

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

City of Watsonville
Attn: City Clerk
275 Main Street, 4th Floor
Watsonville, CA 95076

This document is recorded for the benefit of the City of Watsonville and is exempt from recording fees pursuant to Government Code Sections 6103 and 27383.

**AFFORDABLE HOUSING DENSITY BONUS REGULATORY AGREEMENT
(The Residence at 558 Main)**

THIS AFFORDABLE HOUSING DENSITY BONUS REGULATORY AGREEMENT (“Agreement”), is made and entered into this ____ day of _____, 2023, by and between William J. Hansen and Neva J. Hansen, Co-Trustees of the Hansen Family Trust dated March 27, 2001, whose principal office is located at 800 E. Lake Ave., Watsonville, CA 95076 (“Developer”), and the City of Watsonville, a municipal corporation (“City”); and

WHEREAS, Developer is the owner of that certain real property generally located at 558 Main Street, Watsonville, in the City of Watsonville, County of Santa Cruz, (APN: 018-241-20) more particularly described on the attached Exhibit “A” (“Property”); and

WHEREAS, Developer has applied to the City for a density bonus pursuant to Government Code Section 65915, and Chapter 14-47 of the Watsonville Municipal Code (“WMC”), and received approval from the City on February 23, 2021 pursuant to Resolution No. 61-21; and

WHEREAS, Developer proposes to develop and construct fifty (50) residential units and associated improvements, (“Project”), on the above-described Property; and

WHEREAS, the Project is required to include ten (10) affordable housing units (“Affordable Unit(s)”), pursuant to the City’s Affordable Housing Ordinance, Chapter 14-46 of the Watsonville Municipal Code (“Ordinance”), and

WHEREAS, Developer has agreed to develop and operate the Affordable Unit(s) as part of the Project for the Agreement Term under the terms and conditions as indicated in this Agreement and Ordinance, and

WHEREAS it is the intention of Developer and the City to set forth in greater detail and specificity within this separate document the terms and conditions for producing and operating the Affordable Unit(s) as part of the Project, and

WHEREAS, it is the intention of Developer and the City that this Agreement run with the title to the Property and be binding on all parties that have or will acquire any right, title, or interest in the Affordable Unit(s) during the term of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of the mutual terms and covenants hereinafter set forth, the parties hereby agree that Developer shall produce and operate the Affordable Unit(s) as described in this Agreement.

ARTICLE 1.
DEFINITIONS

1.1 Definitions.

Depending upon their context, certain words and phrases used in this Agreement shall have the same meaning as the definitions that are included in the Ordinance. Other words and phrases used in this Agreement shall have the meanings that are defined below and/or throughout the Agreement:

a. "Affordable Housing Ordinance" or "Ordinance" means Chapter 14-46 of the Watsonville Municipal Code as adopted by the Watsonville City Council by Ordinance No. 1107-01 on June 26, 2001.

b. "Agreement" means this Affordable Housing Agreement.

c. "Affordable Unit(s)" means, depending upon the context, either one or more of the affordable rental housing units, the development and operation of which are regulated by this Agreement.

d. "Bilingual" means either 1) a person who can speak and read both English and Spanish languages, 2) documents that are written in both English and Spanish, or 3) both.

e. "Excess Rent" means any amounts collected from the rental of an Affordable Unit(s) that are in excess of the Maximum Allowable Rent for that unit. Excess Rent may include the amount by which the total rent collected for a Section 8 unit exceeds the Maximum Allowable Rent regardless of whether the tenant pays less than the Maximum Allowable Rent for their share of the rent.

f. "Floating Unit(s)" means that the Affordable Unit(s) are not required to have a fixed location, but may float among the units in the Project.

g. "Very Low Income Units" means Affordable Units that must be rented to Very Low Income households, as defined in the Affordable Housing Ordinance, at rents that do not exceed the maximum rents established by the City for Very Low Income Units.

h. "Low Income Units" means Affordable Unit(s) that must be rented to Low Income households, as defined in the Ordinance, at rents that do not exceed the maximum allowable rents established by the City for Low Income Units.

i. "Median Income Units" means Affordable Unit(s) that must be rented to

Median Income households, as defined in the Ordinance, at rents that do not exceed the maximum allowable rents established by the City for Median Income Units.

j. "Maximum Allowable Rents" are the rents established by the City pursuant to the Ordinance. Rents include the total maximum monthly payment by the Tenant for the following: use and occupancy of the Unit(s), 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 Developer which are required of all Tenants, if any, other than security deposits; the cost of an adequate level of service for utilities, including garbage, sewer, water, electricity, heating, cooking, refrigeration, etc., paid by the Tenant, for households in Santa Cruz County, California, as published by the Housing Authority of Santa Cruz County; 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 Developer, and paid by the Tenant. If such utility allowances are no longer published, or are not updated for a period of at least eighteen (18) months, then the City shall provide the Developer with other utility allowances which are reasonably similar with respect to those previously published by Housing Authority of Santa Cruz County.

k. "Section 8 Priority Units" means Affordable Unit(s) that must be listed with the Housing Authority of the County of Santa Cruz as for rent by households who participate in the Section 8 Program at rents that do not exceed the Section 8 Fair Market Rents as established by the United States Department of Housing and Urban Development.

l. "Actual Household Size" shall mean the actual number of persons in the applicable household.

m. "Adjusted Income" shall mean the total anticipated annual income of all persons in a household, as calculated in accordance with Title 24 of the Code of Federal Regulations (CFR) Part 5. In the event that no such program exists, the Agency shall provide the Developer with a reasonably similar method of calculation of adjusted income as provided in said 24 CFR.

n. "Assumed Household Size" shall have the meaning set forth in Section 2.2.

o. "City" shall mean the City of Watsonville, California.

p. "Hazardous Materials" means any substance, material, or waste which is: (1) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant" or any other terms comparable to the foregoing terms under any provision of California law or federal law; (2) petroleum; (3) asbestos; (4) polychlorinated biphenyls; (5) radioactive materials; or (6) determined by California, federal or local governmental authority to be capable of posing a risk of injury to health, safety or property. Without limiting the foregoing, Hazardous Materials means and includes any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any Hazardous Materials Laws including any federal, state or local environmental statute, regulation, or ordinance presently in effect or that may be promulgated in the future, as such statutes, regulations and not ordinances may be amended from time to time.

The term "Hazardous Materials" shall not include: (i) construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of residential properties, buildings and grounds, or typically used in household activities, or (ii) certain substances which may contain chemicals listed by the State of California pursuant to California Health and Safety Code Section 25249.8 et seq., which substances are commonly used by a significant portion of the population living within the region of the Property, including, but not limited to, alcoholic beverages, aspirin, tobacco products, Nutrasweet and saccharine, so long as such materials and substances are stored, used and disposed of in compliance with all applicable Hazardous Materials Laws.

q. "Hazardous Materials Laws" mean all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials. Without limiting the foregoing, Hazardous Materials Laws include each of the following: Federal Resource Conservation and Recovery Act of 1979, 42 U.S.C. Section 6901, et seq.; Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 49 U.S.C. Section 1801, et seq.; Federal Clean Air Act, 42 U.S.C. Sections 7401-7626; Federal Water Pollution Control Act, Federal Clean Water Act of 1977, 33 U.S.C. Section 1251, et seq.; Federal Insecticide, Fungicide, and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. Paragraph 13, et seq.; Federal Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq.; Federal Safe Drinking Water Act, 42 U.S.C. Section 300(f) , et seq.; California Health & Safety Code Section 25100, et seq.; Hazardous Substance Account Act, California Health & Safety Code Section 25300, et seq.; Hazardous Substance Cleanup Bond Act, California Health & Safety Code Section 25385, et seq.; Water Quality Control Act, California Health & Safety Code Section 13050, et seq.; California Environmental Quality Act, California Public Resources Code Section 21000, et seq.; California Radiation Control Law, California Health and Safety Code Section 25801, et seq.; Solid Waste Management and Resource Recovery Act, Government Code 66700, et seq.; Hazardous Waste Management Act of 1986, Health and Safety Code Section 25179.1, et seq.; Safe Drinking Water and Toxic Enforcement Act of 1986, Health and Safety Code Section 25249.5, et seq.

r. "Tenant" shall mean a household occupying a Unit.

ARTICLE 2.
AFFORDABILITY COVENANTS

2.1 Occupancy Requirement. Developer shall, for the duration of the Agreement Term, maintain the Affordable Unit(s) as specified in the following table:

<u>Number of Bedrooms</u>	<u>Unit Designation</u>
1 Studio	Very Low Income
1 Studio	Low Income
1 Studio	Median Income
2 1-bedroom	Very Low Income
2 1-bedroom	Low Income
2 1-bedroom	Median Income
1 2-bedroom	Section 8

Developer shall limit the occupancy of the Affordable Unit(s) to Tenant(s) with incomes that do not exceed the maximum allowable income as defined in the Ordinance at Maximum Allowable Rent as established by the City for the above unit designation, based on Assumed Household Size. In addition, the Affordable Unit(s) shall not be operated as transient housing and/or occupied by Developer’s on-site management and/or maintenance staff.

2.2 Assumed Household Size. The Assumed Household Size, in accordance with the California Department of Fair Employment and Housing (DFEH) “two plus one” formula, is two persons per bedroom plus one, as follows:

<u>Number of Bedrooms</u>	<u>Assumed Household Size</u>
Studio	Two
One	Three
Two	Five

2.3 Approval of Rent. The Rent charged for the Affordable Unit(s) shall be approved by the City in writing. The Rent may only be increased one time per year (unless otherwise approved in writing by the City) and shall not exceed the Maximum Allowable Rent as set forth in Section 2.1. The Developer shall submit to the City the proposed rent increase at least sixty (60) calendar days prior to increasing the rent for approval. The Tenants shall be given at least thirty (30) days written notice prior to any increase in the rent.

2.4 Lease/Rental Agreement Provisions. The Developer shall include in the lease or rental agreement for the Affordable Unit(s) provisions which authorize the Developer to immediately terminate the tenancy if the Tenant, or any member of the Tenant's household, misrepresents any fact material to the household's qualification to occupy the Affordable Unit(s). The lease or rental agreement shall also provide that the Tenant is subject to annual income certification in accordance with Section 3.1 below, contain covenants concerning discrimination, and provide that the Affordable Unit(s) is subject to inspection in accordance with Section 4.3 below.

2.5 Tenant Selection. In leasing/renting the Affordable Unit(s), the Developer, or any person claiming under or through the Developer, shall not practice, establish or permit any such practice or practices of discrimination against or harass any person because of the race, color, religion, sex, sexual orientation, marital status, national origin, ancestry, familial status, marital status, source of income or disability or any other basis listed in subdivision (a) and (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the California Government Code or Fair Housing Act and implementing regulations at 24 CFR part 100, Title VI of Civil Rights Act of 1964, Title VIII of Civil Rights Act of 1968, Sections 104(b) and 109 of Title 1 of the HCD Act of 1974, Section 504 and 508 of the Rehabilitation Act of 1973, Age Discrimination Act of 1975, Americans with Disabilities Act of 1990, as amended from time to time and any other Federal regulation issued pursuant thereto with reference to the selection, location, number, use, or occupancy of tenants, lessors, sublessees, subtenants, or vendees of any Unit or in connection with the employment of persons for the operation and management of the Property. The Developer shall include language in all advertisements, notices, and signs for the availability of the Property for rent that the developer is an Equal Housing Opportunity Provider.

2.6 Increased Income of Tenants. In order to minimize the potential dislocation of Tenants who become ineligible to occupy an Affordable Unit(s), Developer shall treat the Affordable Unit(s) as Floating Units. If, upon recertification, Developer determines that a tenant who occupies an Affordable Unit(s) is no longer eligible to occupy that unit(s), Developer may allow that tenant to continue occupying the unit. If Developer allows an ineligible tenant to continue occupying a unit that was designated as an Affordable Unit(s), Developer shall designate the next unit of the same size (i.e., number of bedrooms and approximate square footage) that become available for rent as the Affordable Unit(s) and shall rent that unit as set forth in this Article.

2.7 Eligibility. All affordable rental units, described in Sec. 2.1 above, shall be rented to either:

- (a) A median, low or very low income household; or
- (b) Households participating in the Section 8 Program or its successor.

ARTICLE 3.
INCOME CERTIFICATION AND REPORTING

3.1 Income Certification.

The Developer shall obtain, complete, and maintain on file, immediately prior to occupancy of the Affordable Unit(s) and annually thereafter, income certifications from the Tenant(s). The Developer shall make a good faith effort to verify that the income provided by an applicant seeking to occupy the Affordable Unit(s) or a household then occupying the Unit(s) in an income certification is accurate by taking one or more of the following steps as a part of the verification process: (a) obtain pay stubs for the most recent pay periods; (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, California Department of Social Services, Employment Development Department, or other such agency, if the applicant receives assistance from either of such agencies; (f) obtain latest statements from all other income sources; or (g) if the applicant is unemployed and has no such income verification information, obtain another form of independent verification. Copies of Tenant files shall be available to the City upon request.

3.2 Annual Report to the City.

On January 30th of each year during the Agreement Term, the Developer shall submit a report to the City, in a form reasonably approved by the City. Such report shall include, at a minimum, the address of the Unit(s), the Rent paid for the Unit(s) and the income and size of the household occupying the Unit(s). The report shall also state the date the tenancy commenced and such other information as the City may be required by law to obtain.

3.3 Additional Information.

The Developer shall provide any additional information reasonably requested by the City pertaining to said Affordable Unit(s). The City shall have the right to examine and make copies of all books, records or other documents of the Developer which pertain to the Affordable Unit(s) during normal business hours.

3.4 Records.

The Developer shall maintain complete, accurate and current records pertaining to the Unit(s) and retain such records for ten (10) years, and shall permit any duly authorized representative of the City (during business hours and upon not less than seventy-two (72) hours notice) to inspect the records.

ARTICLE 4.
PROPERTY MANAGEMENT

4.1 Management Responsibilities.

The Developer is specifically responsible, subject to its obligations herein, for all management functions with respect to the Affordable Unit(s), including without limitation the

selection of the Tenant(s), certification and recertification of household size and income of the Tenant(s), evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City shall have no responsibility over management of the Affordable Unit(s).

4.2 Property Maintenance.

The Developer agrees, for the entire Agreement Term, to maintain all interior and exterior improvements on the Property in good condition and repair in accordance with all applicable laws, rules, ordinances, orders and regulation of all federal, state, county, municipal and/or other governmental agency and/or body having or claiming jurisdiction, including all their respective departments, bureaus, and officials.

4.3 On-Site Inspection.

The City shall have the right to perform an on-site inspection of the Property following prior written notice to the Developer of at least twenty-four (24) hours or seventy-two (72) hours if such inspection shall include entry into the Unit(s). The Developer agrees to cooperate in such inspection and shall promptly notify the occupants of the Unit(s) of such inspection in accordance with the lease or rental agreement.

4.4 Hazardous Materials Indemnity.

Without limiting the generality of the indemnity set forth in Section 5.6, the Developer shall indemnify and hold harmless the City and their respective board members, council members, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability they may incur directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, or disposal by the Developer or its contractors, subcontractors, tenants, agents, employees, and licensees of Hazardous Materials on, under, or about the Property, including without limitation: (a) all foreseeable consequential damages; (b) the costs of any required or necessary repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans; and (c) all reasonable costs and expenses incurred by the City in connection with clauses (a) and (b), including but not limited to reasonable attorney's fees. This obligation to indemnify shall survive termination of this Agreement.

ARTICLE 5. MISCELLANEOUS

5.1 Affordability Period.

The Affordable Unit(s) shall be maintained and operated under the provisions of this Agreement and Ordinance for a minimum of fifty-five (55) years following the date the City issues the Certificate of Occupancy for the Affordable Unit(s) ("Affordability Period").

5.2 Agreement Term.

The provisions of this Agreement shall remain in force until six (6) months following the end of the Affordability Period (Agreement Term) and shall bind any successor or assign of the

Developer, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, with or without the approval of the City, except as expressly released by the City.

5.3 Insurance.

Developer shall obtain and maintain, for the duration of the Agreement Term, at its expense, insurance including comprehensive general liability, property damage (fire and flood, if in the floodplain) for the development and continued operation of the Property from an insurance company duly licensed to engage in the business of issuing such insurance in the State and provide proof of such insurance to the City as part of its annual report.

5.4 Subordination.

This Agreement shall be subordinated in priority only to the liens and encumbrances approved by the City in writing in its reasonable discretion to the extent permitted by law. The City shall not unreasonably withhold, delay, or condition said approval for construction financing or permanent financing.

5.5 Transfer and Encumbrance of Unit(s).

During the Agreement Term, the Developer shall not make or permit any sale, assignment, conveyance, lease (other than the rental of the Affordable Unit(s) to Tenant), or transfer of the Affordable Unit(s) or any part thereof without the prior written consent of the City which shall not be unreasonably withheld.

5.6 Compliance.

The Developer shall comply with all requirements and conditions of this Agreement, the Ordinance and any special terms, conditions requirements and/or waivers that were specifically applied to the Project as part of the City's approval of the Project.

5.7 Design.

The design of the Affordable Unit(s) shall be consistent and compatible with the design of the total Project in terms of appearance, materials and finished quality.

5.8 Conversion to Ownership Units.

Developer shall not convert the Affordable Unit(s) to condominium ownership or any other form of individual ownership during the Agreement Term.

5.9 Non-Liability of Officials, Employees and Agents.

The City shall not be personally liable to the Developer 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.

5.10 Appointment of Other Agency(ies).

The City, at its sole discretion, may designate, appoint or contract with another agency, organization, corporation, partnership, individual, etc. to perform the City's obligations under this Agreement. Developer agrees, should this occur, to cooperate with the City's appointee under the terms and conditions of this Agreement and the Ordinance.

5.11 Indemnity.

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

5.12 Covenants to Run With the Land.

The City and the Developer 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 Agreement Term 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 City expressly releases such conveyed portion of the Property from the requirements of this Agreement.

5.13 Developer Default; Enforcement by City.

If the Developer fails to perform any obligation under this Agreement or Ordinance, and fails to cure the default within thirty (30) days after the City has notified the Developer 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 to completion (in no event to exceed ninety (90) days), the City shall have the right to enforce this Agreement by any or all of the following actions, or any other remedy provided by law:

a. Action to Compel Performance or for Damages. The City may bring an action at law or in equity to compel the Developer's performance of its obligations under this Agreement, and/or for damages.

b. Excessive Rent. In the event that and to the extent that the Developer receives rents or other payments from the operation of the Affordable Unit(s) in excess of what is permitted to be charged pursuant to this Agreement, Developer agrees and covenants to pay the City the full amount of such excess immediately on demand by the City. Developer and the City agree and intend that the payment of such excess rents to the City shall not alone be an adequate remedy to accomplish the purposes of this Agreement.

c. Cumulative Remedies. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of the City to enforce the provisions hereof in the future for any continuing or new breach or violation of any of the covenants or restrictions contained in this Agreement. All rights and remedies of the City shall be cumulative and the exercise of any such right or remedy shall not impair or prejudice, and shall not be a waiver, of the right to exercise any other such rights and remedies. Third Party Beneficiaries.

This Agreement is made for the sole protection and benefit of the City, and their permitted successors. No other person shall have the right of action based on any provision of this Agreement.

5.14 Listing of Property in Database.

Developer hereby acknowledges and agrees that Health and Safety Code Section 33418(c) requires that the Property be listed in a database that shall be made available to the public on the internet and which will include the street address, assessor's parcel number, and other information about the Property. The Developer must disclose this requirement to all Tenants and prospective Tenants.

5.15 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 attorneys' fees. This Section 5.10 shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute. The parties agree and acknowledge that this Agreement reflects that mutual intentions of the parties and any rule of construction (including but not limited to Civil Code Section 1654) to the effect that ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this Agreement.

5.16 Recording and Filing.

The City and the Developer shall cause this Agreement, and all amendments and supplements to it, to be recorded in the Official Records of the County of Santa Cruz.

5.17 Governing Law.

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

5.18 Amendments.

This Agreement may be amended only if approved by the City and only by a written instrument executed by all the parties hereto or their successors in title, and duly recorded in the property records of the County of Santa Cruz, California.

5.19 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:

City: City Clerk
City of Watsonville
275 Main Street, 4th Floor
Watsonville, CA 95076

Developer: William J. Hansen and Neva J. Hansen, Co-Trustees of the Hansen Family Trust dated March 27, 2001
800 E. Lake Avenue
Watsonville, CA 95076

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.

5.20 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.

5.21 Relationship of Parties.

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

5.22 Waiver.

Any waiver by the City of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of the Developer or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to the Developer 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 City to any act or omission by the Developer shall not be construed

to be a consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

5.23 Other Agreements.

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

5.24 Consent and Approvals.

Any consent or approval by the City or the Developer 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.

5.25 City Actions.

Except where approval by the City Council is expressly required in this Agreement, all references in this Agreement to City action (including but not limited to: approvals, consents or extensions of time) shall mean action by the City Manager or the City Manager's designee.

5.26 Counterparts.

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

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

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

CITY:

CITY OF WATSONVILLE, a municipal corporation

By: _____
René Mendez, City Manager

DEVELOPER:

William J. Hansen and Neva J. Hansen, Co-Trustees of the Hansen Family Trust dated March 27, 2001

By: _____
William J. Hansen, Co-Trustee

By: _____
Neva J. Hansen, Co-Trustee

This Notary Acknowledgement is attached to a document entitled **AFFORDABLE HOUSING DENSITY BONUS REGULATORY AGREEMENT** between City of Watsonville and William J. Hansen and Neva J. Hansen, Co-Trustees of the Hansen Family Trust dated March 27, 2001.

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 _____

On _____ before me, _____
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

This Notary Acknowledgement is attached to a document entitled **AFFORDABLE HOUSING DENSITY BONUS REGULATORY AGREEMENT** between City of Watsonville and William J. Hansen and Neva J. Hansen, Co-Trustees of the Hansen Family Trust dated March 27, 2001.

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STATE OF CALIFORNIA
COUNTY OF _____

On _____ before me, _____
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

The land situated in the City of Watsonville, County of Santa Cruz, State of California, and more particularly described as follows:

PARCEL ONE:

BEING A PORTION OF THE LANDS DESCRIBED AS PARCEL 4 IN DECREE OF FINAL DISTRIBUTION OF THE ESTATE OF PERRY M. ANDREWS RECORDED IN VOLUME 932 OF OFFICIAL RECORDS, PAGE 70, SANTA CRUZ COUNTY RECORDS, SAID PORTION BEING MORE PARTICULARLY BOUNDED BY A LINE DESCRIBED AS FOLLOWS, TO WIT:

BEGINNING AT A STATION ON THE NORTHEASTERN WALL LINE OF MAIN STREET AT THE MOST WESTERN CORNER OF THE ABOVE MENTIONED PARCEL 4 FROM WHICH A REDWOOD PLUG AND TAG "L.S. 3233" BEARS SOUTH 55 DEGREES 13' WEST 2.00 FEET DISTANT; THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHEASTERN WALL LINE OF MAIN STREET, SOUTH 34 DEGREES 47' EAST 90.20 FEET TO A STATION FROM WHICH A REDWOOD PLUG AND TAG BEARS SOUTH 55 DEGREES 13' WEST 2.00 FEET DISTANT; THENCE LEAVING THE NORTHEASTERN WALL LINE OF MAIN STREET, AT RIGHT ANGLES, NORTH 55 DEGREES 13' EAST 300.00 FEET TO A 1/2 INCH PIPE, "TAGGED L.S. 3233", ON THE NORTHEASTERN BOUNDARY OF THE ABOVE MENTIONED LANDS OF ANDREWS; THENCE ALONG SAID NORTHEASTERN BOUNDARY NORTH 34 DEGREES 47' WEST 99.20 FEET TO THE MOST NORTHERN CORNER OF SAID LAST MENTIONED LANDS; THENCE ALONG THE NORTHWESTERN BOUNDARY OF SAID LANDS SOUTH 55 DEGREES 13' WEST 300.00 FEET TO THE POINT OF BEGINNING.

PARCEL TWO:

BEING THE LANDS CONVEYED TO PERRY M. ANDREWS, BY JUDGMENT RECORDED NOVEMBER 16, 1937 IN VOLUME 332 OF OFFICIAL RECORDS, PAGE 423, SANTA CRUZ COUNTY RECORDS, SAID LANDS BEING MORE PARTICULARLY BOUNDED BY A LINE DESCRIBED AS FOLLOWS, TO WIT:

BEGINNING AT A 1/2 INCH PIPE AT THE MOST SOUTHERN CORNER OF SAID LANDS FROM WHICH A 1/2 INCH PIPE AT THE MOST EASTERN CORNER OF THE ABOVE DESCRIBED PARCEL ONE BEARS SOUTH 34 DEGREES 47' EAST 20.08 FEET DISTANT; THENCE FROM SAID POINT OF BEGINNING ALONG THE SOUTHEASTERN BOUNDARY OF SAID LANDS NORTH 55 DEGREES 06' EAST 179.73 FEET TO THE SOUTHEASTERN LINE OF BRENNAN STREET; THENCE ALONG THE SOUTHWESTERN LINE OF BRENNAN STREET, NORTH 38 DEGREES 08' WEST 13.52 FEET TO A LEAD PLUG AND TAG "L.S. 3233" AT THE MOST NORTHERN CORNER OF SAID LANDS; THENCE LEAVING THE SOUTHWESTERN LINE OF BRENNAN STREET AND ALONG THE NORTHWESTERN BOUNDARY OF SAID LANDS SOUTH 55 DEGREES 06' WEST 178.93 FEET TO A 1/2 INCH PIPE AT THE MOST WESTERN CORNER THEREOF; THENCE ALONG THE SOUTHWESTERN BOUNDARY OF SAID LANDS SOUTH 34 DEGREES 47' EAST 13.50 FEET TO THE POINT OF BEGINNING.

PARCEL THREE:

A NON-EXCLUSIVE EASEMENT FOR A FREE, OPEN AND UNOBSTRUCTED RIGHT OF WAY FREELY TO PASS AND REPASS ON FOOT AND WITH ALL MANNER OF VEHICLES, ALONG, OVER AND UPON THAT CERTAIN STRIP OF LAND SITUATED IN THE CITY OF WATSONVILLE, COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING ON THE SOUTHWESTERLY LINE OF BRENNAN STREET AT THE MOST NORTHERLY CORNER OF THE LANDS CONVEYED BY EUGENE F. BOLTON, AS ADMINISTRATOR OF THE ESTATE OF EMMA L. HUGHES, DECEASED, TO JOHN E. KUHLMAN AND JANET KUHLMAN, HIS WIFE, BY DEED DATED DECEMBER 14, 1945 AND AT THE MOST EASTERLY CORNER OF A CERTAIN 13.50 FOOT STRIP OF LAND NOW OR FORMERLY OF PERRY M. ANDREWS, AND RUNNING THENCE ALONG THE BOUNDARY LINE BETWEEN THE LANDS SO CONVEYED TO KUHLMAN, AS AFORESAID AND THE SAID LANDS OF ANDREWS, SOUTH 55 DEGREES 15' WEST 180 FEET, MORE OR LESS, TO THE MOST WESTERLY CORNER OF SAID LANDS SO CONVEYED TO KUHLMAN AS AFORESAID AND TO LANDS OF ANDREWS; THENCE ALONG THE SOUTHWESTERLY LINE OF SAID LANDS OF KUHLMAN 6.50 FEET; THENCE NORTH 55 DEGREES 15' EAST 180 FEET, MORE OR LESS, TO THE SOUTHWESTERLY LINE OF BRENNAN STREET, AND THENCE ALONG SAID STREET NORTH 34 DEGREES 47' WEST 6.50 FEET TO THE PLACE OF BEGINNING.

PARCEL FOUR:

BEING A PORTION OF THE LANDS CONVEYED TO JAMES F. COTTRELL BY DEED RECORDED IN VOLUME 84 OF DEEDS, PAGE 144, SANTA CRUZ COUNTY RECORDS, SAID PORTION BEING MORE PARTICULARLY BOUNDED BY A LINE DESCRIBED AS FOLLOWS, TO WIT:

BEGINNING AT A STATION ON THE NORTHEASTERN WALL LINE OF MAIN STREET AT THE MOST SOUTHERN CORNER OF THE LANDS CONVEYED TO THE TIDEWATER ASSOCIATED OIL COMPANY, A DELAWARE CORPORATION, BY DEED RECORDED IN VOLUME 320 OF OFFICIAL RECORDS, PAGE 80, SANTA CRUZ COUNTY RECORDS, FROM WHICH STATION A REDWOOD PLUG AND TAG "L.S. 3233", BEARS SOUTH 55 DEGREES 13' WEST 2.00 FEET DISTANT AND FROM WHICH STATION THE INTERSECTION OF THE NORTHEASTERN WALL LINE OF MAIN STREET WITH THE SOUTHEASTERN WALL LINE OF EAST FIFTH STREET BEARS NORTH 34 DEGREES 47' WEST 89.25 FEET DISTANT; THENCE FROM SAID POINT OF BEGINNING LEAVING THE NORTHEASTERN WALL LINE OF MAIN STREET AND ALONG THE SOUTHEASTERN BOUNDARY OF THE ABOVE MENTIONED LANDS CONVEYED TO THE TIDEWATER OIL COMPANY, NORTH 55 DEGREES 13' EAST 125.00 FEET TO A 1/2 INCH PIPE AT THE MOST EASTERN CORNER OF SAID LANDS; THENCE LEAVING SAID SOUTHEASTERN BOUNDARY SOUTH 34 DEGREES 47' EAST 0.80 FEET TO THE NORTHWESTERN BOUNDARY OF THE LANDS OF PERRY M. ANDREWS, AS SAID LANDS ARE DESCRIBED AS PARCEL 4 IN THE DECREE OF FINAL DISTRIBUTION RECORDED IN VOLUME 932 OF OFFICIAL RECORDS, PAGE 70, SANTA CRUZ COUNTY RECORDS; THENCE ALONG SAID NORTHWESTERN BOUNDARY, SOUTH 55 DEGREES 13' WEST 125.00 FEET TO THE ABOVE MENTIONED WALL LINE OF MAIN STREET; THENCE ALONG SAID WALL LINE NORTH 34 DEGREES 47' WEST 0.80 FEET TO THE POINT OF BEGINNING.

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