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Aug 04, 2022 01:51 PM

OFFICIAL RECORDS
Ernest J. Dronenburg, Jr.,
SAN DIEGO COUNTY RECORDER
FEES: \$0.00 (SB2 Atkins: \$0.00)

PAGES: 23

Chicago Title Company - Accommodation Recording 15609666

Recording requested by:

Southern Highlands Apartments LP
c/o Lincoln Avenue Capital Asset Management Department
401 Wilshire Blvd., Suite 1070
Santa Monica, CA 90401
Attention: Asset Management

When recorded mail to:

Southern Highlands Apartments LP
c/o Lincoln Avenue Capital Asset Management Department
401 Wilshire Blvd., Suite 1070
Santa Monica, CA 90401
Attention: Asset Management

REGULATORY AGREEMENT

SOUTHERN HIGHLANDS APARTMENTS

**COMMUNITY DEVELOPMENT COMMISSION-HOUSING AUTHORITY
OF THE CITY OF NATIONAL CITY**

AND

SOUTHERN HIGHLANDS APARTMENTS LP

REGULATORY AGREEMENT

This Regulatory Agreement ("*Agreement*"), is made this 13TH day of JULY, 2022, by and between the Community Development Commission-Housing Authority of the City of National (the "*CDC-HA*"), and Southern Highlands Apartments LP, a California limited partnership (the "*Owner*"), with reference to the following facts:

RECITALS

A. Owner owns that certain real property located at 2525 Highland Avenue, National City, California, 91950, as more particularly described in Exhibit A (the "*Land*"), and the improvements thereon consisting of a 151 unit rental housing project and commonly known as "Southern Highlands Apartments" (the "*Project*" and together with the Land, the "*Property*"). Owner intends to restrict no fewer than 151 units at rental prices affordable to certain income groups as specified herein.

B. This Project is intended to serve as a community resource by providing decent, safe, and sanitary housing for households who would otherwise be unable to afford such housing. Within thirty (30) days of the recordation of this Agreement against the Property, the CDC-HA is providing the Owner with a grant in the amount of \$10,000 to assist with the operation and maintenance of the Project.

C. In consideration of the Grant and to further the public interests of the CDC-HA in seeing the Property maintained as affordable housing, Owner has agreed to enter into and record this Agreement. The purpose of this Agreement is to regulate and restrict the occupancy, rents, operation, ownership, and management of the Property for the benefit of project occupants and the residents of the City of National City. The covenants in this Agreement are intended to run with the Land and be binding on Owner and Owner's successors to the Land for the full term of this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing recitals, which are hereby incorporated into this Agreement by this reference, the mutual covenants and obligations contained in this Agreement, and in reliance on the representations and warranties set forth herein, Owner and the CDC-HA hereby agree as follows:

DEFINITIONS

1. **DEFINED TERMS.** The following terms and their derivatives have the meanings set forth in this Section wherever used in this Agreement or attached exhibits:

"*Assisted Unit*" means one of the 151 Units that is (a) reserved for occupancy by a tenant household with a certain maximum income, which maximum income restrictions are imposed as set forth in the Schedule attached as Exhibit B (the "*Schedule*"), and (b) rented at a maximum annual rent as set forth in the Schedule.

"*Owner*" has the meaning set forth in the preamble of this Agreement.

"*Project*" has the meaning set forth in the Recitals.

"*Property*" has the meaning set forth in the Recitals, and includes any buildings or improvements now or hereafter situated on such real properties, including, without limitation, the Project.

GRANT AND TERM

2. **GRANT.** Subject to the terms and conditions of this Agreement, the CDC-HA agrees to make a grant ("Grant") to Owner in the amount of \$10,000 to assist with the operation and maintenance of the Project. The Grant funds shall be disbursed by the CDC-HA to Owner within thirty (30) days of the recordation of this Agreement in the official records of San Diego County.

3. **REHABILITATION.** Owner shall complete not less than \$750,000.00 of rehabilitation work on the Project on or before two (2) years from the date of recordation of this Agreement in the official records of San Diego County, which rehabilitation shall include all of the work described on the Scope of Rehabilitation provided by the Owner to the CDC-HA.

4. **TERM OF AGREEMENT.** This Agreement shall be binding, effective and enforceable upon execution and shall remain in full force and effect for fifty-five (55) years after the date of recordation of this Agreement in the official records of San Diego County (the "**Term**"). The obligations in this Agreement shall remain effective and fully binding on the Property for the full Term regardless of any sale, assignment, transfer, or conveyance of the Property, unless terminated earlier in a recorded writing or extended by the mutual consent of the parties.

PROJECT OCCUPANCY AND RENTS

5. **USE RESTRICTIONS.** The use of the Property is restricted for the Term of this Agreement only to residential use, and such other related incidental uses, as may be approved by the CDC-HA.

6. **OCCUPANCY OF ASSISTED UNITS.** Owner shall limit for the full Term of this Agreement the rental of Assisted Units to tenant households according to the Schedule and occupancy requirements set forth in Exhibit B attached hereto.

7. **RENTS FOR ASSISTED UNITS.** Owner shall limit for the full Term of this Agreement rents for Assisted Units to those rents specified in the Schedule in Exhibit B and in conformance with the rent-setting requirements in Exhibit B.

8. **CONDOMINIUM CONVERSION.** Owner may not convert all or any portion of the Project to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Property during the Term of this Agreement.

9. **NONDISCRIMINATION.** Owner may not discriminate or segregate in the use, enjoyment, occupancy, conveyance, lease, sublease, or rental of any Assisted Units on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age (except for lawful senior housing), marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), immigration status or any other arbitrary basis. Owner shall not refuse to lease any Assisted Units to a certificate or voucher holder under the Section 8 Rental Certificate Program or the Section 8 Rental Voucher Program, or to the holder of a comparable document evidencing participation in a tenant-based rental assistance program, because of the status of the prospective tenant as a holder of such certificate, voucher, or comparable tenant-based

assistance document; nor shall Owner apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenant households, or permit the application of management policies or lease provisions which have the effect of precluding occupancy of units by such prospective tenant households. Owner is prohibited from retaliating against, threatening, or harassing employees or tenants based on immigration status. Owner shall include a statement in all advertisements, notices and signs for the availability of Affordable Units for rent to the effect that Owner is an Equal Housing Opportunity Provider.

PROPERTY MANAGEMENT

10. MANAGEMENT RESPONSIBILITIES. Owner is responsible for all management functions with respect to the Assisted Units, including, without limitation, the selection of tenants, certification and recertification of household size and income, evictions, and collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The CDC-HA shall have no responsibility with respect to management of the Assisted Units.

11. MAINTENANCE AND SECURITY. Owner, at its own expense, shall maintain the Property in good condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions for the benefit of Assisted Unit occupants in a manner which satisfies the Housing Quality Standards (HQS) promulgated by the Department of Housing and Urban Development (24 CFR §982.401). CDC-HA shall have the right to inspect the Assisted Units from time to time upon reasonable advance written notice of not less than 48 hours to Owner, in order to verify compliance with the foregoing maintenance covenant. Owner hereby consents to periodic inspection by CDC-HA's designated inspectors and/or designees during regular business hours, including the Code Enforcement Agents of the City of National City, to ensure compliance with all applicable zoning, building codes, regulations, and property standards. Owner may not commit or permit any waste on or to the Property, and shall prevent and/or rectify any physical deterioration of the Property. Owner shall maintain the Property in conformance with all applicable state, federal, and local laws, ordinances, codes, and regulations.

In the event that Owner fails to maintain the Property in accordance with these standards and after at least fourteen (14) calendar days prior notice to Owner, the CDC-HA or its agent may, but shall be under no obligation to, enter upon the Property, make such repairs or replacements as are deemed necessary in the CDC-HA's reasonable discretion, at Owner's expense. Any amount advanced by the CDC-HA to make such repairs in its reasonable discretion shall be immediately due and payable by Owner to the CDC-HA.

12. VACANCIES. Owner shall use its best efforts to fill vacancies in Assisted Units as quickly as possible.

13. FEES, TAXES, AND OTHER LEVIES. Owner shall be responsible for payment of all fees, assessments, taxes, charges, liens and levies imposed by any public authority or utility company with respect to the Property, and shall pay such charges prior to delinquency. However, Owner shall not be required to pay any such charge so long as (a) the legality thereof is being contested in good faith and by appropriate proceedings, and (b) Owner maintains reserves adequate to pay any contested liabilities.

14. INSURANCE COVERAGE. Owner shall maintain in full force and effect during the Term of this Agreement insurance coverage as required under Exhibit C.

15. PROPERTY DAMAGE OR DESTRUCTION. If the Assisted Units or access thereto is damaged or destroyed, subject to the rights of senior lenders if any, Owner shall, at its own cost and expense, repair or restore the Assisted Units. Such work shall be commenced within a reasonable time after the damage or loss occurs depending on the level of repair work required and shall be completed within a reasonable time thereafter, depending on the level of repair work required. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration or as otherwise required by lenders with a deed of trust secured by the Property.

MONITORING

16. MONITORING.

a. Certification; Annual Recertification. Annually, each year during the Term, Owner shall certify to the CDC-HA under penalty of perjury, utilizing such forms and providing such backup documentation as required by the CDC-HA. Failure to timely complete the annual certification process described in this Section shall constitute a material default under this Agreement. Upon any such material default, the CDC-HA may resort to all remedies set forth herein, as well as any and all other remedies available at law or in equity.

b. Monitoring. It is contemplated that, during the Term, the CDC-HA will perform the following monitoring functions: (i) reviewing the applications of prospective occupants of the Assisted Units, and determining eligibility of such persons in accordance with this Agreement; (iii) reviewing the documentation submitted by Owner in connection with the annual certification process for Eligible Tenants set forth above; and (iv) inspecting the Assisted Units to verify that they are being maintained in accordance with the requirements of this Agreement. Notwithstanding the foregoing description of the CDC-HA's functions, Owner shall have no claim or right of action against CDC-HA based on any alleged failure to perform such function, except that Owner may reasonably rely upon CDC-HA's tenant eligibility determination.

c. Monitoring Fees. Owner shall pay to CDC-HA an annual occupancy monitoring fee ("Annual Monitoring Fee") of \$215.00 per Assisted Unit. The Annual Monitoring Fee may be increased annually by the lesser of Consumer Price Index published by the U.S. Bureau of Labor Statistics for the San Diego County for the month of June each calendar year or 5% commencing June 1, 2023. The Annual Monitoring Fees shall be paid to the CDC-HA annually within thirty (30) days after the CDC-HA provides a written invoice for the same. Failure to timely pay the Annual Monitoring Fee shall constitute a material default under the terms and conditions of this Agreement.

17. RECORDS. Owner shall at all times maintain on the Project site, in the rental office or otherwise in the control of the property manager, operating budget, and copies of all regulatory agreements and other documents imposing limitations on rent or occupancy of any Assisted Units. Owner shall maintain records which clearly document Owner's performance of its obligations to operate the Property under the terms of this Agreement. Owner shall submit any records to the CDC-HA within ten (10) business days of the CDC-HA's request. Owner understands and agrees that information concerning the Property, the Project, and tenant households may be included in a publicly-accessible database, and

that records submitted to the CDC-HA concerning the Project or Property may be disclosed to members of the public pursuant to the California Public Records Act.

18. PROPERTY INSPECTION. Owner shall permit representatives of the CDC-HA to enter and inspect the Property for compliance with obligations under this Agreement upon twenty-four (24) hours' advance notice of such visit to Owner or Owner's management agent, as permitted under applicable law.

GENERAL PROVISIONS

19. SUBORDINATION. The parties agree that this Agreement will be subordinate to deeds of trusts securing loans to the Owner for the Project.

20. DEFAULT AND REMEDIES. A breach of any agreement, obligation, or warranty by Owner under this Agreement shall be an Owner default. The CDC-HA shall give written notice to Owner of any such default. Said notice shall specify the nature of the act, omission, or deficiency giving rise to the default. In addition, if the default is curable and does not give rise to an imminent danger to health or safety, the notice shall also specify the action required to cure the default, and a reasonable date, which shall not be less than thirty (30) calendar days from the mailing of the notice, by which Owner shall take or commence such action to cure; provided, however, in the event Owner has diligently commenced to cure the default but such default is of a nature that cannot be cured within the 30 calendar day period, then Owner shall have such additional time not to exceed an additional one hundred eighty (180) days to effect the cure.

Concurrently with the notice provided to Owner, the CDC-HA shall provide a copy of any notice of an Event of Default to the Limited Partner of Owner provided that that an address has been provided, and the CDC-HA agrees that any cure provided by such limited partner shall be accepted or rejected on the same basis as if made or tendered by Owner.

If Owner fails to cure or commence to cure the breach within the time frame specified in the notice, or if a cure is not possible, the CDC-HA may proceed with any of the following remedies:

- A. Bring an action for injunctive relief and equitable relief seeking the specific performance by Owner of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;
- B. After notice provided for herein, make such repairs or replacements to the Property as are necessary at Owner's expense. Any amount advanced by the CDC-HA to make such repairs or replacements shall be immediately due and payable by Owner to the CDC-HA;
- C. Violations of Owner's obligations with respect to maximum rents for Assisted Units wherein Owner has collected rent from a household of Assisted Units in excess of the allowable rent set forth on Exhibit B: (i); Owner shall immediately notify the CDC-HA and reimburse the tenant or the CDC-HA, as applicable, for any such overpayment. (Acceptance by Owner or its successors in interest, of rent in excess of the maximum rent restrictions and failure to reimburse the tenant shall constitute a material breach of this

Agreement, and (ii) shall result in an extension of the Term of this Agreement for each month that Owner has failed to comply with the maximum rent restrictions; or

- D. Pursue any other remedy allowed at law or in equity.

Nothing in this Section and no recovery by the CDC-HA, shall restrict or limit the rights or remedies of persons or entities other than the CDC-HA, against Owner in connection with the same or related acts by the Owner. The remedies set forth in this Section are cumulative and not mutually exclusive, except the extent that their award is specifically determined to be duplicative by final order of a court of competent jurisdiction.

21. THIRD PARTY BENEFICIARIES. The following are intended to be third party beneficiaries of this Regulatory Agreement, and shall have such rights and remedies to enforce any of Owner's obligations under this Agreement as may be available to third party beneficiaries under the law:

- A. A tenant of an Assisted Unit;
- B. A residents' association that includes tenants of Assisted Units;
- C. A former tenant who last resided in an Assisted Unit;
- D. A low or moderate income person, as defined under California law, who is qualified to live in an Assisted Unit but was denied occupancy due to an alleged breach of this Regulatory Agreement; and
- E. A low or moderate income person, as defined under California law, who is ready and able to live in an Assisted Unit and is on an affordable housing waiting list.

22. NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. No member, official, officer, director, employee, or agent of the City of National City or the CDC-HA shall be personally liable to Owner for any obligation created under the terms of this Agreement, except in the case of actual fraud or willful misconduct by such person.

23. INDEMNITY. Notwithstanding the insurance coverage required herein, Owner hereby indemnifies and holds the City of National City and the CDC-HA, and each of their Boards, officials, officers, directors, employees, and agents (collectively, the "*Indemnified Parties*") harmless from and against any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including reasonable attorneys' fees) which an Indemnified Party may incur as a result of (1) Owner's failure to perform any obligations as and when required by this Agreement; (2) any failure of Owner's representations or warranties to be true and complete; (3) any act or omission by Owner or any contractor, subcontractor, management agent, or supplier with respect to the Project or the Property, except to the extent that such losses are caused by the negligence or willful misconduct of the Indemnified Party; or (4) arising in any way from the construction, rehabilitation, sale, rental or operation of the Property, Project and/or any of the Assisted Units. Owner shall pay immediately upon an Indemnified Party's demand any amounts owing under this indemnity. The duty of the Owner to indemnify includes the duty to defend the Indemnified Party in any court action, administrative action, or

other proceeding brought by any third party arising from the Project or the Property. Owner's duty to indemnify an Indemnified Party shall survive the term of this Agreement.

24. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

25. TIME. Time is of the essence in the performance of this Agreement by Owner and the CDC-HA.

26. CONSENTS AND APPROVALS. Any consent or approval required under this Agreement shall not be unreasonably withheld, delayed, or conditioned.

27. NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications between Owner and the CDC-HA shall be given by registered or certified mail, postage prepaid, return receipt requested, or overnight by a nationally recognized overnight courier such as UPS Overnight or FedEx, or delivered personally, to the principal offices of Owner and the CDC-HA as follows, or if any such office is relocated, to the new address specified by the relocated party:

CDC-HA: Community Development Commission-
Housing Authority of the City of National City
1243 National City Blvd.
National City, California 91950
Attention: Executive Director

OWNER: Southern Highlands Apartments LP
c/o Lincoln Avenue Capital Asset Management Department
401 Wilshire Blvd., Suite 1070
Santa Monica, CA 90401
Attention: Asset Management

Copy to:

PacH San Jose Holdings, LLC
c/o Pacific Housing, Inc.
2115 J Street, Suite 201
Sacramento, CA 95816

Copy to:

Downs Pham & Kuei LLP
235 Montgomery Street, 30th Floor
San Francisco, CA 94104
Attention: Irene C. Kuei, Esq.

28. BINDING UPON SUCCESSORS; COVENANTS TO RUN WITH THE LAND. All provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Owner and the CDC-HA, regardless of any assignment, payment, prepayment, expiration, extinguishment of any loan or any voluntary or involuntary conveyance or transfer of the Property. Any successor-in-interest to Owner and any purchaser or transferee of the Property shall be subject to all of the duties and obligations imposed on Owner under this Agreement for the Term. The term "*Owner*" as used in this Agreement shall include all such assigns, successors-in-interest, and transferees.

The parties intend that the covenants contained in this Agreement shall constitute covenants running with the land and shall bind the Property and every person having an interest in the Property during the term of this Agreement. Owner agrees for itself and for its successors that in the event that a court of competent jurisdiction determines that the covenants herein do not run with the land, such covenants shall be enforced as equitable servitudes against the Property.

29. RELATIONSHIP OF PARTIES. The relationship of Owner and the CDC-HA with respect to the Property during the Term of this Agreement shall not be construed as a joint venture, equity venture, or partnership. The CDC-HA neither undertakes nor assumes any responsibility or duty to Owner or to any third party with respect to the operation of the Property or the actions of Owner. Except as the CDC-HA may specify in writing, Owner shall have no authority to act as an agent of the CDC-HA or to bind the CDC-HA to any obligation.

30. WAIVER. Any waiver by the CDC-HA of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the CDC-HA to take action on any breach or default of Owner or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Owner to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the CDC-HA to any act or omission by Owner shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the CDC-HA's written consent to future waivers.

31. OTHER AGREEMENTS. Owner represents that it has not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Agreement. Owner shall not enter into any agreements that are inconsistent with the terms of this Agreement without an express written waiver by the CDC-HA.

32. AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to this Agreement shall be in writing, and shall be effective only if executed by both Owner and the CDC-HA.

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

34. EXHIBITS. The following Exhibits are attached to this Agreement and are hereby incorporated into this Agreement by reference:

Exhibit A:	Property Description
Exhibit B:	Occupancy and Rent Restrictions

Exhibit C: Insurance Requirements

35. **COUNTERPARTS; PDF.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which, when duly executed, shall constitute one and the same Agreement, and in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. A PDF copy of a parties' signature on this Agreement shall constitute an original and be binding on all parties when assembled into a fully executed Agreement.

36. Attorneys' Fees. In the event that any litigation for the enforcement or interpretation of this Agreement, whether an action at law or arbitration or any manner of non-judicial dispute resolution to this Agreement by reason of the breach of any condition or covenant, representation or warranty in this Agreement, or otherwise arising out of this Agreement, the prevailing party in such action shall be entitled to recover from the other reasonable attorneys' fees and out of pocket expenses (including expert witness fees) to be fixed by the court which shall render a judgment, as well as the costs of suit.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned parties have executed this Regulatory Agreement, effective as of the date first above written.

“OWNER”

Southern Highlands Apartments LP,
a California limited partnership

By: PacH San Jose Holdings, LLC,
a California limited liability company,
its Managing General Partner

By: Pacific Housing, Inc.,
a California nonprofit public benefit corporation,
its Mana

By:  _____
President

By: Southern Highlands MM LLC,
a California limited liability company,
its Co-General Partner

By:  _____
Vice President

SIGNED IN COUNTERPART

IN WITNESS WHEREOF, the undersigned parties have executed this Regulatory Agreement, effective as of the date first above written.

“OWNER”

Southern Highlands Apartments LP,
a California limited partnership

By: PacH San Jose Holdings, LLC,
a California limited liability company,
its Managing General Partner

By: Pacific Housing, Inc.,
a California nonprofit public benefit corporation,
its Manager

SIGNED IN COUNTERPART

By:  _____
President

By: Southern Highlands MM LLC,
a California limited liability company,
its Co-General Partner

By:  _____
Vice President

“CDC-HA”

**COMMUNITY DEVELOPMENT COMMISSION-
HOUSING AUTHORITY OF THE CITY OF NATIONAL CITY,**
a public body, corporate and politic

By:



City Manager

APPROVED AS TO FORM:

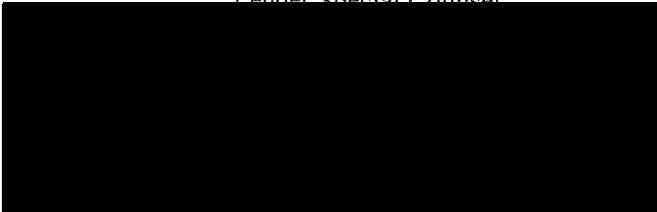


SIGNED IN COUNTERPART

Attorney

APPROVED AS TO FORM:

Christensen & Spath LLP
Lender Special Counsel



SIGNED IN COUNTERPART

[SIGNATURE(S) MUST BE ACKNOWLEDGED]

“CDC-HA”

COMMUNITY DEVELOPMENT COMMISSION-
HOUSING AUTHORITY OF THE CITY OF NATIONAL CITY,
a public body, corporate and politic

SIGNED IN COUNTERPART


By:  _____
City Manager

APPROVED AS TO FORM:

By:  _____
City Attorney

APPROVED AS TO FORM:
Christensen & Spath LLP
Lender Special Counsel

SIGNED IN COUNTERPART

By:  _____

[SIGNATURE(S) MUST BE ACKNOWLEDGED]

“CDC-HA”

**COMMUNITY DEVELOPMENT COMMISSION-
HOUSING AUTHORITY OF THE CITY OF NATIONAL CITY,**
a public body, corporate and politic

SIGNED IN COUNTERPART

By:  _____
City Manager

APPROVED AS TO FORM:

SIGNED IN COUNTERPART

By:  _____
Assistant City Attorney

APPROVED AS TO FORM:

Christensen & Spath LLP
Lender Special Counsel



[SIGNATURE(S) MUST BE ACKNOWLEDGED]

ACKNOWLEDGEMENT

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 Sacramento

On July 26th, 2022 before me, Esmeralda Ramirez notary public

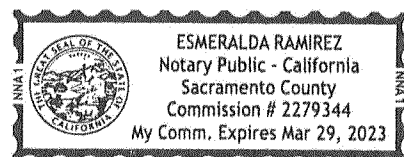
[Redacted]
personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) 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 [Redacted]

(Seal)



ACKNOWLEDGEMENT

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 Los Angeles

On July 25, 2022, before me, Yesenia Flores, Notary Public
(insert name and title of the officer)

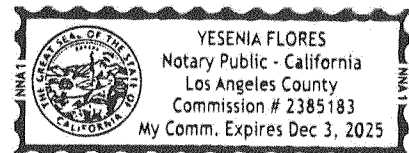
personally appeared _____,
who proved to me on the _____ presence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument 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)



ACKNOWLEDGEMENT

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 San Diego

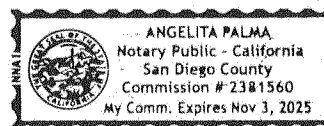
On July 13, 2022, before me, Angelita Palma, Notary Public
(insert name and title of the officer)

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)



**REGULATORY AGREEMENT
(Southern Highlands Apartments)**

**EXHIBIT A
PROPERTY DESCRIPTION**

Parcel 1 of Parcel Map No. 2788, in the City of National City, County of San Diego, State of California, according to Map thereof filed in the Office of the County Recorder of San Diego County, June 27, 1974.

APN/Parcel ID(s): 563-010-50-00

**REGULATORY AGREEMENT
(Southern Highlands Apartments)**

**EXHIBIT B
OCCUPANY AND RENT RESTRICTIONS**

1. Schedule of rent and occupancy restrictions

The rents and occupancy of Assisted Units in the Project shall be restricted according to the following schedule (the "*Schedule*"):

Assisted Unit Type	Minimum Number of Assisted Units	Affordability Type		Maximum Tenant Household Income	Maximum Annual Rent
			Low Income		
			X	80% of AMI	30% of 60% of AMI
			X	80% of AMI	30% of 60% of AMI
			X	80% of AMI	30% of 60% of AMI
Total Assisted Units	151 or more				
Total Non-Assisted Units	0 or fewer				
Total Project Units	151				

2. Definitions

The following terms and their derivatives have the meanings set forth in this Section wherever used in this Exhibit or elsewhere in the Regulatory Agreement:

"AMI" means area median income as published and adjusted by HUD. The CDC-HA shall determine the dollar amount for the income and rent limits set forth in the Schedule annually, for each percent-of-AMI category, based on determinations made by HUD, the California Tax Credit Allocation Committee, and the California Department of Housing and Community Development.

"Income Determination Guidelines" means the CDC-HA's rules for determining income and adjustments to income, or if such rules are no longer maintained, the income determination and

certification procedures of the Section 8 rental assistance program, as such rules may be amended from time to time.

“**Temporary Non-Compliance**” means a situation in which an Assisted Unit is in compliance with the provisions of this Agreement except that a tenant household’s income exceeds the maximum allowable income because of increases in household income subsequent to initial occupancy.

3. Initial occupancy

Owner shall limit for the Term (except as otherwise provided in this Exhibit) the rental of Assisted Units only to tenant households with incomes no higher than the maximum tenant household income specified in the above Schedule, as such income level is certified prior to first occupancy by the tenant household. The applicable income limit shall be the maximum tenant household income for a household of a size equal to the actual size of the tenant household as household size is defined and determined under the Income Determination Guidelines. Owner shall certify the income levels and other qualifications of applicants for Assisted Units prior to initial occupancy in conformance with the Income Determination Guidelines. Owner acknowledges that it has received a copy of current Income Determination Guidelines. All income determinations shall be based on the projected household income of the tenant household for the next 12 months, not the income for the preceding year. Notwithstanding anything to the contrary set forth herein, nothing in this Regulatory Agreement shall require Owner to evict any existing tenant household in an Assisted Unit because the income of that tenant household exceeds the maximum tenant household income specified in the above Schedule or if such tenant household refuses to provide income certification. In the event an existing tenant household exceeds the maximum tenant household income specified in the above Schedule or if an existing tenant household refuses to provide income certification, such tenant household shall be considered in “Temporary Non-Compliance” and such tenant household may continue to reside in the Assisted Unit until such tenant household vacate the Assisted Unit upon termination of the existing lease at which time, the vacated unit shall be offered only to tenants meeting the income requirements set forth in the Schedule. An Assisted Unit that is in Temporary Non-Compliance under this Regulatory Agreement shall not be deemed by CDC-HA as an Owner default under this Regulatory Agreement If Owner otherwise complies with this Regulatory Agreement.

4. Determination of maximum rents

Owner shall limit for the Term (except as otherwise provided in this Exhibit) the annual rents charged for Assisted Units only to the maximum annual rents specified in the above Schedule. Maximum rents shall be adjusted downwards by the appropriate allowance for tenant-paid utilities, as specified by the CDC-HA. Rents for over-income tenants shall be adjusted in accordance with the provisions of Section 9 below.

5. Rent calculations adjusted for unit size

Maximum rents for Assisted Units shall be calculated according to the maximum annual rent limits in the Schedule with the following adjustments for household size:

Number of Bedrooms

Household Size Used to Calculate Rent

Single Room Occupancy Unit	0.75
0	1
1	1.5
2	3
3	4.5
4	6
5	7.5
6	9

This formula for establishing rents shall be used irrespective of the actual household size of the tenant household occupying the Assisted Unit.

6. Rent for units with rental assistance.

For Assisted Units that are occupied by tenant households that receive Section 8 tenant based vouchers or other tenant based rental assistance, the maximum rent allowed will be the rent allowed under the Section 8 or other applicable rental assistance program, notwithstanding the maximum rents set forth in the Schedule, provided that the tenant household's total payment for rent plus an allowance for tenant paid utilities does not exceed 30% of the tenant's household income.

7. Income recertification

Notwithstanding anything to the contrary set forth herein, nothing in this Regulatory Agreement shall require Owner to evict any tenant household in an Assisted Unit because the income of that tenant household has increased. Further, in the event that a tenant household who entered into a lease prior to the date of this Agreement refuses to provide an income recertification despite Owner's best efforts or provides an income recertification which show such tenant household income to have exceeded the income and rent limits required by this Agreement for an Assisted Unit, Owner shall not be deemed in default under this Regulatory Agreement and such unit shall be considered to be in Temporary Non-Compliance. An Assisted Unit that is in Temporary Non-Compliance under this Section shall not be deemed by the CDC-HA as an Owner default under this Regulatory Agreement if Owner otherwise complies with this Regulatory Agreement.

8. Rent increases

Owner may adjust the rent for an Assisted Unit no more than once in a twelve-month period based on the then most recent AMI published by HUD. Notwithstanding anything to the contrary set forth herein or Federal, CDC-HA or state policies, Owner shall be held harmless from any decreases in household income limits and median income levels that HUD may apply.

Exhibit C
Insurance Requirements

Commercial General Liability insurance, providing coverage on an "occurrence" basis, insuring for third party claims of legal liability, and caused by bodily injury, property damage, personal injury, or advertising injury, arising out of the ownership or management of the Property and including the costs to defend such actions brought against the Property Owners, as well as hired and non-owned automobile liability insurance. Limits of the policy shall be at least \$1 million per occurrence and \$2 million in the general aggregate. If coverage is provided under blanket policies insuring other locations or entities, then the general aggregate must apply to each insured location separately.

Umbrella/Excess Liability insurance, with the Commercial General Liability, Automobile Liability policies scheduled as underlying policies. Limits of the policy shall be at least \$4 million per occurrence and in the annual aggregate. The policy shall be primary coverage for the additional insured without contribution from other valid insurance policies which may be available to the additional insured.

Total Limits of the policy(s) shall be at least \$5 million per occurrence and aggregate, which may be satisfied by the limit afforded under the Commercial General Liability policy or in combination with the limit afforded by the Umbrella or Excess Liability insurance; provided, the coverage afforded under such Umbrella or Excess Liability Policy is at least as broad in all material respects as that afforded by the underlying Commercial General Liability Policy.

Property Damage insurance, insuring for all risks of physical loss of or damage to the real property comprising the Project, personal property of the Partnership used to maintain or service the Project, and additions, alterations and repairs to structures. Policy shall provide for claims to be paid based upon replacement cost of the lost or damaged property without deduction for depreciation. Limits of policy will be at least the replacement value of the Project (excluding the value of the Land, site utilities, foundations and architectural and engineering expenses). The policy shall have a deductible of no greater than \$25,000 per occurrence, outside of CAT peril deductibles. The policy shall carry no coinsurance provisions. Coverage and limits shall be extended to include sustained due to an insured loss, for a period of at least twelve months from the date of such loss. Coverage shall be further extended to include debris removal, outdoor trees, shrubs, plants and lawns, and Ordinance or Law coverage for the demolition of the undamaged portion, increased costs of construction and the loss in value of undamaged portions of the building(s), caused by the enforcement of building, zoning or land use law. The policy shall designate the Property Owner as a Named Insured, and include an endorsement naming the Regulatory Authority as Loss Payee, as its interests may appear, and as an insured. The policy shall be primary coverage for the Property without contribution from other valid insurance policies which may be available to others.