of Owner's obligations with respect to occupancy restrictions, Project maintenance, impose as liquidated damages a charge upon Owner in an amount of five hundred dollars (\$500) per day for each Project unit that is not operated in compliance with this Agreement; or

5.2.5 For violations of Owner's obligations with respect to Project rents, impose as liquidated damages a charge upon Owner in an amount equal to three times the actual amount Owner has collected from any Qualified Household in excess of the Affordable Rent; or

5.2.6 Pursue any other remedy allowed at law or in equity.

The Parties agree that the sums and formulas designated herein as liquidated damages represent a reasonable approximation of the damages Authority is likely to suffer from violations of the respective terms. Owner agrees to pay in full any accrued liquidated damages to Authority within thirty (30) business days of a written demand by Authority for such payment.

5.3 **NON-LIABILITY OF OFFICIALS, EMPLOYEES, AND AGENTS.** No member, official, director, employee, or agent of Authority shall be personally liable to Owner or third-party beneficiaries for any obligation created under the terms of this Agreement.

5.4 **INDEMNITY.** Notwithstanding the insurance coverage required herein, Owner shall indemnify and hold Authority, its members, officials, directors, employees, and agents harmless against any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including attorneys' fees) which Authority may incur as a result of (a) Owner's failure to reasonably perform any material obligations as required by this Agreement; (b) a failure of any of Owner's representations or warranties under this Agreement to be true and complete in any material respect; or (c) any material breach, act or omission by Owner, management agent, Owner's contractors, subcontractors, or suppliers with respect to the Project or the Property, except if the loss is caused by the sole negligence or willful misconduct of Authority. Owner shall pay immediately upon Authority's demand any amounts owing under this indemnity. The duty of the Owner to indemnify includes the duty to defend Authority in any court action, administrative action, or other proceeding brought by any third party arising from the Project or the Property. Owner's duty to indemnify Authority shall survive the term of this Agreement.

5.5 **GOVERNING LAW.** This Agreement shall be interpreted under and governed by the laws of the State of California, except for those provisions preempted by federal law. However, the laws of the State of California shall not be applied to the extent that they would require or allow the court to use the laws of another state or jurisdiction. Owner agrees that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in the State of California, except that Lender, in its sole discretion, may elect that all such actions or proceedings be tried and litigated in the County of Sacramento or the United States District Court for the Eastern District of California.

5.6 **ATTORNEYS' FEES AND COSTS.** In the event that a legal or administrative action is brought to interpret or enforce the terms of this Agreement, the prevailing party shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

5.7 **TIME.** Time is of the essence in this Agreement.

5.8 **CONSENTS AND APPROVALS.** Unless otherwise stated to the contrary herein, any consent or approval required under this Agreement shall not be unreasonably withheld.

5.9 **NOTICES, DEMANDS, AND COMMUNICATIONS.** Formal notices, demands, and communications between Owner and Authority shall be given by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Owner and Authority as follows, or if any such office is relocated, to the new address specified by the relocated party:

Owner:

Attention: _____

With a copy to:

College Town International
1801 Century Park West, 6th Floor
Los Angeles, CA 90067
Attn: Dan Weinstein
dweinstein@ctihousing.com
(310) 849-4035

Authority: Capitol Area Development Authority
1522 14th Street
Sacramento, CA 95818
Attn: Executive Director

5.10 **BINDING UPON SUCCESSORS.** Except as set forth in the Subordination Agreement, all provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Owner and Authority, and shall run with the land for the full term of this Agreement, regardless of any assignment, payment, prepayment, expiration, extinguishment of the Loan or Note, any reconveyance of the Deed of Trust, or any conveyance or transfer of the Property. Any successor-in-interest to Owner and any purchaser or transferee of the Property shall be subject to all the duties and obligations imposed on Owner under this Agreement for the full term of this Agreement.

5.11 **RELATIONSHIP OF PARTIES.** The relationship of Owner and Authority for this Project during the term of this Agreement shall not be construed as a joint venture, equity venture, or partnership. Authority neither undertakes nor assumes any responsibility or duty to Owner or to any third party with respect to the operation of the Property or the actions of Owner.

Except as Authority may specify in writing, Owner shall have no authority to act as an agent of Authority or to bind Authority to any obligation.

5.12 **WAIVER.** Any waiver by Authority of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by Authority to act on any breach or default of Owner or to pursue any remedy allowed 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 Authority to any act or omission by Owner shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Authority's written consent to future waivers.

5.13 **OTHER AGREEMENTS.** Owner represents that it has not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Agreement. Owner shall not enter into any agreements that are inconsistent with the terms of this Agreement without a written waiver by Authority, which shall not be unreasonably withheld.

5.14 **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Agreement must be in writing, and shall be effective only if executed by both Owner and Authority.

5.15 **SEVERABILITY.** Every provision of this Agreement is intended to be severable. If any provision of this Agreement is held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not be affected or impaired.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

OWNER:

_____, LP,
a California limited partnership

By: _____, LLC,
a California limited liability company
its Administrative General Partner

By: _____
(name, title)

By: **Pacific Housing, Inc.,**
a California non-profit public benefit corporation,
its Managing General Partner

By: _____
Mark Wiese, Chairman

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

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO)ss

On _____, 202_, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal) _____

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

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
)ss
COUNTY OF SACRAMENTO)

On _____, 202_, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

AUTHORITY:

Capitol Area Development Authority,
a California joint powers agency

By: _____
Danielle Foster, Executive Director

APPROVED AS TO FORM:

By: _____
Jeffrey Mitchell, legal counsel

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

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
)ss
COUNTY OF SACRAMENTO)

On _____, 202_, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

**EXHIBIT A
TO THE REGULATORY AGREEMENT**

LEGAL DESCRIPTION

The land herein in the City of Sacramento, County of Sacramento, State of California, described as follows:

**EXHIBIT B
TO REGULATORY AGREEMENT**

OCCUPANCY AND RENT RESTRICTIONS
_____ Apartments

Unit Mix and Affordability				
	Studio	1-Bedroom	2-Bedroom	Total Units
Less than 80% AMI				
Less than 120% AMI				
Total				

*Rather than having a manager's unit, one unit's resident will receive a stipend for after-hours management company response.