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City of Scotts Valley-Planning Dept.

One Civic Center Drive

Scotts Valley, CA 95066



NOTE: Restrictions and restricted resale price & procedures

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**Covenants, Restrictions, and Option
to Purchase for Acorn Commons Two Triplexes**

This page added to provide adequate space for recording information
(Cal. Gov. Code §27361.6)

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**Covenants, Restrictions and Option to Purchase
for Acorn Commons Two Triplexes**

Developer: LENNAR HOMES OF CALIFORNIA, a California corporation

Residence: Acorn Commons Two Triplexes located at
4303-A Scotts Valley Drive / APN 022-902-12

Units: Six (6) out of a total of 6 condominium units

These Covenants, Restrictions and Option to Purchase ("Covenants") are entered into as of this 20th day of Mar, 2019, by and between the City of Scotts Valley, a public body corporate and politic (the "City") and LENNAR HOMES OF CALIFORNIA, a California corporation (the "Developer").

RECITALS

A. The City desires to stimulate the development of new "for sale" residences for low households.

B. The Project as approved by the City Council and constructed by Developer will consist of two (2) multi-family residential triplexes for a total of six (6) condominium units to be sold to Eligible Persons or Households with an income not exceeding eighty percent (80%) of the Area Median Income for Santa Cruz County (Low Income) as defined in Section 1 hereafter. Four (4) units will contain three (3) bedrooms and one full and one-half (1-) baths, while two (2) units will contain two (2) bedrooms and one (1) full bath.

C. The City wishes to establish resale controls and a City process to provide for the continued availability of the residences to qualifying low income households.

D. The purpose of this Agreement is to place resale controls on the residence, provide eligibility and income certification requirements, provide the City's initial sale and resale processes for initial and subsequent purchasers ("Residence Purchaser"), and reserve to the City an option to purchase the Residence upon a resale by a Residence Purchaser.

NOW, THEREFORE, in consideration of the benefits received by the Developer and the City, they agree, as follows:

1. DEFINITIONS

The following terms are specially defined for these Covenants and their definitions can be found in the sections indicated below:

A. **"City"** - The City of the City of Scotts Valley.

- B. **"Covenants"** -The Covenants, Restrictions and Option to Purchase provisions set out in this document.
- C. **"Developer"**- LENNAR HOMES OF CALIFORNIA, a California corporation
- D. **"Eligible Person or Household"** - A person or household making a gross income (as calculated in accordance with 25 California Code of Regulations ["CCR"] Section 6914) no greater than:

1. for low income units eighty percent (80%),

of the Average Median Income for Santa Cruz County (as established in 25 CCR §6932).

- F. **"Fair Market Value"**- See Section 9.
- G. **"Household Income"** - Includes, but is not limited to, all income from wages, tips, self-employment, child support, social security, disability payments, worker's compensation, retirement benefits, AFDC, veterans benefits, rental property, stock dividends, income from bank accounts, alimony, financial aid, military pay and all other sources. Income from assets shall be calculated using the greater of: 1) actual income as verified through third-party verification sources: or 2) imputed income from assets using the following formula:

(Total assets -Verified cash requirement from borrower necessary to close) multiplied by (current passbook savings rate)

The current passbook savings rate to be used is that published periodically by the Department of Housing and Urban Development, or the average derived by using rates quoted by three local financial institutions as chosen by the purchaser. Income from all household members shall be included. For the purpose of determining income eligibility, all income sources shall be verified through third-party verifications.

- H. **"Low Income"** -A gross annual income that does not exceed 80% of area median income in accordance with 25 California Code of Regulations ["CCR"] Section 6932.
- I. **"Maximum Allowable Sales Price"** -The maximum price for which the affordable residence may be sold after the initial sale by the developer.

- J. "Median Income"**- A gross annual income that does not exceed 100% of area median income in accordance with 25 California Code of Regulations ["CCR"] Section 6932
- K. "Option"**- See Section 7.
- L "Option Sales Price"** - See Section 8.
- M. "Preference Criteria"** - Means the criteria to be met by Households in the rank order listed and defined as follows:
1. Live and work in Scotts Valley- A household which includes atleast (1) one adult whose primary work location is in the City of Scotts Valley and has been working in Scotts Valley for a minimum of six (6) months, and the household currently resides in the City of Scotts Valley and has resided in the City of Scotts Valley for a minimum of six (6) months prior to the date of application to purchase the unit.
 2. Live in Scotts Valley- A household which currently resides in the City of Scotts Valley and has resided in the City of Scotts Valley for a minimum of six (6) months prior to the date of application to purchase the unit.
 3. Work in Scotts Valley- A household which includes at least one (1) adult who has worked in Scotts Valley for a minimum of one (1) year prior to the date of application to purchase the unit and at least one (1) adult in the household shall be working in Scotts Valley at the time of occupancy of the unit.
 4. Live and work in Santa Cruz County - A household which includes at least one (1) adult who currently works within the County of Santa Cruz and the household has resided in the County of Santa Cruz for a minimum of one (1) year prior to the date of application to purchase the unit.
 5. Live in Santa Cruz County - A household which currently resides and has resided in the County of Santa Cruz for a minimum of six (6) months prior to the date of application to purchase the unit.
 6. Work in Santa Cruz County- A household which includes at least one (1) adult that currently works in the County of Santa Cruz for a minimum of one (1) year prior to the date of application to purchase the unit and at least one (1) adult in the household shall be working in the County of Santa Cruz at the time of occupancy of the unit;

7. All Others- A household which does not meet any of the above listed Preference Criteria.

N. **"Residence"** - See Section 2.

O. "Residence Purchaser" shall mean a party or a Household that purchases a Residence from Developer or a purchaser that subsequently purchases a Residence from a Residence Purchaser),

P. **"Salable Condition"** - See Section 88.

Q. **"Term of Restrictions"** - See Section 11.

R. **"Transfer"** - See Section 5.

S. **"Transferee"** - See Section 6.

T. **"Transferor"** - See Section 6.

2. **DESCRIPTION OF PROPERTY**

These Covenants concern the property and improvements located in the City of Scotts Valley, County of Santa Cruz, State of California, as more fully described in Attachment "A" attached hereto and incorporated herein ("Residence"). Such Residence includes a total of six (6) restricted Low Income condominium units. [Any sales of the Residences by Developer to a Residence Purchaser or subsequently by a Residence Purchaser to another Residence Purchaser shall be made strictly in accordance with these Covenants.

3. **RESIDENCE PURCHASER CERTIFICATIONS**

A Residence Purchaser shall certify that (a) the financial and other information previously provided by Residence Purchaser to qualify to purchase the Residence is true and correct as of the date of execution of the application to purchase a Residence pursuant to these Covenants, (b) the Residence Purchaser is a first time home-buyer and (c) the Residence Purchaser shall occupy the Residence as the Residence Purchaser's principal place of residence. The Residence Purchaser shall be considered to be occupying the Residence if the Residence Purchaser is living in the unit for at least ten (10) months out of each calendar year. The City, in its sole discretion, may grant in writing a temporary waiver of this occupancy requirement for good cause. The City, in its sole discretion, may grant in writing a temporary waiver of this occupancy requirement for good cause. City may, from time to time, request verification of occupancy by Residence Purchaser to ensure compliance with this Agreement.

The City or its designee may assess a fee for services for conducting income eligibility determinations for potential purchasers. Such a fee will be established from

time to time as necessary by the City or its designee. The payment of the fee shall be the responsibility of the Residence Purchaser that makes any subsequent sales.

4. TEMPORARY RENTAL OF RESIDENCE

The Residence Purchaser shall not rent the Residence for more than two (2) months during any twelve (12) month period without the prior written consent of the City and shall not rent the Residence without providing the City with a copy of any agreement related thereto. Written consent of City for the rental of a unit may be subject to terms and conditions to ensure that the unit is occupied by an Eligible Person or Household which meets the highest Preference Criteria feasible. The rental of the unit shall be subject to the standard income verification procedures of City and fees for such certification shall be paid by Residence Purchaser. Any rental of the Residence in violation of these Covenants is prohibited. City reserves the right to validate the provisions of any rental agreement from time to time as may be necessary.

5. SALE RESTRICTIONS

Any transfer of the Residence shall be subject to the provisions of these Covenants. "Transfer" means any sale, assignment or transfer, voluntary or involuntary, of any interest in the Residence, including, but not limited to, a fee simple interest, a joint tenancy interest, a life estate, a rental or leasehold interest of more than two (2) months in any twelve (12) month period without the City's prior written consent pursuant to Section 4 above, or an interest evidenced by a land contract by which possession of the Residence is transferred and the Transferor retains title. Any Transfer without satisfaction of the provisions of these Covenants is prohibited. Transfers by gift, devise, or inheritance to an existing spouse, surviving joint tenant, or a spouse as part of the dissolution proceeding, or in connection with marriage shall not be considered a transfer for the purposes of these Covenants; provided, however, the provisions of these Covenants shall remain in effect and shall apply to any subsequent Transfer.

6. NOTICE OF INTENDED TRANSFER

For initial sales of the Residences, the Developer shall submit the Notice of Transfer to the City to begin the 60-90 day process of selling a Residence to a Residence Purchaser prior to any advertisement of the sale of the units. The purchase shall be completed within 60-90 days, unless a warranted extension is granted by the City. In the event the Residence Purchaser intends to Transfer or vacate the Residence, the Residence Purchaser shall promptly notify the City in writing by delivering a "Notice of Intent to Transfer" in the form attached hereto as Attachment "8", Form 1. In either case, the Developer or the Residence Purchaser shall contact the City for its current application forms and process requirements for the initial sale or resale of the Residence. The process requirements include, but are not limited to, initial appointments with City staff to review the process and provide current forms, establishing application and lottery due dates, City review of a required 2-week ad in a local newspaper, minimum requirements for prospective purchasers, lottery

preparation, City-held lottery, income certification by City's consultant, and City escrow documents.

In the event the City determines to purchase the Residence, the provisions of Section 7 shall apply.

In the event the City declines to exercise its option to purchase the Residence and Residence Purchaser is therefore required to locate an Eligible Person or Household (the "Proposed Transferee"), the Residence Purchaser shall have sixty to ninety (60-90) days from the date the City receives the Notice of Intent to Transfer within which to qualify the purchaser and conclude the Transfer. The following process shall be followed:

- A. **Notice to City:** Developer as to any Unit owned by Developer or Residence Purchaser as to a Unit owned by a Residence Purchaser ("Transferor") shall send to the City (or its successor) at One Civic Center Drive, Scotts Valley, CA 95066 the form attached hereto as Attachment 8, Form 2, fully completed and executed by Developer or Residence Purchaser, as applicable, as Transferor, and the Proposed Transferee (the "Approval Request").

- B. **Qualification of Proposed Transferee:** The Proposed Transferee shall provide the City with sufficient information in the form required by the City for the City to determine if the Proposed Transferee meets the following requirements:
 - 1. The Proposed Transferee shall certify that it is a first time homebuyer and its intent to occupy the Residence as the Proposed Transferee's principal residence.
 - 2. The Proposed Transferee shall be an Eligible Person or Household in the same income bracket (i.e. Low Income as the Residence Purchaser).
 - 3. The Transferor shall attempt to find Proposed Transferees using the Preference Criteria defined herein. Proof of attempt to locate Eligible Person or Family in the highest rank order of Preference Criteria stated in Section 6.8, above, shall be provided. City reserves the right to require Transferor to make additional attempts to locate an Eligible Person or Family in the highest possible rank order of the Preference Criteria.
 - 4. The Transferor shall attempt to find a Proposed Transferee with a minimum family size which shall be no less than the number of bedrooms in the unit, plus one. Such households meeting the minimum size requirement shall be given a higher priority in the selection process.

- C. **Qualification of Transaction:** For the Transfer to qualify as an approved Transfer, the transaction shall meet the requirements of the Option Sales Price; see Section 8.
- D. **Certificates from Parties:** The Transferor and Proposed Transferee each shall certify in writing, in a form acceptable to the City, that the Transfer shall be closed in accordance with, and only with, the terms of the sales contract and other documents submitted to and approved by the City and that all consideration delivered by the Proposed Transferee to Transferor has been fully disclosed to the City. The written certificate shall also include a provision that in the event a Transfer is made in violation of the terms of the Covenants or false or misleading statements are made in any documents or certificate submitted to the City for its approval of the Transfer, the City shall have the right to file an action at law or in equity to make the parties terminate and/or rescind the sale contract and/or declare the sale void notwithstanding the fact that the Transfer may have closed and become final. The certificate shall provide that in any such event, any costs, liabilities or obligations incurred by the Transferor /seller and his/her transferee for the return of any monies paid or received in violation of the Covenants or for any costs and legal expenses, shall be borne by the Transferor /seller and/or his/her transferee and provide that the Transferor shall hold the City and its designees harmless and reimburse their expenses, legal fees and costs for any action they take in enforcing the terms of the Covenants.
- E. **Assumption Agreement:** The Proposed Transferee shall execute a recordable assumption agreement in the form attached hereto as Attachment B, Form 3 (the "Assumption Agreement"). The recordation of the Assumption Agreement shall be a condition of the City's approval of the proposed Transfer; provided the Covenants shall be binding on the Residence throughout the Term of Restrictions even if no Assumption Agreement is executed or recorded.
- F. **Written Consent of City Required Before Transfer:** The Residence, and any interest therein, shall not be Transferred except with the express written consent of the City, which consent shall be given only if the Transfer is consistent with the City's goal of creating, preserving, maintaining and protecting housing in Scotts Valley for Eligible Person and Households and shall be in accordance with the provisions of this Section 6.
- G. **Delivery of Documents:** Upon the close of the proposed Transfer, the Transferor and Proposed Transferee shall provide the City with a certified copy of the recorded Assumption Agreement, a copy of the final sales contract, settlement statement, escrow instructions, and any other document which the City may request.

- H. **Assistance by City:** The City shall be available, at the Transferor's request, to assist the Transferor during the process outlined in sections 6(a)-(g) above. Specifically and without limitation, if requested, the City shall assist the Owner in identifying a Proposed Transferee, determining whether the Proposed Transferee is an Eligible Person or Household and in calculating the Option Sales Price for the Proposed Transferee. [For any Transfer proposed by a Residence Purchaser other than Developer, the City shall have the right to designate a third party to provide such assistance to the Transferor. If such a third party is designated by the City, that third party shall have the right to charge a reasonable fee for the assistance provided to the Transferor, which shall be payable by Transferor.

All deeds made relative to any Residence shall contain or be subject to substantially the following non-discrimination and non-segregation clause:

- I. **Deeds:** In deeds, "The Grantee herein covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or handicap in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the Grantee/Lessee or any person claiming under or through GranULessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

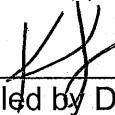
The failure of any deed to contain this provision shall not affect the validity of the deed or lease.

7. **CITY PURCHASE OPTION**

The Developer and each Residence Purchaser of a Unit subject to these Covenants agrees that the City shall have the right of first refusal to purchase the Residence for an amount equal to the lesser of the Fair Market Value of the Residence or the Option Sales Price as calculated in the manner set forth in Section 8 ("Option"). If the City decides to exercise its Option to purchase the Residence, it shall within thirty (30) days after receipt of the notice specified in Section 6 above, notify the Owner in accordance with Section 16 of these Covenants that it chooses to exercise the Option. If the City exercises the Option to purchase, it shall purchase the Residence within ninety (90) days after the date it receives the notice of intended transfer specified in Section 6 above for an amount equal to the Fair Market Value or the Option Sales Price calculated on the manner set forth in Section 8, whichever is lower. The City may, instead of purchasing the Residence itself, assign its right to purchase the Residence to

a person who meets criteria established by the City, or to another governmental City or nonprofit organization which is devoted to developing or operating housing for low and moderate income persons. In the event this City does not exercise its option to purchase pursuant to this section, the Transferor may sell the Residence to a purchaser of the Transferor's choosing at a price no less than the Option Sales Price calculated in the manner set forth in Section 8. Any such sale shall be subject to these Covenants and conditioned upon the purchaser executing an agreement to assume the obligations and duties under these Covenants and approval by the City.

DEVELOPER AND EACH RESIDENCE PURCHASER UNDERSTANDS THAT THE DETERMINATION OF THE SALES PRICE PURSUANT TO SECTION 8 OR SECTION 9, AS THE CASE MAY BE, CAN BE MADE ONLY AT THE TIME OF THE PROPOSED TRANSFER, TAKING INTO CONSIDERATION FACTORS THAT CANNOT BE ACCURATELY PREDICTED AND THAT THE SALES PRICE PERMITTED HEREUNDER MAY NOT INCREASE OR DECREASE IN THE SAME MANNER OR PROPORTION AS OTHER SIMILAR REAL PROPERTY WHICH IS NOT ENCUMBERED BY THE COVENANTS. DEVELOPER AND EACH RESIDENCE PURCHASER FURTHER ACKNOWLEDGES THAT AT ALL TIMES IN SETTING THE SALES PRICE, THE PRIMARY OBJECTIVE OF THE CITY AND THE COVENANTS IS TO PROVIDE HOUSING TO ELIGIBLE PERSON OR HOUSEHOLDS AT AFFORDABLE HOUSING COST. THE SALES PRICE WILL ALMOST CERTAINLY BE LESS THAN OTHER SIMILAR PROPERTIES WHICH HAVE NO RESTRICTION.



[Initialed by Developer]

THE FOREGOING STATEMENT SHALL BE SEPARATELY ACKNOWLEDGED BY EACH SUBSEQUENT RESIDENCE PURCHASER AT THE TIME OF TAKING TITLE TO A UNIT, VIA AN ASSUMPTION AGREEMENT PREPARED BY THE CITY, PER THE EXAMPLE "ATTACHMENT 8-FORM 3" ATTACHED TO THIS AGREEMENT

8. DETERMINATION OF OPTION SALES PRICE

The maximum sales price (the "Option Sales Price") that the Transferor shall receive for Transfer of the Residence shall be the Increased Base Price, as adjusted by Section 8.B and 8.C.

- A. Initial Base Price Calculation: The Initial Base Price of the Residence to be calculated for a sale by Developer to a Residence Purchaser shall be calculated by the City as in the example provided below and shall be the maximum price that can be paid to the Developer. [The Residence Purchaser shall also pay reasonable and normal closing costs as are customary in the County.] The final calculation shall be based actual interest rates, income limits, etc. in effect at the time the units are sold.

Example only; actual maximum initial sales price is calculated by the City upon receipt of the Notice of Intent to Transfer.

1.	Determine number of bedrooms	2
2.	Add one (1) to the number of bedrooms to get the appropriate household size.	3
3.	Determine appropriate income limit for the calculation (<i>median income</i>).	\$78,300
4.	Determine the income limit for the household size established in Line 2.	\$62,640
5.	Divide line 4 by 12 to determine the gross monthly income limit.	\$5,220
6.	Multiply Line 5 by .3 to determine the maximum monthly housing allowance (<i>assumes that the purchaser will pay a total of 30% of their monthly gross income for housing costs</i>).	\$1,566
7.	Multiply Line 6 by .8 to determine the monthly housing allowance for principal and interest (<i>the other 20% is assumed to cover the costs of homeowners insurance, private mortgage insurance and property taxes</i>).	\$1,252.80
8.	Multiply projected homeowners association dues by .7 (<i>30% of homeowners association dues are assumed to pay for common area costs, such as club-house or swimming pool maintenance. 70% of the dues are included in the monthly housing allowance</i>).	\$ 125 x .7 = \$87.50
9.	Subtract Line 8 from Line 7	\$ 1,165.30
10.	Annual interest rate (<i>30-year fixed rate to be established by averaging the rates quoted by three (3) local financial institutions as chosen by the Seller</i>).	3.95%
11.	Principal amount of fully amortized fixed-rate thirty (30) year loan with the interest rate indicated in Line 10 and the monthly payments indicated in Line 9.	\$245,565.56
12.	Divide Line 11 by .9 to determine the Initial Base Price (<i>assumes a 10% down payment</i>).	\$272,850.62

B. Maximum Allowable Sales Price: The maximum sales price that the Transferor shall receive for from a Transferee for Transfer of the Residence shall be the then current base price as determined in Section B.A., above at the time of the Transfer. [The Transferee Purchaser shall also pay reasonable and normal closing costs as are customary in the County.]

- C. **Adjusted Increased Base Price:** The then current base price shall be increased ("Increased Base Price") by the value of any substantial structural or permanent fixed improvements which cannot be removed without substantial damage to the Residence or substantial or total loss of value of said improvements. No such adjustment shall be made except for improvements: (i) made or installed by or under the direction of the Transferor ; (ii) approved in advance by the City or its designee in writing; and (iii) whose initial costs were Two Thousand Dollars (\$2,000) or more. The value of such improvements by which the Option Sales Price shall be adjusted and shall be the appraised market value of the improvements when considered as additions or fixtures to the Residence (i.e., the amount by which said improvements enhance the market value of the Residence at the time of sale), which means that the adjustment to the Increased Base Price for such improvements shall be limited to an increase in value, not the cost of the improvements to the Residence. The Increased Base Price shall be decreased by an amount necessary to repair any damages and to put the Residence into a "salable condition." Items necessary to put a Residence into salable condition shall be determined by the City, and may include cleaning, painting and making needed structural, mechanical, electrical, plumbing and fixed appliance repairs and other deferred maintenance repairs.

9. FAIR MARKET VALUE

If it is necessary to determine the Fair Market Value of the Residence or improvements to the Residence, it shall be determined by an appraisal prepared by an independent residential appraiser selected by the Transferor from a list of appraisers provided by the City. Each appraiser on the City's list shall have been previously approved by the Federal National Mortgage Association or the Federal Housing Administration and placed on their list of approved single household housing appraisers. If possible, the appraisal shall be based upon the sales prices of comparable properties sold in the market area during the preceding three-month period. The cost of the appraisal shall be shared equally by the City and the Transferor. In the event that the Transferor has made capital improvements to the Residence which have improved the value of the Residence or if damage or deferred maintenance has occurred while the Transferor owned the Residence which has decreased the value of the Residence, the appraisal shall specifically ascribe a value to these adjustment factors and state what the Fair Market Value of the Residence would be without such adjustments. Nothing in this section shall preclude the Transferor and the City from establishing the Fair Market Value of the Residence or improvements to the Residence by mutual agreement in lieu of an appraisal pursuant to this section.

10. DEFAULTS AND REMEDIES

Upon a violation of any of the provisions of these Covenants or of any provision of a document related to the purchase of the Residence by a Residence Purchaser or the discovery of any misrepresentation by a Residence Purchaser in connection with

the purchase of the Residence, the City may give written notice to the Residence Purchaser specifying the nature of the violation. If the violation is not corrected to the satisfaction of the City within a reasonable period of time, not longer than thirty (30) days after the date the notice is delivered, or within such further time as the City determines is necessary to correct the violation, the City may declare a default under these Covenants.

Upon the declaration of a default, the City may apply to a court of competent jurisdiction for specific performance of these Covenants, for an injunction prohibiting a proposed Transfer in violation of these Covenants, for a declaration that a Transfer in violation of these Covenants is void, or for any other such relief at law or in equity as may be appropriate.

11. TERM BINDING ON SUCCESSOR AND ASSIGNS

These Covenants shall bind, and the benefit shall inure to, the Developer as long as Developer owns a Unit, and to each Residence Purchaser, his or her heirs, legal representatives, executors, successors in interest and assigns, and to the City and its successors, until the date that is fifty-five (55) years after execution of these Covenants ("Term of Restrictions"). Upon sale/transfer of the initial dwelling unit which is covered by an affordability covenant, the Developer will transfer its full responsibility of the affordable housing obligation to the new property owner ("Transferee"). Upon each new approved Transferee (owner of the obligated affordable housing unit), the Transferee shall become the new ownership of the affordability covenant for the term of the covenant from the original date of covenant recordation and obligation.

12. SUPERIORITY OF AGREEMENT

The Developer covenants that it has not, and will not, execute any other agreement with provisions contradictory to or in opposition to the provisions of these Covenants hereof, and that, in any event, these Covenants are controlling as to the rights and obligations between and among the Developer, the City and their respective successors.

13. RIGHTS OF BENEFICIARIES UNDER DEEDS OF TRUSTS

Notwithstanding any other provision hereof, the provisions of these Covenants shall be subordinate to the lien of the first deed of trust that encumbers a Residence ("First Deed of Trust") and shall not impair their rights or such lenders' assignees or successors in interest, to exercise their remedies in the event of default under their First Deed of Trust by the borrower under such First Deed of Trust. Such remedies under the First Deed of Trust include the right of foreclosure or acceptance of a deed or assignment in lieu of foreclosure. After such foreclosure or acceptance of a deed in lieu of foreclosure, these Covenants shall be forever terminated and shall have no further effect as to the Property or any transferee thereafter; provided, however, if the holder of such First Deed of Trust acquired title to the Residence pursuant to a deed or assignment in lieu of foreclosure, these Covenants shall automatically terminate upon

such acquisition of title, only after (a) the City has been given written notice of default under such Deed of Trust; and (b) the City shall not have cured or commenced to cure the default within such sixty (60) day period and given its firm commitment to complete the cure in form and substance acceptable to beneficiary of the First Deed of Trust , as applicable.

14. MAINTENANCE OF INSURANCE

The Residence Purchaser shall maintain at all time during the Term of Restrictions a policy of home owners insurance with a responsible insurance carrier insuring fire and extended coverage protecting the Residence for an amount of no less than the replacement value of the improvements, including the Residence, constructed on the property and naming the City as an additional insured. The Residence Purchaser shall provide the City with proof of insurance.

15. RESTRICTIONS ON CONDEMNATION, INSURANCE AND FORECLOSURE PROCEEDS

In the event (i) of a judicial foreclosure, a trustee's deed upon a nonjudicial foreclosure, a deed in lieu of foreclosure or any other involuntary Transfer to the holder of a secured interest in the Residence, (collectively, "Foreclosure"), (ii) the Residence is destroyed and insurance proceeds are to be distributed to the Residence Purchaser instead of being used to rebuild the Residence, or (iii) of a condemnation or Transfer in lieu of condemnation, if the proceeds thereof are to be distributed to the Residence Purchaser, to the extent that the proceeds of any event described above exceed the proceeds that otherwise would be payable to Residence Purchaser in the event the City exercised the City Purchase Option to acquire the Residence on the date of the relevant event pursuant to the provisions of section 8 above, ("Excess Proceeds"), all Excess Proceeds shall be paid to the City when available to Residence Purchaser to place in the City's low/moderate housing fund.

16. INVALID PROVISIONS

If any one or more the provisions contained in these Covenants shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in these Covenants, and these Covenants shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

17. CONTROLLING LAW

The terms of these Covenants shall be interpreted under the laws of the State of California.

18. NOTICES

All notices required herein shall be sent by certified mail, return receipt requested or express delivery service with a delivery receipt and shall be deemed to be effective as of the date received or the date delivery was refused as indicated on the return receipt as follows:

To the Developer: LENNAR HOMES OF CALIFORNIA
2603 Camino Ramon, Suite 525
San Ramon, CA 94583
Attn: Brent Reed

To the City: City of Scotts Valley
One Civic Center Drive
Scotts Valley, California 95066
Attn: City Manager

The parties may subsequently change addresses by providing written notice of the change in address to the other party in accordance with this Section 18.

19. INTERPRETATION OF AGREEMENT

The terms of these Covenants shall be interpreted so as to avoid speculation on the Residence and to insure to the extent possible that its sales price and mortgage payment remain affordable to low and moderate income persons and households.

20. COVENANTS RUN WITH THE LAND

Developer hereby declares its express intent that the Covenants shall be deemed covenants running with the land and shall pass to and be binding upon all parties having any interest in the Residence throughout the Term of Restrictions. Each and every contract, deed, lease or other instrument covering, conveying or otherwise transferring the Residence or any interest therein, as the case may be (a "Contract") shall conclusively be held to have been executed, delivered and accepted subject to the Covenants regardless of whether the other party or parties to such Contract have actual knowledge of the Covenants.

The Developer and the City hereby declare their understanding and intent that (i) the Covenants shall be construed as covenants running with the land pursuant to California Civil Code section 1468 and not as conditions which might result in forfeiture of title by Developer or any future Residence Purchaser; (ii) the burden of the covenants and restrictions set forth in the Covenants touch and concern the Residence in that the Developer's or Residence Purchaser's legal interest in the Residence and all improvements thereon may be rendered less valuable thereby; and (iii) the benefit of the covenants and restrictions set forth in the Covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Residence by Eligible Person or Households of very low, low and moderate income, the intended beneficiaries of the Covenants.

All covenants and restrictions contained herein, without regard to technical classification or designation, shall be binding upon Developer and each Residence

Purchaser for the benefit of the City and the Covenants shall run in favor of such parties for the entire Term of Restrictions during which the Covenants shall be in force and effect, without regard to whether the City is an owner of the land or interest therein to which the Covenants relate.

21. COSTS AND ATTORNEY'S FEES

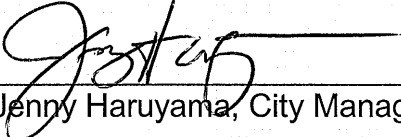
The prevailing party in any action brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs and attorney's fees expended in connection with such an action from the other party.

22. ATTACHMENTS

Any attachments referred to in these Covenants are incorporated in these Covenants by such reference.


IN WITNESS WHEREOF, the parties have executed these Covenants on or as of the date first written above.

CITY:
CITY OF SCOTTS VALLEY



Jenny Haruyama, City Manager

DEVELOPER:
LENNAR HOMES OF CALIFORNIA,
a California corporation



By: Kelley Stough
Title: Vice President

NOTE: Signatures must be notarized.

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 Contra Costa

On February 26, 2019, before me, Lisa McRae, Notary Public
(here insert name and title of the officer)

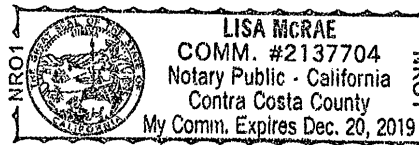
personally appeared _____

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 hls/her/their authorized capacity(ies), and that by hls/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.

WIINESS my hand and official seal.

(SEAL)



ATTACHMENT "A"

LEGAL DESCRIPTION

All of that certain real property situated in the City of Scotts Valley, Santa Cruz County, California described as follows:

Parcel Map for Tract 1594 filed for record in the Office of the Recorder of Santa Cruz County, California, on _____, 201_, in **Book**_ of Maps, page(s)

ATTACHMENT "B"
FORM 1

NOTICE OF INTENT TO TRANSFER

From: _____
("Owner")

To: City of Scotts Valley One
Civic Center Drive Scotts
Valley, CA 95066

Re: _____
(street address)
Scotts Valley, California
(the "Residence")

Owner desires to Transfer¹ the Residence.

Owner desires to [check one]:

_____ attempt to locate an Eligible Person or Household to purchase the Residence at Affordable Housing Cost; or

_____ permit the City to exercise the City's option to purchase the Residence (the City is not required to exercise its option).

If the Owner wants to find the Eligible Person or Household, the Owner has ____ days to find the Eligible Person or Household and notify the City in writing (see Approval Request).

If the City has a program to help locate an Eligible Person or Household, does the Owner want the City to help look for an Eligible Person or Household to buy the Residence? Yes No

Signature of Owner

Signature of Owner

Name [Print or Type]

Name [Print or Type]

Day time phone number of Owner

Day time phone number of Owner

Date: _____

Date: _____

Consent of City to Transfer:

Signed by: _____
City Manager of City

(Print Name)

Date: _____

¹ All capitalized terms shall have the meaning as defined in the Covenants, Restrictions and Option to Purchase for Very Low, Low and Moderate Income Persons or Families.

ATTACHMENT "B"
FORM2
APPROVAL REQUEST

_____, 20__

City of Scotts Valley
One Civic Center Drive
Scotts Valley, CA 95066
Attention: Community Development Director

Re: Request for Approval of Proposed Transferee

To Whom It May Concern:

The undersigned is the owner of real property in Scotts Valley, located at _____
----- **the** "Residence").

The Owner now desires to transfer the Residence and by this letter is requesting the City to approve the proposed transferee.

1. Name: _____

Current Address: _____

Telephone No. (_____) _____

2. The terms of the proposed transfer are:

(a) Sales price of \$ _____. This sales price is based upon the lesser of [check one]:

___ (i) Fair market value; or

___ (ii) The Option Sales Price.

The price of any personal property being sold by the owner to the proposed transferee is: \$ _____ (if none, so state);

(b) The price of \$ _____ to be paid by the proposed transferee for any services of Owner (if none, so state);

(c) All other amounts of money or other consideration, if any, concerning the Residence or any other matter to be paid by the proposed transferee to the Owner: \$ _____ (if none, so state);

- 3. The proposed transferee represents and warrants the following:
 - (a) The Residence will be the principal residence of the proposed transferee;
 - (b) The combined maximum annual income for all household members (household size of ____ persons) of the proposed transferee is \$ _____; and
 - (c) The proposed transferee will deliver, to the City, a signed financial statement on a form acceptable to the City.

4. The proposed transferee household consists of the following person(s) who will reside in the Residence:

Adults (18 and over)- [name of each]

Minors (under 18) - [name of each]

- 5. The proposed transferee must submit to the City, on a form available from the City, an income certification so the City may determine if the proposed transferee is an Eligible Person.
- 6. A true and correct copy of the agreement between the owner and the proposed transferee is attached hereto.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct:

OWNER:

OWNER:

Signature

Name: _____

[print or type]

Telephone: -1-1-----1-----

Date: _____

Signature

Name: _____

[print or type]

Telephone: -1-1-----J-----

Date: _____

PROPOSED TRANSFEEE:

PROPOSED TRANSFEEE:

Signature

Name: _____

[print or type]

Telephone: -1-1-----

Date: _____

Signature

Name: _____

[print or type]

Telephone: -1-1-----L-----

Date: _____

RECORDED AT THE REQUEST OF:

City of Scotts Valley

WHEN RECORDED MAIL TO:

City of Scotts Valley- Planning Dept.

One Civic Center Drive

Scotts Valley, CA 95066

NOTE: Restrictions and restricted resale price & procedures

(Space above this line for recorder's use only)

Exempt from Recording Fees per GC 27383

**ATTACHMENT "B"
FORM3**

ASSUMPTION AGREEMENT

(Document title)

This page added to provide adequate space for recording information
(Cal. Gov. Code §27361.6)

This Assumption Agreement is entered into by:

The City of Scotts Valley (the "City")

_____ ("Buying Owners")

Date of Agreement: _____

FACTS

- A. Selling Owners are all of the owners of property commonly known as __, Scotts Valley, California (the "Residence").
- B. The Residence is subject to 55-year restriction entitled "Covenants, Restrictions and Option to Purchase" executed on (Month and Day) , (Year), and recorded in Book No. __, Page__ in the official records of the County of Santa Cruz, State of California, which restricts the purchase price that can be charged for the Residence and the persons to whom the Residence can be sold (the "Covenants"). The Covenants also give the City an option to purchase the Residence.
- C. Buying Owners desire to purchase the Residence. Buying Owners understand that the Covenants will limit the purchase price they can receive when they sell the Residence and will limit the people to whom they can sell the Residence. Buying Owners understand that the City has an option to purchase the Residence for a price that is less than the fair market value of the Residence, if there were no Covenants.
- D. Buying Owners are able to purchase the Residence because the purchase price of the Residence is less than other similar property without the Covenants. For this reason, Buying Owners desire to purchase the Residence.
- E. In order to purchase the Residence, Buying Owners must assume all obligations of Owner pursuant to the Covenants and must agree to be bound by all the provisions in the Covenants.

NOW, THEREFORE, Buying Owners agree as follows:

1. Acknowledgment of Limitation on Future Sales Price.

BUYING OWNERS UNDERSTAND THAT WHEN BUYING OWNERS DESIRE TO SELL OR TRANSFER THE RESIDENCE THAT THE SALES PRICE CAN BE DETERMINED ONLY AT THE TIME OF THE PROPOSED TRANSFER TAKING INTO CONSIDERATION FACTS THAT CANNOT BE PREDICTED ACCURATELY AND THAT THE SALES PRICE MAY NOT INCREASE OR DECREASE IN THE SAME MANNER AS OTHER SIMILAR RESIDENCE THAT IS NOT ENCUMBERED WITH THE RESTRICTION. BUYING OWNERS ALSO ACKNOWLEDGE THAT AT ALL TIMES IN SETTING THE SALE PRICE, THE PRIMARY OBJECTIVE OF THE City AND THE RESTRICTION IS TO PROVIDE HOUSING TO ELIGIBLE PERSON OR HOUSEHOLDS AT AFFORDABLE HOUSING COST. THE SALES PRICE, WHEN BUYING OWNERS DECIDE TO SELL THE RESIDENCE, ALMOST CERTAINLY WILL BE LESS THAN OTHER SIMILAR PROPERTIES WHICH HAVE NO RESTRICTION.

(Initialed by Buying Owners)

2. Understanding the Covenants.

Buying Owners represent that they have read the Covenants and fully understand the Covenants.

3. Owner Occupancy.

Buying Owners agree that they will occupy the Residence as their primary residence and that they will comply with all provisions of the Covenants relating to occupancy of the Residence.

4. Assumption of Obligation Under the Covenants.

As a material consideration to the City in approving Buying Owners, Buying Owners hereby assume all obligations of Owner, as they relate to the Residence, under the Covenants. Buying Owners agree to be bound by all duties and obligations of the Owner in the Covenants and agree to comply with all provisions thereof for the term of the Covenants. Buying Owners agree, as set forth above, in order to take advantage of the purchase price for which the Residence is offered.

IN WITNESS WHEREOF, the parties have executed this Assumption Agreement to be effective on the date of recordation of a deed conveying the Residence to Buying Owners.

BUYING OWNER(S):

Date: _____

_____ Signature

Name: _____
[Print or Type]

Date: _____

_____ Signature

Name: _____
[Print or Type]

(Signatures must be notarized)

Based upon information provided by Selling Owners and Buying Owners and on Buying Owner's execution hereof, the City of Scotts Valley hereby approves Buying Owners to purchase property.

Date: _____

CITY OF SCOTTS VALLEY

By: _____

Name: _____

Title: _____

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 Santa Cruz

On March 20, 2019 before me, Tracy A. Ferrara, Notary Public
(insert name and title of the officer)

personally appeared Jenny D. Haruyama
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

Tracy A. Ferrara

(Seal)

