

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

**Successor Agency to the Former Redevelopment Agency
of the City of Stockton**
425 N. El Dorado Street, Third Floor
Stockton, California 95202
Attn: Director, Economic Development Department

**NO RECORDING FEE PURSUANT TO
GOVERNMENT CODE SECTION 27383**

**AMENDED AND RESTATED REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
(MARQUIS PLACE)**

This Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement") is made and entered into as of this _____ day of _____, 2016, by and between the City of Stockton in its capacity as Successor Agency to the former Redevelopment Agency of the City of Stockton, existing under the laws of the State of California (the "Agency") and Visionary Home Builders of California, Inc., (formerly known as Asociacion Campesina Lazaro Cardenas, Inc.), a California nonprofit public benefit corporation (the "Owner").

RECITALS

A. The Agency and the Owner entered into a Loan Agreement, dated as of December 20, 2006 (the "Loan Agreement"). Pursuant to the Loan Agreement, the Agency will provide a loan to Owner for costs related to and the development of certain real property located at 5315 Carrington Circle in the City of Stockton, as more particularly described in Exhibit A attached hereto (the "Property"). The Owner shall construct twenty-one (21) units of rental housing, affordable to very low income households, with the exception of one manager's unit (the "Development"). Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Loan Agreement.

B.

Pursuant to the Loan Agreement, the Agency and the Borrower executed a Regulatory Agreement and Declaration of Restrictive Covenants ("Original Regulatory Agreement") dated as of December 20, 2006 and recorded against the Property in the Official Records of San Joaquin County on February 2, 2007 as Instrument No. 2007-024767. This Agreement restates in its entirety the Original Regulatory Agreement. The effective date of this Agreement is December 20, 2006.

C. The City has adopted the Amended and Restated Redevelopment Plan for the North Stockton Merged Redevelopment Project Area (the "Project Area") by Ordinance No. 012-08 on July 13, 2004, as amended (the "Redevelopment Plan"). The Development is located in the Project Area.

D. The Loan is funded with redevelopment low and moderate-income housing funds

E. In order to ensure that the Development will be used and operated in accordance with these conditions and restrictions, the Agency and the Owner wish to enter into this Agreement.

F. The Development complies with Article XXXIV of the California Constitution as the voters of the City approved Measure W on March 7, 2000, which provides that five hundred (500) affordable housing units may be developed, constructed and acquired annually. The City Council has allocated twenty-one (21) units of such authority for the Development by Resolution No. 06-0302 dated June 13, 2006.

THEREFORE, the Agency, the City, and the Owner amend and restate the Original Regulatory Agreement to read in its entirety as follows:

ARTICLE 1. DEFINITIONS

1.1 Definitions. When used in this Agreement, the following terms shall have the respective meanings assigned to them in this Article 1.

(a) "Actual Household Size" shall mean the actual number of persons in the applicable household.

(b) "Adjusted Income" shall mean the total anticipated annual income of all persons in a household, as calculated in accordance with 25 California Code of Regulations Section 6914 or pursuant to a successor State housing program that utilizes a reasonably similar method of calculation of adjusted income. In the event that no such program exists, the Agency shall provide the Owner with a reasonably similar method of calculation of adjusted income as provided in said Section 6914.

(c) "Agency" shall mean the former Redevelopment Agency of the City of Stockton and the City of Stockton in its capacity as the Successor Agency to the former Redevelopment Agency, existing under the laws of the State of California, and, in the event the Agency ceases to exist, the City of Stockton or such successor entity as the Agency may designate.

(d) "Agreement" shall mean this Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants.

(e) "Area Median Income" shall mean area median income adjusted by Actual Household Size for households in the Stockton Metropolitan Statistical Area (MSA), California, as published from time to time by HUD. If such income determinations are no longer published, or are not updated for a period of at least eighteen (18) months, then the Agency shall provide the Owner with other income determinations which are reasonably similar with respect to methods of calculation to those previously published by HUD.

(f) "Assumed Household Size" shall have the meaning set forth in Section 2.2 (d).

(g) "City" shall mean the City of Stockton, California.

(h) "Deed of Trust" shall mean the deed of trust to Agency on the Property, which secures repayment of the Loan and the performance of the Loan Agreement and this Agreement.

(i) "Development" shall mean the rental housing complex consisting of approximately twenty-one (21) residential dwelling units, as well as all recreational and common area improvements, landscaping, parking and related improvements, as the same may from time to time exist on the Property.

(j) "Fiscal Year" shall mean the Owner's fiscal year which ends on December 31.

(k) "Housing Fund" shall mean the low and moderate income housing fund established by the Agency for the Project Area pursuant to Health and Safety Code Section 33334.3.

(l) "HUD" shall mean the United States Department of Housing and Urban Development.

(m) "Loan" shall have the meaning set forth in Recital A.

(n) "Loan Agreement" shall mean the Loan Agreement entered into by and between the Agency and the Owner, dated as of December 20, 2006.

(o) "Low Income Household" shall mean a household with an Adjusted Income that does not exceed the qualifying limits for low income households as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, and as published by the State of California Department of Housing and Community Development.

(p) "Low Income Units" shall mean the Units which, pursuant to Section 2.1 below, are required to be occupied by Low Income Households.

(q) "Management Agent" shall mean the experienced management agent selected by the Owner for the management of the Development pursuant to Section 5.2 of this Agreement.

(r) "Note" shall mean the promissory note from Owner to Agency evidencing all or any part of the Loan.

(s) "Owner" shall mean Visionary Home Builders of California, Inc., a California nonprofit public benefit corporation, and any of its permitted successors or assigns.

(t) "Project Area" shall have the meaning set forth in Recital B.

(u) "Property" shall mean the real property described in Exhibit A attached hereto and incorporated herein.

(v) "Redevelopment Plan" shall have the meaning set forth in Recital B.

(w) "Rent" shall mean the total monthly payment by the Tenant of a Unit for the following: use and occupancy of the Unit, land and associated facilities, including parking (other than parking services acquired by the Tenant on an optional basis); any separately charged fees assessed by the Owner which are required of all Tenants, other than security deposits; the cost of an adequate level of service for utilities paid by the Tenant, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not telephone service; any other interest, taxes, fees or charges for use of the land or associated facilities and assessed by a public or private entity other than the Owner, and paid by the Tenant.

(x) "Sixty Percent Income Household" shall mean a household with an Adjusted Income which does not exceed sixty percent (60%) of Area Median Income, adjusted for Actual Household Size.

(y) "Sixty Percent Income Units" shall mean the Units which, pursuant to Section 2.1 below, are required to be occupied by Sixty Percent Income Households.

(z) "Tenant" shall mean a household occupying a Unit.

(aa) "Term" shall mean the period of time beginning on the date a certificate of occupancy is issued for the construction of Development and ending on the date fifty-five (55) years after such date.

(bb) "Thirty Percent Income Household" shall mean a household with an Adjusted Income which does not exceed thirty percent (30%) of Area Median Income, adjusted for Actual Household Size.

(cc) "Thirty Percent Income Units" shall mean the Units which, pursuant to Section 2.1 below, are required to be occupied by Thirty Percent Income Households.

(dd) "Unit" or "Units" shall mean one of or all of the twenty-one (21) residential dwelling units in the Development.

ARTICLE 2. AFFORDABILITY COVENANTS

2.1 Occupancy Requirement. The Owner shall limit for the full Term of this Agreement the rental and occupancy of all the Units, other than one resident manager unit, as follows: two (2) of the Units shall be rented to and occupied by Thirty Percent Income Households, ten (10) of the Units shall be rented to and occupied by Sixty Percent Income Households, and eight (8) of the Units shall be rented to and occupied by Low Income Households. The Low Income and Very Low Income shall be set at the maximum Rent level set forth in Section 2.2 of this Agreement.

2.2 Allowable Rent.

(a) Thirty Percent Income Rent. Subject to Section 2.3 below, the Rent charged to Tenant of the Thirty Percent Income Units shall not exceed one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of Area Median Income, adjusted for Assumed Household Size.

(b) Sixty Percent Income Rent. Subject to Section 2.3 below, the Rent charged to Tenants of the Sixty Percent Income Units shall not exceed one-twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of Area Median Income, adjusted for Assumed Household Size.

(c) Low Income Rent. Subject to Section 2.3 below, the Rent charged to Tenants of the Low Income Units shall not exceed one-twelfth (1/12th) of thirty percent (30%) of eighty percent (80%) of Area Median Income, adjusted for Assumed Household Size.

(d) Assumed Household Size. In calculating the allowable Rent for the Units, the following assumed household sizes shall be utilized

<u>Number of Bedrooms</u>	<u>Assumed Household Size</u>
Studio	1
One	2
Two	3
Three	4

(e) Rent Increases. At least sixty (60) calendar days prior to increasing the Rent on any Unit, the Owner shall submit to the Agency a schedule of proposed Rent increases. Households occupying Units shall be given at least thirty (30) days written notice prior to any increase in the Rent. The Rent may only be increased one time per year (unless otherwise approved in writing by the Agency) and the Rent level following an increase, or upon a new occupancy, shall not exceed the Rent level set forth in subsection (a) above.

2.3 Increased Income of Tenant Households.

(a) Increase from Thirty Percent to Sixty Percent Household. In the event that, upon recertification of a Tenant's household income, the Owner discovers that a former Thirty Percent Income Household has an income exceeding the maximum qualifying income for a Thirty Percent Income Household, but not exceeding the income limit for a Sixty Percent Income Household, the Unit shall be considered a Sixty Percent Income Household, and upon expiration of the Tenant's lease and upon sixty (60) days written notice to the Tenant, the Owner may increase the Rent to an amount not to exceed the Sixty Percent Income Rent and the Owner shall rent the next available Unit to a Thirty Percent Income Household to comply with the requirements of Section 2.1 above.

(b) Increase from Sixty Percent to Low Income Household. In the event that, upon recertification of a Tenant's household income, the Owner discovers that a former Sixty Percent Income Household has an income exceeding the maximum qualifying income for a Sixty Percent Income Household, but not exceeding the income limit for a Low Income Household, the Unit shall be considered a Low Income Household, and upon expiration of the Tenant's lease and upon sixty (60) days written notice to the Tenant, the Owner may increase the Rent to an amount not to exceed the Low Income Rent and the Owner shall rent the next available Unit to a Sixty Percent Income Household to comply with the requirements of Section 2.1 above.

(c) In the event that, upon recertification of an occupant household's income, the Owner discovers that a former Low Income Household has an income exceeding the maximum qualifying income for a Low Income Household, such Tenant shall be permitted to continue to occupy the Low Income Unit until expiration of the Tenant's lease. However, upon sixty (60) days written notice, the Rent for the Low Income Unit may be increased to one-twelfth (1/12) of thirty percent (30%) of the Tenant's actual household income.

(d) If the Development is subject to federal low-income housing tax credit requirements, the provisions of those requirements regarding assumed household size shall apply and continued occupancy by households whose incomes exceed the eligible income limitations may apply in place of the provisions set forth in Sections 2.2 and 2.3 above.

2.4 Lease Provisions. The Owner shall include in leases or rental agreements for all of the Units provisions which authorize the Owner to immediately terminate the tenancy of any household if one or more of its members misrepresents any fact material to that household's qualification to occupy a Unit. Each lease or rental agreement of a Unit shall also provide that the household is subject to annual certification in accordance with Section 4.1 below, and that, if the household's income increases above the applicable limits for household income which initially qualified that household for the Unit, such household's Rent will be subject to an increase.

ARTICLE 3. OPERATION AND MAINTENANCE OF THE DEVELOPMENT

3.1 Use as Rental Housing. The Owner shall operate the Development only as rental housing. No part of the Development shall be operated as transient housing.

3.2 Compliance with Loan Agreement and Loan Documents. The Owner shall comply with all the terms and provisions of the Loan Agreement, Deed of Trust and Note, and any document relating to any loan for the Development.

3.3 Condominium Conversion. The Owner shall not convert the Development to condominium or cooperative ownership or sell condominium or cooperative conversion rights in the Development or the Property during the Term of this Agreement.

3.4 Taxes and Assessments. The Owner shall pay all real and personal property taxes, assessments, and charges and all franchise, income, employment, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Property; provided, however, that the Owner shall have the right to contest in good faith, any such taxes, assessments, or charges. In the event the Owner exercises its right to contest any tax, assessment, or charge against it, the Owner, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges, and interest.

3.5 Property Tax Exemption. Owner shall not apply for a property tax exemption for the Development under any provision of law except California Revenue and Taxation Section 214(g), without the prior written consent of the Agency.

3.6 Nondiscrimination. All of the Units shall be available for occupancy on a continuous basis to members of the general public, subject to income eligibility criteria. The Owner shall not give preference to any particular class or group of persons in renting the Units. There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, sexual preference, age, marital status, national origin, ancestry, or family status in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of any Unit. Neither the Owner nor any person claiming under or through the Owner, shall establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of any Unit or in connection with the employment of persons for the operation and management of any Unit. All deeds, leases, or contracts made or entered into by the Owner as to the Units or the Property or portion thereof, shall contain covenants concerning discrimination as prescribed by the Loan Agreement. The Owner shall include a statement in all advertisements, notices, and signs for the availability of the Units for rent to the effect that the Owner is an Equal Housing Opportunity Provider.

Nothing in this Section 3.6 is intended to require the Owner to change the character, design, use, or operation of the Development from, or to require the Owner to obtain licenses or permits other than those required for, a rental housing development.

3.7 Preference to Displacees. Owner shall give a preference in the rental of any Units to eligible households displaced by activity of the Agency or the City.

3.8 Leasing the Development. Before leasing any Unit, Owner shall submit its proposed lease for the Agency's review and approval. The term of the Lease shall be for no less than one (1) year unless by mutual agreement between Owner and Tenant household and shall not be inconsistent with this Agreement.

3.9 Tenant Selection. Before leasing any Unit, the Owner must provide the Agency for its review and approval the Owner's written Tenant selection plan.

3.10 Section 8 Certificate Holders. The Owner will accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that is more burdensome than criteria applied to all other prospective Tenants, nor shall the Owner apply or permit the application of management policies or lease provisions with respect to the Development which have the effect of precluding occupancy of units by such prospective Tenants.

ARTICLE 4. INCOME CERTIFICATION AND REPORTING

4.1 Income Certification. The Owner shall obtain, complete, and maintain on file, immediately prior to initial occupancy of each Unit and annually thereafter, income certifications from each Tenant household renting any of the Units. The Owner shall make a good faith effort to verify that the income provided by an applicant seeking to occupy a Unit or a household then occupying a Unit in an income certification is accurate by taking one or more of the following steps as a part of the verification process: (a) obtain a pay stub for the most recent pay period; (b) obtain a W-2 form or an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain an income verification form from the applicant's current employer; (e) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (f) if the applicant is unemployed and has no such income verification information, obtain another form of independent verification. Copies of Tenant income certifications shall be available to the Agency upon request.

4.2 Annual Report to the Agency. No later than forty-five (45) days after the close of each Fiscal Year, the Owner shall submit a report to the Agency, in a form reasonably approved by the Agency. Such report shall include for each Unit, the Rent and the income and size of the household occupying the Unit. The report shall also state the date the tenancy commenced for each Unit and such other information as the Agency may be required by law to obtain.

4.3 Additional Information. The Owner shall provide any additional information reasonably requested by the Agency. The Agency shall have the right to examine and make copies of all books, records or other documents of the Owner which pertain to any Unit during normal business hours.

4.4 Records. The Owner shall maintain complete, accurate and current records pertaining to the Units, and shall permit any duly authorized representative of the Agency to inspect records, including records pertaining to income and household size of Tenant households of the Units.

4.5 On-Site Inspection. Agency shall have the right to perform an on-site inspection of the Development at least one (1) time per year. Owner agrees to cooperate in such inspection.

ARTICLE 5. PROPERTY MANAGEMENT

5.1 Management Responsibilities. The Owner is specifically responsible, subject to its obligations herein, for all management functions with respect to the

Development, including without limitation the selection of Tenants, certification and recertification of household size and income of Tenants in Units, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The Agency shall have no responsibility over management of the Development.

5.2 Management Agent; Budget; Periodic Reports.

(a) Management Agent. The Development shall at all times be managed by an experienced management agent (the "Management Agent") reasonably acceptable to the Agency, with demonstrated ability to operate affordable rental housing complexes similar to the Development in a manner that will provide decent, safe, and sanitary housing and a well-maintained complex. The Owner shall submit for the Agency's approval the identity of any proposed Management Agent. The Owner shall also submit such additional information about the background, experience, and financial condition of any proposed Management Agent as is reasonably necessary for the Agency to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the Agency shall approve the proposed Management Agent by notifying the Owner in writing. Unless the proposed Management Agent is disapproved by the Agency within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved.

(b) Performance Review. The Agency reserves the right to conduct a periodic review of the management practices and financial status of the Development within thirty (30) days after each anniversary of the issuance of the certificate of occupancy for the Development. The purpose of each periodic review will be to enable the Agency to determine if the Development is being operated and managed in accordance with the requirements and standards of this Agreement. The Owner shall cooperate with the Agency in such reviews.

(c) Books, Records and Reports. For purposes of performance reviews, the Owner and the Management Agent shall make available to the Agency for inspection all books and records with respect to the Development. In addition, the Owner shall provide the Agency with: (1) by not later than thirty (30) days prior to commencement of each Fiscal Year, the annual budget for the upcoming Fiscal Year; (2) within one hundred twenty (120) days following the end of each Fiscal Year, a report showing the actual income and expenditures with respect to the Development for the immediately preceding Fiscal Year and the status of all reserve funds; and (3) within one hundred twenty (120) days following the end of each Fiscal Year, a copy of the annual audited financial statement for the Development prepared in accordance with generally accepted accounting principles by a certified public accountant approved by the Agency in its reasonable discretion.

(d) Replacement of Management Agent. If, as a result of a performance review, the Agency determines in its reasonable judgment that the

Development is not being operated and managed in accordance with any of the requirements and standards of this Agreement, the Agency shall deliver notice to the Owner of its objections to the performance or lack of performance by the Management Agent. Within fifteen (15) days after receipt by the Owner of such written notice, Agency staff and the Owner shall meet in good faith to consider methods for improving the financial and operating status of the Development, including, without limitation, replacement of the Management Agent. After such meeting, Owner and the Management Agent shall have ninety (90) days after such meeting to improve, cure or correct the Management Agents performance.

If, after the ninety (90)-day period the Agency's objections are not satisfactorily addressed, the Agency shall so inform the Owner in writing, and the Owner shall promptly (within fifteen (15) days after the receipt of the Agency notice) dismiss the then Management Agent, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in subsection (a) above and approved by the Agency pursuant to subsection (a) above.

Any contract for the operation or management of the Development entered into by the Owner shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this section shall constitute an event of default under this Agreement, and the Agency may enforce this provision through legal proceedings.

5.3 Management Policies. The Owner shall submit its written management policies with respect to the Development to the Agency for its review, and shall amend such policies in any way necessary to ensure that such policies comply with the provisions of this Agreement.

5.4 Maintenance and Security. The Owner shall, at its own expense, maintain the Development and the Property in good condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions for the benefit of the occupants and as otherwise required in the Loan Agreement. The Owner shall not commit or permit any waste on or to the Development or the Property, and shall prevent and/or rectify any physical deterioration of the Development or the Property, normal wear and tear excepted. The Owner shall provide adequate ongoing security equipment and services for the Development and the Property. The Owner shall maintain the Development and the Property in conformance with all applicable state, federal, and local laws, ordinances, codes, and regulations, and the Agency-approved management.

The Agency places prime importance on quality maintenance to protect its investment and to ensure that all Agency-assisted and affordable housing developments within the City are not allowed to deteriorate due to below-average maintenance. The Owner shall make all repairs and replacements necessary to keep the improvements in good condition and repair.

In the event that the Owner breaches any of the covenants contained in this section and such default continues for a period of five (5) days after written notice from

the Agency with respect to graffiti, debris, waste material, and general maintenance or thirty (30) days after written notice from the Agency with respect to landscaping and building improvements, then the Agency, in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the Agency shall be permitted (but is not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to attach a lien on the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the Agency and/or costs of such cure, which amount shall be promptly paid by the Owner to the Agency upon demand.

5.5 Insurance Coverage. The Owner shall cause to have in full force and effect during the Term of this Agreement insurance coverage as required in the Loan Agreement.

5.6 Property Damage or Destruction. If any building or improvements erected by the Owner on the Property shall be damaged or destroyed by an insurable cause, the Owner shall, at its own cost and expense, diligently repair or restore the Property to its pre-damage or destruction condition. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed within one (1) year thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, the Owner shall make up the deficiency.

5.7 Hazardous Materials. During the Term of this Agreement, the Owner shall comply with all of the obligations contained in the Loan Agreement with respect to Hazardous Materials as defined in the Loan Agreement.

ARTICLE 6. MISCELLANEOUS

6.1 Term. The provisions of this Agreement shall apply to the Property for the entire Term. This Agreement shall bind any partner, successor, heir or assign of the Owner, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, with or without the approval of the Agency, except as expressly released by the Agency.

6.2 Notice of Expiration of Term. At least six (6) months prior to the expiration of the Term, Owner shall provide by first-class mail, postage prepaid, a notice to all Tenants containing (a) the anticipated date of the expiration of the Term, (b) any anticipated increase in Rent upon the expiration of the Term, (c) a statement that a copy of such notice will be sent to the Agency, and (d) a statement that a public hearing may

be held by the Agency on the issue and that the Tenant will receive notice of the hearing at least fifteen (15) days in advance of any such hearing. The Owner shall also file a copy of the above-described notice with the Agency.

6.3 Transfer and Encumbrance of Property. Except as otherwise provided in the Loan Agreement, during the Term of this Agreement, the Owner shall not make or permit any sale, assignment, conveyance, lease (other than the rental of the Units to eligible Tenant occupants), or transfer of the Property or any part thereof, without the prior written consent of the Agency.

6.4 Non-Liability of Officials, Employees and Agents. The Agency shall not be personally liable to the Owner for any obligation created under the terms of this Agreement except in the case of actual fraud, willful misconduct or sole gross negligence by such person.

6.5 Indemnity. Notwithstanding the insurance coverage required herein, the Owner shall indemnify and hold the Agency free and harmless against any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including without limitation, reasonable attorneys' fees) which the Agency may incur as a direct or indirect consequence of (a) the Owner's negligent or willful failure to perform any obligations as and when required by this Agreement; (b) any failure of any of the Owner's representations or warranties to be true and complete; or (c) any negligent or willful act or omission by the Owner or any contractor, subcontractor, management agent, or supplier with respect to the Development or the Property, except where such losses are caused by the sole gross negligence, or willful misconduct of the Agency. The Owner shall pay immediately upon the Agency's demand any amounts owing under this indemnity. The duty of the Owner to indemnify includes the duty to defend the Agency in any court action, administrative action, or other proceeding brought by any third party arising from the Development or the Property. The Owner's duty to indemnify the Agency for acts, failures to act, or misrepresentations occurring during the Term shall survive the Term of this Agreement.

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

6.7 Enforcement. If the Owner fails to perform any obligation under this Agreement, and fails to cure the default within thirty (30) days after the Agency has notified the Owner in writing of the default or, if the default cannot be cured within thirty

(30) days, fails to commence to cure within thirty (30) days and thereafter diligently pursue such cure, the Agency shall have the right to enforce this Agreement by any or all of the following actions, or any other remedy provided by law:

(a) Calling the Loan. Agency may declare a default under the Note, accelerate the indebtedness evidenced by the Note, and proceed with foreclosure under the Deed of Trust.

(b) Action to Compel Performance or for Damages. Agency may bring an action at law or in equity to compel Owner's performance of its obligations under this Agreement, and/or for damages.

(c) Remedies Provided Under Loan Agreement, Note, and Deed of Trust. Agency may exercise any other remedy provided under the Loan Agreement, Note or Deed of Trust.

(d) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Agreement, Note, and Deed of Trust, and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Agency to the Borrower or, if the breach cannot be cured within thirty (30) days, the Borrower shall not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days; provided, however, that if a different period or notice requirement is specified under any other section of the Loan Agreement, Note or Deed of Trust, those specific notice provisions shall control.

6.8 Attorneys' Fees and Costs. In any action brought to enforce this Agreement, the prevailing party shall be entitled to all costs and expenses of suit, including reasonable attorneys' fees. This Section 6.8 shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

6.9 Recording and Filing. The Agency and the Owner shall cause this Agreement, and all amendments and supplements to it, to be recorded in the Official Records of the County of San Joaquin.

6.10 Governing Law. This Agreement shall be governed by the laws of the State of California, except those provisions preempted by federal law.

6.11 Amendments. This Agreement may be amended only if approved by the Agency board and only by a written instrument executed by all the parties hereto or their successors in title, and duly recorded in the real property records of the County of San Joaquin, California.

6.12 Notices. All notices given or certificates delivered under this Agreement shall be deemed received on the delivery or refusal date shown on the delivery receipt,

if: (a) personally delivered by a commercial service which furnishes signed receipts of delivery or (b) mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

Agency: Redevelopment Agency of the City of Stockton
 425 North El Dorado Street, Third Floor
 Stockton, CA 95202
 Attn: Director, Redevelopment Department

With copies to: Office of the City Attorney
 425 North El Dorado Street
 Stockton, CA 95202

Owner: Visionary Home Builders of California, Inc.
 315 No. San Joaquin Street
 Stockton, CA 95202
 Attn: Executive Director

Any of the parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or communications shall be sent. Copies of notice, sent to Borrower, shall also be sent to any limited partner of Borrower who requests such notice in writing and provides its address.

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

6.14 Agreement Controls. Except as provided in Section 6.7(d), in the event that any provisions of this Agreement and Loan Agreement conflict, the terms of this Agreement shall control.

6.15 Relationship of Parties. The relationship of the Owner and the Agency during the Term of this Agreement shall not be construed as a joint venture, equity venture, or partnership. The Agency does not undertake and does not assume any responsibility or duty to the Owner or any third party with respect to the operation of the Development or the actions of the Owner. The Owner shall have no authority to act as an agent of the Agency or to bind the Agency to any obligation.

6.16 Waiver. Any waiver by the Agency of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the Agency to take action on any breach or default of the Owner or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to the Owner to perform any obligation under this Agreement shall not operate as a waiver or release from any of its other obligations under this Agreement. Consent by the Agency to any act or omission by the Owner shall not be construed to be a consent to any other or

subsequent act or omission or to waive the requirement for the Agency's written consent to future waivers.

6.17 Other Agreements. The Owner represents that it has not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Agreement.

6.18 Consent and Approvals. Any consent or approval by the Agency or the Owner required under this Agreement shall not be unreasonably delayed or withheld, unless otherwise provided in this Agreement. Any approval required under this Agreement shall be in writing and executed by an authorized representative of the party granting the approval.

6.19 Agency Actions. Except where approval by the Agency board is expressly required in this Agreement, all references in this Agreement to Agency action (including approvals, consents or extensions of time) shall mean action by the Executive Director of the Agency or the Executive Director's designee.

6.20 Counterparts. This Agreement may be executed in counterparts which shall together constitute one document.

Remainder of Page Left Intentionally Blank

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

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY

By: _____
Agency Counsel

ATTEST:
KATHERINE GONG MEISSNER

By: _____
Secretary

AGENCY

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

By: _____
J. Gordon Palmer, Jr.
Executive Director

BORROWER:

VISIONARY HOME BUILDERS OF
CALIFORNIA, INC.,
a California nonprofit public benefit
corporation

By: _____
Carol J. Ornelas
Chief Executive Officer

EXHIBIT A
PROPERTY DESCRIPTION

The land referred to is situated in the county of San Joaquin, City of Stockton, State of California, and is described as follows:

A portion of Lot 9, as shown upon Map entitled, "Tract No. 1375, Hillsboro Estates East, Unit No. 1", filed for Record June 29, 1979 in Book 24 of Maps and Plats at Page 80, San Joaquin County Records, more particularly described as follows:

Parcel "A", as shown upon Parcel Map file for Record August 28, 1987 in Book 15 of Parcel maps at page 44, San Joaquin County records.

APN: 104-070-40

ACKNOWLEDGMENT

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

State of California)
County of San Joaquin)

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary

Place Notary Seal Above

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

State of California)
County of San Joaquin)

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

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