

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

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REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

Mercy Housing California 78, L.P.,
a California limited partnership, as Borrower

Dated as of April 1, 2019

Relating to:

City and County of San Francisco
Multifamily Housing Revenue Note
(691 China Basin Apartments),
Series 2019E

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REGULATORY AGREEMENT AND DECLARATION OF
RESTRICTIVE COVENANTS

This REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this “Regulatory Agreement”) is made and entered into as of April 1, 2019, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation and chartered city and county, duly organized and validly existing under its City Charter and the Constitution and the laws of the State of California (together with any successor to its rights, duties and obligations hereunder, the “City”) and MERCY HOUSING CALIFORNIA 78, L.P., a California limited partnership (the “Borrower”), owner of a leasehold interest in the land described in Exhibit A attached hereto.

RECITALS

A. WHEREAS, pursuant to the Charter of the City, Article I of Chapter 43 of the Administrative Code of the City and County of San Francisco Municipal Code and, as applicable, Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as now in effect and as may be amended or supplemented (collectively, the “Act”), the City is authorized to issue revenue notes to make loans in order to finance the construction and development of multifamily rental housing; and

B. WHEREAS, the Board of Supervisors of the City has authorized the execution and delivery of a multifamily mortgage revenue note under the Act in connection with the construction of a multifamily residential affordable rental housing development located on the site described in Exhibit A hereto to be known as 691 China Basin Apartments (the “Project”), which Project shall be subject to the terms and provisions hereof; and

C. WHEREAS, in furtherance of the purposes of the Act and as a part of the City’s plan of financing affordable housing, the City is executing and delivering its revenue note designated “City and County of San Francisco Multifamily Housing Revenue Note (691 China Basin Apartments), Series 2019E” (the “Note”) pursuant to the terms of a Funding Loan Agreement of even date herewith (the “Funding Loan Agreement”), by and among the City, Bank of America, N.A., as lender (the “Funding Lender”) and __U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), the proceeds of which Note are to be loaned to the Borrower (the “Loan”) pursuant to a Borrower Loan Agreement, of even date herewith (the “Loan Agreement”), among the City, the Fiscal Agent and the Borrower to finance a portion of the costs of the Project; and

D. WHEREAS, the City hereby certifies that all things necessary to make the Note, when executed and delivered as provided in the Funding Loan Agreement, the valid, binding and limited obligation of the City have been done and performed, and the execution and delivery of the Funding Loan Agreement and the Note, subject to the terms thereof, in all respects have been duly authorized; and

E. WHEREAS, the Code (as hereinafter defined) and the regulations and rulings promulgated with respect thereto and the Act prescribe that the use and operation of the Project be restricted in certain respects and in order to ensure that the Project will be constructed, equipped,

used and operated in accordance with the Code and the Act, the City and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the construction and operation of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the City and the Borrower agree as follows:

1. Definitions and Interpretation. Capitalized terms used herein have the meanings assigned to them in this Section 1, unless the context in which they are used clearly requires otherwise:

“Act” - The Charter of the City, Article I of Chapter 43 of the Administrative Code of the City and County of San Francisco Municipal Code and, as applicable, Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Adjusted Income” - The adjusted income of a person (together with the adjusted income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) as calculated in the manner prescribed pursuant to Section 8 of the Housing Act, or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under Section 142 of the Code and the Act.

“Affiliated Party” – A(n) (a) Person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, (b) Person who together with the Borrower are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein), (c) partnership and each of its partners (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, and (d) S corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code.

“Annual Monitoring Report” has the meaning set forth in Section 5(l).

“Area” - The HUD Metro Fair Market Rent Area (HMFA), or the successor area as determined by the U.S. Department of Housing and Urban Development, in which the Project is located.

“Authorized Borrower Representative” - Any person who at the time and from time to time may be designated as such, by written certificate furnished to the City containing the specimen signature of such person and signed on behalf of the Borrower by the general partner of the Borrower, which certificate may designate an alternate or alternates.

“Available Units” - Residential units in the Project (except for not more than one unit set aside for a resident manager) 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 constructed or (ii) the date of execution and delivery of the Note 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.

“Bond Counsel” - An attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the issuance, sale and delivery of Tax-Exempt debt issued by states and their political subdivisions including as the context requires matters pertaining to the Act and the Code, who is selected by the City and duly admitted to the practice of law before the highest court of the State.

“Borrower” – Mercy Housing California 78, L.P., a California limited partnership, and its permitted successors and assigns.

“Borrower Loan Agreement” - The Borrower Loan Agreement, of even date herewith, among the City, the Fiscal Agent and the Borrower, pursuant to which the Loan was made.

“CDLAC” - The California Debt Limit Allocation Committee.

“CDLAC Requirements” - The requirements described in Section 7 of this Regulatory Agreement.

“CDLAC Resolution” - The Resolution described in Section 7 of this Regulatory Agreement.

“Certificate of CDLAC Compliance” – The CDLAC Certification of Compliance II with respect to the Project to be filed by the Borrower with the City and the Program Administrator, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit G, or such other form as is provided by CDLAC.

“Certificate of Continuing Program Compliance” - The Certificate with respect to the Project to be filed by the Borrower with the City and the Program Administrator, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit D, or such other form as is provided by the City, and executed by an Authorized Borrower Representative.

“Certificate of Preference” - A residential Certificate of Preference issued by the City pursuant to the City’s Certificate of Preference Program, as further described in the attached Exhibit K-1.

“City” – The City and County of San Francisco, California.

“City Median Income” – The “Maximum Income by Household Size” derived by the Mayor’s Office of Housing and Community Development and published annually, based on the unadjusted area median income for the Area, as determined annually by HUD in a manner consistent with determinations of area median gross income under Section 8 of the Housing Act and Section 3009a of the Housing and Economic Recovery Act of 2008 or, if said Section 8 is

terminated, as prescribed pursuant to said Section 8 immediately prior to its termination, and being adjusted for household size, but unadjusted for high housing costs.

“Closing Date” - The date of the execution and delivery of the Note, being _____, 2019.

“Code” - The Internal Revenue Code of 1986, as in effect on the date of execution and delivery of the Note or (except as otherwise referenced herein) as it may be amended to apply to Tax-Exempt debt issued on the date of execution and delivery of the Note, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Commercial Space” - The approximately 7,000 square feet of ground floor space of the Project intended to be used for a child care center and a community serving commercial space.

“Completion Certificate” - The certificate of completion of the construction of the Project required to be executed by an Authorized Borrower Representative and delivered to the City (with a copy to the Lender) by the Borrower pursuant to Section 2(d) of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit C.

“Completion Date” - The date of completion of the construction of the Project, as that date shall be certified as provided in Section 2 of this Regulatory Agreement.

“Costs of Funding” - Issuance costs for purposes of Section 147(g) of the Code incurred with respect to the execution and delivery of the Note.

“CTCAC” - The California Tax Credit Allocation Committee.

“Declaration of Restrictions - OCII Loan” – The Declaration of Restrictions (691 China Basin Apartments) related to the Project and the OCII Loan Agreement, executed by the Borrower and the City, acting through OCII.

“Facilities” – The multifamily buildings, structures and other improvements on the Site to be constructed, improved, and equipped with proceeds of the Loan, and all fixtures and other property owned by the Borrower and located on the Site, or used in connection with, such buildings, structures and other improvements.

“Funding Loan Agreement” - The Funding Loan Agreement, of even date herewith, among the City, the Funding Lender and the Fiscal Agent.

“General Partner” – Mercy Housing Calwest, a California nonprofit public benefit corporation, and/or any other Person that the partners of Borrower, with the prior written approval of Lender (to the extent required pursuant to the Loan Documents), have selected to be a general partner of Borrower, and any successor general partner of the Borrower, in each case to the extent permitted under the Loan Documents and hereunder.

“Ground Lease” – The Ground Lease entered into as of _____, 2019 between OCII and the Borrower relating to the Site.

“Housing Act” - The United States Housing Act of 1937, as amended, codified as 42 U.S.C. §1437.

“Housing Authority” - The Housing Authority of the City and County of San Francisco and any successors.

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

“HUD” - The United States Department of Housing and Urban Development, its successors and assigns.

“Income Certification Form” - A fully completed and executed Income Certification Form substantially in the form referenced in Exhibit B to this Regulatory Agreement, or such other form as may be provided by the City.

“Inducement Date” – August 10, 2018, the effective date of the Inducement Resolution.

“Inducement Resolution” - Resolution No. 288-18, adopted by the Board of Supervisors of the City on July 31, 2018 and approved by the Mayor of the City on the Inducement Date, indicating its intention to issue Tax-Exempt obligations to finance a portion of the Project.

“Investor Limited Partner” – Bank of America N.A., or its affiliate(s), its successors or affiliates that have been admitted as a limited partner of Borrower in accordance with the Partnership Agreement, together with their respective successors and assigns.

“Lender” – Bank of America, N.A. and its successor and assigns.

“Loan” - The loan of the proceeds of the Note made to the Borrower pursuant to the Borrower Loan Agreement to provide financing for the construction of the Project.

“Loan Documents” – The Funding Loan Agreement, the Borrower Loan Agreement and the Tax Certificate.

“Low Income Tenant” means any Tenant whose Adjusted Income does not exceed sixty percent (60%) of the lower of City Median Income or Median Income for the Area; provided, however, that if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code or who fail to be described in Section 42(i)(3)(D) of the Code, such occupants shall not qualify as Low Income Tenants. The determination of a Tenant’s status as a Low Income Tenant shall initially be made by the Borrower on the basis of an Income Certification Form executed by the Tenant upon such Tenant’s occupancy of a unit in the Project and upon annual recertification thereafter.

“Low Income Unit” means a dwelling unit in the Project required to be rented to, or designated for occupancy by, Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

“Median Income for the Area” means the median gross income for the Area, as determined in a manner consistent with determinations of area median gross income under Section 8 of the Housing Act and Section 3009a of the Housing and Economic Recovery Act of 2008 or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under Section 142 of the Code and the Act, including adjustments for household size.

“Mortgage” - The Construction and Permanent Leasehold Deed of Trust with Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated for reference purposes as of the date hereof, executed by the Borrower in favor of the City for the purpose of securing the obligations of the Borrower under the Loan Documents and granting a first lien on the Project for the benefit of the City and assigned without recourse to the Funding Lender, including any amendments and supplements thereto as permitted by the Funding Loan Agreement.

“Note” - City and County of San Francisco Multifamily Housing Revenue Note (691 China Basin Apartments), Series 2019E, executed and delivered pursuant to the Funding Loan Agreement.

“OCII” - The Office of Community Investment and Infrastructure of the City and County of San Francisco (the Successor Agency to the Redevelopment Agency).

“OCII Loan Agreement” – The Amended and Restated Loan Agreement (OCII Property Trust Tax Fund) entered into as of _____, 2019, between the City, acting through the Office of Community Investment and Infrastructure, the Lender and the Borrower.

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of Mercy Housing California 78, L.P., by and among the, the General Partner, the Investor Limited Partner, Banc of America CDC Special Holding Company, Inc., a North Carolina corporation, as Special Limited Partner and South of Market Mercy Housing, a California nonprofit public benefit corporation, as Withdrawing Limited Partner.

“Permitted Encumbrances” – Has the definition given to it in the Construction and Permanent Funding Agreement.

“Program Administrator” - A governmental agency, a financial institution, a certified public accountant, an apartment management firm, a mortgage insurance company or other business entity performing similar duties or otherwise experienced in the administration of restrictions on multifamily housing projects financed with Tax-Exempt debt, which shall be the City initially and, at the City’s election, any other person or entity appointed by the City who shall enter into an administration agreement in a form acceptable to the City.

“Project” - The Facilities and the Site.

“Project Costs” - To the extent authorized by the Code, the Regulations and the Act, any and all costs incurred by the Borrower with respect to the construction of the residential component of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the

construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractor's and Borrower's overhead and supervisors' fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project), and interest accrued during construction and prior to the Completion Date. Project Costs do not include costs incurred with respect to the Commercial Space.

“Qualified Project Costs” - The Project Costs incurred after the date which is sixty days prior to the Inducement Date and that are chargeable to a capital account with respect to the Project for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts, within the meaning of Regulations Section 1.103-8(a)(1); provided, however, that only such portion of the interest accrued during construction of the Project shall constitute a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs, and provided further that such interest shall cease to be a Qualified Project Cost on the Completion Date, and provided still further that if any portion of the Project is being constructed by an Affiliated Party (whether as a general contractor or a subcontractor), “Qualified Project Costs” shall include only (a) the actual out-of-pocket costs incurred by such Affiliated Party in connection with the construction of the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Affiliated Party, and (c) any overhead expenses incurred by the Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Funding or costs of constructing the Commercial Space.

“Qualified Project Period” - The period beginning on the later of the Closing Date or the first day on which at least ten percent (10%) of the units in the Project are first occupied, and ending on the later of the following:

- (a) the date that is thirty (30) 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;
- (d) the date that is seventy-five (75) years after the Closing Date; or
- (e) such later date as may be provided in Section 5, Section 7, or Section 12 hereof.

“Qualified Tenant” – A Low Income Tenant or a Very Low-Income Tenant.

“Regulations” - The income tax regulations promulgated by the Internal Revenue Service or the United States Department of the Treasury pursuant to the Code from time to time.

“Regulatory Agreement” - This Regulatory Agreement and Declaration of Restrictive Covenants, together with any amendments hereto or supplements hereof.

“Restricted Unit” - A Low Income Unit or a Very Low-Income Unit.

“Section 8” - Section 1437f of the Housing Act, unless explicitly referring to a section of this Regulatory Agreement (e.g., “Section 8 hereof”).

“Servicer” shall have the meaning assigned to such term in the Funding Loan Agreement.

“Site” - The parcel or parcels of real property described in Exhibit A, which is attached hereto, and all rights and appurtenances thereto, and in which the Borrower has a leasehold interest.

“SSI” - Supplemental Security Income administered pursuant to P.L. 74-271, approved August 14, 1935, 49 Stat. 620, as now in effect and as it may from time to time hereafter be amended or supplemented.

“State” - The State of California.

“TANF” means the Temporary Assistance for Needy Families program administered pursuant to 42 U.S.C. §§ 601-687.

“Tax Certificate”- The Certificate as to Arbitrage (and to Post-Issuance Tax Compliance Procedures), dated the Closing Date, executed by the Borrower and the City, as executed on the Closing Date and as it may be amended or supplemented from time to time.

“Tax-Exempt” means, with respect to the status of interest on the Note or any other obligation, the exclusion of interest thereon from gross income of the owner thereof for federal income tax purposes pursuant to Section 103(a) of the Code (other than interest on any portion of the Note or other such obligation owned by a “substantial user” of the facilities financed with proceeds of the Note or such other obligation, or a “related person” within the meaning of Section 147 of the Code).

“Tenant” means, at any time of determination thereof, all persons who together occupy a single residential unit in the Project, and upon the occupancy of a unit by any individual in addition to the previous Tenant of such unit, such unit shall be deemed to be occupied by a new Tenant.

“Very Low-Income Tenant” means any Tenant whose Adjusted Income does not exceed fifty percent (50%) of the Median Income for the Area; provided, however, that if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Very Low-Income Tenants. The determination of a Tenant’s status as a Very Low-Income Tenant shall initially be made by the Borrower on the basis of the Income Certification Form executed by the

Tenant upon such Tenant's occupancy of a Restricted Unit in the Project and upon annual recertification thereafter.

"Very Low-Income Unit" means a dwelling unit in the Project required to be rented to, or designated for occupancy by, Very Low-Income Tenants pursuant to Section 4 of this Regulatory Agreement.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender used in this Regulatory Agreement 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 defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1 notwithstanding any contrary definition in the preamble or recitals 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.

2. Construction of the Project. The Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Borrower has incurred, or will incur within six (6) months after the Closing Date, a substantial binding obligation to a third party to expend at least the lesser of (i) two and a half percent (2½%) of the aggregate principal amount of the Note or (ii) \$100,000 for the payment of Qualified Project Costs.

(b) The Borrower's reasonable expectations respecting the total cost of construction of the Project and the disbursement of Loan proceeds are accurately set forth in the Tax Certificate, which has been delivered to the City on the Closing Date.

(c) The Borrower will proceed with due diligence to complete the construction of the Project and expects to expend the maximum authorized amount of the Loan for Project Costs within three (3) years of the Closing Date.

(d) The Borrower shall prepare and submit to the City a final allocation of the proceeds of the Loan to the payment of Qualified Project Costs, which allocation shall be consistent with the Cost Certification (as defined in the Partnership Agreement), within sixty (60) days after the Completion Date, but in any event no later than the earlier of (1) eighteen (18) months from the placed in service date for the Project, (2) the Maturity Date (as defined in the Loan Documents) or (3) the fifth anniversary of the Closing Date.

(e) No later than five (5) days after the Completion Date, the Borrower will submit to the City and the Lender a duly executed and completed Completion Certificate.

(f) Within thirty (30) days of the date on which fifty percent (50%) of the dwelling units in the Project are first occupied, the Borrower will submit to the City and the Lender a duly executed and completed Certificate as to Commencement of Qualified Project Period, in the form of Exhibit E hereto.

(g) Money on deposit in any fund or account in connection with the Note, whether or not such money was derived from other sources, shall not be used by or under the direction of the Borrower in a manner which would cause the Note to be an “arbitrage bond” within the meaning of Section 148 of the Code, and the Borrower specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Note from being an “arbitrage bond” under the Code.

(h) The Borrower (and any person related to it within the meaning of Section 147(a)(2) of the Code) will not take or omit to take any action if such action or omission would in any way cause the proceeds from the sale of the Note to be applied in a manner contrary to the requirements of the Funding Loan Agreement, the Borrower Loan Agreement or this Regulatory Agreement.

(i) On or concurrently with the final draw by the Borrower of amounts representing proceeds of the Note, the expenditure of such draw, when added to all previous disbursements representing proceeds of the Note, will result in not less than ninety-seven percent (97%) of all disbursements of Note proceeds having been used (or deemed used pursuant to the Tax Certificate) to pay or reimburse the Borrower for Qualified Project Costs and less than twenty-five (25%) percent of all disbursements having been used to pay for the acquisition of land or any interest therein.

(j) The statements made in the various certificates delivered by the Borrower to the City on the Closing Date are true and correct.

(k) All of the amounts received by the Borrower from the proceeds of the Note and earnings from the investment of such proceeds will be used to pay Project Costs; and no more than two percent (2%) of the proceeds of the Note shall be used to pay Costs of Funding.

(l) The Borrower 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 status of interest on the Note (other than with respect to interest on any portion thereof for a period during which such portion is held by a “substantial user” of any facility financed with the proceeds of the Note or a “related person,” as such terms are used in Section 147(a) of the Code), and, if it 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.

(m) The Borrower will take such action or actions as may be necessary, in the written opinion of Bond Counsel to the City, to comply fully with the Act, the Code and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service to the extent necessary to maintain the Tax-Exempt status of interest on the Note (other

than with respect to interest on any portion thereof for a period during which such portion is held by a “substantial user” of any facility financed with the proceeds of the Note or a “related person,” as such terms are used in Section 147(a) of the Code).

(n) No portion of the proceeds of the Note shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises. No portion of the proceeds of the Note shall be used for an office unless the office is located on the premises of the facilities constituting the Project and unless not more than a de minimis amount of the functions to be performed of such office is not related to the day-to-day operations of the Project.

(o) In accordance with Section 147(b) of the Code, the average maturity of the Note does not exceed one hundred twenty percent (120%) of the average reasonably expected economic life of the facilities being financed by the Note.

The Borrower will proceed with due diligence to complete the construction of the Project.

3. Qualified Residential Rental Property. The Borrower hereby acknowledges and agrees that the Project will be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code). The City hereby elects to have the Project meet the requirements of Section 142(d)(1)(B) of the Code and the Borrower hereby elects and covenants to comply with Section 142(d)(1)(B) of the Code. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Project is being constructed for the purpose of providing affordable multifamily residential rental property, including certain facilities related thereto, and the Borrower shall 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 applicable provisions of Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the residential dwelling units in the Project will be similarly constructed units, and, to the extent required by the Code and the Regulations, each residential 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 (which may be a countertop cooking range), refrigerator and sink.

(c) None of the residential dwelling units in the Project will at any time be used on a transient basis (e.g., subject to leases that are less than thirty (30) days duration) (including use as a corporate suite), or be used as a hotel, motel, dormitory, fraternity house,

sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park.

(d) No part of the Project will at any time be owned as a condominium or by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to a condominium ownership except with the prior written opinion of Bond Counsel that the interest on the Note will not become taxable (i.e. includable in the gross income of the Lender for federal income tax purposes) thereby under Section 103 of the Code.

(e) All of the residential dwelling units in the Project will be available for rental on a continuous basis to members of the general public and the Borrower will not give preference to any particular class or group in renting the residential dwelling units in the Project, except to the extent required by (i) this Regulatory Agreement, (ii) any regulatory or restrictive use agreement to which the Project is or becomes subject pursuant to Section 42 of the Code, (iii) the Declaration of Restrictions-OCII Loan (if and to the extent still in effect), (iv) any additional tenant income and rent restrictions imposed by any other federal, State or local governmental agencies, and (v) any other legal or contractual requirement not excepted by clauses (i) through (iv) of this paragraph, upon receipt by the Borrower, the Fiscal Agent and the City of an opinion of Bond Counsel to the effect that compliance with such other requirement will not adversely affect the Tax-Exempt status of interest on the Note.

(f) The Site consists of a parcel or parcels that are contiguous and all of the Facilities will comprise a single geographically and functionally integrated project for residential rental property (including portions of the common areas allocated to the Project), as evidenced by the ownership, management, accounting and operation of the Project.

(g) No residential dwelling unit in the Project shall be occupied by the Borrower. Notwithstanding the foregoing, if the Project contains five (5) or more residential dwelling units, this subsection shall not be construed to prohibit occupancy of residential dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of residential dwelling units in the Project.

(h) The Borrower shall not discriminate on the basis of race, creed, religion, color, sex, source of income (*e.g.*, TANF, Section 8 or SSI), physical disability (including HIV/AIDS), age, national origin, ancestry, marital or domestic partner status, sexual preference or gender identity in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project, except to the extent required hereby or by the OCII Loan Agreement.

(i) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Code and the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by assignment of the leasehold interest in the Project in lieu of

foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the City from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants that, within a “reasonable period” determined in accordance with the Regulations, it will either prepay the Note or, if permitted under the provisions of the Mortgage and the Funding Loan Agreement, apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

(j) The Borrower agrees to maintain the Project, or cause the Project to be maintained, during the term of this Regulatory Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof such that the Project shall be substantially the same condition at all times as the condition it is in at the time of the completion of the construction of the Project with the proceeds of the Note. Notwithstanding the foregoing, the Borrower’s obligation to repair or rebuild the Project in the event of casualty or condemnation shall be subject to the terms of the Borrower Loan Agreement and the Mortgage.

(k) The Project will have one hundred fifty-two (152) residential dwelling units, one of which will be a manager’s unit.

(l) The Borrower will not sell dwelling units within the Project.

4. Restricted Units. The Borrower hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) Income and Rent Restrictions. In addition to the requirements of Section 5, hereof, the Borrower shall comply with the income and rent restrictions of this Section 4(a), and any conflict or overlap between any two or more of such provisions shall be resolved in favor of the most restrictive of such provisions, that is, in favor of the lowest income and rent restrictions.

(i) Low-Income Units. A total of forty-six (46) units in the Project shall be rented to and continuously occupied by households who qualify as Low-Income Tenants; provided that if the manager’s unit ceases to be used as a manager’s unit, then such unit shall be rented to and continuously occupied by a Low-Income Tenant and the total number of units in the Project required to be rented to and continuously occupied by households who qualify as Low-Income Tenants shall be increased by one unit. The monthly rent charged for all Low-Income Units shall not exceed one-twelfth of the amount obtained (a) by multiplying thirty percent (30%) times sixty percent (60%) of the lower of City Median Income or Median Income for the Area. In the event that the Section 8 subsidy with respect to the Project is lost, the monthly rent charged for all Low-Income Units shall not exceed one-twelfth of the amount obtained by multiplying thirty percent (30%) times sixty (60%) of the Median Income for the Area (b) less the utility allowance.

(ii) Very Low-Income Units. A total of ninety (90) units in the Project shall be rented to and continuously occupied by households who qualify as Very Low-Income Tenants. The monthly rent charged for all Very Low-Income Units shall not exceed one-twelfth of the amount obtained by multiplying thirty percent (30%) times fifty percent (50%) of the

Median Income for the Area, or such lower amount as may be required by the Declaration of Restrictions – OCII Loan. In the event that the Section 8 subsidy with respect to the Project is lost, the monthly rent charged for all Very Low-Income Units shall not exceed one-twelfth of the amount obtained by multiplying thirty percent (30%) times fifty percent (50%) of the Median Income for the Area.

(iii) OCII Additional Rent Restrictions. As required by the Declaration of Restrictions – OCII Loan, all units of the Project shall be at all times be occupied, or held vacant and available, for rental, by households that, at the time of initial occupancy, meet certain income-eligibility requirements, namely a household income of no more than eighty percent (80%) of City Median Income, except as restricted by the CDLAC Requirements and any other provisions of the Declaration of Restrictions – OCII Loan. Notwithstanding the foregoing, in the event of a loss of the Section 8 subsidy or a foreclosure of the Mortgage (or acceptance of a deed in lieu of foreclosure thereof), the restrictions in Section 4(a)(ii) shall no longer apply, subject however in all events to Sections 4(a)(iv) and (v) and to compliance with the CDLAC Requirements (as those requirements may be amended, modified or waived by CDLAC with the consent of the Owner).

(iv) Income Restrictions Pursuant to the Code. Pursuant to the requirements of Section 142(d) of the Code, for the Qualified Project Period, not less than forty percent (40%) of the total number of completed units in the Project (excluding the manager's unit), or sixty-one (61) units, shall be designated as affordable units and during the Qualified Project Period shall be rented to and continuously occupied by Tenants whose Adjusted Income does not exceed sixty percent (60%) of the Median Income for the Area; provided, however, that if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code or who fail to be described in Section 42(i)(3)(D) of the Code, such occupants shall not be qualified Tenants pursuant to this sentence. The Borrower shall satisfy the requirements of this Section 4(a)(iv) by complying with the requirements of Section 4(a)(i), to the extent such compliance meets the requirements of Section 142(d)(1)(B) of the Code.

(v) Income and Rent Restrictions Pursuant to the Act. Pursuant to the requirements of Section 52080(a)(1)(B) of the Housing Law, for the Qualified Project Period, not less than forty percent (40%) of the total number of completed units in the Project (excluding the managers' unit), or sixty-one (61) units, shall be designated as affordable units and during the Qualified Project Period shall be rented to and continuously occupied by Tenants whose Adjusted Income does not exceed sixty percent (60%) of the Median Income for the Area; provided, however, that if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not be qualified Tenants pursuant to this sentence. Pursuant to the requirements of the Section 52080(a)(1)(B) of the Housing Law, the monthly rent charged for such units shall not exceed one-twelfth of the amount obtained by multiplying thirty percent (30%) times sixty percent (60%) of the Median Income for the Area, less the utility allowance. The Borrower shall satisfy the requirements of this Section 4(a)(v) by complying with the requirements of Section 4(a)(i), to the extent such compliance meets the requirements of Section 52080(a)(1)(B) of the Housing Law.

(vi) CDLAC Requirements. To the extent the income and rent restrictions contained in the CDLAC Requirements are more restrictive than any of the foregoing requirements of Sections 4(a)(i), (ii), (iii), (iv) or (v), the Borrower shall comply with the CDLAC Requirements.

(b) Over-Income Tenants. Notwithstanding the foregoing provisions of Section 4(a), no Tenant qualifying as a Qualified Tenant who satisfies the applicable income limit for a Restricted Unit, upon initial occupancy shall be denied continued occupancy of a Restricted Unit in the Project because, after admission, the aggregate Adjusted Income of all Tenants in the Restricted Unit increases to exceed the qualifying limit for such Restricted Unit.

However, should the aggregate Adjusted Income of Tenants in a Restricted Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for such Restricted 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) a Qualified Tenant satisfying the applicable income limit for such Restricted Unit. The unit occupied by such Tenants whose aggregate Adjusted Income exceeds such applicable income limit shall continue to be treated as occupied by a Qualified Tenant who satisfies the applicable income limit for such Restricted Unit for purposes of the requirements of Section 4(a) hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than a Qualified Tenant satisfying the applicable income limit for such Restricted Unit. Moreover, a unit previously occupied by a Qualified Tenant who satisfies the applicable income limit for such Restricted Unit and then vacated shall be considered occupied by a Qualified Tenant who satisfies the applicable income limit for such Restricted Unit until reoccupied, other than a reoccupation for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days. The parties agree that this paragraph shall have no practical effect because, except as otherwise provided in Section 4(a), one hundred percent (100%) of the units in the Project (except the manager's unit) are required to be Restricted Units pursuant to Section 4(a).

(c) Income Certifications. The Borrower will obtain, complete and maintain on file Income Certification Forms for each Tenant (i) immediately prior to the initial occupancy of a Restricted Unit by such Tenant, and (ii) thereafter, annually, in each case by completing the Income Certification Form, together with such information, documentation and certifications as are required therein or by the City, in its discretion, to substantiate the Tenant's income. In addition, the Borrower will provide such further information as may be required in the future by the State of California, the City, the Program Administrator and by the Act, Section 142(d) of the Code or the Regulations, as the same may be amended from time to time, and in such other form and manner as may be required by applicable rules, rulings, policies, procedures 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 obligations issued under Section 142(d) of the Code.

(d) Certificate of Continuing Program Compliance. Upon the commencement of the Qualified Project Period, and on each February 1st thereafter (or such other date as shall be requested in writing by the City or the Program Administrator) during the term of this Regulatory Agreement, the Borrower shall advise the Program Administrator of the status of the

occupancy of the Project by delivering to the Program Administrator a Certificate of Continuing Program Compliance (a form of which is attached hereto as Exhibit D). The Borrower shall also timely provide to the City such information as is requested by the City to comply with any reporting requirements applicable to it with respect to the Note or the Project under any federal or State law or regulation, including without limitation, CDLAC regulations.

(e) Recordkeeping. The Borrower will maintain complete and accurate records pertaining to the Restricted Units, and will permit any duly authorized representative of the City, the Program Administrator (if other than the City), the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project upon reasonable notice during normal business hours, including those records pertaining to the occupancy of the Restricted Units, but specifically excluding any material which may be legally privileged.

(f) Annual Certification to Secretary of Treasury. The Borrower shall submit to the Secretary of the Treasury annually on or before March 31 of each year, or such other date as is required by the Secretary of the Treasury, a completed Internal Revenue Service Form 8703, and shall provide a copy of each such form to the Program Administrator. Failure to comply with the provisions of this paragraph will subject the Borrower to penalty, as provided in Section 6652(j) of the Code.

(g) Lease Provisions Regarding Income Certification Reliance. All leases pertaining to Restricted Units do and shall contain clauses, among others, wherein each Tenant who occupies a Restricted Unit: (i) certifies the accuracy of the statements made in the Income Certification Form, (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 Borrower or the Program Administrator on behalf of the City, and that the failure to provide accurate information in the Income Certification Form 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 Borrower has relied on the Income Certification Form and supporting information supplied by the Tenant in determining qualification for occupancy of the Restricted Unit, and that any material misstatement in such certification (whether intentional or otherwise) 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 Subsection 4(c) hereof and that failure to cooperate with the annual recertification process reasonably instituted by the Borrower pursuant to Subsection 4(c) hereof may provide grounds for termination of the lease.

(h) Maintenance of Tenant Lists and Applications. All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business which is unrelated to the Project and shall be maintained, as required from time to time by the Program Administrator on behalf of the City, in a reasonable condition for proper audit and subject to examination during normal business hours by the Borrower or the City. Failure to keep such lists and applications or to make them available to the City shall be a default hereunder.

(i) Tenant Lease Subordination. All tenant leases or rental agreements shall be subordinate to this Regulatory Agreement.

(j) No Encumbrance, Demolition or Non-Rental Residential Use. The Borrower shall not take any of the following actions:

(i) except for Permitted Encumbrances, encumber any portion of the Project or grant commercial leases of any part thereof, (except in connection with the Commercial Space which the parties hereto acknowledge this subsection (i) does not apply), or permit the conveyance, transfer or encumbrance of any part of the Project (except for apartment leases), except (i) pursuant to the provisions of this Regulatory Agreement and on a basis subordinate to the provisions of this Regulatory Agreement, to the extent applicable, (ii) upon receipt by the Borrower and the City of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Note, or (iii) upon a sale, transfer or other disposition of the Project in accordance with the terms of this Regulatory Agreement;

(ii) demolish any part of the Project or substantially subtract from any real or personal property of the Project (other than in the ordinary course of business); or

(iii) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

(k) Compliance with Regulatory Agreement. The Borrower shall exercise reasonable diligence to comply with the requirements of this Regulatory Agreement and shall notify the City within fifteen (15) days and correct any noncompliance within sixty (60) days after such noncompliance is first discovered by the Borrower or would have been discovered by the exercise of reasonable diligence, unless such noncompliance is not reasonably susceptible to correction within sixty (60) days, in which event the Borrower shall have such additional time as may be reasonably necessary to effect such correction provided the Borrower has commenced such correction after discovery and is diligently prosecuting such correction.

5. Additional Requirements of the City.

(a) Minimum Lease Term. The term of the lease for any Restricted Unit shall be not less than one (1) year.

(b) Limitation on Rent Increases. Annual rent increases on a Restricted Unit shall be limited to the percentage of the annual increase in the lower of the City Median Income or applicable Median Income for the Area, as applicable to that Restricted Unit or as otherwise permitted pursuant to the OCII Loan Agreement and the Declaration of Restrictions-OCII Loan. Rent increases which are permitted but not made in a given year may not be carried forward and made in any subsequent year.

(c) Appointment of Program Administrator. The Borrower acknowledges that the City may appoint a Program Administrator (other than the City), at the sole cost and expense of the City, to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. In such event, the Borrower shall comply with all reasonable requests by the City and the Program Administrator to deliver to the City and/or

any such Program Administrator, in addition to or instead of the City, 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 during normal business hours with reasonable notice by the Program Administrator as an agent of the City. The City may change the Program Administrator at its sole and exclusive discretion. The Borrower shall have the right to rely on any consent or direction given by the Program Administrator on the same basis as if given by the City.

(d) Management Agent. The Borrower shall not enter into any agreement providing for the management or operation of the Project with any party other than Mercy Housing Management Group, Inc., a California nonprofit public benefit corporation, without the prior written consent of the City, which consent shall not be unreasonably withheld or delayed.

(e) Certificate of Preference Program. To the fullest extent permitted by law, the Borrower shall comply with the City's Certificate of Preference Program pursuant to San Francisco Administrative Code Section 24.8, to the extent such compliance is not in conflict with any other requirements imposed on the Project pursuant to Sections 42 and 142(d) of the Code, the Act, the CDLAC Requirements, or CTCAC.

(f) Nondiscrimination Based on Section 8, Household Size, or Source of Income. The Borrower shall accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, or any successor program or similar State or local governmental assistance program. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants and the Borrower shall not refuse to rent to any tenant on the basis of household size as long as such household size does not exceed two (2) persons for a studio unit; three (3) persons for a one-bedroom unit; five (5) persons for a two-bedroom unit and seven (7) persons for a three-bedroom unit. The Borrower shall not collect any additional fees or payments from such a tenant except security deposits or other deposits required of all tenants. The Borrower shall not collect security deposits or other deposits from Section 8 certificate or voucher holders in excess of that allowed under the Section 8 program. The Borrower shall not discriminate against tenant applicants on the basis of legal source of income (e.g., TANF, Section 8 or SSI), and the Borrower shall consider a prospective tenant's previous rent history of at least one year as evidence of the ability to pay the applicable rent (i.e., ability to pay shall be demonstrated if such a tenant can show that the same percentage or more of the tenant's income has been consistently paid on time for rent in the past as will be required to be paid for the rent applicable to the unit to be occupied, provided that such tenant's expenses have not increased materially). Further, Borrower shall comply with all notice provisions set forth in the Housing Act prior to terminating any lease. The Borrower acknowledges that (i) federal notice requirements under the Housing Act are distinct from those under State law or City law and the Borrower shall comply with all federal, State and local laws in connection with any such notice requirements, and (ii) compliance with the law of one jurisdiction shall not be deemed compliance with the laws of all jurisdictions.

(g) Overincome Provisions After Expiration of Qualified Project Period. Notwithstanding the provisions of Section 4(b), from and after the expiration of the Qualified

Project Period, in the event that Borrower's certification of a Qualified Tenant's income, pursuant to Section 4(c), indicates that the Qualified Tenant's income exceeds one hundred twenty percent (120%) of the lower of the City Median Income or the of Median Income for the Area, the Borrower shall terminate such lease upon one hundred twenty (120) days prior written notice to the Tenant, and the lease for each Restricted Unit shall contain a statement to the foregoing effect. Notwithstanding the foregoing, the Borrower shall not be required to terminate said Qualified Tenant's lease if any regulation or statute governing the Project or the financing thereof prohibits the termination of said Tenant's lease in this manner. Further, Borrower shall comply with all notice provisions set forth in the Housing Act prior to terminating any lease to which any Tenant previously certified by the Borrower as a Qualified Tenant is a party. The Borrower acknowledges that (i) federal notice requirements under the Housing Act are distinct from those under State law or City law and the Borrower shall comply with all federal, State and local laws in connection with any such notice requirements, and (ii) compliance with the law of one jurisdiction shall not be deemed compliance with the laws of all jurisdictions. Further, Borrower shall comply with all applicable notice provisions set forth in the Housing Act prior to terminating any lease to which any Tenant previously certified by the Borrower as a Qualified Tenant is a party. The Borrower acknowledges that (i) federal notice requirements under the Housing Act are distinct from those under State law or City law and the Borrower shall comply with all federal, State and local laws in connection with any such notice requirements, and (ii) compliance with the law of one jurisdiction shall not be deemed compliance with the laws of all jurisdictions.

(h) Consideration for Restrictions. It is hereby acknowledged and agreed that any restrictions imposed on the operation of the Project herein and which are in addition to those imposed pursuant to Section 142(d) of the Code or the Act are at the request of the Borrower, and that the Borrower has voluntarily agreed to such additional restrictions in order to obtain financial assistance from the City and an allocation of private activity bond volume cap from CDLAC.

(i) Amendment or Waiver by City; Conflicting Provisions. The requirements of Section 4(a)(i) and (ii) and of Section 5 hereof may be amended, modified or waived (but not increased or made more onerous), at the City's sole discretion, by written amendment signed by the City and the Borrower, or expressly waived by the City in writing, but no such waiver by the City shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the City has received an opinion of Bond Counsel to the effect that any such provision is not required by the Code or the Act and may be waived without adversely affecting the Tax-Exempt status of interest on the Note. Any requirement of Section 4(a)(i) and (ii) or Section 5 shall be void and of no force and effect if the City and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with such requirement would be in conflict with the Act or any other applicable State or federal law.

(j) Extension of Qualified Project Period. Notwithstanding any other provision herein, the Qualified Project Period shall not expire earlier than, and the requirements of this Section 5 shall be in effect until, the date that is seventy-five (75) years after the Closing Date; provided that certain provisions shall survive and remain in full force and effect following the end of the Qualified Project Period, as specified in Section 12 hereof.

(k) Marketing Plan. The Borrower will market the Restricted Units in accordance with the marketing and tenant selection plan approved by the City, which shall comply

with the requirements set forth in Exhibits K-1 through K-2 attached hereto. With respect to such Restricted Units, the Borrower must keep records of (a) activities implementing the affirmative marketing plan; (b) advertisements; and (c) other community outreach efforts for a period of at least three (3) years.

(l) Annual Reporting. The Borrower must file with the City annual report forms (the “Annual Monitoring Report”) no later than one hundred twenty (120) days after the end of the Borrower’s fiscal year. The Annual Monitoring Report must be in substantially the form attached as Exhibit I or as later modified by the City from time to time. Thereafter and for the Qualified Project Period, the Borrower shall maintain sufficient records of the information generally requested in the Annual Monitoring Report.

6. Additional Requirements of State Law. In addition to the requirements set forth above, pursuant to Section 52080 of the Housing Law, the Borrower hereby agrees that it shall also comply with each of the following requirements, in each case, for the term of this Regulatory Agreement set forth in Section 12 hereof:

(a) Tenants Under Section 8 of the Housing Act. The Borrower 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, and 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.

(b) Availability on Priority Basis. The Restricted Units reserved for occupancy as required by Section 4(a)(iv) shall remain available on a priority basis for occupancy at all times.

(c) Binding Covenants and Conditions. The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(d) Recordation of Regulatory Agreement. This Regulatory Agreement shall be recorded in the office of the county recorder of the City and County of San Francisco, California, and shall be recorded in the grantor-grantee index under the name of the Borrower as grantor and the name of the City as grantee.

(e) Restricted Units of Comparable Quality. The Restricted Units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units which are available to other tenants and shall be distributed throughout the Project. Notwithstanding the foregoing, the parties agree that this Section 6(e) shall have no practical effect because one hundred percent (100%) of the units (excluding the manager’s unit) in the Project are required to be Restricted Units pursuant to Section 4(a)(i) and 4(a)(ii).

(f) Availability Following Expiration of Qualified Project Period. Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Note, assignment of the leasehold interest in the Project in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by Section 4(a)(iv) shall remain available to any eligible Tenant

occupying a Restricted Unit at the date of such expiration or termination, at the rent determined by Section 4(a)(iv), until the earliest of (i) the household's income exceeds one hundred forty percent (140%) of the maximum eligible income specified therein, (ii) the household voluntarily moves or is evicted for good cause, as defined in the Housing Law, (iii) thirty (30) years after the date of the commencement of the Qualified Project Period, and (iv) the Borrower pays the relocation assistance and benefits to households if required by, and as provided in, Section 7264(b) of the California Government Code.

(g) Availability Preceding Expiration of Qualified Project Period. During the three (3) years prior to the later of (i) the expiration of the Qualified Project Period or (ii) the date that is fifty-five (55) years after the date of commencement of the Qualified Project Period, the Borrower shall continue to make available Restricted Units to eligible Qualified Tenants the Restricted Units that have been vacated to the same extent that non-Restricted Units, if any, are made available to non-eligible households.

(h) Notice and Other Requirements. The Borrower shall comply with all applicable requirements of Section 65863.10 of the California Government Code, including the requirements for providing notices in Sections (b), (c), (d) and (e) thereof, and shall comply with all applicable requirements of Section 65863.11 of the California Government Code.

(i) Syndication of the Project. As provided in Section 52080(e) of the Housing Law, the City hereby approves the syndication of tax credits with respect to the Project, pursuant to Section 42 of the Code, to the Investor Limited Partner, or any affiliate thereof or successor thereto, pursuant to the terms of the Partnership Agreement. Any syndication of tax credits with respect to the Project to an affiliate of the Investor Limited Partner shall not require the prior written approval of the City if the Borrower's partnership agreement will not be amended, modified or supplemented in connection with such syndication (other than as required to accurately identify the new parties) except to reflect such transfer of limited partner interests; provided, however, that the Investor Limited Partner shall provide to the City, at least five (5) Business Days prior to the effective date of any such syndication (other than as required to accurately identify the new parties), written notice of such syndication certifying that no amendment, modification or supplement to the Partnership Agreement will be effected in connection with such syndication except to the extent necessary to reflect such syndication, together with copies of any assignments of limited partnership interests and any other syndication documents. Any other syndication of the Project shall be subject to the prior written approval of the Director of the Mayor's Office of Housing and Community Development of the City, which approval shall not be unreasonably withheld, conditioned or delayed and shall be granted only after the City reasonably determines that the terms and conditions of such syndication (i) shall not reduce or limit any of the requirements of the Act or regulations adopted or documents executed pursuant to the Act, (ii) shall not cause any of the requirements of the City set forth in this Section 6 hereof to be subordinated to the syndication agreement, and (iii) shall not result in the provision of fewer Restricted Units, or the reduction of any benefits or services, than were in existence prior to the proposed syndication agreement.

7. CDLAC Requirements. In addition to the other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 2 through 6 hereof, the Borrower hereby agrees to comply with the requirements of the CDLAC Resolution and that the

construction, development and operation of the Project, and the financing thereof, is and shall be in compliance with the conditions set forth in Exhibit A (“CDLAC Requirements”) to CDLAC Resolution No. 18-152 adopted on December 12, 2018 and revised on _____, attached hereto as Exhibit F (the “CDLAC Resolution”) which CDLAC Requirements are incorporated herein by this reference. After the Note is issued, the terms and conditions set forth in the CDLAC Resolution shall be enforceable by CDLAC (or in its sole discretion the City) through an action for specific performance or any other available remedy. In addition, after the Note is issued, changes to Items #1, #6, #7, #10 thru #12, #14 thru #16, #18 thru #26 (that are applicable), and #37 of the CDLAC Requirements require CDLAC’s Committee or Executive Director’s approval (or as otherwise required by CDLAC) and changes to item #2, #13, #17, #27, and #39 thru #41 (that are applicable) of the CDLAC Requirements cannot be altered. Changes to Items #3 thru #5 of Exhibit A of the CDLAC Resolution require no CDLAC Committee or Executive Director’s approval but any alterations must be reported to CDLAC staff for the affordability period. Changes to Items #8 and #9 of the CDLAC Requirements require no CDLAC notification and changes to Items #28 thru #36 and #38 (that are applicable) of the CDLAC Requirements require CDLAC Committee or Executive Director’s approval only prior to the Project being Placed in Service by the CTCAC. Compliance with the terms of the CDLAC Requirements not specifically set forth in the Regulatory Agreement are the responsibility of the Borrower to report to the City.

Annually, on February 1st, until construction of the Project has been completed and the Borrower has submitted to the City the Certificate of Completion, and thereafter on February 1st every three years, the Borrower shall prepare and submit to the City a Certificate of Compliance II in substantially the form attached hereto as Exhibit G (or as otherwise required by CDLAC), executed by an Authorized Borrower Representative.

Any of the foregoing requirements of the CDLAC requirements contained in this Section 7 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver of CDLAC 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 that the City has received an opinion of Bond Counsel that any such provision is not required by the Act or the Code and may be waived without adversely affecting the exclusion from gross income of interest on the Note for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the City and the Borrower receive a written opinion of Bond Counsel to the effect that any compliance with any such requirement would cause interest on the Note to cease to be Tax-Exempt or to the effect that any compliance with such requirement would be in conflict with the Act, the Code or any other state or federal law.

8. Indemnification. The Borrower hereby releases the City, the Lender and their respective officers, members, directors, officials and employees from, and covenants and agrees to indemnify, hold harmless and defend the City and the Lender and the officers, members, directors, officials, agents and employees of each of them (collectively, the “Indemnified Parties,” and each an “Indemnified Party”) from and against any and all claims, losses, costs, damages, demands, expenses, taxes, suits, judgments, actions and liabilities of whatever nature, joint and several (including, without limitation, costs of investigation, reasonable attorneys’ fees, and expenses, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments), directly or indirectly (a) by or on behalf of any person arising from any cause whatsoever in connection with transactions contemplated hereby or otherwise in connection with

the Project, the Note, or the execution or amendment of any document relating thereto; (b) arising from any cause whatsoever in connection with the approval of financing for the Project or the making of the Loan or otherwise, including without limitation, any advances of the Loan, or any failure by the Lender, as defined in the Funding Loan Agreement, to make any advance thereunder; (c) arising from any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Loan or the Project; (d) arising in connection with the issuance and sale, resale or reissuance of any bonds, including any secondary market transaction with respect thereto, or any certifications or representations made by any person other than the City or the party seeking indemnification in connection therewith and the carrying out by the Borrower of any of the transactions contemplated by the Funding Loan Agreement, the Borrower Loan Agreement and this Regulatory Agreement; (e) arising in connection with the operation of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation, or construction of, the Project or any part thereof; and (f) arising out of or in connection with the exercise by the Lender, the Fiscal Agent or the Servicer of their powers or duties under the Funding Loan Agreement, the Borrower Loan Agreement, this Regulatory Agreement or any other agreements in connection therewith to which either of them is a party; provided, however, that this provision shall not require the Borrower to indemnify (i) the Lender from any claims, costs, fees, expenses or liabilities arising from the negligence or willful misconduct of the Lender, or (ii) the City for any claims, costs, fees, expenses or liabilities arising solely from the willful misconduct of the City. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the engagement of counsel approved by the Indemnified Party; and the Borrower shall assume the payment of all reasonable fees and expenses related thereto, (provided that if the Indemnified Party is the City, the selection of counsel rests in the sole discretion of the City Attorney and the Borrower shall assume the payment of all attorneys' fees and expenses related thereto), with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Notwithstanding the foregoing, no indemnification obligation shall give rise to an obligation to pay principal and interest on the Loan, which is not otherwise set forth in the Funding Loan Agreement, the Borrower Loan Agreement, the Note or any other agreement relating to the Note.

The Borrower also shall pay and discharge and shall indemnify and hold harmless the City and the Lender from (i) any lien or charge upon payments by the Borrower to the City, the Fiscal Agent and the Lender hereunder and (ii) any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the City or the Lender shall give prompt notice to the Borrower, and the Borrower shall have the sole right and duty to assume, and will assume, the defense thereof, including the engagement of counsel approved by the Indemnified Party in such party's reasonable discretion, provided that if the Indemnified Party is the City, the selection of counsel rests in the sole discretion of the City Attorney and the Borrower shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. If a potential conflict exists

between Borrower's defense and the interests of an Indemnified Party, then such Indemnified Party shall have the right to engage separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the fees and expenses of such separate counsel.

Notwithstanding any transfer of the Project to another Borrower in accordance with the provisions of Section 11 of this Regulatory Agreement, the Borrower shall remain obligated to indemnify the City pursuant to this Section 8 if such subsequent Borrower fails to so indemnify the City, unless at the time of transfer the City has consented to the transfer to the extent such consent is required hereunder.

The provisions of this Section 8 shall survive the term of the Note and this Regulatory Agreement, including the termination of this Regulatory Agreement pursuant to the second paragraph of Section 12 hereof.

The obligations of the Borrower under this Section are independent of any other contractual obligation of the Borrower to provide indemnity to the Indemnified Parties or otherwise, and the obligation of the Borrower to provide indemnity hereunder shall not be interpreted, construed or limited in light of any other separate indemnification obligation of the Borrower. The Indemnified Parties shall be entitled simultaneously to seek indemnity under this Section and any other provision under which they are entitled to indemnity.

In addition thereto, the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Indemnified Parties in enforcing the provisions hereof.

9. Consideration. The City has executed and delivered the Note and made the Loan to provide funds for the purpose of financing the Project, all for the purpose, among others, of inducing the Borrower to construct, equip and operate the Project. In consideration of the making of the Loan by the City, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the use of the Project on the terms and conditions set forth herein.

10. Reliance. The City and the Borrower hereby recognize and agree that the representations, warranties, covenants and agreements set forth herein may be relied upon by all persons interested in the legality and validity of the Note, and in the Tax-Exempt status of interest on the Note. In performing its duties and obligations hereunder, the City may rely upon statements and certificates of the Borrower and Qualified Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the City 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 City hereunder in good faith and in conformity with such opinion.

11. Sale or Transfer of the Project. The Borrower intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project (except in accordance with the option or right of first refusal described in the Partnership Agreement), and, except as otherwise provided herein, hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use or with respect to the Commercial Space, as contemplated hereunder, leasing of the Commercial Space and/or

pursuant to the aforementioned option) or interest therein, including any interest in the Borrower, without obtaining the prior written consent of the City, which consent shall not be unreasonably withheld, and receipt by the City of (i) evidence satisfactory to the City that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Regulatory Agreement, (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) evidence acceptable to the City that either (A) the purchaser or assignee has experience in the ownership, operation and management of rental housing projects in the City such as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, or (B) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subparagraph (A) above or (C) if the purchaser or assignee does not have management experience, the City may cause the Program Administrator to provide on-site training in program compliance if the City determines such training is necessary, (iv) evidence satisfactory to the City that no event of default exists under this Regulatory Agreement, the Borrower Loan Agreement or any document related to the Loan, and payment of all fees and expenses of the City and the Fiscal Agent due under any of such documents is current, and (v) an opinion of Bond Counsel to the effect that such transfer will not, in itself, cause interest on the Note to become includable in the gross income of the recipients thereof for federal income tax purposes, except to the extent held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 11 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section 11 shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project. Not less than sixty (60) days prior to consummating any sale, transfer or disposition of any interest in the Project, the Borrower shall deliver to the City a notice in writing explaining the nature of the proposed transfer. Notwithstanding the foregoing, the provisions of this Section 11 shall not apply to the transfer of all or any portion of (a) the limited partner interest of the Investor Limited Partner in the Borrower (which is instead subject to paragraph (i) of Section 6), or (b) the General Partner interest to an affiliate of the General Partner. 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 Mortgage without the consent of the City or compliance with the provisions of this Section 11. Notwithstanding the foregoing, promptly upon the occurrence of any of these transfers, the new owner (if anyone other than the holder of the Mortgage or its affiliate) shall provide to the City evidence satisfactory to the City that such new owner has assumed in writing and in full the Owner's duties and obligations under this Regulatory Agreement.

12. Term. Subject to the following paragraph of this Section 12, Section 8 hereof and to any other provision expressly agreed herein to survive the termination of this Regulatory Agreement, this Regulatory Agreement and all of the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect for the longer of (a) the Qualified Project Period or (b) fifty-five (55) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied.

The terms of this Regulatory Agreement to the contrary notwithstanding, except for the provisions of Section 8 hereof and any other provision herein which by its express terms is intended to survive the termination or expiration of this Regulatory Agreement, this Regulatory Agreement shall terminate and be of no further force and effect in the event of (i) involuntary noncompliance with the provisions of this Regulatory Agreement caused by events such as fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the City from enforcing such provisions, or (ii) foreclosure, exercise of power of sale, transfer of title by assignment of the leasehold interest in the Project in lieu of foreclosure, or condemnation or a similar event, but only if, in case of the events described in either clause (i) or (ii) above, within a reasonable period, either the Note is paid in full 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, exercise of power of sale, or the delivery of an assignment of the leasehold interest in the Project in lieu of foreclosure or a similar event, the Borrower 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 Borrower hereby agrees that, following any foreclosure, exercise of power of sale, transfer of title by assignment of the leasehold interest in the Project in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provisions of this Regulatory Agreement to the contrary, this entire Regulatory Agreement, or any of the provisions or sections hereof, may be terminated upon agreement by the City and the Borrower subject to compliance with any of the provisions contained in this Regulatory Agreement only if there shall have been received by the City an opinion of Bond Counsel that such termination will not adversely affect the Tax-Exempt status of the interest on the Note or the exemption from State personal income taxation of the interest on the Note. The Borrower shall provide written notice of any termination of this Regulatory Agreement to the City.

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.

13. Covenants to Run With the Land. The Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The City and the Borrower 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 Borrower'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. No breach of any of the provisions of this Regulatory Agreement shall defeat or render invalid the lien of a mortgage made in good faith and for value encumbering the Site.

14. Burden and Benefit. The City and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The City and the Borrower hereby further declare their understanding and intent that the benefit 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 Note was executed and delivered.

15. 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, development and improvement of the Site.

16. Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of sixty (60) days (the "cure period") after written notice thereof shall have been given by the City to the Borrower (provided, however, that the City may at its sole option extend the cure period if the default is of the nature which would reasonably require more than sixty (60) days to cure and if the Borrower provides the City, if requested by the City, with an opinion of Bond Counsel to the effect that such extension will not adversely affect the Tax-Exempt status of interest on the Note). Upon the expiration of such cure period, as the same may be extended as aforesaid, then the City may declare an "event of default" to have occurred hereunder, and, subject to the provisions of the Funding Loan Agreement, may take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the City hereunder; or

(b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project; or

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

Notwithstanding anything contained in this Regulatory Agreement to the contrary, the occurrence of an event of default under this Regulatory Agreement shall not be deemed, under any circumstances whatsoever, to be a default under the Mortgage except as may be otherwise specified in the Mortgage.

Notwithstanding anything contained in this Regulatory Agreement to the contrary, the City agrees that any cure of any default made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

17. Recording and Filing. The Borrower 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 City and County of San Francisco, California, and in such other places as the City

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

18. Payment of Fees. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Funding Loan Agreement and/or the Borrower Loan Agreement, the Borrower shall continue to pay the City's annual administrative fee as calculated and described below. Upon the occurrence of an event of default hereunder, the Borrower shall continue to pay to the City compensation for any services rendered by the City hereunder and reimbursement for all expenses incurred by it in connection therewith.

The Borrower shall pay to the City (i) an initial issuance fee of \$_____ (which is equal to one quarter of one percent (0.25%) of the maximum principal amount of the Note (the "Issuance Amount")) and (ii) an annual administrative fee not to exceed one eighth of one percent (0.125%) of the principal amount of the Note then outstanding, but no less than \$2,500, (the "Annual Monitoring Fee") commencing on the Closing Date and thereafter on each anniversary date of the Closing Date thereafter during the term of this Regulatory Agreement. The first installment of the Annual Monitoring Fee is equal to \$_____. The total payment of the Borrower due to the City on the Closing Date shall be \$_____. For purposes of this paragraph, the maximum principal amount of the Note shall be considered outstanding until the Conversion Date (as defined in the Funding Loan Agreement). Notwithstanding the foregoing provisions of this paragraph or any provisions of the Borrower Loan Agreement requiring the payment of fees to the City, the City will not charge the Borrower any amount that would adversely affect the Tax-Exempt status of the interest on the Note.

The City may (in its sole discretion) allow the Borrower to prepay the Annual Monitoring Fees owed through the end of the Qualified Project Period. In such an event, the prepayment amount shall be calculated as the present value of the balance of Annual Monitoring Fees thru the end of the Qualified Project Period, discounted at a rate not to exceed two percent (2%),

In case any action at law or in equity, including an action for declaratory relief, is brought against the Borrower to enforce the provisions of this Regulatory Agreement, the Borrower agrees to pay the attorney's fees and other reasonable expenses incurred by the City, the Lender, and/or the Program Administrator in connection with such action.

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

20. Amendments. To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the City and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement which must be complied with in order to maintain the Tax-Exempt status of interest on the Note, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements. Otherwise, this Regulatory Agreement shall 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 City and County of San Francisco, California, provided that any amendment to the CDLAC Requirements shall also be subject to the consent of CDLAC.

21. City Contracting Provisions. The Borrower covenants and agrees to comply with the provisions set forth in Exhibit H to this Regulatory Agreement, which is incorporated in and made a part of this Regulatory Agreement by this reference.

22. Notice. All notices, certificates or other communications shall be sufficiently given and shall be deemed given on the date personally delivered or on the second day following the date on which the same have been mailed by first class mail, postage prepaid, addressed as follows:

If to the City: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, California 94102
Attention: City Controller

With copies to: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place, Room 140
San Francisco, California 94102
Attention: City Treasurer

City and County of San Francisco
Mayor's Office of Housing and Community
Development
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Director

City and County of San Francisco
Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: General Counsel

Office of the City Attorney
City Hall, 1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Finance Team

If to the Borrower: Mercy Housing California 78, L.P.
1256 Market Street
San Francisco, CA 94102

With a copy to: Gubb & Barshay
505 14th Street, Suite 450
Oakland, CA 94612
Attention: Evan Gross

If to the Investor Limited Partner: Bank of America N.A.
c/o Banc of America CDC Special Holding Company, Inc.
Tax Credit Equity Investment Asset Management
NC1-007-11-25
100 North Tryon Street
Charlotte, NC 28202
Attention: Nicole Baldon
Facsimile: (980) 386-6662
Email: Nicole.baldon@baml.com

With a copy to: Sidley Austin LLP
555 West Fifth Street
Los Angeles, CA 90013
Attention: Cynthia Christian Esq.

If to the Lender: Bank of America, N.A.
Mail Code: WA1-501-34-42
800 5th Avenue, 34th Floor
Seattle, WA 98104

With a copy to: Davis Wright Tremaine LLP
865 South Figueroa Street, Suite 2400
Los Angeles, CA 90017

Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

23. Interpretation. The parties to this Regulatory Agreement acknowledge that each party and its respective counsel have participated in the drafting 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.

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.

25. Multiple Counterparts. This Regulatory Agreement may be 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.

26. Third-Party Beneficiaries. The parties to this Regulatory Agreement recognize and agree that the terms of this Regulatory Agreement and the enforcement of those terms are entered into for the benefit of the parties hereto, as well as CDLAC and the Lender. The parties

hereto acknowledge that CDLAC and the Lender are third party beneficiaries of this Regulatory Agreement. CDLAC shall accordingly have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, in accordance with Section 16 hereof, the terms hereof and the terms of the CDLAC Resolution. In addition, CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. Notwithstanding the above, CDLAC shall be entitled solely to enforce the terms of the CDLAC Resolution, and any enforcement of the terms and provisions of the CDLAC Resolution by CDLAC shall not adversely affect the interests of the Lender, and shall otherwise be subject to the terms, conditions and limitations otherwise applicable to the enforcement of remedies under this Regulatory Agreement. Pursuant to Section 52080(k) of the Housing Law, the provisions of Section 4(a)(vi) and Section 6 hereof may be enforced either in law or in equity by any resident, local agency, entity, or by any other person adversely affected by the Borrower's failure to comply with that Section.

[Signatures appear on next page]

IN WITNESS WHEREOF, the City and the Borrower have executed this Regulatory Agreement by their duly authorized representatives, all as of the date first written hereinabove.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Kate Hartley, Director
Mayor's Office of Housing and
Community Development

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By _____
Deputy City Attorney

[Signatures continue on following page.]

BORROWER:

**MERCY HOUSING CALIFORNIA 78, L.P.,
a California limited partnership**

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its general partner

By: Jennifer Dolin
Its: Vice President

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

The land referred to herein is situated in the State of California, City and County of San Francisco, and is described as follows:

EXHIBIT B

INCOME CERTIFICATION FORM

A current version of the CTCAC form may be downloaded from the State Treasurer's website at the following link: <http://www.treasurer.ca.gov/ctcac/compliance/tic.pdf>.

EXHIBIT C

COMPLETION CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO
Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103

*Re: City and County of San Francisco Multifamily Housing Revenue Note
(691 China Basin Apartments), Series 2019E*

The undersigned Borrower (the "Borrower") of the 691 China Basin Apartments hereby certifies that all aspects of the construction of the Project were substantially completed and available for occupancy by tenants in the Project as of _____. Capitalized terms used herein but not defined shall have the meanings given in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of April 1, 2019, by and between the City and County of San Francisco and the Borrower.

1. The undersigned hereby certifies that:

(a) all aspects of the construction of the Project were substantially completed and available for occupancy by tenants in the Project as of _____ (the "Completion Date")

(b) the aggregate amount disbursed on the Loan to date is \$_____;

(c) all amounts disbursed on the Loan have been applied to pay or reimburse the undersigned for the payment of Project Costs and none of the amounts disbursed on the Loan has been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and

(d) as shown on the attached sheet (showing the breakdown of expenditures for the Project and the source of the funds which were used to pay such costs) in compliance with Section 2(i) of the Regulatory Agreement, at least ninety-seven percent (97%) of the amounts disbursed on the Loan have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs and less than twenty-five percent (25%) of the amounts disbursed on the Loan, exclusive of amounts applied to pay the Costs of Funding related to the Note, have been applied to pay or reimburse the Borrower for the cost of acquiring land.

[Signatures appear on next page]

BORROWER:

**MERCY HOUSING CALIFORNIA 78, L.P.,
a California limited partnership**

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its general partner

By: _____
Its: _____

EXHIBIT D

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Project Name: 691 China Basin Apartments

CDLAC Application Number(s): 18-461

CDLAC Resolution Number(s): 18-152

Property Address: 691 China Basin Street, San Francisco, California 94158

Project Completion Date (if completed, otherwise mark NA):

Name of Obligation: City and County of San Francisco Multifamily Housing Revenue Note (691 China Basin Apartments), Series 2019E

The undersigned, being the authorized representatives of Mercy Housing California 78, L.P., a California limited partnership (the “Borrower”), hereby certifies that he/she has read and is thoroughly familiar with the provisions of the various documents associated with the Borrower’s participation in the City and County of San Francisco (the “City”) Multifamily Housing Program, such documents including:

1. the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of April 1, 2019 (the “Regulatory Agreement”), between the Borrower and the City; and
2. the Borrower Loan Agreement, dated as of April 1, 2019, among the City, the Fiscal Agent, and the Borrower.

The undersigned further certifies that:

A. There have been no changes to the ownership entity, principals or property management of the Project since the Note was executed and delivered, or since the last certification was provided (as applicable), except as described below:

(If so please attach a request to revise the CDLAC Resolution, noting all pertinent information regarding the change, otherwise state “NONE”)

If Project has not yet been placed in service, mark N/A for the balance of the items below:

B. During the preceding twelve-months (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the City and (ii) and ___ of the units in the Project were occupied by Qualified Tenants (as defined in the Regulatory Agreement) (minimum of ___).

C. As of the date of this Certificate, the following percentages of completed residential units in the Project (as defined in the Regulatory Agreement) (i) are occupied by Qualified Tenants (as such term is defined in the Regulatory Agreement), or (ii) are currently vacant and being held

available for such occupancy and have been so held continuously since the date a Qualified Tenant vacated such unit, as indicated below:

Occupied by Low-Income Tenants:

Studio: _____	Unit Nos. _____
1 bedroom units: _____	Unit Nos. _____
2 bedroom units: _____	Unit Nos. _____
3 bedroom units: _____	Unit Nos. _____
4 bedroom units: _____	Unit Nos. _____

Total percentage occupied by Low-Income Tenants: _____

Held vacant for occupancy continuously since last occupied by a Low-Income Tenant:

_____%; Unit Nos. _____

Occupied by Very Low-Income Tenants:

Studio: _____	Unit Nos. _____
1 bedroom units: _____	Unit Nos. _____
2 bedroom units: _____	Unit Nos. _____
3 bedroom units: _____	Unit Nos. _____

Total percentage occupied by Very Low-Income Tenants: _____

Held vacant for occupancy continuously since last occupied by a Very Low-Income Tenant:

_____%; Unit Nos. _____

Occupied by Forty Percent AMI Tenants (as required by the Declaration of Restrictions – OCII Loan Agreement (as such term is defined in the Regulatory Agreement)):

Studio: _____	Unit Nos. _____
1 bedroom units: _____	Unit Nos. _____
2 bedroom units: _____	Unit Nos. _____
3 bedroom units: _____	Unit Nos. _____

Total percentage occupied by Forty Percent AMI Tenants: _____

Held vacant for occupancy continuously since last occupied by a Forty Percent AMI Tenant:

____%; Unit Nos. ____

Occupied by Sixty-Five Percent AMI Tenants (as required by the Declaration of Restrictions – OCII Loan Agreement):

Studio: ____	Unit Nos. _____
1 bedroom units: _____	Unit Nos. _____
2 bedroom units: _____	Unit Nos. _____
3 bedroom units: _____	Unit Nos. _____

Total percentage occupied by Sixty-Five Percent AMI Tenants: _____

Held vacant for occupancy continuously since last occupied by a Sixty-Five Percent AMI Tenant:

____%; Unit Nos. ____

Occupied by Eighty Percent AMI Tenants (as required by Declaration of Restrictions – OCII Loan Agreement):

Studio: ____	Unit Nos. _____
1 bedroom units: _____	Unit Nos. _____
2 bedroom units: _____	Unit Nos. _____
3 bedroom units: _____	Unit Nos. _____

Total percentage occupied by Eighty Percent AMI Tenants: _____

Held vacant for occupancy continuously since last occupied by an Eighty Percent AMI Unit Tenant:

____%; Unit Nos. ____

It hereby is confirmed that each tenant currently residing in a unit in the Project has completed an Income Certification Form in the form approved by the City and that since commencement of the Qualified Project Period (as such term is defined in the Regulatory Agreement), not less than ninety percent (90%) of the occupied units in the Project (excluding the manager’s unit) have been rented to (or are vacant and last occupied by) Qualified Tenants. The

undersigned hereby certifies that the Borrower is not in default under any of the terms and provisions of the above documents.

D. The units occupied by Qualified Tenants are of similar size and quality to other units and are dispersed throughout the Project.

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

F. There has been no change of use for the Project, except as follows: (please describe if any, or otherwise indicate "NONE")

G. Select appropriate certification: The undersigned hereby certifies that the Project [has satisfied all] [except as described below, has satisfied all] of the requirements memorialized in the Exhibit A of the CDLAC Resolution, a copy of which is attached hereto (i.e. qualifying project completion, qualifying depreciable asset purchase, qualifying loan originations, the use of public funds, manager units, income rent restrictions, sustainable building methods, etc., as applicable), and thus has achieved all public benefit requirements (excluding service amenities) as presented to CDLAC.

[Describe any requirements not satisfied: _____]

H. As captured in Exhibit A of the CDLAC Resolution, the Project has committed to and is currently providing the following service amenities for a minimum of ten (10) years, on a regular and ongoing basis, which are provided free of charge (with the exception of day care services):

Please check the services that apply or write N/A where appropriate:

_____ After-school Programs

_____ Educational, health and wellness, or skill building classes

_____ Health and Wellness services and programs (not group classes)

_____ Licensed Childcare provided for a minimum of twenty (20) hours per week (Monday-Friday)

_____ Bona-Fide Service Coordinator/ Social Worker

1) For this reporting period, attached is evidence (i.e. MOUs, contracts, schedules, calendars, flyers, sign-up sheets, etc.) confirming that the above listed services are being provided and have met the requirements of Exhibit A of the CDLAC Resolution.

2) If any of the above services requirements were not met, what corrective action is being taken to comply?

(Please also attach the completed project sponsor certification form as provided in the CDLAC Resolution)

(Please also attach the completed Occupancy and Rent Information form attached hereto)

[Signatures appear on next page]

I. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief, and the undersigned acknowledges and agrees that the City will be relying solely on the foregoing certifications and accompanying documentation, if any, in making its certification to CDLAC pursuant to Section 5144 of the CDLAC regulation (Division 9.5 of Title 4 of the California Code of Regulations), and agrees to provide to the City such documentation or evidence, in support of the foregoing certifications, as the City or CDLAC may request.

Capitalized terms used in this Certificate and not otherwise defined herein have the meanings given to the in the Regulatory Agreement.

Date: _____

**MERCY HOUSING CALIFORNIA 78, L.P.,
a California limited partnership**

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its general partner

By: _____
Its: _____

EXHIBIT E

CERTIFICATE AS TO COMMENCEMENT OF QUALIFIED PROJECT PERIOD

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City and County of San Francisco
Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attention: Executive Director

\$[Par Amount]
City and County of San Francisco
Multifamily Housing Revenue Note
(691 China Basin Apartments), Series 2019E

The undersigned, being the authorized representative(s) of Mercy Housing California 78, L.P., a California limited partnership, hereby certifies that: (complete blank information):

Ten percent (10%) of the dwelling units in the Project financed in part from the proceeds of the above-captioned Note were first occupied on _____;

Fifty percent (50%) of the dwelling units in the Project financed in part from the proceeds of the above-captioned Note were first occupied on _____.

DATED:

BORROWER:

**MERCY HOUSING CALIFORNIA 78, L.P.,
a California limited partnership**

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its general partner

By: _____
Its: _____

Acknowledged:

City and County of San Francisco

By: _____
Name, Title

EXHIBIT F
CDLAC RESOLUTION

EXHIBIT G

CDLAC CERTIFICATION OF COMPLIANCE II

1. Project Name Change: 691 China Basin Apartments No ____ Yes ____

(If project name has changed since the award of allocation, please note the new project name as well as the original project name.)

New: _____ Original: _____

2. CDLAC Application No.:18-461

3. Bond Issuer Change: No ____ Yes ____

(If Bond Issuer has changed since the award as a result of refinancing or refunding of an allocation, please note the new Issuer as well as the original Issuer.)

New: _____ Original: _____

Address: _____

Phone #: _____

Email: _____

4. Change in Borrower: No ____ Yes ____

(If Borrower has changed since the award affecting the CDLAC resolution, please note the new Borrower as well as the original Borrower.)

New: _____ Original: _____

Address: _____

Phone #: _____

Email: _____

5. Has the project been completed and placed in service? No ____ Yes ____

(If yes, please submit Completion Certification (one time only.)

Already submitted certification

6. Has any of the following events occurred associated with the bond allocation: a change in use, a bond default, or a qualified bond default.

No ____ Yes ____ If yes, please describe and explain.

7. (IDB ONLY) If applicable in the CDLAC Exhibit A, provide the following job creation and retention details:

_____ Number of existing jobs actually retained

_____ Number of new jobs anticipated to be created

8. (QPEF ONLY) If applicable in Exhibit A of the CDLAC Resolution, please certify that the project is being maintained for public school purposes during the term of the regulatory agreement.

No _____ Yes _____ If no, please provide an explanation.

"Pursuant to Section 13 of Resolution No.18-152 (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on December 12, 2018, I, _____, an Officer of the Borrower, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with the terms and conditions set forth in the Resolution as outlined above. I further certify that I have read and understand the CDLAC Resolution, which specifies that once the Bonds are issued, the terms and conditions set forth in the Resolution Exhibit A shall be enforceable by the Committee through an action for specific performance, negative points, withholding future allocation or any other available remedy.

Signature of Officer

Date

Printed Name of Officer

Phone Number

Title of Officer

EXHIBIT H

CITY AND COUNTY OF SAN FRANCISCO MANDATORY CONTRACTING PROVISIONS

The following provisions shall apply to this Regulatory Agreement (referred to herein as “Agreement”) as if set forth in the text thereof. Capitalized terms used but not defined in this Exhibit shall have the meanings given in this Regulatory Agreement.

1. Conflict of Interest. Through its execution of this Agreement, Borrower acknowledges that it is familiar with the provision of Section 15.103 of the City’s Charter, Article III, Chapter 2 of City’s Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

2. Proprietary or Confidential Information of City. Borrower understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Borrower may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Borrower agrees that all information disclosed by City to Borrower shall be held in confidence and used only in performance of the Agreement. Borrower shall exercise the same standard of care to protect such information as a reasonably prudent Borrower would use to protect its own proprietary data.

3. Local Business Enterprise Utilization; Liquidated Damages.

a. **The LBE Ordinance.** Borrower shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the “LBE Ordinance”), provided such amendments do not materially increase Borrower’s obligations or liabilities, or materially diminish Borrower’s rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this section. Borrower’s willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Borrower’s obligations under this Agreement and shall entitle City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Borrower shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

b. **Enforcement.** If Borrower willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, Borrower shall be liable for liquidated damages in an amount equal to Borrower’s net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City’s Contracts Monitoring

Division or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the “Director of CMD”) may also impose other sanctions against Borrower authorized in the LBE Ordinance, including declaring the Borrower to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Borrower’s LBE certification. The Director of CMD will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17. By entering into this Agreement, Borrower acknowledges and agrees that any liquidated damages assessed by the Director of the CMD shall be payable to City upon demand. Borrower further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Borrower on any contract with City. Borrower agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of CMD or the Controller upon request.

4. Nondiscrimination; Penalties.

a. **Borrower Shall Not Discriminate.** In the performance of this Agreement, Borrower agrees not to discriminate against any employee, City and County employee working with such Borrower or Subcontractor, applicant for employment with such Borrower or Subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person’s race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

b. **Subcontracts.** Borrower shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all Subcontractors to comply with such provisions. Borrower’s failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

c. **Nondiscrimination in Benefits.** Borrower does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

d. **Condition to Contract.** As a condition to this Agreement, Borrower shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contracts Monitoring Division (formerly ‘Human Rights Commission’).

e. **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Borrower shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Borrower understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Borrower and/or deducted from any payments due Borrower.

5. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Borrower acknowledges and agrees that he or she has read and understood this section.

6. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges Borrowers not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

7. Drug-Free Workplace Policy. Borrower acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. Borrower agrees that any violation of this prohibition by Borrower, its employees, agents or assigns will be deemed a material breach of this Agreement.

8. Resource Conservation. Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by Borrower to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

9. Compliance with Americans with Disabilities Act. Borrower acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a Borrower, must be accessible to the disabled public. Borrower shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Borrower agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Borrower, its employees, agents or assigns will constitute a material breach of this Agreement.

10. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, Borrowers’ bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization’s net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or

benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

11. Limitations on Contributions. Through execution of this Agreement, Borrower acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Borrower acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Borrower further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Borrower's board of directors; Borrower's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Borrower; any Subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Borrower. Additionally, Borrower acknowledges that Borrower must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Borrower further agrees to provide to City the names of each person, entity or committee described above.

12. Requiring Minimum Compensation for Covered Employees.

a. Borrower agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Borrower's obligations under the MCO is set forth in this Section. Borrower is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

b. The MCO requires Borrower to pay Borrower's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Borrower is obligated to keep informed of the then-current requirements. Any subcontract entered into by Borrower shall require the Subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Borrower's obligation to ensure that any Subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any Subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Borrower.

c. Borrower shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such

actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

d. Borrower shall maintain employee and payroll records as required by the MCO. If Borrower fails to do so, it shall be presumed that the Borrower paid no more than the minimum wage required under State law.

e. The City is authorized to inspect Borrower's job sites and conduct interviews with employees and conduct audits of Borrower.

f. Borrower's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Borrower fails to comply with these requirements. Borrower agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Borrower's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

g. Borrower understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Borrower fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Borrower fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

h. Borrower represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

i. If Borrower is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but Borrower later enters into an agreement or agreements that cause Borrower to exceed that amount in a fiscal year, Borrower shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Borrower and this department to exceed \$25,000 in the fiscal year.

13. Requiring Health Benefits for Covered Employees.

Borrower agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

a. For each Covered Employee, Borrower shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Borrower chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

b. Notwithstanding the above, if the Borrower is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

c. Borrower's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Borrower if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Agreement for violating the HCAO, Borrower fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Borrower fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

d. Any Subcontract entered into by Borrower shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Borrower shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Borrower shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Borrower based on the Subcontractor's failure to comply, provided that City has first provided Borrower with notice and an opportunity to obtain a cure of the violation.

e. Borrower shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Borrower's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

f. Borrower represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

g. Borrower shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

h. Borrower shall keep itself informed of the current requirements of the HCAO.

i. Borrower shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

j. Borrower shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

k. Borrower shall allow City to inspect Borrower's job sites and have access to Borrower's employees in order to monitor and determine compliance with HCAO.

l. City may conduct random audits of Borrower to ascertain its compliance with HCAO. Borrower agrees to cooperate with City when it conducts such audits.

m. If Borrower is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Borrower later enters into an agreement or agreements that cause Borrower's aggregate amount of all agreements with City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Borrower and the City to be equal to or greater than \$75,000 in the fiscal year.

14. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, Borrower may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. Borrower agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event Borrower violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit Borrower from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Borrower's use of profit as a violation of this section.

15. Preservative-treated Wood Containing Arsenic. Borrower may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Borrower may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Borrower from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

16. Compliance with Laws. Borrower shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

17. Protection of Private Information. Borrower has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Borrower agrees that any failure of Borrower to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Borrower pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Borrower.

18. Food Service Waste Reduction Requirements. Borrower agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, Borrower agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Borrower agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Borrower's failure to comply with this provision

19. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any Borrower, Subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. A Borrower, Subcontractor or consultant will be deemed to have submitted a false claim to the City if the Borrower, Subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

20. Prevailing Wages. Borrower understands and agrees that all provisions of section 1770, et seq., of the California Labor Code are required to be incorporated into every contract for any public work or improvement and are hereby incorporated into this contract. Borrower also understands and agrees that all provisions of sections 6.22E and 6.22F of the San Francisco Administrative Code are hereby incorporated into this contract. Borrower also understands and agrees that all applicable provisions of the Davis-Bacon Act (40 U.S.C. §§3141 et seq.) are hereby incorporated into this contract.

EXHIBIT I
FORM OF ANNUAL MONITORING REPORT

[To Come.]

EXHIBIT J

OPERATIONAL RULES FOR SAN FRANCISCO HOUSING LOTTERIES AND RENTAL LEASE UP ACTIVITIES

In order to implement consistent and transparent marketing practices for all affordable housing under the purview of the Mayor's Office of Housing and Community Development (MOHCD), the following policies and procedures have been adopted. Mercy Housing California 78, L.P., a California limited partnership (the "Borrower") hereby acknowledges and agrees to follow these procedures as outlined below.

If ever there is a conflict between a recorded development agreement and this document, the executed development agreement will prevail. Likewise, when state and federal funding sources conflict with anything outlined in these guidelines, they too shall prevail.

HOUSING PREFERENCE PROGRAMS

The Borrower hereby agrees that first preference in occupying units designated for Very Low-Income Households (Very Low-Income Units) will be given to persons who have been issued a Residential Certificate of Preference (COP) and who meet all qualifications for the unit.

If a project is being marketed prior to when MOHCD reviews and approves the Displaced Tenant Housing Preference (DTHP), the Borrower agrees that DTHP shall be the second preference in occupying units, all of the same conditions and procedures will apply to the Displaced Tenants Housing Act (DTHP) Certificate holders as EAHP is the predecessor to the DTHP.

For new residential developments going through the initial lease-up process, the DTHP priority shall apply to twenty percent (20%) of the Very Low-Income Units. Thus, if the number of units available exceeds the number of qualified applicants who hold a COP or other preference as dictated by specific loan documents or marketing plan, the next priority will go to DTHP certificate holders for up to 20% of the total Low Income Units. The DTHP priority does not apply at initial lease-up or sale to buildings having four (4) or fewer Very Low-Income Units. However, the DTHP priority does apply to these same units upon re-sale.

Very Low-Income Units with other occupancy priorities required by law, contract, or program rules may apply the COP and DTHP after other preferences, with COP holders being granted priority above DTHP certificate holders. There may be project-specific preferences or ones required by a former Redevelopment Project Area Plan that are not pre-empted by the COP Program or the Displaced Tenants Housing Preference Program.

Marketing and Tenant Selection Plan

The Borrower agrees to provide MOHCD with a complete and updated marketing plan at least twelve months prior to construction completion. The Marketing and Tenant Selection Plan shall be submitted on a template form as provided by MOHCD. This information shall not be changed without providing MOHCD with fourteen (14) calendar days' written notice.

New rental units shall be marketed for at least a 28-day period, including a listing on MOHCD and /or its agent's website and on the email housing alert system. Applicants shall submit an abridged lottery application form only and supply full income and other documentation if selected in the lottery process to proceed with a rental.

Outreach to Certificate Holders

MOHCD shall furnish the following:

- Written and/or printed notices to COP certificate holders advising them that units will soon be available.
- Names and addresses of COP certificate holders. MOHCD shall address printed notices created by Borrower using a template provided by MOHCD. Borrower is responsible for the full cost of the mailing to COP certificate holders.
- Assistance to qualified tenants in filing COP and DTHP applications or referral to an appropriate housing counseling organization.

The Borrower agrees to:

- Written and mailed notices to COP certificate holders advising them that units are available using a template provided by MOHCD. COP mailings are at the cost of the Borrower.
- During the application period, conduct at least one general informational meeting for all persons interested in applying for occupancy in the development, at which the Borrower shall review application procedures.
- Specifically for COP and DTHP certificate holders, make support services staff available to provide assistance throughout the application process, as it may be needed, with the goal of maximizing COP/DTHP participation to the extent possible. The Borrower shall ensure that COP/DTHP holders are aware that such assistance is available.

Application

The Borrower agrees to use a pre-lottery application template provided by MOHCD. After the lottery, the Borrower may require applicant to complete an additional application which is included in the Marketing Plan and pre-approved by MOHCD.

Pre-Lottery Application Status Reports

The Borrower agrees to supply MOHCD with the names, addresses, and housing preference certificate numbers (when available) of all applicants including whether or not they indicate they are eligible for COP or DTHP priority status. MOHCD will provide a template to be used to provide this status report, at a minimum, every seven (7) calendar days from the initial date applications are accepted. MOHCD will, in turn, verify within seven (7) calendar days which such applicants are qualified as COP or DTHP certificate holders.

After the application period has closed, and at least 5 business days prior to lottery proceedings, a non-prioritized list of all interested applicants will be provided to MOHCD on the template provided. The list shall include applicant names, addresses, and whether the applicant holds a COP or DTHP certificate. If MOHCD does not receive this final applicant list within 5 business days of the lottery, it will be cause to postpone the lottery proceedings until the complete list is received.

In addition to these status reports, the Borrower also agrees to provide a COP Outreach Obligation report summarizing the outreach efforts made to and communication with COP holders in the early outreach and marketing processes.

Lottery

Borrower shall ensure that all COP holders receive first priority for occupancy, and on projects where there are no funding source constraints, DTHP certificate holders receive second priority for occupancy in 20% of units.

Borrower shall hold a public lottery to select renters. Applicants who submit a complete application by the application deadline receive a numbered lottery ticket whose twin ticket is entered into the lottery. Upon pre-approval from MOHCD, lotteries may also be conducted using names of applicants.

When the Borrower chooses to receive applications by mail, applicants must be notified that applications must be post marked prior to the application deadline. When receiving applications via mail, the Borrower must allow 10 business days from the application deadline before scheduling the lottery to allow for mail delivery, to accommodate the deadline for delivery of the final application list to MOHCD (at least 5 business days prior to the lottery).

Lotteries are held in a public, accessible location. Applicants are invited to attend lotteries, but attendance is not mandatory.

Lotteries will be done electronically and applicant numbers will be randomly sorted by a software program for each preference category. The Borrower should use a computer and projector screen or individual laptops to display the results of each preference lottery and the general lottery.

The Borrower should record each name card/number ticket assigned a lottery number onto the applicant list template provided by MOHCD. Once the lottery preferences have been confirmed and applied, the Borrower must notify applicants of their position in the lottery if they were unable to attend by posting the results on the Borrower's website or another public site and/or by mail.

The Borrower should refer to the Housing Preferences and Procedures Manual, posted on MOHCD's website at www.sfmohcd.org to review additional details on the lottery process.

Post-Lottery Lease-up Instructions

The Borrower agrees to contact each applicant in lottery rank order to set up an interview where the Borrower will receive all necessary supporting documents from the applicant (i.e. income documentation, tax returns, and bank statements).

The Borrower agrees to income-qualify each household member based on the supporting documents submitted by the applicant. Income qualification cannot be based solely on what is reported by the applicant on the application.

The Borrower shall not use citizen status as a qualification for selection. The Borrower shall not ask for social security information prior determining the household's income eligibility.

The Borrower agrees to offer units in lottery-ranked order to applicants who meet all qualifications. If an applicant is still in the review process and the applicant behind them in lottery rank order has been approved, the first applicant must be offered a specific unit that is reserved for that applicant until all qualifications have been reviewed and approved.

In the case of an applicant being denied for housing and the applicant appeals the denial, the Borrower agrees to hold a comparable unit until the final decision has been made regarding the appeal. Should Borrower determine that an applicant's appeal to a denial will be denied, Borrower will inform MOHCD of this decision with documentation used to sustain the denial. MOHCD will confirm the denial is in accordance with Borrower's eligibility requirements, such confirmation will take no more than 7 business days.

If ineligibility is determined, the applicant will be notified in writing within one week after such determination is made, with a copy to MOHCD. These applicants will also appear on the status report.

Post-Lottery Status Report

Every seven (7) business days following any lottery the Borrower shall supply MOHCD with a lease up status report on a template provided by MOHCD. MOHCD has the right to audit the Borrower's lease up procedure and applicant files with 24-hour notice during the lease up period.

Response Deadline

Applicants who have been accepted and notified in writing by the Borrower shall have at least ten (10) calendar days thereafter to enter into a lease agreement. If the applicant fails to affirmatively respond, the application may be closed, making that unit available to the next eligible tenant. Written notice shall be provided to applicants whose applications are closed after 10 days due to a lack of response. Rejection of the unit by a COP or DTHP certificate holder and closed applications must be shown on the status report to MOHCD.

Final Documentation

Within fourteen (14) calendar days after execution of a lease, the Borrower shall supply MOHCD with a copy of a demographic report on all COP and DTHP applicants.

Retention Policy

For MOHCD auditing purposes, Borrower is required to keep all supporting documents for each applicant that has been interviewed for at least one year after the interview.

EXHIBIT K-1

**Form of Early Outreach Plan for Initial Lease Up or Sale of Units (2016 edition)
Projects Approved by the Mayor’s Office of Housing and Community Development
(MOHCD)**

This plan is subject to MOHCD’s review within 10 business days from the date it is received and complete. **Please set all dates in this plan so that no date commences sooner than 30 working days before the date of your plan submission.**

Please complete and return this form in computer “Microsoft Word” document format so that our office may track changes directly onto the document. The approval process typically involves a back-and-forth process between MOHCD and the developer’s representative. Please do not submit incomplete plans. This plan may be updated from time to time at the discretion of MOHCD. Thank you.

I. General Information *(Suggestion: Cut and paste sections I - VIII from this form into your marketing plan. This is the exact information required to be included.)*

I/We agree that the goal of Mercy Housing California 78, L.P., a California limited partnership (the “Developer”) is to ensure that all applicants are screened using consistently applied, fair criteria, to provide a desirable, well-maintained and affordable place to live for an economically, racially, and ethnically integrated resident population, while complying with the provisions of any federal, state, or local law prohibiting discrimination in housing on the basis of race, religion, sex, color, family status, disability status, national origin, marital status, ancestry, gender identity or sexual orientation, source of income, or HIV/AIDS status.

In order to inform the public, owners, and prospective tenants/buyers about federal fair housing laws and affirmative fair marketing procedures per the Regulatory Agreement and Declaration of Restrictive Covenants, dated April 1, 2019, between the City and County of San Francisco, California and the Developer, the Developer will include the Equal Housing Opportunity logotype and/or slogan, and a logotype indicating accessibility to the disabled, in all press releases, solicitations, and program information materials.

Today’s Date	
Proposed Outreach Launch Date (Must be no sooner than 30 days from the date of first submission)	

Name of Building	
Property Address (Street address used for marketing and mailing to new renters / buyers)	
Property Address as Stated in Planning Approval	
Planning Motion Number	
Notice of Special Restrictions Document #, Disposition and Development or Borrower Participation Agreement # or Loan Agreement #	
Name of City and Co. of SF Planner	

The following developer contact information for is for internal use only.

Name of Developer	
Developer Address	
Developer Phone	
Developer Email	

Name of Marketing Company	
Marketing Agent	
Marketing Agent Address	
Marketing Agent Phone	
Marketing Agent Email	

Date of Building Permit Issuance	
Expected Issuance Date of Temporary Certificate of Occupancy	
Expected Issuance Date of Final Certificate of Occupancy	
Date on Which You Expect Affordable Units to Begin Occupancy	
Date on Which You Expect All Affordable Units to Complete Occupancy	

The section below applies to rental projects only.

List all Sources of Government Financing for the Project (e.g. CDLAC, TCAC, HUD Loan, Infill Grant, etc.)	
If there is a source of government financing, how long and at what % Area Median Income must your units be restricted as rental units under this financing?	
Are your units condo mapped (i.e. subdivided) through the Department of Real Estate?	
Do you intend to convert to ownership units in the future? Please explain.	

II. Overall Building Composition

Total # Units in Building (including affordable)	
Number of Residential Floors in the Building	

III. Market Rate Units (if applicable)

Unit Type	Total #
SRO	
Studio	
Jr. 1 Bedroom	
1 Bedroom	
1+ Bedroom	
2 Bedroom	
2+ Bedroom	
3 Bedroom	
3+ Bedroom	
4 Bedroom	
Other	

IV. Affordable Units

Total # affordable (only) Units in Building	
---	--

AFFORDABLE UNITS BY BEDROOM SIZE

Unit Type	Total #	Minimum Household Occupancy Size	*Maximum Household Occupancy Size
SRO			
Studio			
Jr. 1 Bedroom			
1 Bedroom			
1+ Bedroom			
2 Bedroom			
2+ Bedroom			
3 Bedroom			
3+ Bedroom			
4 Bedroom			
Other			

*Please note that children under 6 years do not count toward household size.

DETAILED DESCRIPTION OF AFFORDABLE UNITS BY BEDROOM SIZE

Refer to Area Median Income Levels Set by MOHCD for Table Below.

Unit #	Bedroom Count	Bath Count	Square Feet	Unit Accessible/Adaptable (including Visually or Hearing Impaired)	% Area Median Income Limit	For rent units: Min. Monthly Household Income Required (ex: 2 or 2.5 times rent)	For sale units: Min. Down payment Required (BMR program requires only 5%)

V. Renter / Buyer Outreach

I/We understand that it is our responsibility to read and understand the rules of the regulatory agreement(s) for this development as well as the marketing and outreach policies set forth by MOHCD.

At least 18 months prior to initiation of the affirmative marketing obligations or other public advertising and marketing of the Affordable Housing Units, (as the term is defined in the relevant development agreement(s)), Developer shall provide occupancy priority holders (based on a list developed by Developer and MOHCD) with advance notice (the “Advance Notice”) that affordable and/or market rate housing opportunities in the Project will become available (the “Advance Notice Period”). This Advance Notice will include a description of the housing, income qualifications for tenancy or ownership and the name of Developer representative who can answer questions and provide additional information about the qualification process.

The outreach materials should include the following information as applicable:

1) Occupancy Preferences (Verify with MOHCD)

Preference will be given to:

Preference	Applicant Category
1	Persons Displaced by Project Activity
2	Certificate of Preference Holders: a. Western Addition b. Hunters Point

c. Residential G	
3	Ellis Act Housing Preference (EAHP) Holders or Displaced Tenant Housing Preference
4	San Francisco Residents or Workers
3	All Others

2) **Area Median Income Levels** (Verify with MOHCD)

[PLEASE INSERT THE INCOME LIMIT TABLE YOU WILL USE AND INSERT CURRENT INCOME LIMITS INTO THE TABLE BELOW]

_____ % of Maximum Income by Household Size derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that contains San Francisco 201.

A one person household can make no more than \$ _____

A two person household can make no more than \$ _____

A three person household can make no more than \$ _____

A four person household can make no more than \$ _____

A five person household can make no more than \$ _____

A six person household can make no more than \$ _____

A seven person household can make no more than \$ _____

(Please visit www.sfmohcd.org for larger households.)

3) **Description of the Project**

A description of the total number of Affordable Units in the Project;

A description of the building amenities;

List of organizations and/or workshop dates to assist prospective applicants;

Anticipated occupancy date

COP Postcard Template
Coming Soon!

Affordable Homes for Rent or Sale in San Francisco

Exterior Photo	Interior Photo

2 two-bedroom + 3 three-bedroom rental or ownership units available at Lakeside Village, 1125 Laurel Court, San Francisco, CA 94124

- New Units with Modern Design + Amenities coming Summer, Spring, Fall, Winter YEAR
- (5) Affordable units available to households at XX% of median income
- Renter or Buyer households must earn no more than the income levels listed below:

Side Two:

All applicants are encouraged to apply. Lottery preference will be given to Certificate of Preference and Ellis Act Housing Preference holders* and households that live or work in San Francisco.

**Certificate of Preference holders are primarily households displaced in Redevelopment Project Areas during the 1960's and 1970's, but may also include other persons displaced by Agency action. Ellis Act Housing Preference holders are long term San Francisco tenants who were evicted because of the Ellis Act. Contact 415-701-5613 for more information.*



INSERT YOUR ACCESS TO HOUSING PROVIDER INFORMATION HERE (NAME, ADDRESS, AND PHONE NUMBER)

PLEASE INCLUDE UPCOMING DATES OF THEIR RENTAL OR OWNERSHIP COUNSELING WORKSHOPS & A LINK TO THEIR WEBSITE

Please visit www.yourwebsite.com for a list of upcoming owner counseling workshops. You can also contact Smith Advisors at [\[phone and email contact info\]](#) for more information on the units.

Units are monitored through the San Francisco Mayor's Office of Housing and Community Development and are subject to monitoring and other restrictions. Visit www.sfmohcd.org for program information.

VI. Marketing Strategy

Beginning in the early outreach period and through the lease up or sale of BMR units the Developer is required to work with a qualified organization and/or consultant to assist with counseling:

The scope of work should include the services below:

Rental Scope of Work:

To provide comprehensive outreach and marketing services integrating with education, individualized support, group workshops, and peer-support counseling to ensure candidates have the opportunity to apply to and secure housing.

List of services include:

- Outreach and affirmative marketing with an emphasis on Certificate of Preference holders
- Housing placement
- Budgeting and Asset Building
- Credit counseling which should address any credit issues
- Housing education
- One on one follow ups
- Tenant counseling
- Financial education including credit building techniques
- Rental application assistance and preparation
- Eviction prevention
- Workshops for application process, income eligibility, down payment requirements, credit checks, etc.
- Workshop for COP holders
- Housing rights
- Fair housing rights
- Landlord/ tenant relations and issues

Please provide any additional scope or recommendations that will help find and prepare prospective residents.

Qualified Consultant Organizations

SF LGBT Community Center (415) 865-5555

Veteran's Equity Center (415) 255-2347

Mission Economic Development Agency (415) 282-3334

Consumer Credit Counseling of San Francisco (800) 777-7526

Asian, Inc. (415) 928-5910

San Francisco Housing Development Corporation (415) 822-1022

Borrowership Scope of Work:

To provide comprehensive outreach and marketing services integrating with education, individualized support, group workshops, and peer-support counseling to ensure candidates have the opportunity to apply to and secure housing.

List of services include:

- Outreach and affirmative marketing with an emphasis on Certificate of Preference holders
- Individual pre-purchase counseling housing workshops
- One on one follow ups
- Budgeting and Asset Building
- Financial education including credit building techniques
- Credit counseling which should address any credit issues
- Homebuyer application assistance and preparation
- Workshops for application process, income eligibility, down payment requirements, credit checks, etc.
- Housing rights
- Fair housing rights

Please provide any additional scope or recommendations that will help find and prepare prospective residents.

www.homeownershipsf.org or (415) 202-5464

Outreach Materials (i.e. post cards)

I/We understand that our project must provide a post card **as a part of this submission** for the AFFORDABLE units available that includes the following information. (Please see sample template at the end of this document for a template.)

- Certificate of Preference and Ellis Act Housing Preference indication (if applicable)
- Maximum and minimum qualifying incomes
- Rental or Homeownership Affordability Levels
- Rent levels
- Description of units
- Exterior and interior photo of the development
- Information on information sessions
- Information on how to obtain an application
- Fair Housing logo
- Equal Opportunity logo
- Your website

Outreach to Certificate of Preference Holders

I/We understand that we are responsible for marketing our Affordable Rental or Homeownership units to Certificate of Preference holders. Certificate of Preference holders are primarily households displaced in Redevelopment Project Areas during the 1960’s and 1970’s, but may also include other persons displaced by Agency action. For more information, applicants may contact 415-701-5613.

I/We understand that I/we shall provide post cards for the mailing of an affordable housing announcement to all Certificate of Preference holders. We are responsible for printing the post cards using the information provided by MOHCD. MOHCD shall coordinate the mailing and invoice the developer for the full cost of the first class mailing, including postage and labels.

VII. Application/Selection Process and Timeline

I have read the City and County of San Francisco’s Operational Rules for San Francisco Housing Lotteries and Rental Lease-up Activities (Exhibit S) and understand the application, selection, preparation and review and Lottery process.

[Please complete the following timeline as part of your Plan]

Timeline of Entire Process (add info as needed)

TASK	TIME FRAME	DATE
MOHCD provides developer with: Early Outreach Plan and Marketing Plan (which includes Tenant Selection Criteria) (“Plans”) template	Developer will have template prior to or by construction commencement. Developer must submit <i>draft</i> Early	

Fair Chance Ordinance link on HRC website Operational Rules for Lotteries & Lease Up (another exhibit of the DDA or Loan Agreement or other relevant document) Link to list of rental readiness service providers who can assist potential applicants or Homeownership SF if for-sale project	Outreach and Marketing Plans 30 days after construction commencement.	
Developer provides MOHCD with the Early Outreach Plan	At least 1 month after construction commencement	
MOHCD reviews Outreach Plan for accurate project information, partnering with a community outreach organization, and consistency with template.	MOHCD will provide approval no later than 10 business days after final draft is received.	
MOHCD reviews and approves Outreach Plan	Approval is provided within 5 business days.	
Early Outreach begins: MOHCD monitors developer’s progress on Early Outreach timeline and activities Developer submits monthly reports on Early Outreach activities to MOHCD		
Developer provides MOHCD with Early Outreach marketing materials and MOHCD does 1 st of 5 COP mailings	3 months after construction commencement	
Developer submits refined draft Marketing Plan. Upon receipt of draft Marketing Plan, MOHCD notifies its agent, if any, that the tenant selection and marketing plans are forthcoming. (If no agent represents MOHCD proceed to next task below.)	12-months prior to the anticipated Temporary Certificate of Occupancy (“TCO”).	
MOHCD reviews Plan for consistency with development agreements (loan agreements, VDDAs, DDAs, OPA/DDAs), including appropriate rent ranges, AMIs and occupancy preferences, engages with developer if any discrepancies, and confirms with its agent, if any, first draft of plan is consistent with applicable agreement, and sends to its agent, if any.	Within 30 days of receipt of plan (no later than 45 days after receipt of draft plan) MOHCD sends to plan to MOHCD	
MOHCD meet with leasing agent and Access to Housing Partner to go over all marketing, lease-up & lottery processes	After draft Marketing Plan(with the Tenant Selection Criteria) are approved and before marketing plan is finalized and approved	
MOHCD approves revised draft Plans & transmits Marketing Plan approval to developer	Within 60 days after the receipt of the Marketing Plan	
Developer provides MOHCD with marketing materials and MOHCD does 2 nd of 5 COP mailings	12 months before TCO completion	
Developer provides MOHCD with marketing materials and does 3 rd of 5 COP mailings	10 months before TCO	
Developer provides MOHCD with marketing materials and MOHCD does 4 th of 5 COP mailings	8 months before TCO	

MOHCD requests any/all Plan updates from developer with finalized dates and actual pricing	7 months before lease up/sales	
Developer submits final plan and COP postcard to MOHCD MOHCD does 5 th of 5 COP mailings Notice of Application Workshops Includes contact information for support staff (MOHCD) available to COP holders	30 day period, 6 months sales	
For projects where lease-up begin between Jan-May: If a new AMI has been published since the first draft of the Marketing Plan was created, then MOHCD will determine if the new AMI & Rent limits should be used in the final version of the marketing Plan. Alert MOHCD if the AMI numbers are revised.	Same 30 day period as above	
Developer sends advertisements to MOHCD for review and approval	Same 30 day period as above	
MOHCD considers final Marketing Plan with advertisements for approval	Same 30 day period as above	
Marketing Period begins. MOHCD does COP mailing and posts to website, housing alert system; Front Desk	90 days before sales	
Marketing period	28 days (rent) / 45 days (homeownership)	
Developer provides MOHCD with applicant lists on a weekly basis. MOHCD confirms EAHP & COP	<u>Weekly</u> during marketing period	
MOHCD attends a specialized rental readiness workshop session for COP holders)	When scheduled	
MOHCD fields consumer complaints and works with leasing agent to address pre-lottery issues	As needed	
Developer provides COP Outreach Obligation report to MOHCD Commission	Prior to lottery	
Developer provides MOHCD with final list of applications that are assigned lottery numbers	One week before lottery date	
Lottery – MOHCD assists developer	Four weeks after marketing period ends	
Developer provides MOHCD with final lottery lists that have been reconciled with the applicant list	ASAP after lottery	
Developer will submit lottery list to MOHCD who will confirm the list within 7 business days.		
Lease-up / Sales begin The appeals process needs to be included on the application, next to the signature line and in every denial letter sent to applicants		
Developer submits weekly sales or lease up reports to MOHCD using spreadsheet provided by MOHCD	Weekly during unit lease-up / sales	

If applicant files an appeal: Developer tracks the appeal on weekly lease-up/sales list Developer hears the appeal Before 2 nd denial is sent MOHCD needs to review file		
MOHCD reviews all denials and confirms Developer is correct in calculations and following marketing procedures		
MOHCD addresses lease-up / sales issues with Developer		
MOHCD addresses lease-up / sales issues with consumers and hears denial appeals after initial review by MOHCD		
Developer provides MOHCD with a clean copy of the Final Waitlist		

VIII. Document Review

I/We certify that I/we and all agents involved in the process of renting affordable units have read Exhibit L.

Representative (sign) _____

Representative (print) _____

Title (print) _____

Company (print) _____

Date (print) _____

EXHIBIT K-2

Early Outreach and Marketing Responsibilities and Timeline

TASK	TIME FRAME
MOHCD provides developer with: Early Outreach Plan and Marketing Plan (which includes Tenant Selection Criteria) (“Plans”) template Operational Rules for Lotteries & Lease Up (another exhibit) Link to list of rental readiness service providers who can assist potential applicants or Homeownership SF if for-sale project	Developer will have template prior to or by construction commencement. Developer must submit <i>draft</i> Early Outreach and Marketing Plans 30 days after construction commencement.
Developer provides MOHCD with the Early Outreach Plan	At least 1 month after construction commencement
MOHCD reviews Outreach Plan for accurate project information, partnering with a community outreach organization, and consistency with template.	MOHCD will provide approval no later than 10 business days after final draft is received.
MOHCD reviews and approves Outreach Plan	Approval is provided within 5 business days.
Early Outreach begins: MOHCD monitors developer’s progress on Early Outreach timeline and activities Developer submits monthly reports on Early Outreach activities to MOHCD	
Developer provides MOHCD with Early Outreach marketing materials and MOHCD does 1 st of 5 COP mailings	3 months after construction commencement
Developer submits refined draft Marketing Plan. Upon receipt of draft Marketing Plan, MOHCD notifies its agent, if any, that the tenant selection and marketing plans are forthcoming. (If no agent represents MOHCD proceed to next task below.)	12-months prior to the anticipated Temporary Certificate of Occupancy (“TCO”).
MOHCD reviews Plan for consistency with development agreements (loan agreements, VDDAs, DDAs, OPA/DDAs), including appropriate rent ranges, AMIs and occupancy preferences, engages with developer if any discrepancies, and confirms with its agent, if any, first draft of plan is consistent with applicable agreement, and sends to its agent, if any.	
MOHCD meets with leasing agent and Access to Housing Partner to go over all marketing, lease-up & lottery processes	After draft Marketing Plan(with the Tenant Selection Criteria) are approved and before marketing plan is finalized and approved
MOHCD approves revised draft Plans & transmits Marketing Plan approval to developer	Within 60 days after the receipt of the Marketing Plan
Developer provides MOHCD with marketing materials and MOHCD does 2 nd of 5 COP mailings	12 months before TCO completion
Developer provides MOHCD with marketing materials and MOHCD does 3 rd of 5 COP mailings	10 months before TCO
Developer provides MOHCD with marketing materials and MOHCD does 4 th of 5 COP mailings	8 months before TCO

MOHCD requests any/all Plan updates from developer with finalized dates and actual pricing	7 months before lease up/sales
Developer submits final plan and COP postcard to MOHCD and/or its agent MOHCD does 5 th of 5 COP mailings Notice of Application Workshops Includes contact information for support staff (MOHCD) available to COP holders	30 day period, 6 months sales
For projects where lease-up begin between Jan-May: If a new AMI has been published since the first draft of the Marketing Plan was created, then MOHCD will determine if the new AMI & Rent limits should be used in the final version of the marketing Plan. Alert MOHCD if the AMI numbers are revised.	Same 30 day period as above
Developer sends advertisements to MOHCD for review and approval	Same 30 day period as above
MOHCD considers final Marketing Plan with advertisements for approval	Same 30 day period as above
Marketing Period begins. MOHCD does COP mailing and posts to website, housing alert system; Front Desk	90 days before sales
Marketing period	28 days (rent) / 45 days (homeownership)
Developer provides MOHCD with applicant lists on a weekly basis. MOHCD confirms EAHP & COP	<u>Weekly</u> during marketing period
MOHCD attends a specialized rental readiness workshop session for COP holders)	When scheduled
MOHCD fields consumer complaints and works with leasing agent to address pre-lottery issues	As needed
Developer provides COP Outreach Obligation report to MOHCD Commission	Prior to lottery
Developer provides MOHCD with final list of applications that are assigned lottery numbers	One week before lottery date
Lottery – MOHCD assists developer	Two weeks after marketing period ends
Developer provides MOHCD with final lottery lists that have been reconciled with the applicant list	ASAP after lottery
Developer will submit lottery list to MOHCD who will confirm the list within 7 business days.	
Lease-up / Sales begin The appeals process needs to be included on the application, next to the signature line and in every denial letter sent to applicants	
Developer submits weekly sales reports to MOHCD using spreadsheet provided by MOHCD	Weekly during unit lease-up / sales
If applicant files an appeal: Developer tracks the appeal on weekly lease-up/sales list Developer hears the appeal Before 2 nd denial is sent MOHCD needs to review file	

MOHCD reviews all denials and confirms Developer is correct in calculations and following marketing procedures	
MOHCD's agent, if any, alerts MOHCD to problems/concerns with lease-up. (If no agent represents MOHCD proceed to next step below.)	
MOHCD addresses lease-up / sales issues with Developer	
MOHCD addresses lease-up / sales issues with consumers and hears denial appeals after initial review by MOHCD and/or its agent	
Developer provides MOHCD with a clean copy of the Final Waitlist	