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5/21/1999 8:00 AM

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA
Santa Clara City Hall
1500 Warburton Avenue
Santa Clara, California 95050
Attention: Jennifer Sparacino

SPACE ABOVE THIS LINE
FOR RECORDER'S USE

AGREEMENT CONTAINING AFFORDABLE HOUSING COVENANTS

THIS AGREEMENT is made as of May 5, 1999, by and between MID-PENINSULA HOUSING COALITION, a California nonprofit public benefit corporation (hereinafter referred to as the "Developer") and the REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA, a public body corporate and politic (hereinafter referred to as the "Agency"), with reference to the following facts:

RECITALS

A. The Developer and Agency have heretofore entered into that certain Affordable Housing Grant Agreement dated as of April 13, 1999 (the "Grant Agreement"), which is incorporated herein by this reference, pursuant to which the Agency has agreed to provide funding to assist Developer to purchase that certain real property in the City of Santa Clara, County of Santa Clara, State of California, described in Exhibit "A" attached hereto and made a part hereof, and construct a project consisting of thirty-three (33) 2-bedroom units of multifamily rental housing, which will be rented exclusively, at an affordable rent, to Very Low Income households, for not less than 30 years following initial occupancy. Such real property, along with all improvements of every kind and description now or hereafter erected or placed thereon as the context may require, shall be referred to herein as the "Property."

B. The Agency has incurred and will incur substantial public expense to perform its obligations under the Grant Agreement, including a commitment of \$2,500,000 in funds derived from the Bayshore North Redevelopment Project Low and Moderate Income Housing Fund, in accordance with California Health and Safety Code Section 33334.2 et seq..

NOW, THEREFORE, AGENCY AND DEVELOPER COVENANT AND AGREE AS FOLLOWS:

1. Uses - General. The Developer covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Property or any part thereof) that the Developer, such successors, and such assigns shall devote the Property (and any part thereof), to the uses specified therefor in the Grant Agreement and this Agreement. Any capitalized term not defined herein shall have the same meaning as ascribed to it in the Grant Agreement.

2. Residential Uses. The Developer, for itself and its successors and assigns, hereby covenants and agrees that all the 33 residential units (other than one unit when it is occupied by a resident manager) shall be rented exclusively to households having an adjusted family income not greater than 50 percent of the area median income, at affordable rents (as set forth in Section 2, below), and only such households shall be eligible to occupy the units. For purposes of this Agreement, such income shall be referred to as "Very Low Income". The Agency acknowledges that the Property will be used initially as 33 units of multi-family rental housing for homeless families in need of transitional housing and related social services.

3. Rents. Developer, its successors and assigns shall not charge rents in excess of the amounts set forth in this Section 3; provided, that nothing contained herein shall require Developer to charge rent.

a. Initial monthly rents at the time of the initial lease-up of the apartments (including a reasonable utility allowance for utilities to be paid by tenants) shall not exceed the product of 1/12 times 30 percent times 50 percent of the area median income, adjusted for family size.

b. Subsequent rent increases, which may occur not more frequently than annually, shall not exceed the annual increase, if any, in the area median income, but in no case may rents (plus a reasonable utility allowance for utilities to be paid by tenants) exceed the product of 30 percent times 50 percent of the area median income adjusted for family size.

c. The area median income, adjusted for family size, shall be based upon the schedules of area median income issued from time to time by the United States Department of Housing and Urban Project ("HUD"). Upon request, Agency shall notify Developer of the applicable area median income limits at the time of initial lease-up and annually thereafter, as revised schedules are issued by HUD.

4. Preference to Relocates. Developer, its successors and assigns shall provide preference in the selection of eligible tenants to persons who have been displaced by Agency activities. Developer and Agency shall cooperate to effectuate this provision prior to the initial renting, or upon occurrence of a vacancy, or the re-renting of any dwelling units. Developer acknowledges and agrees that this paragraph is intended to comply with Section 33411.3 of the California Health and Safety Code.

5. Annual Report. Developer covenants and agrees to submit to the Agency an annual report (the "Annual Report") required by Health and Safety Code Section 33418. The Annual Report shall include for each rental unit the rental rate and the income and family size of the occupants. The income information shall be supplied by the tenant in a certified statement on a form provided by the Agency. The Developer shall submit the Annual Report on or before the end of the first calendar quarter of the year following the year covered by the Annual Report. The Developer shall provide for the submission of such information in its leases with tenants.

6. Management Plan. Developer, its successors and assigns shall prepare, submit to the Agency and maintain in effect a Management Plan in accordance with the following:

a. Prior to the recordation of this Agreement, Developer submitted to the Agency and the Agency approved a Management Plan that includes at a minimum the components listed below. The Management Plan, including such amendments as may be approved in writing by the Agency, shall remain in effect for the longest feasible time, but not less than 30 years. Developer shall not amend the Management Plan or any of its components without the prior written consent of the Agency. The components of the Management Plan shall include:

(1) Management Agent. The name and qualifications of the proposed management agent. The Agency shall approve or disapprove the proposed Management Agent in writing based on the experience and qualifications of the Management Agent. The Management Agency shall have demonstrated experience in operating affordable housing comparable to the Project.

(2) Management Program. A description of the proposed management, maintenance, tenant selection and occupancy policies and procedures for the Project.

(3) Management Agreement A copy of the proposed management agreement specifying the amount of the management fee and the relationship and division of responsibilities between Developer and management agent.

(4) Tenant Lease or Rental Agreement A copy of the proposed tenant lease or rental agreement to be used in renting the dwelling units.

(5) Annual Budget Prior to the completion of construction and annually thereafter not later than fifteen (15) days prior to the beginning of the next fiscal year of the Project, the Developer shall submit a projected operating budget to the Agency for review and approval.

The Agency shall not unreasonably withhold, condition or delay its approval of any matter for which its approval is required hereunder, and such matter shall be deemed approved unless the Agency provides to Developer its written disapproval within thirty (30) days after receipt of a request for approval, provided Developer includes with its request, a written notice, in capital letters, stating as follows:

NOTICE: PURSUANT TO SECTION 6 OF THE AGREEMENT CONTAINING COVENANTS BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA AND MID-PENINSULA HOUSING COALITION, FAILURE BY THE AGENCY TO APPROVE OR DISAPPROVE THE MATTER SUBMITTED WITH THIS REQUEST WITHIN 30 DAYS SHALL BE DEEMED AN APPROVAL.

Any disapproval shall be in writing and contain the Agency's reasons for disapproval

b. The Developer hereby covenants and agrees, for itself, its successors and assigns to the Property or any portion thereof, as follows. The Agency shall have the right, at any time and from time to time, to give notice to Developer if the Agency determines that the Project is not being managed or maintained in accordance with the Management Plan or is otherwise not being managed or maintained satisfactorily, in light of the public funds provided to Developer for the development of the Site. The Agency may require the Developer to change management practices or to terminate the management contract and retain a different management agent, approved by the Agency. The Agency agrees that prior to requiring the Developer to change its management agent or the management practices the Agency shall informally consult with Developer, in an attempt to resolve the dispute. If the Agency determines that such an attempt at informal resolution has been unsuccessful, it shall give the Developer thirty (30) days written notice to change the management agent or practice, as the case may be. If Developer fails to do as requested by the Agency in the written notice, the Agency may then require the immediate change of the management practice or agent, as the case may be. The

management agreement shall provide that it is subject to termination by the Developer without penalty, upon thirty (30) days prior written notice, at the direction of the Agency. Within ten (10) days following a direction of the Agency to replace the management agent, the Developer shall select another management agent or make other arrangements satisfactory to the Agency for continuing management of the Project. The Developer shall notify the Agency upon learning that there is a voluntary change in the management or control of the management agent, and, if the change is unsatisfactory to the Agency, the Agency shall be entitled to require the Developer to change the management agent in accordance with the terms of this paragraph.

c. Following completion of construction, the apartments in the Project shall be occupied by tenants in accordance with all applicable program requirements of the organization then owning the Project, but in any event in accordance with the following rent-up schedule: (1) within 60 days after completion, not less than 10 units shall be occupied; (2) within 90 days after completion, not less than 20 units shall be occupied; and (3) within 120 days after completion, not less than 30 units shall be occupied.

7. Exterior Maintenance Program. Developer, its successors and assigns, shall prepare, submit to the Agency and maintain the improvements on the Property in accordance with the "Exterior Maintenance Program" described in Section 5.3 of the Grant Agreement). For so long as this Agreement is in effect, Developer shall maintain the exterior of the improvements in accordance with the Exterior Maintenance Program, as the same may be amended from time to time with written approval of the Executive Director of the Agency. In the event Developer fails to maintain the exterior of the improvements in accordance with the approved Exterior Maintenance Program, the Agency or its designee shall have the right, but not the obligation, to enter the Property, correct any violation, and hold the Developer responsible for the cost thereof, and such cost, until paid, shall constitute a lien on the Property.

8. Compliance with Laws. The Developer covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Property on any part thereof to operate the Property and the Improvements in conformity with all applicable laws (subject to Developer's right to contest the validity or applicability of laws or regulations), including all federal and state labor standards, maintain the Improvements on the Property, keep the Property and the Improvements thereon free from any accumulation of debris or waste materials, or graffiti and maintain the landscaping in a healthy condition. The Developer further covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property that it shall obtain the Agency's prior written approval before changing the number of bedrooms in the Improvements, or substantially modifying the exterior of the Improvements on the Property.

9. No Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, nor shall the Developer itself or any person claiming under or through Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Property.

10. Required Nondiscrimination Clauses. The Developer shall refrain from restricting the rental, sale or lease of the Property to any person on the basis of race, creed, color, religion, sex, marital status, national origin or ancestry. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry.

(b) In leases: "The lessee herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through it, and this lease is made and accepted upon and subject to the following conditions:

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

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

11. Duration of Covenants. The covenants established in this Agreement Containing Covenants and any amendments hereto approved by the Agency and the Developer shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Agency, its successors and assigns, and the City of Santa Clara. The covenants contained in Sections 9 and 10 of this Agreement shall remain in perpetuity. All other covenants contained in this Agreement shall remain in effect for the longest economically feasible time, but not less than 30 years, subject to the following:

(a) "Economically feasible" shall mean revenue equals or exceeds operating expenses, as those terms are customarily defined.

(b) After the expiration of thirty (30) years, the income limitations and rent restrictions contained in this Agreement may be modified if the owner of the Property either (i) demonstrates to the Agency that the project is no longer economically feasible at the restricted rents or (ii) provides an equal number of equivalent housing units off-site without public financial assistance. If the owner demonstrates to the Agency that it is no longer feasible to maintain the project at restricted rents, the Agency will either (A) agree to remove or modify all or part of the restrictions, or (B) offer additional financial subsidy or other assistance to the project in an amount which will ensure the continued economic feasibility of the project and the continuation of the income and rent restrictions.

12. Enforcement. The Agency is deemed the beneficiary of the terms and provisions of this Agreement and the covenants herein, both for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, for whose benefit this Agreement and the covenants running with the land have been provided. The Agency shall have the right if any covenants are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it is entitled. The performance of the Developer's obligations pursuant to this Agreement is secured by that certain Performance Deed of Trust in favor of Agency, which is being recorded concurrently with this Agreement.

13. Defaults. Subject to Force Majeure delays, and subject to the further provisions of this Section 13, failure or delay by the Developer to perform any term or provision of this Agreement constitutes a default.

(b) The Agency shall give written notice of default to the Developer, specifying the default complained of by the Agency. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by the Agency in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by the Agency in asserting any of its rights and remedies shall not deprive the Agency of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(d) If a monetary event of default occurs, prior to exercising any remedies hereunder, Agency shall give Developer written notice of such default. Developer shall have seven (7) days after such notice is given within which to cure the default prior to exercise of remedies by Agency.

(e) If a non-monetary event of default occurs, prior to exercising any remedies hereunder, Agency shall give Developer notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Developer shall have such period to effect a cure prior to exercise of remedies by the Agency under this Agreement. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Developer (i) initiates corrective action within said period, and (ii) diligently and in good faith works to effect a cure as soon as possible, then Developer shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Agency. In no event shall Agency be precluded from exercising remedies if necessary to avoid a foreclosure, or if the default is not cured within ninety (90) days after the notice of default is first given.

IN WITNESS WHEREOF, the Agency and the Developer have executed this Agreement.

REDEVELOPMENT AGENCY OF THE CITY OF
SANTA CLARA, a public body,
corporate and politic

By: Jennifer Sparacino
Jennifer Sparacino
Executive Director

ATTEST:

By: J. E. Boccignone
J. E. Boccignone
Secretary

APPROVED AS TO FORM:
MICHAEL R. DOWNEY,
Agency General Counsel

By: Michael R. Downey 5/4/99

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: Glenn Wasserman
Glenn F. Wasserman

MID-PENINSULA HOUSING COALITION, a
California nonprofit public benefit
corporation

Date: 5-10-99

By: [Signature]
Name:
Title:

State of California)
)
County of Santa Clara)

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

WITNESS my hand and official seal.

Notary's Signature

(SEAL)

State of California)
)
County of ~~Santa Clara~~)
 San Mateo

On 5-10-99, before me, Sherry Porrazzo, Notary,
personally appeared Fran Wagstaff, personally
known to me (or proved to me on the basis of satisfactory evidence)
to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the
same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the
entity upon behalf of which the person(s) acted, executed the
instrument.

WITNESS my hand and official seal.

Sherry Porrazzo
Notary's Signature

(SEAL)

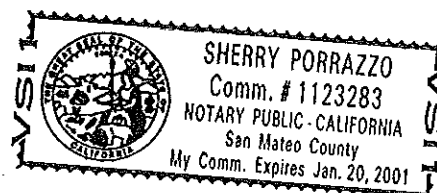


EXHIBIT A

DESCRIPTION OF THE PROPERTY

REAL PROPERTY in the City of Santa Clara, County of Santa Clara, State of California, described as follows:

All that real property situate in the City of Santa Clara, County of Santa Clara, State of California, being a portion of Parcel A and Parcel B, as said parcels are shown on that Parcel Map filed for record November 22, 1988, in Book 593 of Maps of pages 27 and 28, Santa Clara County Records, being described as follows:

Beginning at the most southeasterly corner of Parcel 3, as said Parcel 3 is described in that Grant Deed to the State of California recorded January 20, 1998 in Document No. 14015179, Official Records of Santa Clara County, said corner lying in the southeasterly line of said Parcel A, said line being the northwesterly line of the Proposed Agnew Road; thence northeasterly along the southeasterly line of said Parcel A and the northwesterly line of said Agnew Road, North $61^{\circ}50'17''$ East 177.05 feet; thence leaving said southeasterly line of said Parcel A, continuing along said northwesterly line of said Agnew Road, easterly along a tangent curve to the right with a radius of 1020.00 feet, through a central angle of $10^{\circ}37'06''$ for an arc length of 189.03 feet; thence leaving said northwesterly line of Agnew Road parallel to the northeasterly line of said Parcel 3. North $28^{\circ}10'46''$ West 257.92 feet to the southeasterly line of Parcel 2 as said Parcel 2 is described in said Grant Deed to the State of California recorded January 20, 1998 in Document No. 14015179; thence southwesterly along the southeasterly lines of said Parcel 2, South $61^{\circ}49'13''$ West 323.00 feet and South $16^{\circ}49'14''$ West 59.40 feet to said northeasterly line of said Parcel 3; thence southeasterly along said northeasterly line South $28^{\circ}10'46''$ East 198.34 feet to the Point of Beginning. Containing 2.019 acres, more or less.