

EXHIBIT E

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Redevelopment Agency of the
County of Santa Barbara
105 East Anapamu Street, Room 406
Santa Barbara, CA 93101
Attn: Executive Director

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTION 27383

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

This Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement") is made and entered into as of May __, 2007, by and between the Redevelopment Agency of the County of Santa Barbara, a public body, corporate and politic, and the Housing Authority of the County of Santa County, a public body, corporate and politic.

RECITALS

A. These Recitals utilize certain capitalized terms that are defined in Article 1 of this Agreement. The parties intend to refer to those definitions in connection with their use in these Recitals.

B. Pursuant to authority granted under the California Community Redevelopment Law, the Agency is charged with administration and enforcement of the Redevelopment Plan for the Isla Vista Project Area adopted by the Board of Supervisors of the County of Santa Barbara by Ordinance No. No. 3894 on November 27, 1990 (the "Plan"). The Plan affects and controls the development and use of all real property located within the Isla Vista Redevelopment Project Area (the "Project Area"). The area which is the subject of this Agreement is within the Project Area. This Agreement is subject to the terms and conditions of the Plan.

C. The Agency wishes to promote the development of more affordable rental housing in neighborhoods in need of revitalization in the Santa Barbara County community and provide a greater choice of housing opportunities for persons and families of low income.

D. Developer proposes to acquire two (2) adjacent residential buildings located at 6682 and 6688 Picasso Road in Isla Vista, Santa Barbara County, California, as more particularly described in Exhibit A. Each building contains six (6) two-bedroom units and four (4) one-bedroom units for a total of ten (10) residential units in each building.

E. The Agency has agreed to loan funds to Developer on the condition that the Development be maintained and operated in accordance with Health and Safety Sections 33334.2 et seq., and in accordance with additional restrictions concerning affordability, operation, and maintenance of the Development, as specified in this Agreement.

F. In consideration of receipt of the Loan and other assistance granted to the Development by the Agency and Developer have further agreed to observe all the terms and conditions set forth below.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the Loan, Borrower and Lender hereby agree 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.

(c) "Agency" shall mean the Redevelopment Agency of the County of Santa Barbara, a public body, corporate and politic.

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

(e) "Area Median Income" shall mean the median income for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area, with adjustments for household size, as determined from time to time by the United States Department of Housing and Urban Development ("HUD") pursuant to the United States Housing Act of 1937, as amended, or such other method of median income calculation applicable to the Lender that HUD may hereafter adopt in connection with said Act.

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

(g) "County" shall mean the County of Santa Barbara, political subdivision of the State of California.

(h) "Deed of Trust" shall mean the deed of trust executed by the Developer in favor of the Agency and recorded against the Developer's interest in the Property which secures repayment of the Loan and performance of this Agreement.

- (i) "Developer" shall mean the Housing Authority of the County of Santa Barbara, a political subdivision of the State of California and its authorized representatives, assigns, transferees, or successors-in-interest thereto.
- (j) "Loan" shall mean all funds loaned to Developer by the Agency pursuant to the Loan Agreement.
- (k) "Loan Agreement" means this loan agreement entered into between the Agency and the Developer.
- (l) "Note" shall mean the promissory notes from the Developer to the Agency evidencing all or any part of the Loan.
- (m) "Project" shall mean means the acquisition of the Property and rehabilitation of the two ten-unit buildings at 6682 and 6688 Picasso Road in Isla Vista, Santa Barbara County, California.
- (n) "Property" shall mean that certain real property and improvements consisting of two ten-unit buildings at 6682 and 6688 Picasso Road in Isla Vista, Santa Barbara County, California, as more particularly described in Exhibit A, which is incorporated into this Loan Agreement by this reference.
- (o) "Rent" shall mean the total of monthly payments by the tenants of a Unit for the following: use and occupancy of the Unit and land and associated facilities, including parking; any separately charged fees or service charges assessed by Developer 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 (to the extent paid for by the tenant) garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not cable or telephone service.
- (p) "Tenant" shall mean a household occupying a Unit.
- (q) "Term" shall mean the period of time beginning on the date of this Agreement and ending fifty-five (55) years following the date this Agreement is recorded.
- (r) "Unit" shall mean one of the twenty (20) rental units on the Property.
- (s) "Very Low Income Household" shall mean a household with an Adjusted Income that does not exceed the qualifying limits for very low income households, adjusted for Actual Household Size, 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.
- (t) "Very Low Income Units" shall mean the Units which, pursuant to Section 2.1(a) below, are required to be occupied by Very Low Income Households.

ARTICLE 2.
AFFORDABILITY COVENANTS

2.1 Occupancy Requirements.

(a) Very Low Income Units. Eleven (11) Units shall be rented to and occupied by or, if vacant, available for occupancy by Very Low Income Households.

2.2 Allowable Rent.

(a) Very Low Income Rent. Subject to the provisions of Section 2.2(c) below, the rent charged to Tenants of the Very Low Income Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income, adjusted for Assumed Household Size and any other HUD adjustment.

(b) Assumed Household Size.

(1) In calculating the allowable Rent for the Very Low Income Units, the Assumed Household Size for a one-bedroom unit shall be two persons and the Assumed Household size for a two-bedroom unit shall be three persons.

(2) While any federal Low-Income Housing Tax Credit regulatory agreement is in force, the Developer shall use the assumed household sizes per Unit that are required by the federal Low Income Housing Tax Credit program. Developer anticipates that the Developer will enter into a State of California Low-Income Housing Tax Credit regulatory agreement with a term of fifty-five (55) years. Twelve (12) months prior to the expiration of the Low-Income Housing Tax Credit regulatory agreement, if the term is less than fifty-five (55) years, the Developer and the Agency shall meet to determine whether the Community Redevelopment Law requires Developer to change the assumed household sizes per Unit. If no change is required, Developer may continue to use the assumed household sizes which were required by the Low Income Housing Tax Credit program.

2.3 Increased Income of Very Low Income Household.

(a) Non-Qualifying Very Low Household. In the event that recertification of a Very Low Household's income indicates that the household's Adjusted Income exceeds the qualifying income for a Very Low Income Household, then the rent shall remain at thirty percent (30%) of fifty percent (50%) of Area Median Income, the Unit shall continue to qualify as a Very Low Income Unit, and the next available Unit shall be rented to a Very Low Income Household. Once the next available Unit has been rented to a Very Low Income Household, the rent for the over income household may be increased to market rate rent.

(b) Tax Credit Requirement. While any federal Low-Income Housing Tax Credit regulatory agreement is in force, the Developer shall use the rent requirements for households whose incomes exceed the eligible income limitations that are required by the Low Income Housing Tax Credit program in place of the requirements in this Section 2.3.

2.4 Lease Provisions. Developer shall include in leases for all Very Low Income Units provisions which authorize Developer to immediately terminate the tenancy of any household one or more of whose members misrepresented any fact material to the household's qualification as a Very Low Income Household. Each lease or rental agreement shall also provide that the household is subject to annual certification in accordance with Section 3.1 below, and that, if the household's income increases above the limits for a Very Low Income Household, such household's Rent may be subject to increase.

2.5 Condominium Conversion. The Developer shall not convert Units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Property during the Term of this Agreement.

ARTICLE 3. INCOME CERTIFICATION AND REPORTING

3.1 Income Certification. The Developer will obtain, complete and maintain on file, immediately prior to initial occupancy and annually thereafter, income certifications from each Tenant renting any of the Very Low Income Units in conformance with the federal Low Income Housing Tax Credit program. The Developer shall make a good faith effort to verify that the income provided by an applicant or occupying household in an income certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period; (2) obtain an income tax return for the most recent tax year; (3) conduct a credit agency or similar search; (4) obtain an income verification form from the applicant's current employer; (5) 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 (6) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of tenant income certifications shall be available to the Agency upon request.

3.2 Annual Report to Agency. Each year Developer shall submit an annual report to the Agency, in a form approved by the Agency. The annual report shall include for each Very Low Income Unit covered by this Agreement, the Rent and the income and household size of the household occupying the Very Low Income Unit. The report shall also state the date the tenancy commenced for each rental Unit and such other information as the Agency may be required by law to obtain. To meet the requirement of this Section 3.2, the Agency shall accept copies of the annual compliance reports submitted by the Developer to the California Tax Credit Allocation Committee and to any issuer or purchaser of tax exempt bonds, the proceeds of which are used to finance a portion of the Development.

3.3 Additional Information. Developer shall provide any additional information reasonably requested by the Agency with respect to the Developer's compliance with the terms of this Agreement. The Agency shall have the right to examine and make copies of all books, records or other documents of Developer which pertain to any Low Income or Very Low Income Unit to determine compliance with this Agreement.

3.4 Records. The Developer shall maintain complete, accurate and current records pertaining to the Development, and shall permit any duly authorized representative of the Agency to inspect records, including records pertaining to income and household size of Tenants in Very Low Income Households. All household lists, applications and waiting lists relating to Very Low Income Units shall at all times be kept separate and identifiable from any other business of the Developer and shall be maintained as required by the Agency, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Agency. The Developer shall retain copies of all materials obtained or produced with respect to occupancy of the Very Low Income Units for a period of at least five (5) years.

ARTICLE 4. OPERATION OF THE DEVELOPMENT

4.1 Taxes and Assessments. The Developer shall pay when due all real property taxes and assessments assessed and levied on the Property and the Development, and shall remove any levy or attachment made on the Property or the Development. The Developer may, however, contest the validity or amount of any tax, assessment, or lien on the Property and the Development.

4.2 Nondiscrimination. The Developer covenants by and for themselves and their successors and assigns that, except to the extent that Units are required to be rented to Very Low Income Households, there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the construction, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or the Development, nor shall the Developer or any person claiming under or through the Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, vendees or employees in the Property or the Development. The foregoing covenant shall run with the land and shall remain in effect in perpetuity.

ARTICLE 5. PROPERTY MANAGEMENT AND MAINTENANCE

5.1 Management Responsibilities. The Developer is responsible for all management functions with respect to the Development, including without limitation the selection of tenants, certification and recertification of household size and income, 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 Property Maintenance. The Developer shall cause the Property and the Project to be maintained and repaired consistent with requirements and in a condition reasonably acceptable to the Agency during the Term, including but not limited to cleaning, painting, plumbing, carpentry, grounds care and such other maintenance and repairs as may be necessary.

If there arises a condition in contravention of this Section 5.2, and if the Developer has not cured such condition within thirty (30) days after receiving an Agency notice of such a condition or such longer period of time as is reasonably necessary in the reasonable discretion of the Agency, then the Agency shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Property, subject to the rights of any senior lenders.

ARTICLE 6. MISCELLANEOUS

6.1 Term. The provisions of this Agreement shall apply to the Property for the entire Term even if the entire Loan is paid in full prior to the end of the Term; provided, however, that the provisions of Section 4.2 of this Agreement shall run with the Property and shall remain in effect in perpetuity. This Agreement shall bind any successor, heir or assign of Developer, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, except as expressly released by the Agency. The Agency makes the Loan on the condition, and in consideration of, this provision, and would not do so otherwise.

6.2 Covenants to Run With the Land. The Agency and 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 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.

6.3 Enforcement by the Agency. If Developer fails to perform any obligation under this Agreement, and fails to cure the default within thirty (30) days after the Agency has notified the Developer in writing of the default or, if the default cannot be cured within thirty (30) days, failed 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. The Agency may declare a default under the Note and exercise any rights or remedies permitted under the Note and the Deed of Trust.

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

6.4 Remedies Provided Under Loan Agreement. The Agency may exercise any other remedy provided under the Loan Agreement.

6.5 Recording and Filing. The Agency and Developer shall cause this Agreement, and all amendments and supplements to it, to be recorded against the Property in the Official Records of the County of Santa Barbara.

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

6.7 Amendments. This Agreement may be amended 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 Santa Barbara, California.

6.8 Notices, Demands and Communications. Formal notices, demands, and communications among the Agency and the Developer shall be sufficiently given if, and shall not be deemed given unless, secured personally, or dispatched by certified mail, return receipt requested, or by facsimile transmission or reputable overnight delivery service with a receipt showing date of delivery, to the principal offices of the Agency and the Developer as follows:

AGENCY: Redevelopment Agency of the County of Santa Barbara
 105 E Anapamu Street, Room 406
 Santa Barbara, CA 93101-2065
 Attn: County Executive Officer/Redevelopment Agency
 Executive Director

With a copy to:

Office of the County Counsel
105 E Anapamu Street, Room 201
Santa Barbara, CA 93101-2065

DEVELOPER: Housing Authority of the County of Santa Barbara
 815 W. Ocean Avenue
 Lompoc, CA 93436
 Attn: Executive Director

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 6.8. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

6.9 Capitalized Terms. Any capitalized terms not defined herein shall have the meaning attributed to them in the Loan Agreement.

6.10 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.

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

APPROVED AS TO FORM:

STEPHEN SHANE STARK
COUNTY COUNSEL AND AGENCY
COUNSEL

By: _____
Deputy County Counsel

AGENCY:

Redevelopment Agency of the County of
Santa Barbara, a public body corporate and
politic

By: _____
Its: Executive Director
(signature must be notarized)

APPROVED AS TO FORM:

BOB GEIS
AUDITOR CONTROLLER AND AGENCY
TREASURER

By: _____
Senior Financial Analyst

DEVELOPER

Housing Authority of the County
of Santa Barbara, a public body corporate and
politic

By: _____
Its: Executive Director
(signature must be notarized)

EXHIBIT A
Property Description