



**Date:** March 14, 2019  
**To:** County of Humboldt, HEAP Application  
**From:** Jennifer Dart, Deputy Director of Community Development  
**Regarding:** Example of Regulatory Agreement – Applicable to Proposed Project

The attached Regulatory Agreement is included with our HEAP application as an example of the Agreements put in place by the City of Arcata.

The proposed HEAP project Regulatory Agreement will include terms and conditions determined by and specific to the HEAP program requirements. The City Attorney drafts each Regulatory Agreement with unique language to fit the specific project scope and funding requirements.

2007-22815-38

Recorded — Official Records  
Humboldt County, California  
Attachment 3, Exhibit B  
Carolyn Crnich, Recorder  
Recorded by FIDELITY NATIONAL TITLE CO.  
Exempt from payment of fees  
Clerk: MM Total: 0.00  
Jul 30, 2007 at 15:00

**RECORDING REQUESTED BY:**

**City of Arcata**

**WHEN RECORDED MAIL TO:**

**City of Arcata  
736 F Street  
Arcata, CA 95521**

APNs: 507-092-008 and -009

*Exempt per 6627383*

**REGULATORY AGREEMENT**

**THE CITY OF ARCATA  
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)  
STATE DEVELOPMENT BLOCK GRANT 04-CDBG-1874  
HCD HOME LOAN NUMBER 07-HOME PI-MFP-001  
ARCATA MOBILE HOME PARK**

*24th* THIS REGULATORY AGREEMENT (the "Agreement") is made and entered into this *July* day of *July*, 2007, by and among, Resident Owned Parks, a California nonprofit public benefit corporation (the "Borrower"), and the City of Arcata (the "City"), a political subdivision of the State of California.

- Example**
- A. The Borrower is or will be the owner or holder of a fee state interest in real property located at 3022 Alliance Road (APNs: 507-092-008 and 009), in the City of Arcata, California, more fully described in Exhibit A attached hereto and incorporated herein (the "Property").
  - B. The Borrower has proposed to acquire, rehabilitate, and manage the Property by constructing thereon improvements to a 34-unit mobile home rental park, commonly known as the Arcata Mobile Home Park consisting of 34 units of manufactured home rental sites (the "Development"). The Arcata Mobile Home Park holds Permit # 12-0069-MP issued by the California Department of Housing and Community Development.
  - C. At the time of acquisition of the Property ("Initial Occupancy"), occupancy of six of the 34 units will be restricted to moderate income households, occupancy of ten of the 34 units will be restricted to low-income households, and occupancy of 18 of the 34 units will be restricted by very-low income households.
  - D. Within five years after Initial Occupancy, 11 rental units presently owned by the seller of the Property will be replaced with new manufactured homes and will be sold to low income households through the City's Home Ownership Program.
  - E. After all of said 11 rental units are replaced with owner occupied units, the occupancy of two of the total 34 units in the mobile home park will be restricted to moderate income households, the occupancy of 21 of the 34 units will be restricted by low income households and, the occupancy of the remaining 11 of the 34 units by very low income households.

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### Attachment 3, Exhibit B

- F. The Property will be acquired and the Development will be rehabilitated by gap financing in whole or in part provided and regulated by a permanent loan ("Loan") in a principal amount not to exceed One Million One Hundred Twenty Thousand Dollars (\$1,120,000) total, comprised of Three Hundred Fifteen Thousand Dollars (\$315,000) from the Home Investment Partnerships Program (the "HOME Program") and Four Hundred Twenty-five Thousand (\$425,000) from the Arcata Community Development Agency ("Agency") and a total of Three Hundred Eighty Thousand Dollars (\$380,000) from State Community Development Block Grant ("CDBG") funds and CDBG Program Income. The Loan will be provided to Borrower by the City in accordance with 42 USC 12741 et seq., 24 CFR Part 92, California Health and Safety Section 50896 and Title 25, California Code of Regulations, Sections 8200 through 8220, (together, the "HOME Regulations") and California Health and Safety Code Sections 33000 et seq (together the "Redevelopment Law").
- G. The City has completed an underwriting analysis and submitted the required "Set-up" documentation to the State Department of Housing and Community Development ("HCD") in accordance with the HOME Regulations and has received written authorization from HCD to expend the HOME Program Income Funds on the Arcata Mobile Home Park Acquisition and Rehabilitation affordable housing project.
- H. The proceeds of the Loan shall be disbursed, used and governed by the HOME Program Income Set-up documents, HOME Program Regulations, CDBG Program Regulations, State Redevelopment Law, a City Loan Agreement by and between the City of Arcata and Borrower (herein the "Loan Agreement"), a promissory note executed by Borrower ("Note"), and a deed of trust with assignment of rents ("Deed of Trust") executed by Borrower in favor of the City.
- I. Borrower agrees to abide by all provisions of the current HOME Program Grant Management Manual, CDBG Program Grant Management Manual (copies of which are on file with the City of Arcata Department of Community Development), the Loan Agreement, Note and Deed of Trust.
- J. The Loan Agreement, Note and Deed of Trust, including all exhibits and attachments thereto, are fully incorporated by reference into this Agreement. In the event of any inconsistencies between the terms set forth in the Loan Agreement, Note or Deed of Trust and the terms of this Regulatory Agreement, the terms of this Regulatory Agreement shall prevail.
- K. As further consideration for the Loan and in furtherance of the purposes of the HOME Program, CDBG Program, and Agency Affordable Housing Program, Borrower has agreed to enter into this Regulatory Agreement. The purpose of this Regulatory Agreement is to regulate and restrict occupancy, rents, operations, ownership and management of the Development in compliance with the requirements of the HOME Program, CDBG Program, and Agency Affordable Housing Program. This Agreement is not to be construed as altering any zoning, building or other regulations of the City, nor is this Agreement to be considered a development agreement.
- L. The purpose of this Regulatory Agreement is to regulate and restrict occupancy, rents, operations, ownership and management of the Development in compliance with the requirements of the HOME Program, CDBG Program, and Agency Affordable Housing Program. This Agreement is not to be construed as altering any zoning, building or other regulations of the City, nor is this Agreement to be considered a development agreement.

**NOW, THEREFORE**, the parties hereto agree as follows:

1. Recitals. The foregoing recitals are a part of this Agreement.

2. Property. The Development will be located on the Property.
3. Definitions. Unless specifically defined in this Agreement or the context requires otherwise, the terms used in this Agreement shall be governed by the definitions set forth in 24 CFR Part 92, and 25 Cal. Code of Regulations section 8201. All references to code sections refer to Title 25 of the California Code of Regulations. All capitalized terms not otherwise defined in this Regulatory Agreement shall have the meaning set forth in the City Loan Agreement. In addition, as used in this Agreement, the following terms will have the following meanings:
  - a. "Affordable Rent" means those rents established in accordance with California Health and Safety Code section 50053 and/or 24 CFR 92.252, which shall be subject to annual revision. Affordable Rent includes Affordable Net Rent plus a reasonable Utility Allowance, and shall not exceed the following applicable maximum:
    - 1) For Moderate-Income Households: The product of 30 percent (30%) times 110 percent (110%) of the area median income for a two-person household;
    - 2) For Low-Income Households: The lesser of the Affordable Net Rent or a rent that does not exceed thirty percent (30%) times sixty five percent (65%) of the area median income for a two person household;
    - 3) For Very-Low Income Households: Thirty percent (30%) times fifty percent (50%) of the area median income for a two person household.
  - b. "Affordable Net Rent" means those net rents as defined in Exhibit B which shall be subject to annual revision. Affordable Net Rent shall be calculated using the Annual Median Income for a two-person household in Humboldt County, as published by HUD. Under no circumstances shall Affordable Net Rents exceed the following applicable maximum:
    - 1) For Moderate-Income Households: The product of 16 percent (16%) times 100 percent (100%) of the monthly Annual Median Income for a two person household.
    - 2) For Low-Income Households: The product of 16 percent (16%) times 65 percent (65%) of the monthly Annual Median Income for a two person household;
    - 3) For Very-Income Households: The product of 16 percent (16%) times 50 percent (50%) of the monthly Annual Median Income for a two-person household.
  - c. "Assisted Unit" means a dwelling unit, the rehabilitation or construction of which was assisted with proceeds of the Loan.
  - d. "Eligible Households" means Moderate Income Households, Low-Income Households or Very Low-Income Households as defined by the HCD for Humboldt County.
  - e. "Fiscal Integrity" means that the total of Operating Income plus funds released pursuant to this Agreement from the Operating Reserve Account is sufficient to:
    - 1) Pay all current Operating Expenses;
    - 2) Pay all current approved debt service; and

### Attachment 3, Exhibit B

- 3) Fully fund for at least twelve consecutive months all reserves established pursuant to this Agreement.

The ability to pay any or all of the annual permitted Residual Receipts and Distributions as outlined in Section 21 shall not be considered in determining Fiscal Integrity.

- f. "Initial Operating Year" means the first year of operations, or portion thereof, of the Development beginning at the time of Initial Occupancy of any unit in the Development and ending on the last day of the fiscal year for that first year.
- g. "Low-Income Household" means persons or families whose incomes are less than eighty percent (80%) of the area median income as determined by the HUD.
- h. "Manufactured Home" means any type of non-motorized manufactured housing unit (excluding recreational vehicles) that was built after 1976 that meets the definition in 24 CFR 3280 and is connected to permanent electric, water, sewer, and natural gas utility hook-ups.
- i. "Moderate Income Household" means persons and families whose income does not exceed one hundred twenty percent (120%) of the area median income as determined by HUD.
- j. "Notice of Completion" means the determination by the City of Arcata Community Development Department that all permit conditions and conditions of approval for the Development have been satisfied, and issuance of written confirmation thereof.
- k. "Operating Expenses" means the amount approved by the City that is necessary to pay for the essential recurring expenses of the Development, including, but not limited to, utilities, maintenance, management, taxes, licenses, and mandatory direct or supportive tenant services but not including debt service, required reserve account deposits, or costs for voluntary direct or supportive tenant services.
- l. "Operating Income" means all income generated in connection with operation of the rental housing Development including rental income from Assisted Units and non-assisted units, rental income from nonresidential space, laundry or equipment rental fees, rental subsidy payments, and interest on any accounts related to the rental housing Development. "Operating Income" does not include tenant security and equipment deposits, payments received from voluntary direct or supportive tenant services, or tax benefits received by the sponsor.
- m. "Rent" means all charges, other than deposits, paid by the tenant for the use and occupancy of an Assisted Unit and any mandatory charge for direct or supportive tenant services in a rental housing development, including a Utility Allowance in an amount determined by HUD.
- n. "Residual Receipts" means project funds remaining after payment of expenses as described in Section 20.
- o. "Utility Allowance" means the rent allowance for approved utility services for each Assisted Unit as determined and published annually by the Eureka Housing Authority, or successor organization responsible for establishing such rates for the Assisted Units.
- p. "Very Low-Income Household" means low-income persons or families whose incomes are fifty percent (50%) or less of the area median income as determined by HUD.

4. Compliance With Program Requirements

- a. The Borrower agrees that at all times its acts regarding the Development and the use of funds provided herein shall be in conformity with all provisions of the HOME Program including the statutes, the HOME Regulations and such policies and procedures of the HCD and of HUD pertaining thereto. The Borrower acknowledges that it is familiar with such applicable provisions and has been professionally advised to the extent necessary for the purpose of enabling the Borrower to fully comply with such provisions.
- b. The financial assistance provided under the HOME Program is governed by 24 CFR Part 92. With respect to the assistance, Borrower agrees to comply with all requirements and obligations as described in 24 CFR Part 92, as well as all provisions governing the use of HOME funds. Borrower agrees to comply with the directives of the City as necessary to ensure compliance with the obligations of the City as set forth in its agreements with HUD regarding the use of HOME funds.

5. Term of Agreement The term of this Agreement shall commence upon the effective date of the Agreement written above and remain in full force and effect and shall apply to the Development through and including the date which is ninety-nine (99) years from the date of Notice of Completion for the Development regardless of any prepayment of the Loan or sale, assignment, transfer or conveyance of the Development, unless terminated earlier by the City pursuant to the terms of this Agreement or extended by the mutual consent of the parties thereto. This Agreement shall run with and burden the Property and on terms, conditions, exceptions, obligations, reservations and restrictions hereby imposed, shall be deemed a part of and restrictions running with the land, and shall be effective limitation on the use of the Property from the date of recording of this document and shall bind the Borrower and all its successors, assigns and interest.

6. Tenant Selection Standards, Assisted Unit Schedule. Borrower and City acknowledge that Borrower completed the income certification of all Units and determined that the actual incomes and occupancy do not conform to the final rent and income levels agreed to in Exhibit D. As a result of this nonconformity, Borrower agrees to rent Assisted Units only in accordance with the schedule set forth in Exhibit C upon Initial Occupancy in order to bring the rental schedule into conformity as expeditiously as possible. Under this schedule, the following shall apply:

- a. At the time of acquisition of the Property ("Initial Occupancy"), occupancy of six of the 34 units will be restricted to Moderate Income Households, occupancy of ten of the 34 units will be restricted to Low-Income Households, and occupancy of 18 of the 34 units will be restricted to Very-Low Income households.
- b. Within five years after Initial Occupancy, 11 rental units presently owned by the seller of the Property will be replaced with new Manufactured Homes and all will be sold to Low-Income Households through the City's Home Ownership Program. Borrower shall submit a marketing plan strategy for the sale of said 11 park-owned units to the City within 90 days of close of escrow.
- c. After all of said 11 rental units are replaced with owner occupied units, the occupancy of two of the total 34 units in the mobile home park will be restricted to Moderate Income Households, the occupancy of 21 of the 34 units will be restricted to Low-Income Households and, the occupancy of the remaining 11 of the 34 to Very Low-Income Households.

### Attachment 3, Exhibit B

7. Management Plan. No later than thirty (30) days after the execution of this Agreement, Borrower shall submit to the City a plan for the management and tenant selection procedures for the Development ("Management Plan") for review and approval. The City shall keep the Management Plan on file. In conjunction with the review of the Annual Operating Budget pursuant to Section 18, the Management Plan may be reviewed and revised at the request of the City or the Borrower and such revision must be submitted to and approved by the City prior to use. Borrower shall rent Assisted Units in the Development only to Eligible Households in accordance with the Management Plan. The Management Plan shall among other things contain the following information:
  - a. Detail of actions to be taken by Borrower to affirmatively market vacant units in a manner which ensures equal access to all persons in any category protected by federal, state or local laws governing discrimination, and regardless of any arbitrary factor;
  - b. Specify reasonable criteria for determination of tenant eligibility, including household size in accordance with the minimum occupancy standard specified in the HOME Regulations;
  - c. Require that eligible tenants be selected based on order of applications, lottery, or other reasonable method approved by the City;
  - d. Specify procedures through which tenant applicants deemed to be ineligible shall be notified of the reason for their ineligibility and may appeal this determination;
  - e. Require maintenance of a waiting list of eligible applicants;
  - f. Specify procedures for obtaining information regarding prospective tenants' incomes as necessary to certify that such income does not exceed the lower or very low-income limit;
  - g. Specify the utility services subject to the Utility Allowance;
  - h. List the annual dates on which each report, audit or other monitoring document is required to be delivered to the City.
8. Nondiscrimination. Borrower shall not discriminate against any tenant or prospective tenant on the basis of race, religion, sex, age, disability, marital status, nor any other arbitrary factor in violation of any state, federal or local law governing discrimination in rental housing. Housing which is intended to benefit, and is therefore limited to senior citizens, is permitted only with the prior approval of the selection criteria by the City.
9. Rental Agreement and Occupancy Procedures (the "Lease").
  - a. Each Eligible Household selected to occupy a unit in the Development shall enter into a written rental agreement with the Borrower on a form approved by the City containing such provisions as are required by the HOME Regulations. The Lease shall be for a term of not less than six months.
  - b. Borrower shall provide each Eligible Household selected to occupy a unit in the Development with an option to lease the site for up to a term of 30 years.
  - c. The Lease may **not** contain any of the following provisions:

### Attachment 3, Exhibit B

- 1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Borrower or Borrower's Agent in a lawsuit brought in connection with the lease;
  - 2) Agreement by the tenant that the Borrower may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Borrower may dispose of this personal property in accordance with state law;
  - 3) Agreement by the tenant not to hold the Borrower or Borrower's agents legally responsible for any action or failure to act, whether intentional or negligent;
  - 4) Agreement of the tenant that the Borrower or Borrower's Agent may institute a lawsuit without notice to the tenant;
  - 5) Agreement by the tenant that the Borrower or Borrower's agent may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
  - 6) Agreement by the tenant to waive any right to a trial by jury;
  - 7) Agreement by the tenant to waive tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
  - 8) Agreement by the tenant to pay attorney's fees or other legal costs if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- d. The Borrower shall provide to tenants:
- 1) A notice of eligibility to form a Homeowners Association, informing the tenant that the Homeowners Association shall be eligible to purchase the Arcata Mobile Home Park from Resident Owned Parks after thirty (30) years from the date of this Regulatory Agreement. The Notice shall define the sales price to the Homeowners Association as the remaining principal and interest owed on the City Loan and other debt specifically authorized by the City.
  - 2) A notice of Manufactured Home sale and/or purchase requirements including the following information:
    - i. That all Assisted Units must satisfy a minimum property standards inspection performed by a qualified person in accordance with per 24 CFR Part 251 (a)(1).
    - ii. That all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing per 24 CFR Part 251 (a)(4).
    - iii. That before the transfer of ownership interest, an inspection must be completed for health and safety and the tenant must notify prospective



**Attachment 3, Exhibit B**

purchasers of the work needed to cure the defects and the applicable standards per 24 CFR Part 251 (b)(1).

- iv. Said notice shall additionally include a copy of the HUD form 52580 Inspection Checklist, or other approved checklist.
- 3) A notice specifying the procedures should a homeowner wish to sell his or here home, which procedures shall require that the homeowner notify ROP at least 90 days prior to placing their home on the market; that during this 90-day period ROP will order a housing condition survey to be prepared by a qualified independent inspector who shall utilize the HUD form 5280 Inspection Checklist or other approved checklist according to the standards outlined in 24 CFR Part 251 (a)(1); and that as required under California Civil Code Section 798.73.5, the homeowner will be required to repair all deficiencies identified in the inspection report. The inspection will be completed at ROP's expense. ROP may be reimbursed for the inspection expense from the new lessee after required repairs are completed and the home is sold or transferred, prior to execution of a new lease.
- e. The Borrower shall establish reasonable rules of conduct and occupancy. Such rules shall be consistent with state law and the HOME Regulations. Said rules shall be in writing and shall be given to each tenant upon occupancy. Any change shall become effective no fewer than 30 days after giving written notice thereof to each household.
  - f. The Borrower shall not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME Program funds except for serious or repeated violation of the terms and conditions of the Lease, for violation of temporary period, or for other good cause. Any termination or refusal to renew a Lease shall be by the owner's service upon the tenant of a written notice in compliance with State law and specifying the grounds for the action.
  - g. The Borrower shall maintain the premises in compliance with all applicable housing quality standards and local code requirements.
  - h. Existing Manufactured Homes in a rental space at the time of close of escrow, that do not violate health and safety codes, and that have been well-maintained, will be permitted to remain in the Park as long as the manufactured home does not change ownership.
  - i. Prior to change in ownership of an existing Manufactured Home, or Borrower entering into a new lease agreement, Borrower must certify to the City of Arcata that the existing Manufactured Home does not violate the Health and Safety Code, has been well-maintained, and is not in a significantly run down condition or in disrepair as defined in California Civil Code Section 798.73(d).
  - j. All Manufactured Homes moved into a rental space after rehabilitation is complete must be newly constructed Manufactured Homes, and must satisfy the definition at Section 3(h) of this Regulatory Agreement.
  - k. Residents must notify ROP at least 90 days prior to the sale of an existing home. Any Health and Safety issues identified in the housing condition survey must be repaired by the homeowner prior to the sale for the existing home to remain in the Park.
  - l. All existing housing units on-site after rehabilitation shall be connected to permanent electric, water, sewer, and natural gas utility hook-ups.

10. Rent.

- a. At no time can Affordable Net Rent plus a Utility Allowance exceed Affordable Rent for any two-bedroom Assisted Unit as published by HUD.
- b. After all required rehabilitation in the Development is complete, and not before, rent for an Assisted Unit may be adjusted one time in any calendar year; provided that total rent increases shall not exceed 2.5% annually except as provided in Section 12.
- c. In every case of proposed rent increase, the tenant(s) affected by such increase shall receive written notice of the amount of the increase at least 60 days prior to the effective date of such increase.

11. Security Deposits.

- a. Security deposits shall be required of tenants only in accordance with State law and this Agreement.
- b. Any security deposits collected by the Borrower or Borrower's agent shall be kept separate and apart from all other funds of the Development in a trust account with a depository insured by the Federal Deposit Insurance Corporation (F.D.I.C.), or other comparable federal deposit insurance program, and shall be held and disbursed in accordance with State law. The balance of such account shall at all times equal or exceed the aggregate of all outstanding obligations under said account, plus accrued interest thereon.

12. Certification of Tenant Income and Household Size.

- a. The income and household size of all households occupying Assisted Units shall be certified by the Borrower prior to occupancy and re-certified annually thereafter in a manner approved by the City and specified in the Development's Management Plan.
- b. Where a household occupying a unit designated for occupancy by a Very Low-Income Household no longer qualifies at the time of re-certification, but qualifies as an otherwise income eligible Low Income or Moderate Income Household, the rents appropriated for that income level shall be charged.
- c. If the income of a tenant upon re-certification exceeds the upper limit for Moderate-Income Households, and there are no other requirements statutorily imposed by another federal or State funding source, that tenant shall not have its Lease terminated as a result thereof, but shall be charged Rents at the Market Rate as defined by HCD.
- d. If a tenant fails to provide the required income documentation for initial certification or re-certification, that tenant shall not have its Lease terminated as a result thereof, but shall be charged Rents at the Market Rate as defined by HCD.
- e. If the reclassification of the unit makes the project temporarily out of compliance with the unit mix as outlined in Section 10, the Borrower shall rent the next available unit at the appropriate rent level to make the project in compliance with Section 10.

### Attachment 3, Exhibit B

- f. The tenant shall occupy the Manufactured Home as the tenant's principal place of residence. The tenant shall be considered as occupying the Manufactured Home if the tenant is living in the unit for at least ten (10) months out of each calendar year. On or before February 1 of each calendar year, the Borrower shall require the tenants to provide an annual written Certification to the City in the form shown in Exhibit H that the tenant is occupying the unit as his or her principle place of residence, and that tenant is not subleasing or renting the unit to another party.
- g. The tenant shall not rent or lease the unit or space to another party, unless such rental or lease is first approved in writing by the Borrower. The Borrower shall approve the renting or leasing of the space or unit only if all of the following conditions are met: (1) the term of the rental or lease is not greater than twelve (12) months and cannot be extended without City approval; (2) the Borrower demonstrates to the City's reasonable satisfaction that the tenant will incur substantial hardship if he or she is not permitted to rent or lease the Manufactured Home to a third party; (3) the tenant qualifies as an Income Eligible Household, as certified to the City, and (4) the rent for the space or unit does not exceed rent determined by the City to be affordable to an Income Eligible Household. Any rental or lease of the unit or space in violation of this Agreement is prohibited, and shall be a default under this Agreement. The Borrower further agrees to notify tenants that, in the event the tenant rents or leases the unit to a third party in violation of this Section, any excess rents ("Excess Rental Proceeds") paid to the tenant by the lessee over the Affordable Net Rent shall be due and payable to the Borrower immediately upon receipt thereof by the Borrower or tenant. Such Excess Rental Proceeds shall not be considered Operating Income and shall be utilized as partial payment on the City's Note.

#### 13. Assisted Unit Transitions.

- a. If, upon re-certification, the income of a household occupying an Assisted Unit reserved for occupancy by Moderate Income Households exceeds the upper limit for Moderate Income, the Borrower may designate this unit as non-assisted, provided that all of the following conditions are satisfied:
  - 1) No later than the date the Borrower designates the unit as non-assisted, the Borrower also makes available a comparable vacant unit previously designated as non-assisted to be designated as an Assisted Unit, or designates a previously non-assisted unit occupied by a Moderate-Income Household as an Assisted Unit, or agrees to occupy the next available unit with a Moderate-Income Household; and
  - 2) The rent charged for the newly designated Assisted Unit will not exceed the applicable Affordable Net Rent.
- b. Where a household occupying an Assisted Unit reserved for occupancy by Very Low-Income or Low Income Households no longer qualifies as Very Low-Income or Low Income Household at the time of re-certification, but qualifies as a Low-Income or Moderate Income Household, the following shall apply:
  - 1) Borrower shall designate the unit as an assisted unit for Low-Income or Moderate-Income Households:
  - 2) Borrower may increase the household's Rent to the Low Income Rent or Moderate Income Rent;

### Attachment 3, Exhibit B

- 3) Borrower shall designate the next available comparable Assisted Unit reserved for Moderate or Low-Income Households as an Assisted Unit reserved for Low or Very Low-Income Households as necessary to maintain the unit mix as outlined in Section 10; and
- 4) The Rent charged for the newly designated Assisted Unit reserved for Very Low-Income Households shall not exceed the applicable Affordable Net Rent for Low-Income Households.

#### 14. Maintenance and Management.

- a. Borrower is specifically responsible for all maintenance, repair, and management functions for the Development, including without limitation, selection of tenants, re-certification of household income and size, evictions, collection of rents, routine and extraordinary repairs and replacement of capital items. Borrower shall maintain all units and common areas in a safe and sanitary manner in accordance with local health, building, and housing codes, HUD housing quality standards pursuant to 24 CFR Section 882.109, and the Management Plan described in Section 7 of this Agreement.
- b. Borrower, ROP, shall be the property management agent for this project. ROP shall not transfer said management obligation to or contract with any other person or entity for the performance of the services or duties required in paragraph (a) without the prior written approval and consent of the City. Any such contract for management services will not relieve the Borrower of responsibility for proper performance of these duties. Any such agent to be used for the management functions of the Development as identified in Section 14(a) shall have a minimum of five (5) years' experience managing affordable housing apartments utilizing HOME Regulations and tax credit regulations in Humboldt County, or equivalent experience as deemed appropriate by the City and shall have a principal place of business in Humboldt County. If no such local entity exists or is available to act as management agent for Borrower, Borrower may seek approval from the City to use an alternate management agent from outside the county. Such contract shall contain a provision allowing Borrower to terminate the contract without penalty upon no more than thirty days' (30) notice. Upon a determination by the City, and notice to the Borrower thereof, that the management agent has failed to operate the Development in accordance with this Agreement, the Borrower shall exercise such right of termination forthwith and shall make immediate arrangements, which shall be subject to City approval, for continuing performance of the requirements of this Agreement.
- c. Upon a determination by the City, and notice to the Borrower thereof, that the Borrower as management agent has failed to operate the Development in accordance with this Agreement, the Borrower shall be given thirty (30) days to address and correct the concerns of the City with respect to Borrower's property management function. If said concerns have not been addressed or corrected within said thirty (30) days, the City may require the Borrower to contract with a management agent to operate the Development, or to make such other arrangements as the City deems necessary to ensure performance of the requirements of this Agreement.

#### 15. Hazard and Liability Insurance.

- a. The Borrower shall at all times keep the Development insured against loss by fire, flood (as required pursuant to 24 CFR 92.358), and such other hazards, casualties, liabilities and contingencies, and in such amounts and for such periods as set forth in Exhibit G. All insurance policies and renewals thereof shall be issued by a carrier and in a form acceptable to the City.

### Attachment 3, Exhibit B

Property insurance policies shall name the City as an additional loss payee and liability insurance policies shall name the City as additionally insured, on forms as approved by the City.

- b. Insurance proceeds and condemnation awards for any loss to or taking of the Development, or any portion thereof, shall be applied or utilized by Borrower as provided in the Deed of Trust executed by Borrower and referred to in the Recitals hereof.
16. Annual Report. No later than April 1 following the end of the Fiscal Year, Borrower shall file with the City an annual report ("Annual Report"), as required by 24 CFR part 92, 25 Cal. Code of Regulations, Section 8218(a)(2) and monitoring and reporting chapters of the current HOME Program Grant Management Manual. The City shall have 60 days from receipt of the Annual Report to approve such Annual Report, or to request modifications or additional information as required by this Agreement. The Annual Report shall contain a certification by the Borrower as to such information as the City may then require including, but not limited to the following:
- a. The fiscal condition of the Development, including a financial statement for the previous Fiscal Year that includes a balance sheet and a profit and loss statement indicating any surplus or deficit in the Operating Account, Replacement Reserve Account and Operating Reserve Account; a detailed itemized listing of income and expenses; the amounts of any fiscal reserves and the total amount of Residual Receipts and payments and distributions therefrom. Such financial statement shall be prepared in accordance with the requirements of the City. At Borrower's expense, Borrower shall have an audit of said financial statement conducted each year by an independent certified public accountant acceptable to the City or other person designated by the City. Borrower shall provide a copy of all audit documents, and correspondence per tax credit process to the City no later than April 1 of the following Fiscal Year.
  - b. The substantial physical defects in the project, including a description of any major repair or maintenance work undertaken or needed in the previous and current Fiscal Years. Such statement shall describe what steps the Borrower has taken in order to maintain the Development in a safe and sanitary condition in accordance with applicable housing and building codes.
  - c. The occupancy of the Development indicating;
    - 1) The verified income of each current household; and
    - 2) The current rents charged each household and whether these rents include utilities.
  - d. General management performance, including tenant relations and other relevant information.
  - e. A summary of the information received from the re-certification of tenants' incomes.
  - f. A summary of home sales, home ownership transfers, new leases, and all tenant notices.
  - g. A revised marketing strategy for the sale of the remaining rental units, through year 5, at which time the sale of all 11 park-owned rental units shall be complete.
  - h. Evidence of a currently paid hazard and flood insurance policy, with loss payable to the City in the amounts specified in Exhibit G.
  - i. Evidence of a currently paid liability insurance policy, naming the City as an additional loss payee in the amounts specified in Exhibit G.

### Attachment 3, Exhibit B

- j. The Arcata Mobile Home Park Construction and Operational Calculations, as updated for each fiscal year, the Initial Year of which is attached as Exhibit E. The Arcata Mobile Home Park Construction and Operational Calculations shall be submitted in the same format as in said Exhibit E, unless changes to the format are approved in advance by the City.
- k. A police log and an eviction log (i.e. to compare the number of police calls to a particular unit prior to eviction, if any). This information shall be used to evaluate the effectiveness of the Management Plan and revisions to the Management Plan shall be made as needed.
- l. Other information reasonably required by the City.

#### 17. City Review and Inspections.

- a. Upon not less than 48 hours' notice to the Borrower, the City or its designee may, at any time during the term of the Loan, enter and inspect the physical premises and inspect all accounting records pertaining to the construction or operation of the Development. Upon request by the City, the Borrower shall notify occupants of upcoming inspections of their units in accordance with State Law. Borrower and City acknowledge that the financial records are maintained by Borrower at its corporate offices in Sacramento. City agrees to notify Borrower in advance if City wishes Borrower to provide financial records to the City for review in Arcata, and Borrower shall make said records available for review in Arcata within fourteen (14) days of the City's request.
- b. The City may perform or cause to be performed audits of any and all phases of the Borrower's activities related to the Development. At the City's request, the Borrower shall provide, at Borrower's own expense, an audit of the financial condition of the project certified by an independent certified public accountant. City and Borrower acknowledge that audits are expensive to produce, and \$5,000 in audit costs has been placed into Exhibit D, Operating Expenses.
- c. The City may request any other information that it deems necessary to monitor compliance with requirements set forth in this Agreement and the Standard Agreement. The Borrower shall promptly provide such information.

#### 18. Annual Operating Budget.

- a. The fiscal year for the Development shall commence on January 1 and conclude on December 31 ("Fiscal Year").
- b. No later than November 1 prior to the beginning of a Fiscal Year, the Borrower shall submit to the City a proposed annual operating budget on a form provided by the City ("Annual Operating Budget"). The proposed Annual Operating Budget shall maintain the same format and budgetary line items as established in the Initial Year Operating Budget, unless specific changes are approved in advance by the City. The total operating expenses in the Annual Operating Budget shall not exceed \$300.00 per unit per month or other amount as specified in the current HOME Program underwriting guidelines, unless approved in advance by the City after review of sufficient justification thereof. Annual Operating Budgets and rent adjustments are subject to written approval by the City. The Annual Operating Budget shall include a line item allocating sufficient funds to the full implementation of the Management Plan.

### Attachment 3, Exhibit B

- c. Increases of up to the greater of two and one half percent (2.5%) or the CPI adjustment, using the index described in Section 18(c), in any line item of the Annual Operating Budget shall be deemed approved by the City, provided that the total operating expenses in the Annual Operating Budget do not exceed the maximum amount per unit allowed in Section 18(a). Borrower shall operate the Development in accordance with the approved Annual Operating Budget.
  - d. Annual rent adjustments are subject to written approval by the City. For the projects approved by the City using High HOME rents, rent increases that do not exceed the upper limits for High HOME rents less a Utility Allowance shall be deemed approved by the City. For projects approved by the City using Low HOME rents less a utility allowance, rent increases that do not exceed the upper limits for low HOME rents shall be deemed approved by the City. For projects approved by the City using rents below Low HOME rents, rent increases, which do not exceed the most, recently published annual Labor Statistics Consumer Price Index, Residential Rent for All Urban Consumers for the West annual (CPI) shall be deemed approved by the City. In the event this particular CPI index is no longer published, the City shall select a similar index for this purpose.
  - e. The Annual Operating Budget for the initial year of the Development's operation ("Initial Year Annual Operating Budget") shall show all anticipated income, debt service and expenses for management, operations, reserves and maintenance for the first fiscal year or portion thereof following initial occupancy. Said Initial Year Annual Operating Budget is hereby approved by the City to be that as depicted in Exhibit E. Borrower shall operate the Development in accordance with the Initial Year Annual Operating Budget depicted in Exhibit E.
19. Required Reserves.
- a. Replacement Reserve Account.
    - 1) Prior to the Close of Escrow, the Borrower shall establish a segregated interest-bearing replacement reserve account in an F.D.I.C. or other comparable federally insured financial institution ("Replacement Reserve Account") and fully fund an amount equal to eighteen months deposits to the Replacement Reserve. Beginning on the nineteenth (19) month, Borrower shall make monthly deposits from Operating Income to the Replacement Reserve Account in a minimum amount of \$400 monthly which represents the minimum amount determined by the City necessary to establish an adequate reserve account for future capital improvements, as specified. This amount is equal to 0.6 percent of the estimated per unit cost of Development structure construction, or: 0.006 multiplied by \$800,000 divided by 34 units divided by 12 months. The City may review the adequacy of these monthly deposits on an annual basis, and require adjustments, as it deems necessary.
    - 2) Withdrawals shall only be made for capital improvements, such as replacing or repairing structural elements, furniture, fixtures or equipment of the Development that are reasonably required to preserve the Development. Borrower may withdraw, for a qualifying maintenance improvement, from the Replacement Reserve Account up to Five Thousand Dollars (\$5,000.00) per Fiscal Year or any amount included in the Annual Operation Budget for the Fiscal Year of the withdrawal without advance written approval from the City. All other withdrawals from the Replacement Reserve Account must be approved in advance by the City.

### Attachment 3, Exhibit B

- 3) If at any time the Replacement Reserve Account balance exceeds Eighty Thousand Dollars (\$80,000.00), Borrower shall have an independent physical inspection of the Development, conducted by a City approved inspector and paid for from said account. Said inspection shall evaluate the condition of the Development and determine what capital improvements are required. A copy of the inspection report shall be delivered to the City. Based on the inspection report, Borrower shall develop and deliver a capital improvement work plan to the City within 30 days after the date of the inspection report. Failure of Borrower to make and complete approved capital improvements within one year after approval by the City of said work plan, will be deemed a default under this Agreement.
  - 4) City may conduct periodic monitoring visits and site visits to the Development for the purpose of assessing the condition of the Development. If at any time it is determined that there is an excess of deferred maintenance or necessary improvements needed to maintain the Development, City may require Borrower to increase the monthly deposits into the Replacement Reserve, or increase the Maintenance line item in the Annual Budget, per California Code of Regulations, Title 25, Section 8310 (i)(2).
- b. Operating Reserve Account:
- 1) Commencing no later than the end of the second month following the initial occupancy of the Development, or such other date as the City shall designate in writing, the Borrower shall establish an operating reserve account or sub account within the project's general operating account ("Operating Reserve Account"). The Borrower shall fully fund this account in the amount of Fifty Nine Thousand Two Hundred Dollars (\$59,200.00) at close of escrow. Whenever the account balance falls below said amount, Borrower shall make monthly deposits from project income to the Operating Reserve Account in the amount of a minimum of three percent (3%) of the annual operating expenses minus the annual replacement and operating reserve account deposits, which represents the minimum amount determined by the City as necessary for specified shortfalls.
  - 2) Borrower shall transfer funds from the Operating Reserve Account only to alleviate cash shortages resulting from utility costs, vacancies greater than five percent (5%) of the total Development rental capacity, and seasonal fluctuations in or from month to month. The City shall approve or disapprove a request for withdrawal from the Operating Reserve Account within 60 days of receipt of a written request. A written withdrawal request that is not disapproved within 60 days of receipt shall be deemed approved. If the Operating Reserve Account reaches a balance equal to or greater than an amount equivalent to twelve months gross income for the Development, the City may approve a reduction in payments to the Operating Reserve Account to an amount necessary to maintain the account balance at this level.

#### 20. Use of Income from Operations.

- a. The Borrower, or Borrower's management agent, shall promptly deposit all Operating Income in a segregated account established exclusively for the Development with an F.D.I.C. or other comparable federally-insured financial institution.
- b. Withdrawals from said account shall be made only in accordance with the provisions of this Agreement and the approved budget, and shall be disbursed, applied, or reserved and set aside for payment when due for all costs related to the Development including, but not limited to, the following:



### Attachment 3, Exhibit B

- 1) Salaries, wages, and any other compensation due and payable to the employees or agents of the Borrower or management agent employed on site in connection with the maintenance, administration or operation of the Development, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees;
- 2) All charges incurred in the operation of the Development in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance;
- 3) Payments of required interest, principal, impounds, fees and charges, if any, on loans other than the loans which are secured by liens on the Property and which have been approved by the City;
- 4) All other expenses incurred to cover operating costs, including the allowed fee for the management agent, in accordance with the approved Annual Operating Budget of the Development or as otherwise approved in advance by the City in accordance with Section 18 of this Agreement; and
- 5) Deposits to Operating and Replacement Reserve Accounts.
- 6) Payment of non-City debt service as follows:
  - i. Payment of permanent financing obligations as approved by the City prior to closing of the permanent financing.
- 7) Payment of Deferred Development Fee.
- c. Excess income generated by rented units, above the stated projected cash flow identified in Exhibit D, Final Rents, shall be deposited into the Replacement Reserve account and be utilized for completion of improvements identified in the Needs Assessment completed by the Borrower on June 6, 2007, on file with the City, and incorporated by reference as if recited fully herein.
- d. The balance of Operating Income remaining after the payments described in Section 20(b) above shall be deemed "Residual Receipts" to be paid and applied as provided in Section 21 below.

#### 21. Residual Receipts and Distributions.

- a. Payment of Agency and City Debt Service: Prior to any distributions from the Residual Receipts, fifty percent (50%) of the Residual Receipts shall be applied to payments on the Agency and City Loan as required by, and subject to the provisions of, the Note. Borrower shall make payments as required by the Note and Loan Agreement no later than April 15 of each year, beginning in 2008. Residual Receipt payments shall be applied first to pay outstanding interest and then principal of the Agency portion of the Loan, and after said Agency debt is fully paid, then to pay outstanding interest and then principal of the City portion of the Loan.
- b. Distribution of Remainder: After making payment on the City's Loan, the remaining 50 percent (50%) of the Residual Receipts shall be available to be distributed to, or retained by, the Borrower to pay asset management fees or other compensation to Borrower.

### Attachment 3, Exhibit B

- c. Borrower shall receive Distributions only once for each fiscal year of the Development and only:  
(1) upon approval by the City of the Annual Report submitted for that year, and (2) upon determination by the City that the Borrower is in compliance with this Agreement and all Program requirements.
  - d. No Distributions shall be made to Borrower in the following circumstances:
    - 1) When written notice of default has been issued by any entity with an equitable or beneficial interest in the Development;
    - 2) When the City determines that the Borrower or the Borrower's management agent has failed to comply with the City's written notice of any reasonable requirement for proper maintenance of the Development;
    - 3) If all currently required debt service and operating expenses have not been paid; or
    - 4) If the Replacement Reserve or Operating Reserve Accounts are not fully funded pursuant to this Agreement.
22. Accounting Records. In a manner subject to City approval, Borrower shall maintain on an accrual basis a general ledger accounting system that is posted monthly and that accurately and fully shows all assets, liabilities, income and expenses of the Development. All records and books relating to this system, except the general ledger, shall be kept for a period of at least seven years and in such a manner as to ensure that the records are reasonably protected from destruction or tampering. The general ledger shall be kept permanently in such manner as to ensure that it is reasonably protected from destruction or tampering. All records shall be subject to City inspection and audit in Arcata, upon fourteen (14) days' advance written request for said inspection and audit.
23. Non-assisted Units and Common Areas.
- a. Borrower shall establish and implement a rent structure for non-assisted residential units that ensures the Fiscal Integrity of the Development. Borrower shall estimate all income and expenses attributable to the non-assisted units in the Annual Operating Budget described in Section 18 herein, and shall report all income and expenses attributable to non-assisted units in the Annual Report described in Section 16 herein.
  - b. Borrower shall maintain and repair both Assisted and non-assisted units equally without regard to their designation as Assisted or non-assisted.
  - c. Tenant selection practices for non-assisted units shall comply with State and federal nondiscrimination laws.
  - d. The exterior walls, windows, lighting, walkways, mailboxes, landscaping, nonresidential space, and other common areas of the Development shall be safe, clean, well maintained, and in good working order.
  - e. Covenants, conditions and restrictions (CC&R's) to be recorded by Borrower against non-assisted units and common areas shall be approved in advance of recordation by the City.
24. Restrictions on Sale, Encumbrance, and Other Acts.

### Attachment 3, Exhibit B

- a. The Borrower shall not make any sale, encumbrance, hypothecations, assignment, refinancing, pledge, conveyance, or transfer in any other form of the Property or the Development or of any of its interest therein, except with the prior written approval of the City.
- b. Other than routine maintenance, the Borrower shall not add to, remodel, remove, reconstruct, or demolish any part of the Development without the prior written approval of the City.
- c. The Borrower shall not permit the use of the Development or Property for any purpose other than that permitted by this Agreement without the prior written approval of the City.
- d. The Borrower shall not incur any liability or obligation in connection with the Development, other than for current operating, management and maintenance costs and for the indebtedness evidenced by the Note nor incur any liability, charge, assessment, or obligation whatsoever that is secured in whole or in part by any interest in or lien or encumbrance on the Property or the Development, without the prior written approval of the City. The City may permit refinancing or additional financing secured by the Development only to the extent necessary to maintain or improve the Development's Fiscal Integrity, improve financial condition, or to maintain affordable rents.
- e. The Borrower shall not enter into any contract relating to rehabilitating or managing the Development, except as authorized by the City. Any management agreement entered into between Borrower and a management entity is subject to prior written approval by the City, and subject to the qualifications set out in Section 7.
- f. Borrower shall not enter into any lease for more than a single retail unit, ground lease of the Development or any interest therein without prior written approval of the City. The City may require that such lease allow for termination within 90 days upon request by the City.
- g. The City may approve at the City's sole discretion, a sale, transfer or conveyance of the Property provided that all of the following conditions are met:
  - 1) The existing Borrower is in compliance with this Agreement or the sale, transfer or conveyance will result in the cure of any existing violations of the Agreement;
  - 2) The successor-in-interest to the Borrower agrees to assume all obligations of the existing Borrower pursuant to this Agreement and the Program, and meets any requirements, which may be in existence for California Housing Development Organizations (CHDO's) under the applicable regulations. The parties acknowledge and understand that at the time the private senior debt is paid by Borrower, which debt has a thirty year term, Borrower intends to transfer ownership of the Property to a nonprofit corporation formed by the tenants of the Property.
  - 3) The successor-in-interest demonstrates to the City's satisfaction that it can own and operate the Development in full compliance with all Program requirements; and
  - 4) Terms of the sale, transfer or conveyance shall not threaten the City's security or the successor's ability to comply with all requirements of the HOME Program and this Agreement.
- h. The City shall grant its approval for a sale, transfer or conveyance of the Property subject to such terms and conditions as may be necessary to preserve or establish the Fiscal Integrity of the



### Attachment 3, Exhibit B

Development and to ensure compliance with HOME Program requirements and this Agreement. Such conditions may include the deposit of sales proceeds, or a portion thereof, to maintain required reserves or to offset negative cash flow, the recapture of syndication proceeds or other funds or such other conditions as may be necessary to ensure compliance with the HOME Program requirements.

#### 25. *THIS SECTION INTENTIONALLY LEFT BLANK*

#### 26. Violation of Regulatory Agreement by Borrower.

- a. In the event of a breach or violation of the provisions of this Agreement, the City may give written notice to the Borrower thereof by certified mail or any express delivery service with a delivery receipt addressed to the Borrower at the address stated in this Agreement. If the breach or violation is not cured to the satisfaction of the City within the time period specified in the notice, which shall not be fewer than 30 days, the City may declare a default and may seek legal remedies including the following:
  - 1) Collect all rents and income in connections with the operation of the Development and use the same and the reserve funds for the operation and maintenance of the Development.
  - 2) Take possession of the Development and bring any action necessary to enforce any rights of the Borrower growing out of the operation of the Development, and operate the Development in accordance with the terms of this Agreement until such time as the City, in its sole discretion, shall determine that the Borrower is again in a position to operate the Development in accordance with the terms of this Agreement.
  - 3) Apply to any court, State or federal for specific performance of this Agreement or for the appointment of a receiver to take over and operate the Development in accordance with the terms of this Agreement or for such other relief as may be appropriate. It is agreed by the Borrower that the injury to the City arising from a default under any of the terms of this Agreement would be irreparable and that the amount of compensation that would provide adequate relief to the City, in light of the purposes of the Program, would be impossible to ascertain.
  - 4) Subject to written authorization from lenders with a priority security interest in the Property and the Development, accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the City may proceed with a foreclosure in accordance with the provisions of the Deed of Trust and State law regarding foreclosures. However, in the event of a nonmonetary breach which cannot reasonably be cured within the time period set forth in such notice, the Loan may not be accelerated hereunder if within said designated time period Borrower or Borrower's administrative limited partner has given written notice to City of Borrower's intention to cure said breach, has commenced to cure such breach and has diligently prosecuted and effected such cure which shall be completed no later than 60 days from the date notice of such breach is given.
  - 5) The City may seek such other remedies as may be available under law.
- b. In the event that the breach or violation involves the rents to tenants or other charges in excess of those permitted under this Agreement, the City may demand, and seek as an additional remedy, the return of such excess rents or other charge to the affected household.

### Attachment 3, Exhibit B

- c. The tenants of the Assisted Units shall be considered to be third-party beneficiaries of this Agreement, and shall have such rights and remedies to enforce the requirements of this Agreement as may be available to third-party beneficiaries under the law.
  - d. The remedies of the City hereunder are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of remedies and shall not preclude the exercise by the City of any one or more of its other remedies.
  - e. Notwithstanding anything to the contrary herein, any cure of any default or Event of Default made or tendered by the administrative limited partner of Borrower shall be deemed to be made by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.
27. Assignment of City Rights. The City retains the right at its sole discretion to assign all or part of its rights under this Agreement for the purpose of ensuring compliance and enforcement of Borrower's duties and obligations hereunder. In addition, the City may designate an agent to act on its behalf in monitoring compliance and enforcing the provisions hereof.
28. Amendment. This Agreement shall not be altered or amended except in writing, executed between or among all the parties.
29. Partial Invalidity. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
30. Binding on Successors. This Agreement shall bind, and the benefits hereof shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in the office of interest, and assigns, provided, however, that the Borrower may not assign this Agreement or any of its obligations hereunder, voluntarily or by operation of law, without the prior written approval of the City.
31. Recording Agreement. This Agreement, and all amendments thereto, shall be executed by each of the parties. This Agreement, or memorandum thereof, shall be recorded against the subject Property in the official records of the county in which the Development is situated.
32. Hold Harmless. Borrower and its successor in interest agree to indemnify, defend, and hold harmless the City and its respective agents, employees and officers from any and all claims, losses, liabilities or causes of action (including reasonable attorney's fees) arising from or in connection with Borrower's management, maintenance or operation of the Development.
33. Waiver. No waiver by the City of any breach of or default under this Agreement shall be deemed to be a waiver of any other or subsequent breach thereto or default hereunder.
34. Captions. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or the intent of this Agreement.
35. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

**Attachment 3, Exhibit B**

36. Notice. Written notices and other written communications by and between the parties hereto shall be addressed as set forth below unless and until a party hereto has, in writing, communicated a different address to the other party hereto.

Borrower: Resident Owned Parks  
7420 Greenhaven Drive, Suite 125  
Sacramento, CA 95831  
Attn.: Maurice Priest

City: City of Arcata  
C/o City Manager  
736 F Street  
Arcata, CA 95521  
Attn.: City Manager

With copy to:  
Director,  
Community Development Department  
736 F. Street  
Arcata, CA 95521

37. Attorneys' Fees. The prevailing party in any action to enforce this Agreement, including the residents of Assisted Units, shall be entitled to reasonable attorneys' fees as determined by the tier of fact in that forum.
38. Special Conditions. The parties acknowledge that there are no special conditions imposed.
39. Contract Administration. The City shall maintain authority over the Loan Documents through the City Manager or his designee. The City Manager shall have authority to issue interpretations, approvals, waivers, and amendments, relating to this Agreement that do not change the material terms of the Agreement. All other waivers or amendments shall require the written consent of the City Council. Approval by the City as required in this Agreement shall be approval by the City Manager, unless specifically stated otherwise.
40. Incorporation. The following Exhibits, all attached hereto, are hereby incorporated into this Agreement:

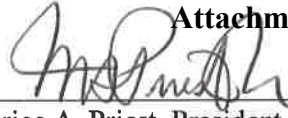
Exhibit A: Legal Description  
Exhibit B: Affordable Net Rent Calculation, Year 1  
Exhibit C: Initial Rents, Final Rents, and Unit Mix Compliance  
Exhibit D: Arcata Mobile Home Park Final Rents and Operational Calculations  
Exhibit E: Arcata Mobile Home Park Initial Rent Levels and Operational Calculations  
Exhibit F: Rehabilitation Sources and Uses  
Exhibit G: Insurance Requirements  
Exhibit H: Occupancy Certification

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

*(Signatures follow on next page)*

**BORROWER:**

Resident Owned Parks, Inc.  
A California NonProfit Public Benefit  
Corporation

By:   
Maurice A. Priest, President

CITY:

City of Arcata

By:   
Michael Hackett, City Manager

**ACKNOWLEDGMENTS ATTACHED**

Example

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of

Humboldt

} ss.

On

July 24, 2007

before me,

Bridget Eileen Dory, A Notary Public

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared

Michael M. Hackett

Name(s) of Signer(s)

☒ personally known to me☐ 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.

WITNESS my hand and official seal.

Bridget Eileen Dory  
Signature Notary Public

Example

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

**Description of Attached Document**

Title or Type of Document:

Regulatory Agreement

Document Date:

July 24, 2007

Number of Pages:

30

Signer(s) Other Than Named Above:

None**Capacity(ies) Claimed by Signer**

Signer's Name:

Michael M. Hackett☐ Individual☒ Corporate Officer — Title(s):City Manager☐ Partner — ☐ Limited ☐ General☐ Attorney-in-Fact☐ Trustee☐ Guardian or Conservator☐ Other:

Signer Is Representing:

City of ArcataRIGHT THUMBPRINT  
OF SIGNER

Top of thumb here



**NOTARY ACKNOWLEDGMENT  
Regulatory Agreement**

**STATE OF Nevada**

**COUNTY OF Clark**

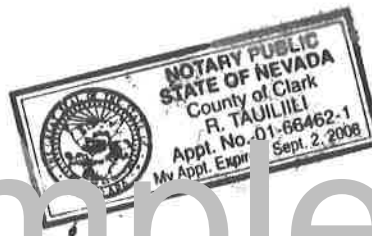
**This instrument was acknowledged before me on July 26, 2007, by**

**Maurice A. Priest, as President**

**WITNESS my hand and Official Seal,**

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

**My commission expires 06-02-08**



Example

Exhibit A to Regulatory Agreement

**LEGAL DESCRIPTION**

(Attached)

Example

## **EXHIBIT "A"**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED CITY OF ARCATA , COUNTY OF HUMBOLDT, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Those portions of the North Half of the Southeast Quarter of Section 20, Township 6 North, Range 1 East, Humboldt Meridian, described as follows:

### **PARCEL ONE**

BEGINNING at the Southeast corner of said Section 20;  
thence North 18 degrees 10 minutes West, 879 feet;  
thence North 74 degrees 10 minutes West, 671 feet;  
thence North 16 degrees 55 minutes East, 529.94 feet;  
thence North 72 degrees 33 minutes West, 306.18 feet to the true point of beginning;  
thence North 15 degrees 15 minutes East, 209.92 feet;  
thence North 72 degrees 35 minutes West, 207 feet;  
thence South 15 degrees 15 minutes West, 209.92 feet;  
thence South 72 degrees 35 minutes East, 207 feet to the true point of beginning.

### **PARCEL TWO**

BEGINNING at the Southeast corner of said Section 20;  
thence North 18 degrees 10 minutes West, 879 feet;  
thence North 74 degrees 10 minutes West, 671 feet;  
thence North 16 degrees 55 minutes East, 529.94 feet;  
thence North 72 degrees 35 minutes West, 513.18 feet to the true point of beginning;  
thence North 15 degrees 15 minutes East, 209.92 feet;  
thence North 72 degrees 35 minutes West, 311.5 feet;  
thence South 15 degrees 15 minutes West, 209.92 feet;  
thence South 72 degrees 35 minutes East, 311.5 feet to the true point of beginning.

### **PARCEL THREE**

A non-exclusive right of way for ingress, egress and public utility purposes as provided for in Agreement, recorded May 2, 1956 under Recorder's Serial No. 6843 in the Office of the County Recorder of said County, over a strip of land 40 feet in width, the center line of which is described as follows:

BEGINNING at the Southeast corner of said Section 20;  
thence North 18 degrees 10 minutes West, 879 feet;  
thence North 74 degrees 10 minutes West, 671 feet;  
thence North 16 degrees 55 minutes East, 739.72 feet to the true point of beginning of said center line;  
thence North 72 degrees 35 minutes West, 1038.29 feet to the County Road.

### **PARCEL FOUR**

A non-exclusive easement for sewer leach lines and leach pit over and across the South 115 feet of the West 40 feet of the following described land:

BEGINNING at the Southeast corner of said Section 20;  
thence North 18 degrees 10 minutes West, 879 feet;  
thence North 74 degrees 10 minutes West, 671 feet;  
thence North 16 degrees 55 minutes East, 739.72 feet;

thence North 72 degrees 35 minutes West, 473.29 feet to the true point of beginning;  
thence North 15 degrees 15 minutes East, 209.91 feet;  
thence North 72 degrees 35 minutes West, 150 feet;  
thence South 15 degrees 15 minutes West, 209.91 feet;  
thence South 72 degrees 35 minutes East, 150 feet to the true point of beginning.

Together with the right of entry thereon, to lay, replace, or maintain said leach lines and leach pit.

BEING the same as reserved in the Deed from George H. McCallum and wife, to S&H Auto Wreckers, recorded April 20, 1966 in Book 880, Page 119 of Official Records.

Example

## Exhibit B To Regulatory Agreement

Affordable Net Rent Calculation, Year 1

2 Person Household				
Area Median Income				
\$	40,600	100%	65%	50%
Annual Income		\$ 40,600	\$ 26,390	\$ 20,300
Monthly Income		\$ 3,383	\$ 2,199	\$ 1,692
16% of Monthly Income (Net Rent)		\$ 541	\$ 352	\$ 271

# Example

## Exhibit C to Regulatory Agreement

Initial Rents, Final Rents, and Unit Mix Compliance

Space Number	Initial Income Level (Exhibit E)	Initial Rents	Verified Income July 16 2007	Actual Rents from Verified Income	Final Income Level (Exhibit D)	Final Rents (All Owner-Occupied Units)
1217	LOW	\$ 352	V/L	\$ 271	LOW	\$ 352
1218	LOW	\$ 352	LOW	\$ 352	LOW	\$ 352
1229	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1230	V/L	\$ 271	LOW	\$ 352	V/L	\$ 271
1241	LOW	\$ 352	LOW	\$ 352	LOW	\$ 352
1242	LOW	\$ 352	LOW	\$ 352	LOW	\$ 352
1253	V/L	\$ 450	V/L	\$ 450	LOW	\$ 352
1254	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1267	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1268	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1275	LOW	\$ 352	V/L	\$ 271	LOW	\$ 352
1280	V/L	\$ 271	LOW	\$ 352	V/L	\$ 271
1281	LOW	\$ 352	MEDIAN	\$ 541	LOW	\$ 352
1288	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1289	LOW	\$ 352	V/L	\$ 271	LOW	\$ 352
1300	V/L	\$ 450	V/L	\$ 450	LOW	\$ 352
1301	LOW	\$ 352	V/L	\$ 271	LOW	\$ 352
1309	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1310	MEDIAN	\$ 352	MEDIAN	\$ 352	LOW	\$ 352
1321	V/L	\$ 475	V/L	\$ 271	LOW	\$ 352
1322	MEDIAN	\$ 450	MEDIAN	\$ 450	LOW	\$ 352
1329	LOW	\$ 352	V/L	\$ 271	LOW	\$ 352
1330	MEDIAN	\$ 352	MEDIAN	\$ 352	LOW	\$ 352
1341	LOW	\$ 352	MEDIAN	\$ 352	LOW	\$ 352
1342	MEDIAN	\$ 541	MEDIAN	\$ 541	MEDIAN	\$ 541
1353	MEDIAN	\$ 450	MEDIAN	\$ 450	LOW	\$ 352
1354	V/L	\$ 515	MEDIAN	\$ 515	LOW	\$ 352
1361	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1362	V/L	\$ 475	MEDIAN	\$ 475	LOW	\$ 352
1370	LOW	\$ 352	MEDIAN	\$ 541	LOW	\$ 352
1373	V/L	\$ 271	V/L	\$ 271	V/L	\$ 271
1380	V/L	\$ 460	V/L	\$ 460	LOW	\$ 352
1385	V/L	\$ 271	LOW	\$ 352	V/L	\$ 271
1397	MEDIAN	\$ 541	LOW	\$ 352	MEDIAN	\$ 541

	NUMBER OF UNITS		
	Exhibit E Initial	Verified July 2007	Exhibit D Final
Very Low Income	18	17	11
Low Income	10	7	21
Moderate Income	6	10	2
<b>TOTAL</b>	<b>34</b>	<b>34</b>	<b>34</b>
Rentals	11	11	0

Exhibit C to Regulatory Agreement (Continued)

As specified in Section 6 of the Regulatory Agreement: As a result of the projects initial "out of compliance" status, upon occupancy following the close of escrow Borrower shall rent Assisted Units only in accordance with the schedule set forth in Exhibit E. At annual Certification of Tenant Income and Household Size as outlined in Section 12, or at the vacancy and initial occupancy, Borrower shall rent the next available unit at the appropriate rent level to bring the project in compliance with the schedule set forth in Exhibit D.

As very-low Income households are automatically also low income households by definition, the next eight (8) available units currently occupied by moderate income household shall be rented to households qualifying as low income. After the next eight units are rented to low income households and the project is determined to be "in compliance" with respect to Section 6 c. of the Regulatory Agreement, this Exhibit E shall no longer be in effect and the project rents and incomes shall be as specified in Exhibit D.

Example

## Exhibit D to Regulatory Agreement

**ARCATA MOBILE HOME PARK FINAL RENTS AND OPERATIONAL CALCULATIONS**

Arcata MHP Final Rents Operational Calculations				May 15, 2007			HOME Assisted Units (3)				
				Household Income			MOD	LOW	VL		
				Percent of Median Income			80%	60%	50%		
Rented Units Converted to Owner Occupied				Number of Restricted Units			2	21	11		
Unit #	Household Income	Utility Allowance	Total housing Cost	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 1	Year 2	Year 3	Year 4	Year 5
1217	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1218	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1229	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1230	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1241	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1242	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1253	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1254	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1267	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1268	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1275	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1280	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1281	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1288	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1289	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1300	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1301	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1309	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1310	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1321	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1322	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1329	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1330	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1341	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1342	Median	146	687	541	1	2.5%	6,492	6,654	6,821	6,991	7,166
1353	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1354	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1361	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1362	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1370	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1373	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1380	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1385	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1397	Median	146	687	541	1	2.5%	6,492	6,654	6,821	6,991	7,166
<b>TOTAL RENTAL INCOME</b>				<b>11,455</b>	<b>34</b>	<b>1</b>	<b>137,460</b>	<b>140,897</b>	<b>144,419</b>	<b>148,029</b>	<b>151,730</b>



## Exhibit D to Regulatory Agreement (Continued)

**ARCATA MOBILE HOME PARK FINAL RENTS AND OPERATIONAL CALCULATIONS**

<b>TOTAL RENTAL INCOME</b>	<b>11,455</b>	<b>34</b>	<b>1</b>	<b>137,460</b>	<b>140,897</b>	<b>144,419</b>	<b>148,029</b>	<b>151,730</b>
<b>OTHER INCOME</b>	Monthly	Units	Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5
Laundry Income	100	1	2.5%	1,200	1,230	1,261	1,292	1,325
Utility Submetering annual income	2,740	1	2.5%	32,876	33,698	34,540	35,404	36,289
Insurance Loan Funded				4,700				
<b>TOTAL OTHER INCOME</b>	<b>2,840</b>			<b>38,776</b>	<b>34,928</b>	<b>35,801</b>	<b>36,696</b>	<b>37,614</b>
<b>TOTAL INCOME</b>				<b>176,236</b>	<b>175,824</b>	<b>180,220</b>	<b>184,726</b>	<b>189,344</b>
Less Vacancy Allowance	573		5.0%	(8,577)	(8,791)	(9,011)	(9,236)	(9,467)
<b>GROSS INCOME</b>	<b>14,867</b>			<b>167,659</b>	<b>167,033</b>	<b>171,209</b>	<b>175,490</b>	<b>179,877</b>
<b>OPERATING EXPENSES</b>	Monthly	%EGI	Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5
Accounting	138	1.0%	3.5%	1,650	1,708	1,768	1,829	1,893
Audit	417	3.0%	3.5%	5,000	5,175	5,356	5,544	5,738
Auto	138	1.0%	3.5%	1,650	1,708	1,768	1,829	1,893
General Administrative	104	0.7%	3.5%	1,250	1,294	1,339	1,386	1,434
Management Fee	1,000	7.2%	3.5%	12,000	12,420	12,855	13,305	13,770
Utilities (electricity, gas & water)	1,985	14.2%	3.5%	23,817	24,651	25,513	26,406	27,331
Payroll / Payroll Taxes	2,000	14.3%	3.5%	24,000	24,840	25,709	26,609	27,541
Insurance	392	2.8%	3.5%	4,700	4,865	5,035	5,211	5,393
Landscaping	400	2.9%	3.5%	4,800	4,968	5,142	5,322	5,508
Maintenance	683	4.9%	3.5%	8,200	8,487	8,784	9,091	9,410
Telephone	63	0.4%	3.5%	750	776	803	832	861
Trash	43	0.3%	3.5%	515	533	552	571	591
Water/Sewer	710	5.4%	3.5%	8,400	8,643	8,893	9,147	9,404
Park Billing	80	0.6%	3.5%	960	994	1,028	1,064	1,102
Permits, Fees & Licenses	60	0.4%	3.5%	720	746	776	803	832
Supplies	1,150	8.7%	3.5%	13,800	14,233	14,677	15,131	15,595
Dues & Subscriptions	55	0.4%	3.5%	660	683	707	732	757
Other: Advertising	21	0.1%	3.5%	252	259	268	277	287
On-Site Service Coordinator	-	0.0%	3.5%	-	-	-	-	-
Property Taxes and Assessment	1,208	8.6%	2.0%	14,500	14,790	15,086	15,388	15,695
Commercial Expenses	-	0.0%	3.5%	-	-	-	-	-
<b>OPERATING EXPENSES (Excluding)</b>	<b>9,625</b>			<b>115,496</b>	<b>119,321</b>	<b>123,275</b>	<b>127,364</b>	<b>131,590</b>
Replacement Reserves	400		0.0%	4,800	4,800	4,800	4,800	4,800
Operating Reserve Deposit	-		0.0%	0				
<b>TOTAL OPERATING EXPENSES</b>	<b>10,025</b>			<b>120,296</b>	<b>124,121</b>	<b>128,075</b>	<b>132,164</b>	<b>136,390</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>47,363</b>	<b>42,913</b>	<b>43,134</b>	<b>43,326</b>	<b>43,486</b>
<b>DEBT SERVICE &amp; OTHER DISTRIB</b>	Loan Amount		Yr. 1 DSC	Year-1	Year-2	Year-3	Year-4	Year-5
Redwood Capital	555,000		1.10	43,197	43,197	43,197	43,197	43,197
City of Arcata Agency Funds	425,000		1.10		-	-	-	-
HOME Program Income	380,000							
2004 CDBG and Program Income	315,000							
<b>DEBT COVERAGE RATIO</b>				1.10	0.99	1.00	1.00	1.01
<b>ANNUAL NET CASH FLOW</b>				<b>4,166</b>	<b>\$ (284)</b>	<b>\$ (63)</b>	<b>\$ 129</b>	<b>\$ 290</b>
<b>CUMULATIVE CASH FLOW</b>				<b>4,166</b>	<b>\$ 3,882</b>	<b>\$ 3,819</b>	<b>\$ 3,948</b>	<b>\$ 4,238</b>
Developer share of Cash Flow				2,083	\$ (142)	\$ (32)	\$ 65	\$ 145
<b>HOME FUNDS (City of Arcata)</b>	<b>315,000</b>			<b>2,083</b>	<b>\$ (142)</b>	<b>\$ (32)</b>	<b>\$ 65</b>	<b>\$ 145</b>
Interest Rate:	3%							
<b>HOME Loan Interest Balance</b>				7,367	\$16,959	\$26,441	\$35,826	\$45,131
<b>HOME Loan Principal Balance</b>				315,000	\$315,000	\$315,000	\$315,000	\$315,000
<b>HOME Loan Total Balance</b>				322,367	\$331,959	\$341,441	\$350,826	\$360,131

## Exhibit E to Regulatory Agreement

**ARCATA MOBILE HOME PARK INITIAL RENT LEVELS AND OPERATIONAL CALCULATIONS**

Arcata MHP Initial Rents					July 5, 2007			HOME Assisted Units (3)				
Operational Calculations					Household Income			MOD	LOW	VL		
Park Owned Units sold to FTHB					Percent of Median Income			80%	60%	50%		
Park Owned and Rented Units					Number of Restricted Units			6	10	18		
Unit #	Fund	Household Income	Utility Allowance	Total housing Cost	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 1	Year 2	Year 3	Year 4	Year 5
1217	HOME	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1218	HOME	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1229	CDBG	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1230	CDBG	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1241	CDBG	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1242	CDBG	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1253	Agency	V/L	146	596	450	1	2.5%	5,400	5,535	5,673	5,815	5,961
1254	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1267	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1268	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1275	Agency	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1280	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1281	Agency	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1288	HOME	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1289	Agency	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1300	Agency	V/L	146	417	271	1	2.5%	5,400	5,535	5,673	4,549	4,663
1301	Agency	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1309	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1310	Agency	NO RESP	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1321	Agency	V/L	146	621	475	1	2.5%	5,700	4,330	4,438	4,549	4,663
1322	Agency	MEDIAN	146	596	450	1	2.5%	5,400	4,330	4,438	4,549	4,663
1329	Agency	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1330	Agency	NO RESP	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1341	Agency	LOW	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1342	Agency	NO RESP	146	687	541	1	2.5%	6,492	6,654	6,821	6,991	7,166
1353	Agency	NO RESP	146	596	450	1	2.5%	5,400	4,330	4,438	4,549	4,663
1354	Agency	V/L	146	661	515	1	2.5%	6,180	6,335	4,438	4,549	4,663
1361	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1362	Agency	V/L	146	621	475	1	2.5%	5,700	5,843	4,438	4,549	4,663
1370	Agency	VACANT	146	498	352	1	2.5%	4,224	4,330	4,438	4,549	4,663
1373	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1380	Agency	V/L	146	606	460	1	2.5%	5,520	5,658	5,799	4,549	4,663
1385	Agency	V/L	146	417	271	1	2.5%	3,252	3,333	3,417	3,502	3,590
1397	Agency	MEDIAN	146	687	541	1	2.5%	6,492	6,654	6,821	6,991	7,166
<b>TOTAL RENTAL INCOME</b>					<b>12,364</b>	<b>34</b>	<b>1</b>	<b>148,368</b>	<b>148,155</b>	<b>148,253</b>	<b>149,298</b>	<b>153,030</b>

## Exhibit E to Regulatory Agreement (Continued)

**ARCATA MOBILE HOME PARK INITIAL RENT LEVELS AND OPERATIONAL CALCULATIONS**

<b>TOTAL RENTAL INCOME</b>	12,364	34	1	148,368	148,155	148,253	149,298	153,030
<b>OTHER INCOME</b>	Monthly	Units	Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5
Laundry Income	93	1	2.5%	1,116	1,144	1,172	1,202	1,232
Utility Submetering annual i	2,740	1	2.5%	32,876	33,698	34,540	35,404	36,289
Rental Unit Income								
Insurance Loan Funded				4,700				
<b>TOTAL OTHER INCOME</b>	2,833			38,692	34,842	35,713	36,606	37,521
<b>TOTAL INCOME</b>				187,060	182,997	183,966	185,903	190,551
Less Vacancy Allowance	618		5%	(9,118)	(9,150)	(9,198)	(9,295)	(9,528)
<b>GROSS INCOME</b>	15,815			177,942	173,847	174,768	176,608	181,023
<b>OPERATING EXPENSES</b>	Monthly	%EGI	Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5
Accounting	138	0.9%	3.5%	1,650	1,708	1,768	1,829	1,893
Audit	417	2.8%	3.5%	5,000	5,175	5,356	5,544	5,738
Auto	138	0.9%	3.5%	1,650	1,708	1,768	1,829	1,893
General Administrative	104	0.7%	3.5%	1,250	1,294	1,339	1,386	1,434
Management Fee	1,020	6.9%	3.5%	12,240	12,668	13,112	13,571	14,046
Utilities (electricity, gas &	1,985	13.4%	3.5%	23,817	24,651	25,513	26,406	27,331
Payroll / Payroll Taxes	2,000	13.5%	3.5%	24,000	24,840	25,709	26,609	27,541
Insurance	392	2.6%	3.5%	4,700	4,865	5,035	5,211	5,393
Landscaping	400	2.7%	3.5%	4,800	4,968	5,142	5,322	5,508
Maintenance	1,517	10.2%	3.5%	18,200	18,487	18,784	19,091	19,410
Telephone	50	0.4%	3.5%	600	616	632	649	666
Trash	43	0.3%	3.5%	510	523	536	550	564
Water/Sewer	72	0.8%	3.5%	854	873	893	913	934
Park Billing	80	0.5%	3.5%	960	994	1,028	1,064	1,102
Permits, Fees & License	63	0.4%	3.5%	750	776	803	832	861
Supplies	125	0.8%	3.5%	1,500	1,553	1,607	1,663	1,721
Dues & Subscriptions	55	0.4%	3.5%	660	683	707	732	757
Other: Advertising	21	0.1%	3.5%	250	259	268	277	287
On-Site Service Coordin.	-	0.0%	3.5%	-	-	-	-	-
Property Taxes and Ass	1,208	8.1%	2.0%	14,500	14,790	15,086	15,388	15,695
<b>OPERATING EXPENSES (E</b>	10,478			125,736	119,569	123,532	127,630	131,866
Replacement Reserves	493		0.0%	4,800	4,800	4,800	4,800	4,800
Operating Reserve Deposit	-		0.0%	0				
<b>TOTAL OPERATING EXPE</b>	10,971			130,536	124,369	128,332	132,430	136,666
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				47,406	49,477	46,436	44,179	44,357
<b>DEBT SERVICE &amp; OTHER</b>	Loan Amount		Yr. 1 DSC	Year-1	Year-2	Year-3	Year-4	Year-5
Redwood Capital	555,000		1.10	43,197	43,197	43,197	43,197	43,197
City of Arcata Agency Fund	425,000							
2004 CDBG Grant and PI	380,000							
HOME PI	315,000							
<b>DEBT COVERAGE RATIO</b>				1.10	1.15	1.07	1.02	1.03
<b>ANNUAL NET CASH FLOW</b>				4,209	\$ 6,275	\$ 3,239	\$ 982	\$ 1,161
<b>CUMULATIVE CASH FLOW</b>				4,209	\$ 10,484	\$ 13,723	\$ 14,705	\$ 15,866
Developer share of Cash Flow				2,105	\$ 3,138	\$ 1,620	\$ 491	\$ 581
<b>HOME FUNDS (City of Arc</b>	315,000			2,105	\$ 3,138	\$ 1,620	\$ 491	\$ 581
Interest Rate:	3%							
<b>HOME Loan Interest Balance</b>				7,346	\$13,658	\$21,489	\$30,448	\$39,317
<b>HOME Loan Principal Balance</b>				315,000	\$315,000	\$315,000	\$315,000	\$315,000
<b>HOME Loan Total Balance</b>				322,346	\$328,658	\$336,489	\$345,448	\$354,317

## Exhibit F To Regulatory Agreement

Rehabilitation Sources and Uses

The project will result in the Acquisition and Rehabilitation of an existing 34 unit mobile home park located at 3022 Alliance Road (APNs: 507-092-008 and 009), Arcata, California. The City and Agency have committed to fund the following improvements related to the Site in the amount of up to Seventy-Nine Thousand Three Hundred Dollars (\$79,300.00). The improvements are based on a Needs Assessment completed by the Borrower and dated June 6, 2007.

Title 25 Section 8309 states that a Replacement Reserve is established “for the purpose of defraying the cost of infrequent major repairs and replacement of building components that are too costly to be absorbed by the Project’s annual operating budget.” The Estimated Cost Summary, Section VII (2), in the Needs Assessment itemizes improvements to be made to the Development in the next 35 years. The following items from the Estimated Cost Summary are considered routine maintenance and will not be covered by the Replacement Reserve:

1. Water Meter Replacement
2. Replace water risers at each space
3. Gas Meter Replacement
4. Electrical Meter Replacement

The Borrower may elect to have these routine maintenance items completed by the On-Site Manager. The labor for this routine maintenance will be funded through the Annual Budget Maintenance line item. All other improvements not identified as routine maintenance must be contracted using standard procurement procedures. The Borrower hereby commits to submit site improvement plans, bid and contract documents to the City for review and approval prior to going out to competitive bid or permit application submission. The Borrower commits to comply with all applicable prevailing wage and procurement requirements under the HOME and CDBG Programs.

The following improvements are identified as priority Health and Safety improvements associated with the City’s affordable housing program, and will be completed during Rehabilitation in year one:

Rehabilitation Budget	TOTAL PROJECT COSTS	CONSTRUCTION SOURCES (Prioritize by lien position)					
		1 (Primary)	2 (Agency)	3 (CDBG)	4 (HOME)	Year 1 Rental Income	Year 1 Replacement Reserve
Site Work							
Site Drainage	\$ 10,000					\$ 10,000	
Water/Sewer Tank Abandonments	\$ 6,000		\$ 6,000				
Electrical Distribution System (partial)	\$ 32,900		\$ 32,900				
Street Lighting	\$ 7,600		\$ 7,600				
Gas Distribution	\$ 27,500		\$ 27,500				
Landscaping/Screening on 30th St	\$ 5,000		\$ 5,000				
Gas O&M Manual Compliance	\$ 500		\$ 300				\$ 200
<b>Total</b>	<b>\$ 89,500</b>	<b>\$ -</b>	<b>\$ 79,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 200</b>
Structures							
Laundry Building repairs	\$ 4,600						\$ 4,600
<b>Total</b>	<b>\$ 4,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,600</b>
<b>Total Rehabilitation Costs</b>	<b>\$ 94,100</b>	<b>\$ -</b>	<b>\$ 79,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 4,800</b>

## Exhibit G

**INSURANCE REQUIREMENTS**

At the date of Close of Escrow for the Development, the City must receive a one-year prepaid Certificate of Insurance policy (or a binder followed by a certificate within 30 days of loan closing) evidencing the following coverage:

1. **HAZARD (PROPERTY)**

Perils: All risk; or Fire & Lightning, Extended Coverage, Vandalism Malicious Mischief.

Covered Property: Structure; and All risk contents coverage.

Amount: Replacement value (or less if approved by City).

Coinurance: No less than 90 percent.

Deductible: \$2,500 maximum deductible per occurrence; or \$1,000 maximum deductible per occurrence if the completed project value is less than \$300,000.

Endorsement: City's Loss Payable Endorsement required insuring the City.

**OTHER PROPERTY INSURANCE**

Flood Insurance: Coverage required to 80 percent of replacement cost if the property is located in a 100-year flood plain.

Steam Boiler & Related Machinery (When applicable, 50 percent of replacement cost coverage is required.)

2. **COMPREHENSIVE GENERAL LIABILITY**

Minimum Amount: \$1,000,000 per occurrence; or \$2,000,000 per occurrence for buildings with elevators.

3. **OTHER COVERAGE**

Loss of Rents: Coverage shall insure 75 percent of annual gross rents.

Workers Compensation: Required by State law if employees are involved.

**ALL POLICIES MUST INCLUDE THE FOLLOWING**

Named Insured: Borrower

Additional Insured: The City of Arcata and its officers, agents, employees, and servants must be named as additional insured.

Cancellation Clause: The City must be notified 30 days prior to cancellation of the insurance policy.

Notification: The City must be notified prior to cancellation or lapse of coverage or in the event of any claim.

The City should be identified on all insurance documents as follows:

**City of Arcata  
736 F Street  
Arcata, CA 95521**

Exhibit H to Regulatory Agreement

**OCCUPANCY CERTIFICATION**

Form of Owner Occupancy Certification

To: Resident Owned Parks  
From: \_\_\_\_\_ [name of owner(s)] ("Owner")  
Address of Home: \_\_\_\_\_  
Date: \_\_\_\_\_

By signature below, I/we \_\_\_\_\_ [name or names of Owner] hereby certify to the Resident Owned Parks under penalty of perjury that I/we occupy the manufactured home located at \_\_\_\_\_ [address] (the "Home") as my/our principal place of residence and that I/we have occupied the Home for \_\_\_\_\_ ( ) [number] months of the calendar year \_\_\_\_\_ [previous calendar year]. Attached to this letter is a copy of \_\_\_\_\_ [utility bill or and property tax statement] showing my place of residence. Also attached is a copy of a current proof of hazard insurance that I maintain for the Home.

I also certify that I have not leased part or all of the Home to a third party, except \_\_\_\_\_ [name of third party] (Note: prior written approval of Resident Owned Parks required for any rental of the Home)

This Owner Occupancy Certification is signed on \_\_\_\_\_, 20\_\_\_\_, under penalty of perjury.

By: \_\_\_\_\_  
Owner [type name]

By: \_\_\_\_\_  
Owner [type name]

Due Date: February 1 of each calendar year.

Attach copy of utility bill and property tax statement showing address of Home and proof of property insurance (hazard).