

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 26, 2011

Consideration and Approval of a Revision to Resolution 10-45 for Tule Vista Apartments Project
(Agenda Item No. 8)

I. ACTION

Approve a revision to Resolution No. 10-45 to include an Affordable Home Ownership Conversion Option for the Tule Apartments Project.

II. BACKGROUND

All CDLAC Projects shall be subject to the minimum affordability term restriction unless a Project is intended for eventual tenant homeownership, in which case evidence of a financially feasible conversion program must be submitted in the Application. The program shall include, but is not limited to, an exit strategy; home ownership counseling; funds to be set aside to assist tenants in the purchase of units; no involuntary relocation of tenants; and a plan for conversion of the facility to home ownership no sooner than the end of the initial 15 year Qualified Project period as required by 26 U.S.C. section 142(d)(2)(A). In such a case, the regulatory agreement shall contain provisions for the enforcement of such covenants.

III. DISCUSSION:

The Tule Vista Apartments Project received an allocation of \$9,000,000 on July 28, 2010. The Project submitted an Affordable Home Ownership Conversion Plan (the "Plan") in their original application as required by the CDLAC regulations. However, staff inadvertently failed to include details of the Plan in the CDLAC staff report. In addition, provisions associated with the Plan were not incorporated into the CDLAC resolution.

The proposed home ownership plan will provide a "first right of refusal" to existing residents that are in good standing six months prior to the end of the 15-year compliance period. The residents will be offered the unit they occupy at an amount affordable to households earning up to 80% of area median income. For residents that do not qualify or refuse the homeownership option, no involuntary relocation will be triggered. The City of Tulare will assist eligible residents in obtaining ownership by providing the New Homeowner Program which allows for up to \$60,000 in down payments assistance and home ownership counseling. The proposed revised regulatory agreement including the Affordable Home Ownership Conversion Option plan is attached (Attachment B). As proposed, the conversion will take place no sooner than 15 years, and not before feasible market conditions exist.

Staff has revised the initial CDLAC staff report to include the details of the Plan (Attachment A) and recommends the revision of the CDLAC resolution to include the provisions associated with the Plan.

IV. RECOMMENDATION:

Staff recommends the approval of a revision to Resolution No. 10-45 to include an Affordable Home Ownership Conversion Option for the Tule Apartments Project.

Prepared by Crystal Alvarez

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 26, 2011
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: BH/ CA

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$9,000,000 (Awarded July 28, 2010)

Project Information:

Name: Tule Vista Apartments
Project Address: Intersection of Park Avenue and E Street
Project City, County, Zip Code: Tulare, Tulare, 93274

Project Sponsor Information:

Name: Tule Vista Associates, a California LP (Kaweah Management Company and Roope, LLC)
Principals: Kenneth Kugler and M. Lowe for Kaweah Management Company; Caleb Roope for Roope, LLC

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Citibank, N.A.
Credit Enhancement Provider: Citibank, N.A. (Freddie Mac)
Private Placement Purchaser: Not Applicable
TEFRA Hearing Date: June 1, 2010

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 56, plus 1 manager unit
Type: New Construction
Type of Units: Family

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (6 units) restricted to 50% or less of area median income households.
89% (50 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 / 15 Year-Option for Homeownership Conversion years
At the end of the initial 15 year Qualified Project Period, it is the intent of the owener to convert Tule Vista Apartments to an affordable homewonership project in which individual homes will be sold to qualified buyers earning no more than 80% of the area median income for Tulare County.

Details of Project Financing:

Estimated Total Development Cost:	\$	17,331,032	
Estimated Hard Costs per Unit:	\$	197,996	(\$11,087,774 /56 units)
Estimated per Unit Cost:	\$	309,483	(\$17,331,032 /56 units)
Allocation per Unit:	\$	160,714	ed July 28, 2010) /56 units)
Allocation per Restricted Rental Unit:	\$	160,714	ed July 28, 2010) /56 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 3,200,000
Deferred Developer Fee	\$ 2,101,114	\$ 800,000
LIH Tax Credit Equity	\$ 811,531	\$ 4,057,273
Direct & Indirect Public Funds	\$ 3,220,000	\$ 7,120,000
Deferred Costs	\$ 44,628	\$ 0
CTCAC ARRA Loan	\$ 2,153,759	\$ 2,153,759
Total Sources	\$ 17,331,032	\$ 17,331,032

Uses of Funds:	
Land Purchase	\$ 385,000
On & Off Site Costs	\$ 1,026,000
Hard Construction Costs	\$ 10,061,774
Architect & Engineering Fees	\$ 450,000
Contractor Overhead & Profit	\$ 934,402
Developer Fee	\$ 2,101,114
Cost of Issuance	\$ 493,500
Capitalized Interest	\$ 440,000
Other Soft Costs	\$ 1,439,242
Total Uses	\$ 17,331,032

Legal Questionnaire:

The Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 60.7 out of 118
 [See Attachment A]

Recommendation:

Staff recommends that the Committee approve a revision to resolution No. 10-45, to include a provision for the conversion to homewonership at the end of the 15 years in compliance period.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	5.7
Gross Rents	5	5	0
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	60.7

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

RECORDING REQUESTED BY:
TULA VISTA ASSOCIATES
WHEN RECORDED RETURN TO:
Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, CA 94105-2669
Attention: Roma Shupe

AMENDED AND RESTATED REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

By and Among

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee,

and

TULE VISTA ASSOCIATES

Dated as of ~~September 1, 2010~~ , 2011

Relating to

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS
(TULE VISTA APARTMENTS PROJECT)
2009 SERIES A-4

AND

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
MULTIFAMILY HOUSING REVENUE BONDS
(TULE VISTA APARTMENTS PROJECT)
2010 SERIES J

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**AMENDED AND RESTATED REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS AMENDED AND RESTATED REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this “Regulatory Agreement”) is made and entered into as of ~~September 1, 2010~~, [_____, 2011], by and among the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the “Issuer”), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking corporation organized and existing under and by virtue of the laws of the United States of America, as trustee for the Series 2009 A-4 Bonds, as defined herein, under the Indenture, as defined herein (the “Trustee”), and TULE VISTA ASSOCIATES, a California Limited Partnership, a limited partnership duly organized, validly existing and in good standing under the laws of the State of California (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “Owner”).

W I T N E S S E T H:

WHEREAS, pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”) and in compliance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (as amended, the “Housing Law”), and the Indenture, dated as of December 1, 2009 (the “General Indenture”), as amended and supplemented by the Series Indenture dated as of December 1, 2009, as amended by a First Amendment to Series Indenture, dated as of September 1, 2010 (as so amended, the “First Series Indenture”), and as amended by the First Amendment to Indenture, dated as of June 1, 2010 (the “First Amendment” and, together with the General Indenture and the First Series Indenture, the “Original Indenture”), each between the Issuer and the Trustee, the Issuer previously issued its California Statewide Communities Development Authority Affordable Multifamily Housing Revenue Bonds, 2009 Series A (the “Program Bonds”) in the original aggregate principal amount of \$229,820,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Department of the Treasury on October 19, 2009 (the “Program”);

WHEREAS, pursuant to the Act, the Original Indenture and the Series Indenture, dated as of September 1, 2010 (the “Series Indenture” and together with the Original Indenture, the “Indenture”), the Issuer has agreed to use a portion of the proceeds derived from the sale of the Program Bonds (to be re-designated the California Statewide Communities Development Authority Affordable Multifamily Housing Revenue Bonds (Tule Vista Apartments Project) 2009 Series A-4) in the principal amount of \$3,000,000 (the “Series 2009 A-4 Bonds”) on the Release Date (as defined in the Series Indenture) to make a mortgage loan to the Owner to finance the construction and development of the Project (as hereinafter defined);

WHEREAS, pursuant to the Act and the Master Pledge and Assignment (the “Pledge and Assignment”), dated as of September 1, 2010, by and among the Issuer and JPMorgan Chase Bank, N.A., as agent (the “Market Bonds Agent”) and JPMorgan Chase Bank, N.A., as

holder (the “Market Bonds Holder”, the Issuer proposes to issue its Multifamily Housing Revenue Bonds (Tule Vista Apartments Project), 2010 Series J in the principal amount of \$6,000,000 (the “Market Bonds” and together with the Series 2009 A-4 Bonds, the “Bonds”);

WHEREAS, the proceeds of the Bonds will be used to fund two separate loans (respectively, the “Bond Mortgage Loan”, as defined in the Series Indenture, and the “Loan”, as defined in the Pledge and Assignment) to the Owner pursuant to a Financing Agreement, dated as of September 1, 2010, among the Issuer, the Trustee, and the Owner (as supplemented and amended from time to time, the “Series 2009 A-4 Financing Agreement”) and the Building Loan Agreement, dated as of September 1, 2010, between the Market Bonds Agent, as agent for the Issuer, and the Owner (as supplemented and amended from time to time, the “Market Bonds Loan Agreement” and, together with the Series 2009 A-4 Financing Agreement, the “Financing Agreements”), to provide, in part, financing for the construction and development of the multifamily rental housing project to be known as Tule Vista Apartments, located on the real property site described in EXHIBIT A hereto (as further described herein, the “Project”);

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), and to satisfy the public purposes for which the Bonds are authorized to be issued under the Act and the Housing Law, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

WHEREAS, the Owner has determined to amend and restate the original Regulatory Agreement and Declaration of Restrictive Covenants, dated as of September 1, 2010 (the “Original Regulatory Agreement”) by and among the parties hereto, to provide for the possible conversion of the Project to homeownership, and each of the requirements for amendment of the Original Regulatory Agreement has been satisfied prior to or by execution of this Regulatory Agreement;

NOW, THEREFORE, in consideration of the release and modification of the Series 2009 A-4 Bonds and the issuance of the Market Bonds by the Issuer and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Trustee and the Owner hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1, or in the Indenture or the Pledge Agreement, as applicable.

“*Administrator*” means the Issuer or any administrator or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor administrator appointed by the Issuer.

“*Area*” means the Metropolitan Statistical Area or County, as applicable, in which the Project is located as defined by the United States Department of Housing and Urban Development.

“*Available Units*” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the issue date of the Bonds is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“*CDLAC*” means the California Debt Limit Allocation Committee or its successors.

“*CDLAC Conditions*” has the meaning given such term in Section 7(e).

“*Certificate of Continuing Program Compliance*” means the Certificate to be filed by the Owner with the Administrator, on behalf of the Issuer, and the Trustee pursuant to Section 4(f) hereof, which shall be substantially in the form attached as EXHIBIT C hereto or in such other comparable form as may be provided by the Issuer to the Owner, or as otherwise approved by the Issuer.

“*City*” means the City of Tulare, California.

“*Closing Date*” means the date the Series 2009 A-4 Bonds are released, modified and delivered and the Market Rate Bonds are issued and delivered to the initial purchasers thereof, which is expected to be September 29, 2010.

“*County*” means the County of Tulare, California.

“*Deed of Trust*” mean, collectively or individually as the context requires, the “Bond Mortgage” as defined in the Series Indenture and the “Mortgage” as defined in the Pledge Agreement.

“*Gross Income*” means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in under Section 8 of the Housing Act.

“*Housing Act*” means the United States Housing Act of 1937, as amended, or its successor.

“*Housing Law*” means Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended.

“*Income Certification*” means a Tenant Income Certification and a Tenant Income Certification Questionnaire in the form attached as EXHIBIT B hereto or in such other comparable form as may be provided by the Issuer to the Owner, or as otherwise approved by the Issuer.

“*Lender*” means, collectively or individually as the context requires, the Series 2009 A-4 Lender and the Market Bonds Lender.

“*Loan*” means, collectively or individually as the context requires, the “Bond Mortgage Loan” as defined in the Series Indenture and the “Loan” as defined in the Pledge Agreement.

“*Loan Conversion Date*” means the date on which the Bond Mortgage Loan (as defined in the Series Indenture) converts from the construction phase to the permanent phase.

“*Low Income Tenant*” means a tenant occupying a Low Income Unit.

“*Low Income Unit*” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Low Income Unit shall be made by the Owner upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“*Manager*” means a property manager meeting the requirements of Section 28 hereof. The Housing Authority of the County of Tulare is hereby approved as the initial Manager.

“*Market Bonds Lender*” means JPMorgan Chase Bank, N.A.

“*Project*” means the 57-unit multifamily rental housing development (including one manager’s unit) to be located in the City of Tulare, Tulare County, on the real property site described in EXHIBIT A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the construction and development of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Owner pursuant to the Financing Agreements, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Financing Agreements.

“*Project Status Report*” means the report to be filed by the Owner with the Administrator, on behalf of the Issuer, and the Trustee pursuant to Section 4(f) hereof, which shall be substantially in the form attached as EXHIBIT D hereto or in such other comparable form as may be provided by the Issuer to the Owner, or as otherwise approved by the Issuer.

“*Qualified Project Period*” means the period beginning on the first day on which at least 10% of the units in the Project are first occupied and ending on the later of the following:

- (A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;
- (B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding;

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or

(D) such later date as set forth in Section 7 of this Regulatory Agreement.

“*Reduced Issuer Fee*” has the meaning set forth in Section 20.

“*Regulations*” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“*Regulatory Agreement*” means this [Amended and Restated](#) Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

“*Rental Payments*” means the rental payments paid by the occupant of a unit, excluding any supplemental rental assistance to the occupant from the State, the federal government, or any other public agency, but including any mandatory fees or charges imposed on the occupant by the Owner as a condition of occupancy of the unit.

“*Series 2009 A-4 Lender*” means the “Credit Facility Provider” as defined in the Series Indenture.

“*Tax Certificates*” means, collectively, the “Tax Certificate” as defined in the Series Indenture and the “Tax Certificate” as defined in the Pledge Agreement.

“*Tax-Exempt*” means with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“*Transfer*” means the conveyance, assignment, sale or other disposition of all or any portion of the Project; and shall also include, without limitation to the foregoing, the following: (1) an installment sales agreement wherein Owner agrees to sell the Project or any part thereof for a price to be paid in installments; and (2) an agreement by the Owner leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any

effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Owner.

(a) The Owner hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Owner contained in the Tax Certificates and the Financing Agreements relating to the Project.

(b) The Owner hereby represents and warrants that the Project is located entirely within the City.

(c) The Owner acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Owner in constructing and developing the Project.

Section 3. Qualified Residential Rental Project. The Owner hereby acknowledges and agrees that the Project is to be owned, managed and operated as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Owner hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be constructed, developed, and operated for the purpose of providing multifamily residential rental property. The Owner will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act and the Housing Law, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a

family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Owner take any steps in connection with a conversion to such ownership or use, and the Owner will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Owner may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the City).

(e) All of the Available Units in the Project will be available for rental during the period beginning on the date hereof and ending on the termination of the Qualified Project Period on a continuous, "first-come, first-served" basis to members of the general public, and the Owner will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented in such a manner that they constitute Low Income Units.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Owner; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit occupancy of not more than one dwelling unit by a resident manager or maintenance personnel, any of whom may be the Owner.

(h) The Owner shall deliver to the Administrator and the Lender, (i) within 30 days after the date on which 10% of the dwelling units in the Project are occupied, a written notice specifying such date, and (ii) within 30 days after the date on which 50% of the dwelling units in the Project are occupied, a written notice specifying such date.

Section 4. Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Owner hereby represents, warrants and covenants as follows:

(a) During the Qualified Project Period, no less than 40% of the total number of completed units in the Project shall at all times be Low Income Units. For the purposes of this paragraph (a), a vacant unit that was most recently a Low Income Unit is

treated as a Low Income Unit until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Low Income Tenant increases to exceed the qualifying limit for a Low Income Unit. However, should the aggregate Gross Income of tenants in a Low Income Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Unit occupied by the same number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Low Income Tenant(s). The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Low Income Unit for purposes of the 40% requirement of Section 4(a) hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants.

(c) For the Qualified Project Period, the Owner will obtain, complete and maintain on file Income Certifications for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the unit and a second Income Certification dated one year after the Low-Income Tenant's initial move-in date, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant. The Owner will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. Upon request of the Administrator or the Issuer, copies of Income Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit shall be submitted to the Administrator or the Issuer, as requested.

(d) The Owner shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the three most recent pay periods, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.

(e) The Owner will maintain complete and accurate records pertaining to the Low Income Units, and will permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the

books and records of the Owner pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(f) The Owner will prepare and submit to the Administrator, on behalf of the Issuer, not less than quarterly, commencing not less than three months after the Closing Date, a Certificate of Continuing Program Compliance executed by the Owner in substantially the form attached hereto as EXHIBIT C and a Project Status Report in substantially the form attached hereto as EXHIBIT D. During the Qualified Project Period, the Owner shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(g) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust. All leases pertaining to Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Owner, the Trustee, the Issuer or the Administrator on behalf of the Issuer, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Owner has relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of a Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), the unit occupied by such tenant may cease to qualify as a Low Income Unit and such unit's rent may be subject to increase.

For purposes of this Section 4, no unit occupied by a residential manager shall be treated as a rental unit during the time of such occupation.

Section 5. Tax-Exempt Status of Bonds. The Owner and the Issuer, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Owner and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Owner and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee (with a copy to the Owner), in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

Section 6. Requirements of the Housing Law. In addition to the other requirements set forth herein, the Owner hereby agrees that it shall comply with each of the requirements of Section 52080 of the Housing Law, including the following:

(a) Not less than 40% of the total number of units in the Project shall be Low Income Units. The units made available to meet this requirement shall be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The Rental Payments for the Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 60% of the median adjusted gross income for the Area.

(c) The Owner shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Owner shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by Section 4(a) shall remain available on a priority basis for occupancy at all times on and after the Closing Date and continuing through the Qualified Project Period.

(e) During the three (3) years prior to the expiration of the Qualified Project Period, the Owner shall continue to make available to eligible households Low Income Units that have been vacated to the same extent that nonreserved units are made available to noneligible households.

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this Section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this Section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Housing Law), (3) 30 years after the date of the commencement of the Qualified Project Period, or

(4) the Owner pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

(g) Except as set forth in Section 13 hereof, the covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Owner.

(h) This Regulatory Agreement shall be recorded in the office of the County recorder, and shall be recorded in the grantor-grantee index under the name of the Owner as grantor and under the name of the Issuer as grantee.

Section 7. Requirements of the Issuer. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Owner hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 7, as follows:

(a) For the duration of the Qualified Project Period, notwithstanding any retirement of the Bonds or termination of the Financing Agreements, the Owner will pay to the Issuer all of the amounts required to be paid by the Owner under the Financing Agreements and will indemnify the Issuer and the Trustee as provided in Section 9 and, with respect to the Trustee, Section 18 of this Regulatory Agreement.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Owner and shall be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer upon reasonable advance notice to the Owner.

(c) The Owner acknowledges that the Issuer has appointed the Administrator to administer this Regulatory Agreement and to monitor performance by the Owner of the terms, provisions and requirements hereof. The Owner shall comply with any reasonable request made by the Administrator or the Issuer to deliver to any such Administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Issuer. The fees and expenses of the Administrator shall be paid by the Issuer.

(d) For purposes of Section 6(b), the base rents shall be adjusted for household size, to the extent permitted by law.

(e) The Owner shall comply with the conditions set forth in Exhibit A to that certain CDLAC Resolution No. 10-45 relating to the Project and adopted on July 28, 2010, (collectively, the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Owner will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached to the CDLAC Conditions,

executed by an authorized representative of the Owner. The Issuer and the Administrator shall have no obligation to monitor the Owner's compliance with the CDLAC Conditions.

(f) Except (i) as otherwise provided in Section 13 of this Regulatory Agreement, or to the extent waived by CDLAC in its sole discretion, ~~or (including ii) in connection with the possible future conversion of~~ the event that the Project converts to homeownership) in accordance with the Homeownership Conversion Plan attached hereto as Exhibit E, such conversion to be acknowledged in writing by CDLAC, this Regulatory Agreement shall terminate on the date 55 years after the Closing Date, as required by the CDLAC Conditions.

Any of the foregoing requirements of the Issuer contained in this Section 7 (except (e) and (f) above, which may only be waived with the consent of CDLAC) may be expressly waived by the Issuer, in its sole discretion, in writing, but (i) no waiver by the Issuer of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an opinion of Bond Counsel that any such provision is not required by the Act and the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Owner receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act, the Housing Law or any other state or federal law.

Section 8. Modification of Covenants. The Owner, the Trustee and the Issuer hereby agree as follows:

(a) To the extent any amendments to the Act, the Housing Law, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Owner, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project and compliance therewith is necessary to maintain the validity of, or the Tax-Exempt status of interest on the Bonds, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Act, the Housing Law, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Owner, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, at its sole discretion, the Trustee and the Owner, with the consent of the Series 2009 A-4 Lender, and only upon receipt by the Issuer and the Trustee of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Housing Law, and otherwise in accordance with Section 22 hereof.

(c) The Owner, the Issuer and, if applicable, the Trustee, shall execute, deliver and, if applicable, file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Owner and the Issuer hereby appoints the Trustee as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Owner or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Owner or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Owner, the Trustee shall take no action under this subsection without first notifying the Owner or the Issuer, or both of them, as is applicable, and without first providing the Owner or the Issuer, or both of them, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Trustee to execute an amendment to this Regulatory Agreement on behalf of the Issuer or the Owner.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Owner agrees to indemnify, hold harmless and defend the Issuer and each of its officers, governing members, directors, officials, employees, attorneys, agents, and program participants (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture, the Pledge Agreement, the Financing Agreements, this Regulatory Agreement or the Tax Certificates and all documents related thereto, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including, as applicable, the release, modification, issuance and sale, as applicable, of the Bonds;

(ii) any act or omission of the Owner or any of its agents, contractors, servants, employees or licensees in connection with the Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation, construction or development of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Owner to the Issuer or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Owner, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Owner shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Owner if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel. In addition to the foregoing, the Owner shall pay upon demand all of the fees and expenses paid or incurred by the Trustee and/or the Issuer in enforcing the provisions hereof.

In addition thereto, the Owner will pay upon demand all of the fees and expenses paid or incurred by the Trustee and/or the Issuer in enforcing the provisions hereof, as more fully set forth in the Financing Agreements.

The provisions of this Section 9 shall survive the final payment or defeasance of the Bonds and this Regulatory Agreement; provided, however, the provisions of this Section shall, in the case of the Trustee, survive the term of this Regulatory Agreement or the resignation or removal of the Trustee, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Trustee's tenure as Trustee under the Indenture, and shall, in the case of the Issuer, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Owner to finance the Project, all for the purpose, among others, of inducing the Owner to acquire, construct, develop and operate the Project. In consideration of the release and modification of the Series 2009 A-4 Bonds and the issuance of the Market Bonds by the Issuer, the Owner has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Issuer and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons, including but not limited to the Administrator and Trustee, interested in the legality and validity of the Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Administrator and the Trustee may rely upon statements and certificates of the Low Income Tenants, and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Issuer and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Owner exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Owner and may rely solely on any written notice or certificate delivered to the Trustee by the Owner or the Issuer with respect to the occurrence or absence of a default.

Section 12. Transfer of the Project. For the Qualified Project Period, the Owner shall not Transfer the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Owner shall not be in default hereunder or under the Financing Agreements, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the transferee undertakes to cure any defaults of the Owner to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the transferee or its Manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the transferee agrees to retain a Manager with the experience and record described in subclause (a) above, or (c) the transferring Owner or its management company will continue to manage the Project, or another management company reasonably acceptable to the Issuer will manage, for at least one year following such Transfer and, if applicable, during such period the transferring Owner or its management company will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the transferee of any document reasonably requested by the Issuer with respect to the assumption of the Owner's obligations under this Regulatory Agreement and the Financing Agreements (if then in effect), including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such transferee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such transferee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that any such Transfer will not adversely affect the

Tax-Exempt status of interest on the Bonds; and (D) receipt by the Issuer of all fees and/or expenses then currently due and payable to the Issuer by the Owner.

It is hereby expressly stipulated and agreed that any Transfer of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under this Regulatory Agreement. The written consent of the Issuer to any Transfer of the Project shall constitute conclusive evidence that the Transfer is not in violation of this Section 12. Nothing in this Section shall affect any provision of any other document or instrument between the Owner and any other party requires the Owner to satisfy certain conditions or obtain the prior written consent of such other party in order to Transfer the Project. Upon any Transfer that complies with this Regulatory Agreement, the Owner shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project.

The foregoing notwithstanding, the Project may be transferred pursuant to a foreclosure, exercise of power of sale or deed in lieu of foreclosure or comparable conversion under the Deed of Trust without the consent of the Issuer or compliance with the provisions of this Section 12. The Issuer also hereby approves the transfer of limited partnership interests in the Owner to affiliates of the investor limited partner of the Owner, including, without limitation, the transfer of partnership interests in the Owner from the investor limited partner and non-managing membership interests in the limited partner of Owner.

For the Qualified Project Period, the Owner shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except for (A) the Deed of Trust and Permitted Encumbrances (as defined in the Deed of Trust), or (B) a Transfer in accordance with the terms of this Regulatory Agreement, in each case upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Bonds (provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Financing Agreements or the Deed of Trust; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and discharge of the Indenture, the Pledge Agreement and the Financing Agreements.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect in

the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer and the Trustee from enforcing such provisions, or condemnation, fire or other casualty, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Owner hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Owner upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Issuer and the Owner hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Issuer and the Owner hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or the Trustee to the Owner, or for a period of 60 days from the date the Owner should, with reasonable diligence, have discovered such default, then the Issuer or the Trustee shall declare an “Event of Default” to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Owner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds. The Issuer and the Trustee shall have the right to enforce the obligations of the Owner under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Housing Law or the Code.

Following the declaration of an Event of Default hereunder, the Issuer or the Trustee, at the written direction of Issuer, subject to the terms of the Indenture and the Pledge Agreement, as applicable, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

- (i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project;
- (iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder; and
- (iv) with the consent of the Series 2009 A-4 Lender, which consent shall not be unreasonably withheld, declare a default under the Financing Agreements, as applicable, and proceed with any remedies provided therein.

The Owner hereby agrees that specific enforcement of the Owner’s agreements contained herein is the only means by which the Issuer may fully obtain the benefits of this Regulatory Agreement made by the Owner herein, and the Owner therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Owner hereunder.

The Trustee shall have the right, in accordance with this Section and the provisions of the Indenture, without the consent or approval of the Issuer, but with the consent of the Series 2009 A-4 Lender, which consent shall not be unreasonably withheld, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such action the Trustee shall give the Issuer written notice of its intended action. After the Indenture has been discharged,

the Issuer may act on its own behalf to declare an “Event of Default” to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Trustee.

The Issuer and the Trustee hereby agree that cure of any Event of Default made or tendered by any partner of the Owner shall be deemed to be a cure by the Owner and shall be accepted or rejected on the same basis as if made or tendered by the Owner.

All reasonable fees, costs and expenses (including reasonable attorney’s fees) of the Trustee and the Issuer incurred in taking any action pursuant to this Section shall be the sole responsibility of the Owner; provided, however, that in the event that any action arises hereunder in which the Owner and the Trustee are adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the other party.

Section 18. The Trustee. The Trustee shall act as specifically provided herein and in the Indenture and may exercise such additional powers as are reasonably incidental hereto and thereto. The Trustee shall have no duty to act with respect to enforcement of the Owner’s performance hereunder as described in Section 17 unless it shall have knowledge of any such default as provided in Section 17. The Trustee may act as the agent of and on behalf of the Issuer, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Trustee. In connection with any such performance, the Trustee is acting solely as Trustee under the Indenture and not in its individual capacity, and, except as expressly provided herein, all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Trustee in connection with this Regulatory Agreement. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

No provision of this Regulatory Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Issuer shall be (or shall cause the Administrator to be) responsible for the monitoring of the Owner’s compliance with the terms of this Regulatory Agreement. The Trustee shall not be responsible for such monitoring.

After the date on which no Bonds remain Outstanding, as provided in the Indenture, the Trustee shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 19. Recording and Filing. (a) The Owner shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County, and in such other places as the Issuer or the Trustee may

reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

(b) The Owner and the Issuer will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(c) The Owner hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, except in the case of a foreclosure or comparable involuntary conversion of the Deed of Trust, whereby the Trustee becomes the owner of the Project, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Loan and discharge of the Indenture or the Pledge Agreement, the Owner shall continue to pay (or, to the extent allowed under the Code, shall prepay the present value at such time of) the fees of the Issuer as provided in Section 9 hereof, unless such prepayment is made in connection with a refunding of the Bonds.

The Owner agrees to pay to the Issuer (i) an initial fee pursuant to the Issuer's established payment schedule, which shall be paid on or before the Closing Date, (ii) the Issuer's annual fee (the "Issuer Fee") in the amount (a) prior to the Loan Conversion Date, of \$10,800.00 per annum, which is equal to 0.12% per annum of the aggregate principal amount of the Bonds issued (\$9,000,000.00), and (b) on and after the Loan Conversion Date in an amount equal to the greater of \$5,000.00 per year or 0.12% per annum of the principal amount of Bonds outstanding following the partial redemption of Bonds on the Loan Conversion Date; which amount shall be payable semiannually in equal installments, in advance, on March 1 and September 1, commencing on the Closing Date for the period ending February 28, 2011, and continuing throughout the Qualified Project Period, and (iii) within 30 days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Bonds, the Project and the financing thereof, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project or the Bonds.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County, and only upon (i) receipt by the Issuer and the Trustee of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Housing Law and (ii) the written consent of the Series 2009 A-4 Lender, who shall receive a copy of any such amendment.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Trustee and the Owner hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Bond Counsel and a request that Bond Counsel render to the Issuer and the Trustee an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Indenture, or at such other addresses as may be specified in writing by the parties hereto. Unless otherwise specified by the Administrator, the address of the Administrator is:

California Communities
2033 North Main Street, Suite 705
Walnut Creek, CA 94596
Attention: Housing Compliance Monitoring

The Issuer, the Administrator, the Trustee, and the Owner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day. A copy of each notice of default provided to the Owner hereunder shall also be provided to the Lender at the addresses set forth in the Indenture and the Pledge Agreement and, if applicable, the investor limited partner.

A copy of each notice sent by or to the Owner shall also be sent to the Manager at the address of the Manager provided by the Owner to the Administrator; but such copies shall not constitute notice to the Owner, nor shall any failure to send such copies constitute a breach of this Regulatory Agreement or a failure of or defect in notice to the Owner.

The Owner shall notify the Issuer and the Administrator in writing of any change to the name of the Project or any change of name or address for the Owner or the Manager.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Owner under this Regulatory Agreement to any person or entity, including, but not limited to, the Lender, the Trustee or the Issuer and their successors and assigns, is limited to the Owner's interest in the Project, the Trust Estate and the amounts held in the funds and accounts created under the Indenture or the Pledge Agreement, or any rights of the Owner under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Owner under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Owner's obligations under this Regulatory Agreement), shall be rendered against the Owner, the assets of the Owner (other than the Owner's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Indenture or the Pledge Agreement, any rights of the Owner under the Indenture or the Pledge Agreement or any other documents relating to the Bonds or any rights of the Owner under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each of their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement, the Indenture and the Pledge Agreement or any agreement securing the obligations of the Owner under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding, except to the extent provided in the Financing Agreements.

Section 27. Third-Party Beneficiary. The City and CDLAC are intended to be and shall each be a third-party beneficiary of this Regulatory Agreement. The City shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer and/or the Trustee or to cause the Issuer or the Trustee to enforce, the terms of this Regulatory Agreement and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the holders of the Bonds.

Section 28. Property Management. The Owner agrees that at all times the Project shall be managed by a property manager (i) approved by the Issuer in its reasonable discretion and (ii) who has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Owner shall submit to the Issuer from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Issuer

may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Issuer reserves the right to conduct periodic reviews of the management practices and of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Regulatory Agreement. The Owner agrees to cooperate with the Issuer in such reviews.

Replacement of Manager. If the Issuer determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Regulatory Agreement, the Issuer may deliver notice to the Owner, the Trustee and the Series 2009 A-4 Lender requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, it shall within 60 days submit to the Issuer, with copies to the Trustee and the Series 2009 A-4 Lender, a proposal to engage a new Manager meeting the requirements of this Section 28. Each of the Issuer and the Series 2009 A-4 Lender shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall within 60 days terminate the existing Manager's engagement and engage the new Manager.

Notwithstanding any other provision of this Section 28 to the contrary, the Series 2009 A-4 Lender may at any time by written instruction to the Issuer, the Trustee and the Owner deny the Issuer's request for a replacement Manager and direct that the existing Manager be retained.

Section 29. Freddie Mac Rider. During any period that the Federal Home Loan Mortgage Corporation ("Freddie Mac") is the Credit Facility Provider for the Bond Mortgage Loan or the Series 2009 A-4 Bonds, the Freddie Mac Rider, attached hereto as EXHIBIT E and made a part of this Regulatory Agreement by reference hereto, shall be in full force and effect, and shall control over the provisions of this Regulatory Agreement to the extent of any inconsistency.

Section 30. Reporting Requirements under the Program. The Owner hereby covenants and agrees with the Issuer and the Trustee to comply with all reporting and other requirements of the Program applicable to the Bonds and the Project so long as this Regulatory Agreement is in effect (collectively, the "Program Requirements"), and to notify the Issuer promptly in writing, as provided in Section 23 hereof, if, to the knowledge of the Owner, there exists any anticipated or actual failure to comply with such Program Requirements. The Owner hereby further acknowledges and agrees that compliance with Program Requirements is the sole responsibility of the Owner and shall not be the responsibility of the Issuer or the Trustee.

Section 31. Conditions to Effectiveness. As required by Section 22 of the Original Regulatory Agreement, this Regulatory Agreement shall become effective only upon (i) written consent of the Series 2009 A-4 Lender, which shall be evidenced by the signature of the Series 2009 A-4 Lender attached hereto and (ii) receipt by the Issuer and the Trustee of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Housing Law.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Issuer, the Trustee and the Owner have executed this [Amended and Restated](#) Regulatory Agreement by duly authorized representatives, all as of the date first above written.

**CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY**

By: _____
Authorized Signatory

[Signature page – [Amended and Restated](#) Regulatory Agreement]

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee**

By: _____
Authorized Officer

Consented to by:
FREDDIE MAC,
as Series 2009 A-4 Lender

By: _____
Authorized Officer

**TULE VISTA ASSOCIATES, A CALIFORNIA
LIMITED PARTNERSHIP**

By: KAWEAH MANAGEMENT COMPANY,
a California 501(c)(3) Corporation

Its: Managing General Partner

By: _____
Kenneth Kugler, Director

By: ROOPE L.L.C.,
an Idaho Limited Liability Company,

Its: Administrative General Partner

By: _____
Caleb Roope, Managing Member

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

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

Lots 1 through 57, inclusive, and Lots A through F, inclusive, of Tule Vista Subdivision, in the City of Tulare, County of Tulare, State of California, according to the map thereof recorded in Book 43, Page 12 of Maps, Tulare County Records.

EXHIBIT B

FORM OF INCOME CERTIFICATION

TENANT INCOME CERTIFICATION

Effective Date: _____
 Move-in Date: _____
 (MM/DD/YYYY)

Initial Certification Recertification Other

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____
 Address: _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$	\$	\$	\$
Add totals from (A) through (D), above			TOTAL INCOME (E):	\$

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$	\$
Enter Column (H) Total If over \$5000 \$ _____ X		Passbook Rate 2.00%	=	(J) Imputed Income \$
Enter the greater of the total of column I, or J: imputed income			TOTAL INCOME FROM ASSETS (K)	\$
(L) Total Annual Household Income from all Sources [Add (E) + (K)]				\$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature

(Date)

Signature

(Date)

Signature

(Date)

Signature

(Date)

EXHIBIT C

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this ___ day of _____, 20___, the undersigned, having borrowed certain funds from the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

A. During the preceding quarter (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, (ii) ___% of the units in the Project were at all times Low Income Units (minimum of 40%).

B. Set forth below is certain information regarding occupancy of the Project as of the date hereof.

- 1. Total Units: _____
- 2. Total Units Occupied: _____
- 3. Total Units Held Vacant
and Available for Rent to Low Income Tenants _____
- 4. Total Low Income Units Occupied: _____
- 5. % of Low Income Units to Total Units _____%
(equals the Total of Lines 3 and 4, divided by the lesser of Line 1 or Line 2)

C. Set forth below are the names of Low Income Tenants who commenced or terminated occupancy during the preceding quarter.

<u>Commenced Occupancy</u>	<u>Terminated Occupancy</u>
1.	1.
2.	2.
3.	3.

D. Set forth below is the unit number and name of the head of household of each unit that was a Low Income Unit as of the beginning of the previous quarter, but has ceased to be a Low Income Unit because (a) the gross income of the tenants of such unit, as of the most recent determination thereof, exceeds one hundred forty percent (140%) of the applicable income limit for a Low Income Tenant, adjusted for family size, or (b) all the individuals in such unit are currently students (as

defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code:

<u>Unit Number</u>	<u>Name (Head of Household)</u>
1.	1.
2.	2.
3.	3.

E. The Low Income Units are of similar size and quality to other units and are dispersed throughout the Project.

F. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Loan Agreement or the Deed of Trust.] [A default has occurred under the _____. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

G. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

Owner

EXHIBIT E

FREDDIE MAC RIDER

This Freddie Mac Rider (the “Rider”) is attached to and forms a part of the Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”), dated as of September 1, 2010, [_____, 2011], by and among California Statewide Communities Development Authority (the “Issuer”), Wells Fargo Bank, National Association, as bond trustee for the Bonds (as defined herein) (together with any successor in such capacity, the “Trustee”), and Tule Vista Associates, a California Limited Partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “Owner”).

Section 1. Definitions. Terms used in this Rider as defined terms shall have the meanings given those terms in the Regulatory Agreement. In addition, the following terms shall have the following meanings:

“*Bonds*” means the California Statewide Communities Development Authority Affordable Multifamily Housing Revenue Bonds (Tule Vista Apartments Project) 2009 Series A-4.

“*Bond Mortgage*” means the First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, together with all riders thereto, securing the Bond Mortgage Note, to be executed by the Owner with respect to the Project, as it may be amended, modified, supplemented or restated from time to time.

“*Bond Mortgage Loan*” means the loan to the Owner pursuant to the Bond Mortgage Loan Documents, which Bond Mortgage Loan is to be assigned to the Trustee.

“*Bond Mortgage Loan Documents*” means the Bond Mortgage Note, the Bond Mortgage, the Financing Agreement, the Regulatory Agreement, any Custodial Escrow Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, the Reimbursement Mortgage, the Intercreditor Agreement and any and all other instruments documenting, evidencing, securing or otherwise relating to the Bond Mortgage Loan.

“*Bond Mortgage Note*” means the Bond Mortgage Note, including applicable addenda, to be executed by the Owner in favor of the Issuer, evidencing the Owner’s financial obligations under the Bond Mortgage Loan, and to be endorsed by the Issuer, without recourse, to the order of the Trustee, as the same may be amended, modified, supplemented or restated from time to time.

“*Financing Agreement*” means the Financing Agreement, dated as of September 1, 2010, among the Issuer, the Trustee and the Owner, relating to the Bonds and the Bond Mortgage Loan, as amended, modified, supplemented or restated from time to time.

“*Freddie Mac*” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States.

“*Indenture*” means the Indenture, dated as of December 1, 2009, as amended and supplemented by that certain Series Indenture, dated as December 1, 2009, as amended by the First Amendment to Indenture, dated as of June 1, 2010, and as further supplemented by that certain Series Indenture, dated as of September 1, 2010, each by and between the Issuer and the Trustee.

“*Servicer*” means Citibank, N.A., or any successor Servicer selected by Freddie Mac.

Section 2. Applicability. The provisions of this Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.

Section 3. Indemnification. Inasmuch as the covenants, reservations and restrictions of the Regulatory Agreement run with the land, the indemnification obligations of the Owner contained in the Regulatory Agreement will be deemed applicable to any successor in interest to the Owner, but, it is acknowledged and agreed, notwithstanding any other provision of the Regulatory Agreement to the contrary, that neither Freddie Mac nor any successor in interest to Freddie Mac will assume or take subject to any liability for the indemnification obligations of the Owner for acts or omissions of the Owner prior to any transfer of title to Freddie Mac, whether by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. The Owner shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to Freddie Mac. Freddie Mac shall indemnify the Issuer following acquisition of the Project by Freddie Mac, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan, during, and only during, any ensuing period that Freddie Mac owns and operates the Project, provided that Freddie Mac’s liability shall be strictly limited to acts and omissions of Freddie Mac occurring during the period of ownership and operation of the Project by Freddie Mac. Freddie Mac shall have no indemnification obligations with respect to the Bonds or the Bond Mortgage Loan Documents. The Owner shall remain liable under the Regulatory Agreement for its actions and omissions prior to any transfer of title to Freddie Mac.

Section 4. Sale or Transfer. Restrictions on sale or transfer of the Project or of any interest in the Owner, Issuer and/or Trustee consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to Freddie Mac or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. No transfer of the Project shall operate to release the Owner from its obligations under the Regulatory Agreement; provided, however, that the Owner shall be released from obligations under the Regulatory Agreement incurred after a transfer made in compliance with this section. Nothing contained in the Regulatory Agreement shall affect any provision of the Bond Mortgage or any of the other Bond Mortgage Loan Documents that requires the Owner to obtain the consent of Freddie Mac as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Owner, excluding transfers permitted by the Bond Mortgage. No covenant obligating the Owner to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to Freddie Mac upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan by Freddie Mac, or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. Any written consent to a sale or transfer obtained from the Issuer must be deemed to constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions.

Section 5. Enforcement. Notwithstanding anything contained in the Regulatory Agreement or the Indenture to the contrary:

(a) the occurrence of an event of default under the Regulatory Agreement shall not, under any circumstances whatsoever, be deemed or constitute a default under the Bond Mortgage Loan Documents, except as may be otherwise specified in the Bond Mortgage Loan Documents;

(b) neither the Issuer nor the Trustee may, upon the occurrence of an event of default under the Regulatory Agreement, seek, in any manner, to (a) cause or direct acceleration of the Bond Mortgage Loan, (b) enforce the Bond Mortgage Note, (c) foreclose on the Bond Mortgage, (d) cause the Trustee to redeem the Bonds or to declare the principal of the Bonds and the interest accrued on the Bonds to be immediately due and payable or (e) cause the Trustee to take any other action under any of the Bond Mortgage Loan Documents or any other documents which action would or could have the effect of achieving any one or more of the actions, events or results described in the preceding clauses (a) through (d); and

(c) the occurrence of an event of default under this Regulatory Agreement shall not impair, defeat or render invalid the lien of the Bond Mortgage.

No person other than Freddie Mac shall have the right to (a) declare the principal balance of the Bond Mortgage Note to be immediately due and payable or (b) commence foreclosure or other like action with respect to the Bond Mortgage. The Issuer and the Trustee acknowledge the foregoing limitations.

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer or the Trustee to specifically enforce the Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Internal Revenue Code and state law. Accordingly, upon any default by the Owner, the Issuer or the Trustee may seek specific performance of the Regulatory Agreement or enjoin acts which may be in violation of the Regulatory Agreement or unlawful, but neither the Issuer nor the Trustee may seek any form of monetary recovery from the Owner, although the Issuer may seek to enforce a claim for indemnification, provided that no obligation of the Owner under the Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Owner, occasioned by breach or alleged breach by the Owner of its obligations under the Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Issuer, the Trustee or any other person, and all such obligations shall be, and by this Rider are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Bond Mortgage Loan Documents. Accordingly, neither the Issuer nor the Trustee shall have the right to enforce any monetary obligation other than directly against the Owner, without recourse to the Project. In addition, any such enforcement must not cause the Owner to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Owner under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under the Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of the Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the Project.

Accordingly, no subsequent owner of the Project shall be liable or obligated for the obligation of any prior owner (including the Owner), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of the Regulatory Agreement or otherwise. The owner of the Project at the time the obligation was incurred, including any obligation arising out of a default or breach of the Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by the owner even after such person ceases to be the owner of the Project, and no person seeking such payments or damages shall have recourse against the Project.

Under no circumstances shall the Issuer or the Trustee:

- (a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Owner to timely pay the principal of, interest on, or other amounts due and payable under, the Bond Mortgage Loan;
- (b) interfere with or attempt to influence the exercise by Freddie Mac of any of its rights under the Bond Mortgage Loan, including, without limitation, Freddie Mac's remedial rights under the Bond Mortgage Loan Documents upon the occurrence of an event of default by the Owner under the Bond Mortgage Loan; or
- (c) upon the occurrence of an event of default under the Bond Mortgage Loan, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan.

Section 6. Notice of Violations. Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Owner, the Servicer and Freddie Mac, inform the Owner, the Servicer and Freddie Mac that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Bond Mortgage Loan, to enforce the Bond Mortgage Note or to foreclose on the Bond Mortgage.

Section 7. Amendments. The Regulatory Agreement shall not be amended without the prior written consent of Freddie Mac.

Section 8. Fees; Penalties. Freddie Mac shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by the Owner or any subsequent owner of the Project prior to the date of acquisition of the Project by Freddie Mac, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan.

Section 9. Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 3 through 6 and in Section 8, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Bond Mortgage Loan Documents.

Section 10. Third-Party Beneficiary. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Freddie Mac and are entered into for the benefit of various parties, including

Freddie Mac. Freddie Mac shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, Freddie Mac is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

Section 11. Notices. Copies of all notices under the Regulatory Agreement shall be sent to the Servicer at the address set forth below or to such other address as the Servicer may from time to time designate:

Citibank, N.A.
c/o Berkadia Commercial Mortgage LLC
116 Welsh
P.O. Box 809
Horsham, Pennsylvania 19044
Attention: Servicing – Account Manager
Telephone: (215) 328-3866
Facsimile: (215) 328-3478

with a copy to:

Citibank, N.A.
Citi Community Capital
Municipal Securities Division
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/Asset Manager
Telephone: (805) 557-0930

Any notice to be given to Freddie Mac shall be sent to Freddie Mac at the address set forth below or to such other address as Freddie Mac may from time to time designate:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B4Q
McLean, VA 22102
Attention: Director of Multifamily Loan Accounting
Telephone: (703) 714-4177
Facsimile: (571) 382-4798

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive, MS 210
McLean, VA 22102
Attention: Managing Associate General Counsel—
Multifamily Legal Division
Telephone: (703) 903-2000
Facsimile: (703) 903-2885

with a copy to: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B4F
McLean, VA 22102
Attention: Director of Multifamily Loan Servicing
Telephone: (703) 903-2000
Facsimile: (703) 714-3003

EXHIBIT F
HOMEOWNERSHIP CONVERSION PLAN

Document comparison by Workshare Professional on Tuesday, January 11, 2011
5:45:28 PM

Input:	
Document 1 ID	interwovenSite://SFDMS01/US_WEST/260958686/5
Description	#260958686v5<US_WEST> - Regulatory Agreement - Tule Vista - CSCDA 2010 NIBP
Document 2 ID	interwovenSite://SFDMS01/US_WEST/261071393/1
Description	#261071393v1<US_WEST> - DRAFT Amended and Restated Regulatory Agreement - Tule Vista - CSCDA 2010 NIBP
Rendering set	standard

Legend:	
Insertion	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	33
Deletions	10
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	43

Brief Overview of Proposal

Tule Vista Associates is proposing construction of a 57 unit multifamily rental project with a 55 year regulatory agreement, containing provisions for conversion to homeownership at the end of 15 years in compliance with Section 42 of the IRS Code. Revenue Ruling 95-49 [1995-2 C.B. 7, 1995-29 I.R.B. 4] provides that an extended low-income housing commitment satisfies Section 42(h)(6) of the IRS Code even though its provisions may be suspended or terminated after the compliance period when a tenant exercises a right of first refusal to purchase a low-income building. Our intention is to sell the 57 units at the end of the 15 year Federal compliance period, and minimum tax-exempt bond regulatory agreement period, to qualified low income households, providing a “first right of refusal” to residents in good standing six months prior to the end of the compliance period.

Tule Vista will be constructed as a 57 lot subdivision in the City of Tulare, although it will be developed as a multifamily project with contiguous lots and open space. A lighting and landscape maintenance district will be established with an assessment to the lots to provide for ongoing maintenance. The “hard money debt” will be limited to \$ 3 Million Dollars at rent up and therefore allow for a number of realistic conversion scenarios. The remaining debt is soft money financing from the Redevelopment Agency of the City of Tulare (RDA), and the Housing Authority of County of Tulare (HATC), working in concert to make Tule Vista possible. Soft debt is be payable from residual receipts, and can be used to reduce potential purchase prices.

Provided market conditions are favorable, the RDA will advise of its interest to purchase the Tule Vista project for the outstanding debt at the end of the 15 year Federal compliance period. Existing residents in good standing will be offered a “first right of refusal” on the unit they occupy at an amount affordable to households earning 80% of area median income. Residents shall have six months in which to exercise their first rights of refusal, and purchase the property. Houses

that are not purchased by existing residents will be made available to other low-income households in the market desiring home ownership to the extent that the home is vacated by the previous resident. The City of Tulare anticipates having first time home ownership assistance available, and will provide home ownership counseling as part of the process. No involuntary relocation of Tule Vista's residents will be triggered as a result of the project's conversion to homeownership status.

The potential for conversion is made stronger due to participation by the Housing Authority of the County of Tulare through project-based housing vouchers that have been committed for 15 years. These vouchers make it possible for residents to pay relatively low rents and save money toward down payments.

A market study and feasibility scenarios will be undertaken no later than the 13th year after the project is placed in service to determine demand, resident interest in purchasing their houses, and financial options available to potential buyers.

Although we believe conversion of Tule Vista is feasible as a result of the construction design and configuration of the project as a single family neighborhood, and the limited hard debt, it is impossible to know with certainty market conditions that far in advance. In the event conversion is not feasible based upon market conditions, and the RDA does not purchase Tule Vista, the development will continue as a rental project for the duration of the tax credit and tax-exempt bond regulatory agreements or until such time as conversion becomes feasible.

Authority and Reason for Conversion Request

This conversion proposal is submitted in accordance with Section 10325(9) (b) of the CTCAC regulations and Section 5192(b) of the CDLAC regulations related to conversion from the 55 year extended regulatory compliance to a 15 year home ownership option.

Section 42 of the IRS Code supports home ownership opportunities for residents of low-income housing rental developments by allowing owners to sell homes to residents following the completion of the IRS' initial compliance period of 15 years. Conversion of low-income tax credit rental units to home ownership can be beneficial to residents, owners, and the community in which the project is located. The potential of home ownership can serve to motivate residents to save money toward the purchase price, better maintain their units, and adhere to lease terms in preparation for ownership. Many of the objections from communities to perceived problems associated with rental housing developments can be answered by constructing attractive single-family units that have potential for conversion to individual ownership, while targeting blighted areas in need of revitalization. Tule Vista is submitted in response to a request by the RDA for revitalization of an in-fill, blighted area on the City's west side, wherein single family home ownership is desired but not practical at this time.

Similar projects are being undertaken in a number of states. A few states that are actively encouraging home ownership conversion applications include Missouri, Arizona, Utah, Michigan, and Kansas. We have spent considerable time and effort contacting State Housing Finance Agencies and nonprofit and for profit developers that are pursuing this option.

Our proposal is similar to the "CROWN" program in Utah, that has a set aside of tax credits just for this purpose.

Feasibility

The 2008 median income figures for a family of four in Tulare County is \$53,800. Eighty percent of median income is \$43,040. It is anticipated that the 57 houses and lots will have an average market value of in excess of \$200,000 each at the end of 15 years. Purchase prices are anticipated at up to 80% of market value, or \$160,000 on average. This will be in excess of the hard money debt of \$3 Million, and the HATC soft money debt of \$3.9 Million plus accrued interest. Please refer to the pro forma for details.

Thirty percent of 80% of median income for a family of four in 2008 is \$1076 per month, which will amortize in excess of \$179,000 at six percent interest for 30 years. Based upon these average figures, a family earning 80% of median income and paying 30% of gross income, should easily qualify to purchase a home in Tule Vista. Down payment assistance can also be provided by the City of Tulare, with resale restrictions mirroring the first time home owner program.

The current first time homebuyer program in Tulare provides \$60,000 per home in mortgage funding, and is recorded as a silent second. These first time home buyer funds together with new homeowner first mortgage money should retire the hard money financing on the multifamily project and return the Housing Authority's soft money as well. The City of Tulare funding from the RDA will be forgiven or rolled into subordinate debt to the extent appraisals or median incomes will not support further reduction of debt. It is expected, however, that median incomes will be substantially higher in 15 years, and purchase prices will be higher as well. This would allow the RDA to retire more of their soft debt by selling the homes at higher prices to qualified low-income buyers.

In many of the home ownership programs we've reviewed, "first right of refusals" are entered into at the time units are first rented, and assume residents will remain in place for the entire 15 year compliance period in order to purchase units when they become available. We believe such scenarios are unrealistic, and may violate tax-exempt bond covenants. Most renters do not stay in place for that length of time. In fact, HATC has found their average tenancy is less than five years. For that reason, we do not believe it advisable to enter into first right of refusals until six months prior to completion of the compliance period, and after the RDA has decided market conditions are suitable to allow the RDA to purchase, committing the project to home ownership. This provides ample time to obtain appraisals, counsel residents in home ownership, assess the condition of units, and perform a market study and feasibility analysis with current data.

The decision to purchase and convert the project is, therefore, left to the discretion of the RDA, not the project owner.

Discussion of Specific Provisions and Processes

1. No conversions to home ownership shall be allowed prior to the full 15 year tax credit Federal Compliance period and minimum tax-exempt bond regulatory period on the entire 57 unit project.
2. The RDA may offer to purchase the project at the end of the 15 year Federal compliance and tax credit and tax-exempt bond period for the amount of the existing debt on Tule Vista, in accordance with the partnership agreement of the project owner and subject to the minimum purchase price required in Section 42(i)(7)(B) of the Code and defined as an amount equal to the sum of the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the residents) and all Federal, State, and local taxes attributable to such sale.
3. Notwithstanding #2 above, the sales prices are anticipated not to exceed prices affordable to households earning 80% of area median income.
4. The homes will be sold to existing residents in place and in good standing as of the conversion date, or to other qualified low-income purchasers, with incomes defined as no more than 80% of median income.
5. Home ownership counseling will be required of all existing resident purchasers at least six months prior to conversion. The RDA has agreed to oversee such counseling.