

RECORDING REQUESTED BY:

City of Merced, A California charter
municipal corporation

WHEN RECORDED MAIL TO:

City of Merced
City Clerk
678 West 18th Street
Merced, California 95340

**Exempt Recording Per Gov't Code
Section 6103**

(Above for Recorder's Use Only)

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

**In respect to
CITY OF MERCED
AMERICAN RESCUE PLAN ACT
CORONAVIRUS LOCAL FISCAL RECOVERY FUNDS**

(Bella Vista Apartments)

This Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement") is made and entered into as of this dated _____, ____, by and between the City of Merced ("City"), a California Charter Municipal Corporation, Visionary Home Builders of California, Inc., a California nonprofit public benefit corporation ("Sponsor/Developer"), and VHB Bella Vista, LLC, a California limited liability company (the "General Partner") (collectively referred to as the "Parties").

RECITALS

A. Pursuant to that certain Deed Restriction Covenant and Grant Agreement ("Grant Agreement") of even date herewith between the Sponsor and the City, the City has agreed to provide a grant of Three Million Five Hundred Eight Dollars (\$3,500,000) in Coronavirus Local Fiscal Recovery Funds as established under the American Rescue Plan Act ("ARPA") pursuant to Title 31 of the Code of Federal Regulations ("CFR") Part 35 (the "ARPA Grant") to the Sponsor/Developer, who is the Managing Member of the Managing General Partner, VHB Bella Vista, LLC, the General Partner, for the construction of a 108-unit multi-family affordable residential rental project (the "Project") on that certain real property generally known as 1808

Parsons Avenue, Merced, California, 95341 (APN 061-390-027-000), and more particularly described in Exhibit A attached hereto and made a part hereof (the "Property" or "Site").

B. The Project consists of one hundred and eight (108) rental dwelling units. Of the 108 units, eleven (11) units will be rented to households with incomes at or below thirty percent (30%) of the Area Median Income for Merced County ("AMI"), twenty seven (27) units will be rented to households with incomes at or below forty percent (40%) of the AMI, forty three (43) units will be rented to households with incomes at or below fifty percent (50%) of the AMI, and twenty five (25) units will be rented to households with incomes at or below sixty percent (60%) of the AMI with adjustments for family size, as determined from time to time by the California Department of Housing and Community Development ("HCD") pursuant to California Health and Safety Code ("HSC") Section 50093; and two (2) unit will be designated as a manager unit. Should the General Partner have multiple restrictions on unit affordability required by other funding sources, the General Partner shall adhere to the more restrictive (lower) income limits.

C. In order to assist in the financing of the Project, the City will provide Three Million Five Hundred Eight Dollars (\$3,500,000) Coronavirus Local Fiscal Recovery Funds as established under the American Rescue Plan Act ("ARPA") pursuant to Title 31 of the Code of Federal Regulations ("CFR") Part 35 (the "ARPA Grant") to the Sponsor/Developer, who is the Managing Member of General Partner, for the construction of a multi-family affordable residential rental project (the "Project") on that certain real property generally located at 1808 Parsons Avenue, Merced, California, 95341 (APN 061-390-027-000), and more particularly described in Exhibit A attached hereto and made a part hereof (the "Property").

D. The City is providing additional assistance to the Project in the form of: (a) a nine hundred and seventy-seven thousand six hundred twenty-six dollars (\$977,626) City Water and Sewer Loan to the Parties; and (b) a seven hundred fifty six thousand, five hundred twenty-two dollar (\$756,522) Development Impact Fee Waiver. In total, the City is providing five million two hundred thirty-four thousand, one hundred forty-eight dollars (\$5,234,148) in financial assistance for the construction of the Project through the ARPA Grant, City Water and Sewer Loan, and Development Impact Fee Waiver.

E. In addition, the Project has been awarded additional assistance for unit construction in the form of: (a) a \$6,059,305 Serna Farm Worker Housing Grant from the California Department of Housing and Community Development ("HCD"); (b) a \$19,062,940 Mixed-Income Program ("MIP") Subsidy Loan from the California Housing Finance Agency ("CalHFA"); and (c) \$29,255,745 in State 4% Tax Credit Equity, (d) a \$4,213,000 Tax Exempt Perm Loan (Bond) and (e) a \$1,000,000 RAZA Loan.

F. This Agreement, the ARPA Deed Restriction Covenant and Grant Agreement, the Regulatory Agreement and Declaration of Restrictive Covenants, the Agreement Containing Covenants Affecting Real Property, and documents related thereto, are collectively referred to herein as the "ARPA Grant Documents." The ARPA Grant Documents shall be recorded in the Official Records of Merced County ("Official Records") concurrently herewith.

G. As a condition of receiving the ARPA Grant, Sponsor/Developer agrees to cause General Partner to place specified restrictions upon the use and transfer of the Property, including without limitation the restrictions referenced in Recital B and restrictions found at 31 CFR Part 35 and 24 CFR 92.252. Per 31 CFR Section 35.6, if ARPA funds are to be used for affordable housing programs, impacted households must qualify under the National Housing Trust Fund (12 U.S.C. 4568) or Home Investment Partnerships (“HOME”) Program (42 U.S.C. 12721 *et seq.*). It is the intent of the Parties to evidence compliance with the requirements of the ARPA requirements by virtue of the Parties compliance with the requirements of the HOME Program and to place such restrictions upon the use and transfer of the Property in order to ensure continued Project affordability.

H. The Parties intend that the covenants set forth in this Agreement shall run with the land and be binding upon Parties’ successors and assigns as further provided herein.

NOW THEREFORE, in consideration of the ARPA Grant and other valuable consideration, the Parties covenant and agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions.

“Actual Household Size” means the actual number of persons in the applicable household.

“Adjusted for Family Size Appropriate for the Unit” shall be determined consistent with applicable federal and state rules and regulations. If the applicable federal rules and regulations conflict with state regulations, then the applicable federal rules and regulations shall control the Restricted Units.

“Affordable Rent” means thirty percent (30%) of applicable percentage of Area Median Income, Adjusted for Family Size Appropriate for the Unit, for each Restricted Unit.

"Affordable Units" shall mean one of the 106 units in the Project restricted for rent. Of the 106 units eleven (11) units will be rented to households with incomes at or below thirty percent (30%) of the Area Median Income for Merced County (“AMI”), twenty seven (27) units will be rented to households with incomes at or below forty percent (40%) of the AMI, forty three (43) units will be rented to households with incomes at or below fifty percent (50%) of the AMI, and twenty five (25) units will be rented to households with incomes at or below sixty percent (60%) of the AMI by the City or other agencies including but not limited to HUD, HCD and CTCAC.

“Agreement” shall mean this Regulatory Agreement and Declaration of Restrictive Covenants.

“Area Median Income” or “AMI” means the median income for Merced County, adjusted for Actual Household Size, as determined from time to time by HUD pursuant to Section 8 of the United States Housing Act of 1937 for the Restricted Units or as determined from time to time by

CTCAC, CDLAC, HCD, or other applicable agencies for the remaining Affordable Units. In the event that HUD income determinations are no longer published, or are not updated for a period of at least eighteen (18) months, the City shall provide the Parties with other income determinations which are reasonably similar with respect to methods of calculations to those previously published by HUD.

“ARPA” means American Rescue Plan Act.

“ARPA Grant” shall mean all funds granted to the Sponsor/Developer by the City pursuant to the Grant Agreement.

“CDLAC” means California Debt Limit Allocation Committee.

“CHDO” shall mean Community Housing Development Organization.

“CFR” means Code of Federal Regulations.

“City” shall mean the City of Merced.

“CTCAC” means California Tax Credit Allocation Committee.

“General Partner” means VHB Bella Vista, LLC, a California limited liability company.

“Eligible Household” means a household for which household income upon initial occupancy does not exceed the maximum income level for Restricted Unit.

“Grant Agreement” shall mean the Deed Restriction Covenant and Grant Agreement dated on even date herewith by and between the City and Sponsor/Developer and pertaining to the Property and Project.

“HCD” shall mean the California Department of Housing and Community Development.

“HOME” shall mean the HOME Investment Partnerships Program.

“HUD” shall mean the United States Department of Housing and Urban Development.

“Lower Income Household” means a household whose gross income does not exceed sixty percent (60%) of the Area Median Income, adjusted for Actual Household Size.

“Low-Income Unit” means one of the thirty-nine (39) dwelling units in the Project that are reserved for occupancy by a Low-Income Household.

“Parties” means the City, Sponsor/Developer, and General Partner as defined.

“Project” means the 108-unit multi-family affordable residential rental project to be constructed on the Property more thoroughly described in Recital B.

“Property” means certain real property generally located at 1808 Parsons Avenue, Merced, California, 95341 (APN 061-390-027-000), and more particularly described in Exhibit A.

“Rent” means all charges, other than deposits, paid by a tenant for the use and occupancy of a Restricted 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 the local housing authority with jurisdiction over the Project.

“Restricted Unit” means 106 units of which eleven (11) units will be rented to households with incomes at or below thirty percent (30%) of the Area Median Income for Merced County (“AMI”), twenty seven (27) units will be rented to households with incomes at or below forty percent (40%) of the AMI, forty three (43) units will be rented to households with incomes at or below fifty percent (50%) of the AMI, and twenty five (25) units will be rented to households with incomes at or below sixty percent (60%) of the AMI.

"Sponsor/Developer" means Visionary Home Builders of California, Inc., a California nonprofit public benefit corporation.

“Term of this Agreement” means the period through the fifty-fifth (55th) anniversary of the issuance of the final certificate of occupancy for the Project.

ARTICLE 2

AFFORDABILITY AND OCCUPANCY COVENANTS

2.1 Occupancy Requirement.

(a) Upon Issuance of a final certificate of occupancy and for the entire Period of Affordability (as defined in Section 2.8 below), the Project shall be rented to, at a Rent no greater than Affordable Rent, and occupied by (or if vacant, available for occupancy by) the following schedule:

Eleven (11) units will be rented to households with incomes at or below thirty percent (30%) of the Area Median Income for Merced County (“AMI”)

Twenty seven (27) units will be rented to households with incomes at or below forty percent (40%) of the AMI.

Forty three (43) units will be rented to households with incomes at or below fifty percent (50%) of the AMI.

Twenty five (25) units will be rented to households with incomes at or below sixty percent (60%) of the AMI

Manager Units. Two units will serve as manager units.

This Agreement recognizes that, in total, the Project will have 106 Affordable Units with income limits by bedroom size follows:

Bedroom Size	Income Level	Number of Units
1-bedroom	30% AMI	0
1-bedroom	40% AMI	2
1-bedroom	50% AMI	2
1-bedroom	60% AMI	2
2-bedroom	30% AMI	6
2-bedroom	40% AMI	15
2-bedroom	50% AMI	24
2-bedroom	60% AMI	14
3-bedroom	30% AMI	3
3-bedroom	40% AMI	7
3-bedroom	50% AMI	12
3-bedroom	60% AMI	7
4-bedroom	30% AMI	2
4-bedroom	40% AMI	3
4-bedroom	50% AMI	5
4-bedroom	60% AMI	2
Manager Units		2
Total		108

Should the Parties have multiple restrictions on unit affordability required by other funding sources, the Parties shall adhere to the more restrictive (lower) income limits for Restricted Units.

(b) The Project shall be operated at all times in compliance with the provisions of: (a) 31 CFR Part 35; (b) the Unruh Act; (c) the United States Fair Housing Act, as amended; (d) the California Fair Employment and Housing Act; and other applicable law or regulation (including the Americans With Disabilities Act, to the extent applicable to the Project). The Parties agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactorily to the City) the City and their respective board members, council members, officers and employees from all suits, actions, claims, causes of action, costs, demands, judgments and liens arising out of the Parties failure to comply with any of the above laws or regulations. The provisions of this section shall survive expiration of the Term or other termination of this Agreement and shall remain in full force and effect.

Pursuant to the requirements of the California Health and Safety Code and Government Code the Parties shall execute a Notice of Affordability Restrictions on Transfer of Property and

shall cause such notice to be recorded in the Official Records substantially concurrently with the recordation of this Agreement.

2.2 Allowable Rent.

(a) Subject to the provisions of Section 2.4(b), the Rent charged to tenants, adjusted for Family Size appropriate for the Unit, rent for eleven (11) Restricted Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of thirty percent (30%) of Area Median Income for Merced County; twenty seven (27) Restricted Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of forty percent (40%) of Area Median Income for Merced County; forty three (43) Restricted Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income for Merced County; and twenty five (25) Restricted Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of Area Median Income for Merced County.

(b) Initial rents for all Restricted Units shall be approved by the City prior to occupancy. Should the annual rent limit differ between HUD and other applicable regulatory agencies in a given year, the General Partner shall adhere to the more restrictive (lower) rent limits for the Restricted Units.

2.3 Tenant Selection Standards.

During the Period of Affordability the General Partner shall select tenants in conformance with the requirements of 24 CFR 92 and California Code of Regulations, Title 25, Division 1, Chapter 7, Subchapter 19, Section 8305.

(a) General Partner shall rent vacant Restricted Units only to Eligible Households in accordance with a Management Plan approved by City. Such Management Plan may be periodically altered and such alteration must be submitted to and approved by City prior to use. The Management Plan shall include:

(1) Reasonable criteria for selection or rejection of tenant applications which shall not discriminate in violation of any federal, state or local law governing discrimination, or any other arbitrary factor;

(2) Prohibition of local residency preferences, except where accompanied by an equal preference for employment in the local area and applied to areas not smaller than municipal jurisdictions or recognized communities within unincorporated areas;

(3) Selection of tenants based on order of application, lottery, or other reasonable method approved by City. Tenant selection procedures that include the following components, and that are available to prospective tenants upon request:

(A) Prompt written notification to tenant applicants of eligibility for residency and, based on turnover history for Restricted Units, the approximate date when a Restricted Unit may be available;

(B) Prompt written notification of tenant applicants who are found ineligible to occupy a Restricted Unit of their ineligibility and the reason for the ineligibility, and of their right to appeal this determination;

(C) Maintenance of a waiting list of applicant households eligible to occupy Restricted Units designated for various tenant income levels, which shall be made available at no charge to prospective tenants upon request;

(D) Targeting specific special needs populations in accordance with this Agreement and applicable laws; and

(E) Affirmative fair housing marketing procedures as specified in 24 CFR Part 92.351 or the Affirmative Fair Housing Marketing Plan Compliance Regulations of HUD, 24 CFR Part 200.620(a)-(c), or similar affirmative fair marketing housing plan that furthers the City of Merced Housing Element's Meaningful Actions to Address Fair Housing Issues as approved by City and HCD.

2.4 Certification of Tenant Income.

(a) The income and household size of all households occupying Restricted Units shall be certified by General Partner prior to occupancy and recertified annually thereafter in a manner approved by City and specified in the Project's Management Plan and Section 3.1 hereof pursuant to 24 CFR 92.

(b) If the income of a tenant upon recertification exceeds the upper limit for households at or below the applicable percentage of AMI, the tenant must pay as rent the lesser of the amount payable by the tenant under state or local law or thirty percent (30%) of the households adjusted monthly income for rent and utilities; except that the rent may not exceed the market rent for comparable, unassisted units in the neighborhood; provided however, that pursuant to 24 CFR 92.252(i)(2), Restricted Units subject to a California Tax Credit Allocation Committee ("CTCAC") Regulatory Agreement shall be governed by such agreement with respect to tenants whose income upon recertification has increased above the qualifying limit for the unit.

(c) If the income of a tenant upon recertification exceeds the upper limit for households at or below the applicable percentage of AMI, the General Partner shall restrict the next available vacant unit at the appropriate income level to come into compliance with the Occupancy Requirement and Allowable Rent provisions of this Regulatory Agreement, as well as any applicable state and federal requirements.

2.5 Marketing Plan.

(a) Not later than thirty (30) days prior to the anticipated date of issuance of a certificate of occupancy for the Project, General Partner shall prepare a Marketing Plan for City's review and approval and shall implement such plan as approved by the City. The Marketing Plan shall specify how General Partner intends to market the Project to prospective tenants in the Project's market area in accordance with fair housing laws and this Agreement. The Marketing Plan shall specifically address how General Partner intends to market the Project to underserved populations in the Project's market area and the frequency of marketing efforts. City agrees that General Partner may utilize the HUD 935.2 Affirmative Fair Housing Marketing Plan for these purposes.

(b) General Partner agrees to evaluate the effectiveness of the Marketing Plan in reaching underserved populations on an annual basis and to revise it as necessary to better reach underserved populations that are not being reached. Any revised Marketing Plan shall be submitted to City for approval prior to implementation.

2.7 Unit Standards.

For the full Agreement term, the number, size, type and amenity level of Restricted Units shall not be fewer than the number nor different from the size, type and amenity level described in Section 2.1 and Recital B, above.

2.8 Rental Agreement and Grievance Procedures.

The rental agreement and grievance procedures shall be in accordance with California Code of Regulations, Title 25, Division 1, Chapter 7, Subchapter 19, Section 8307.

(a) All rental or occupancy agreements are subject to City approval; and shall include the following:

(1) Provisions requiring good cause for termination of tenancy;

(2) A provision requiring that the facts constituting the grounds for any eviction be set forth in the notice provided to the tenant pursuant to state law;

(3) A notice of grievance procedures for hearing complaints of tenants and appeal of management action; and

(4) A requirement that the tenant annually recertify household income and size.

(b) General Partner shall not terminate the tenancy or refuse to renew the lease of a tenant except for serious or repeated violations of the terms and conditions of the lease; for violation of applicable federal, state or local law; or for other good cause.

(c) To terminate or refuse to renew tenancy, General Partner must serve written notice upon the tenant in compliance with State law, specifying the grounds for the action, and served at least thirty (30) days prior to the termination of the tenancy.

(d) One or more of the following, without limitation, may constitute “good cause”:

(1) Failure by the tenant to maintain applicable eligibility requirements under the HOME Program or other eligibility requirements as imposed by City or other state or federal funding sources or tax credits;

(2) Material noncompliance by the tenant with the lease, including one or more substantial violations of the lease or habitual minor violations of the lease which:

A. Adversely affect the health and safety of any person or the right of any tenant to the quiet enjoyment of the leased premises and related Project facilities;

B. Substantially interfere with the management, maintenance, or operation of the Project; or

C. Result from the failure or refusal to pay, in a timely fashion, Rent or other permitted charges when due. Failure or refusal to pay in a timely fashion is a minor violation if payment is made during the three (3) day notice period;

(3) Material Failure by the tenant to carry out obligations under federal, State, or local law;

(4) Subletting by the tenant of all or any portion of any Project Unit;

(5) Any other action or conduct of the tenant constituting significant problems which can be reasonably resolved only by eviction of the tenant, provided General Partner has previously notified the tenant that the conduct or action in question would be considered cause for eviction. Examples of action or conduct in this category include the refusal of a tenant, after written notice, to accept reasonable rules or any reasonable changes in the lease or the refusal to recertify income or household size.

(6) Notwithstanding the foregoing, if any part of this Section 2.7(e) is determined to not be “good cause” pursuant to Section 42 of the Internal Revenue Code of 1986, Section 42 of the Internal Revenue Code of 1986 shall control.

(e) The lease may not contain any of the following provisions:

(1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of General Partner or General Partner’s agent in a lawsuit brought in connection with the lease;

(2) Agreement by the tenant that General Partner 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, shall 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. General Partner may dispose of this personal property in accordance with State law;

(3) Agreement by the tenant not to hold General Partner or General Partner's agent(s) legally responsible for any action or failure to act, whether intentional or negligent;

(4) Agreement of the tenant that General Partner or General Partner's agent may institute a lawsuit without notice to the tenant;

(5) Agreement by the tenant that General Partner or General Partner'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 tenants 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 even if the tenant wins in court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

(f) General Partner shall establish reasonable rules of conduct and occupancy. Such rules shall be consistent with state and federal law. Said rules shall be in writing and shall be given to each tenant upon occupancy. Any changes shall become effective no fewer than thirty (30) days after giving written notice thereof to each tenant household.

(g) General Partner shall adopt an appeal and grievance procedure to resolve grievances filed by tenants and appeals of actions taken by General Partner with respect to tenants occupancy in the Project, and prospective tenants applications for occupancy. General Partner's appeal and grievance procedures shall be subject to City's approval and, at a minimum, shall include the following:

(1) A requirement for delivery to each tenant and applicant of a written copy of the appeal and grievance procedure;

(2) Procedures for informal dispute resolution;

(3) A right to a hearing before an impartial body, which shall consist of one or more persons with the power to render a final decision on the appeal or grievance; and

(4) Procedures for the conduct of an appeal or grievance hearing and the appointment of an impartial hearing body.

2.9 Period of Affordability.

The Sponsor/Developer and General Partner acknowledge that the ARPA Grant is being made to Sponsor/Developer under the terms and conditions of 31 CFR Part 35 as part of a public program to ensure affordable housing for Project tenants. To preserve affordability of the Restricted Units, Sponsor/Developer and General Partner covenant that the Restricted Units shall remain affordable for a period of fifty-five (55) years (hereinafter referred to as the "Period of Affordability") from the date a final certificate of occupancy is issued for the Project. It is intended by the parties to this Agreement, that this covenant shall run with the land, with the benefit of this covenant running to the City, in order to preserve the public interest in maintaining the affordability of the Restricted Units. The Period of Affordability will remain without regard to the term of any mortgage or the transfer of the Property ownership, other than by foreclosure or deed in lieu of foreclosure.

ARTICLE 3

INCOME CERTIFICATION AND REPORTING

3.1 Income Certification.

The General Partner will obtain, complete, and maintain on file, immediately prior to initial occupancy and annually thereafter, income certifications from each tenant renting any of the Units.

The General Partner shall make a good faith effort to verify that the income provided by an applicant or occupying household in an income certification is accurate by taking two or more of the following steps as part of the verification process: (a) obtain a pay stub for the most recent pay period; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain an income verification form from the applicants current employer; (e) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant received assistance from either of such agencies; or (f) if the applicant is unemployed and has no such tax return or income verification, obtain another form of independent verification. Copies of tenant income certifications shall be available to the City upon request.

3.2 Recordkeeping and Reports.

General Partner or the management agent designated by General Partner, as approved by City, will be responsible for recordkeeping and reports, including those required to comply with 31 CFR Part 35, 24 CFR Part 92, and Fair Housing and Equal Opportunity requirements. The management agent will establish and maintain a comprehensive system of records, books, and accounts in a manner conforming to the directives of General Partner in order to assist City in

meeting Federal and State recordkeeping and reporting requirements. All records, books and accounts will be subject to examination at reasonable hours by any authorized representative of City. All such records and books shall be kept for a period of at least seven (7) years in a manner designed to protect them from destruction or tampering, and shall be subject to inspection and audit by the City or their respective authorized agents.

3.3 Additional Information.

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

3.4 On-Site Inspection.

General Partner shall allow City access to the Project to conduct inspections on an annual basis, or more frequently, with fourteen (14) days written notice to General Partner. General Partner shall provide tenants with a minimum of twenty-four (24) hours written notice prior to seeking access to a tenant unit for inspection purposes. In said notice, General Partner shall clearly inform tenant of the purposes of the inspection.

ARTICLE 4

MISCELLANEOUS

4.1 Restrictions on Sale, Transfer or Conversion.

(a) Upon any sale or transfer, including transfer by gift, devise, descent, foreclosure, assignment, deed in lieu of foreclosure, condemnation, or voluntary or involuntary bankruptcy, of the Property without the prior written approval of City, all principal, interest and costs then owing upon the ARPA Grant will become immediately due and payable to City.

(b) City may approve a sale, transfer or conveyance of the Property provided that all of the following conditions are met: (i) the existing General Partner is in compliance with this Agreement or the sale, transfer or conveyance will result in the cure of any existing violations of this Agreement; (ii) the successor-in-interest to General Partner agrees to assume all obligations of the existing General Partner pursuant to this Agreement; (iii) the successor-in-interest demonstrates to City's satisfaction that it can own and operate the Project in full compliance with all requirements of 31 CFR Part 35; and (iv) City determines, in the sole exercise of its reasonable discretion, that no terms of the sale transfer or conveyance threaten City's security or the successors ability to comply with all requirements of the 31 CFR Part 35 and this Agreement.

(c) General Partner shall not convert the Project to condominium or cooperative ownership or sell condominium or cooperative rights to the Project or any part thereof during the Period of Affordability.

(d) Notwithstanding the foregoing, Developer may transfer partnership interests pursuant to the terms of the partnership agreement and may transfer the project to an affiliate if the Sponsor/Developer pursuant to the option or right of first refusal granted pursuant to Developer's partnership documents.

4.2 Restrictions on Encumbrances.

General Partner covenants that General Partner has not, and shall not enter into or execute any other agreement with provisions contrary to the provisions of this Agreement, or contrary to the intent of maintaining the affordability of the Property for the full Period of Affordability described in Section 2.8, above; provided, however, that General Partner may, without the written consent of City enter into a Regulatory Agreement with the CTCAC with regard to tax credits or a regulatory agreement in connection with the issuance of tax exempt bonds for the Project and regulatory agreement in form of the California Department of Housing and Community Development. In all cases, the provisions of 24 CFR 92.252(e) shall continue to apply to the Project. General Partner further covenants that, except for its senior loans and a loan from Raza Development Fund, it has not, and shall not, otherwise encumber the Property, including without limitation by way of mortgage or deed of trust, or by judgment, mechanics, tax or other lien without City's prior written consent, which shall not be unreasonably withheld.

4.3 Compliance with ARPA Requirements.

General Partner agrees that at all times its acts regarding the Restricted Units shall be in conformity with all the provisions of 31 CFR Part 35. Per 31 CFR Section 35.6, if ARPA funds are to be used for affordable housing programs, impacted households must qualify under the National Housing Trust Fund (12 U.S.C. 4568) or HOME Program (42 U.S.C. 12721 *et seq.*). During the term of this Agreement, General Partner agrees to rent the property only to tenants whose income meet the requirements of the HOME Program contained in 24 CFR Section 92.252. General Partner acknowledges that it is familiar with such applicable provisions and has been professionally advised to the extent necessary for the purpose of enabling General Partner to fully comply with such provisions.

4.4 Non-Discrimination; Compliance with Fair Housing Laws.

(a) General Partner shall comply with State and Federal fair housing laws in the marketing and rental of the units in the Project.

(b) General Partner shall not restrict the rental, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any portion thereof, on the basis of race, color, religion, creed, sex, sexual orientation, disability, marital status, ancestry, or national origin of any person. General Partner covenants for itself and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955,

and Section 12955.2 of the Government code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or part thereof, nor shall General Partner or any person claiming under or through General Partner establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in, of, or for the Property or part thereof. General Partner shall include such provision in all deeds, leases, contracts, and other instruments executed by General Partner, and shall enforce the same diligently and in good faith.

All such deeds, leases, subleases, agreements, or contracts pertaining to the sale, lease, sublease, transfer, assignment, use, occupancy, tenure, or enjoyment of the Property, or any portion thereof, shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: "The grantee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, disability, religion, sex, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, assignment, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee itself or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

2. In leases and subleases: "The lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, disability, religion, sex, marital status, ancestry, or national origin in the lease, sublease, transfer, assignment, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself, or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

3. In contracts: "There shall be no discrimination against or segregation of, any person, or group of persons on account of race, color, creed, disability, religion, sex, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, assignment, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee himself or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

(c) The General Partner will accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal vouchers for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor.

The General Partner shall not apply selection criteria to Section 8 voucher holders that is more burdensome than criteria applied to all other prospective Tenants, nor shall the General Partner apply or permit the application of management policies or lease provisions with respect to the Development which have the effect of precluding occupancy of Units by such prospective Tenants.

4.6 Default and Remedies.

(a) The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default") hereunder:

(1) The occurrence of a transfer, sale or conversion in violation of Section 4.1 hereof or an encumbrance in violation of Section 4.2 hereof;

(2) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("Bankruptcy Law"), General Partner or any general partner thereof (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against General Partner or any general partner thereof in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for General Partner or any general partner thereof; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due;

(3) A court of competent jurisdiction shall have made or entered any decree or order (1) adjudging the General Partner to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of the General Partner or seeking any arrangement for General Partner under bankruptcy law or any other applicable debtors relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the General Partner in bankruptcy or insolvency or for any of its properties, or (4) directing the winding up or liquidation of the General Partner;

(4) General Partner shall have assigned its assets for the benefit of its creditors (other than pursuant to a mortgage loan) or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within sixty (60) days after such event (unless a lesser time period is permitted for cure under any other mortgage on the property or the improvements thereon, in which event such lesser time period shall apply under this subsection as well) or prior to any sooner sale pursuant to such sequestration, attachment, or execution.

(5) General Partner shall have voluntarily suspended its business or General Partner shall have been dissolved or terminated; or

(6) Any material breach by General Partner or any of its successors of any representation, warranty or covenant hereunder, which is not cured within thirty (30) days

after notice thereof given by the City, or, if a cure is not possible within thirty (30) days, where cure is not commenced within thirty (30) days and thereafter diligently prosecuted to completion.

(b) If an Event of Default occurs under this Agreement or the Grant Documents, City, as applicable, may give written notice to the General Partner and Sponsor/Developer by certified mail or any express delivery service with a delivery receipt requested. If the breach or violation is not cured to the satisfaction of the Party so notifying General Partner and Sponsor/Developer within the time period specified in the notice, which shall not be fewer than thirty (30) days, the notifying Party may declare a default and may seek legal remedies including the following:

(1) Collect all rents and income in connection with the operation of the Project and use the same and the reserve funds for the operation and maintenance of the Project.

(2) Take possession of the Project and bring any action necessary to enforce any rights of the General Partner arising from the operation of the Project, and operate the Project in accordance with the terms of this Agreement until such time as the City, in its sole discretion, shall determine that the General Partner is again in a position to operate the Project in accordance with the terms of this Agreement.

(3) Apply to the applicable state or federal court for an order of specific performance of this Agreement, or for the appointment of a receiver to take over and operate the Project in accordance with the terms of this Agreement, or for such other relief as may be appropriate. It is agreed by the General Partner 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 which would provide adequate relief to the City, in light of the purposes of 31 CFR Part 35, would be impossible to ascertain.

(4) Accelerate all amounts, including outstanding principal and interest, due under the ARPA Grant, 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.

(5) The City may seek such other remedies as may be available under law or equity.

(6) 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 charges to the affected households.

(c) 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.

(d) The project's Co-General Partners shall have the right to cure any default of Sponsor/Developer hereunder upon the same terms and conditions afforded to Sponsor/Developer. Whenever City delivers any notice of default hereunder, City shall concurrently deliver a copy of such notice to General Partner's Co-General Partners at the following addresses (or such alternate addresses designated by such partners from time to time in a written notice to City):

Company: VHB Bella Vista LLC
Address: 315 N. San Joaquin Street, Stockton, CA 95202

Attn: Carol J. Ornelas

4.7 Maintenance & Management.

(a) General Partner is solely and specifically responsible for all maintenance, repair, and management functions for the Project, including without limitation, selection of tenants, certification and recertification of household income and size, evictions, collection rents, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security.

General Partner shall maintain 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 92.251. The City shall not have any responsibility for management or maintenance of the Property or the Project, but shall have the remedies provided for in Section 4.5 hereof, which they may exercise at their option as applicable.

(b) General Partner may contract with a management agent for the performance of the services or duties required in Section 4.6(a) above. However, doing so shall not relieve General Partner of responsibility for proper performance of said duties. Any such contract shall contain a provision allowing General Partner to terminate the contract without penalty with no more than thirty (30) days notice. Upon determination by City and notice to General Partner that the contracted management agent has failed to operate the Project in accordance with this Agreement, General Partner shall exercise such right of termination forthwith and shall immediately make arrangements, subject to City approval, for continuing performance of the requirements of this Agreement.

(c) If General Partner operates the Project directly without contracting with a management agent and City determines that the Project is not being operated in accordance with this Agreement, City may provide notice to General Partner thereof, and may require General Partner to contract with a management agent to operate the Project, or to make such other arrangement as City deems necessary to ensure performance of the requirements of this Agreement.

4.8 Governing Law.

This Agreement shall be construed in accordance with and be governed by the laws of the State of California.

4.9 Successors and Assigns.

This Agreement and all the covenants, promises, and agreements contained in it shall be binding on and inure to the benefit of the Parties and their respective legal and personal representatives, devisees, heirs, successors, and assigns.

4.10 Severability.

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 unless, in the sole discretion of City, the invalidity, or unenforceability of the provision negates the purpose of 31 CFR Part 35 and/or threatens the security for the ARPA Grant.

4.11 Costs of Enforcement.

General Partner agrees to pay any and all of City's costs with respect to enforcement of this Agreement, including City's reasonable attorney's fees, costs and expenses.

4.12 Counterparts/Originals.

This Agreement may be executed in counterparts, each of which shall be an original and all of which together shall constitute one (1) entire Agreement.

4.13 Amendment.

This Agreement shall not be altered or amended except in a writing executed by the Parties.

4.14 No 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 or default hereunder.

4.15 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 of intent of this Agreement.

4.16 Parties Not Co-Venturers.

Nothing in this Agreement is intended to or shall establish the Parties as partners, coventurers, or principal and agent with one another.

4.17 Hold Harmless.

Except to the extent arising from the City's willful misconduct, General Partner agrees to indemnify, defend with legal counsel selected by the City and hold harmless HUD, the City and their respective agents, employees and officers (collectively, "Indemnitees") from and against any and all claims, losses, liabilities, causes of action or costs (including reasonable attorney's fees) arising from or in connection with General Partner's development, management, maintenance or operation of the Project.

4.18 Venue.

This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this Agreement shall be held exclusively in a state court in the County of Merced.

4.19 Interpretation of Affordability.

It is the intention of the parties to this Agreement that affordability be interpreted in view of the express goals of the HOME Program established and governed by Title II of Public Law No. 101-625, 104 Stat. 4079 (Nov. 29, 1990), (42 USC 12701), known as the Cranston-Gonzalez National Affordable Housing Act of 1990 as amended by the Housing and Community Development Act of 1992, Public Law No. 102-550, and any amendments thereto. It is the purpose of this Agreement to limit and restrict use and resale of the Property in order to maintain the Project's affordability for the entire Period of Affordability.

4.20 Affordability Protocols.

To the extent that State, Federal and local laws and regulations may conflict with respect to household income levels, rent levels, or similar provisions relating to affordability of the Project, the Parties acknowledge and agree that the intent of this Agreement is to provide the maximum affordability restrictions.

4.21 Covenants to Run with the Land.

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

4.22 Attorneys Fees and Costs.

In any action brought to enforce this Agreement, the prevailing party shall be entitled to all costs and expenses of suit, including attorneys fees. This section shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

4.23 Notices.

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

TO CITY: City of Merced
678 West 18th Street
Merced, CA 95340
Attention: Planning Division & City Clerk

With a Copy to: City Attorney's Office
City of Merced
678 West 18th Street
Merced, CA 95340

TO SPONSOR/DEVELOPER:

Visionary Home Builders of California, Inc.
315 N. San Joaquin Street
Stockton, CA 95202
Attention: Carol J. Ornelas

TO GENERAL PARTNER:

VHB Bella Vista LLC,
315 N. San Joaquin Street
Stockton, CA 95202
Attention: Carol J. Ornelas

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

[Signatures on next page.]

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

CITY OF MERCED
A California Charter Municipal
Corporation

BY: _____
D. Scott McBride
City Manager

ATTEST:
D. SCOTT MCBRIDE, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

APPROVED AS TO FORM:
CRAIG J. CORNWELL, CITY ATTORNEY

BY: Craig Cornwell 9/24/2024
City Attorney Date

ACCOUNT DATA:

BY: _____
Verified by Finance Officer

SPONSOR/DEVELOPER

By: Visionary Home Builders of California, Inc.,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____

Carol J. Ornelas
Chief Executive Officer

Taxpayer I.D. No. _____

ADDRESS: 315 N. San Joaquin Street
Stockton, CA 95202

TELEPHONE: _____

FACSIMILE: _____

E-MAIL: _____

Date: _____

GENERAL PARTNER:

By: VHB Bella Vista LLC,
a California limited liability company,
its general partner

By: _____

Carol J. Ornelas
Chief Executive Officer

Taxpayer I.D. No. _____

ADDRESS: 315 N. San Joaquin Street
Stockton, CA 95202

TELEPHONE: _____

FACSIMILE: _____

E-MAIL: _____

Date: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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

State of California

County of _____)

On _____, _____, before me, _____,
(insert name and title of the officer)

Personally appeared _____

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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

State of California

County of _____)

On _____, _____, before me, _____,
(insert name and title of the officer)

Personally appeared _____

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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

State of California

County of _____)

On _____, _____, before me, _____,
(insert name and title of the officer)

Personally appeared _____

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A:
Legal Description of Property

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

Lot 15 according to the map entitled, “ Map of Merced Colony “, recorded February 8, 1910, in Book 4 of maps, Page 24, Merced County Records.

APN: 061-390-027-000