

MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPEMENT
CITY AND COUNTY OF SAN FRANCISCO



EDWIN M. LEE
MAYOR

OLSON LEE
DIRECTOR

January 2, 2016

Title Company Name
555 Main Street
San Francisco, CA 94105
Attention: Ms. Escrow Officer

SUBJECT: Escrow Number: 12-012345678-EO
LEP# 16-1000
Buyer(s): Mary Sample and John Sample
Property Address: 123 Main Street, Unit 2, San Francisco, CA 94124
Assessor's Block 5555, Lot 121
Affordable Purchase Price: \$375,000

- I. This letter constitutes the escrow instructions of the City and County of San Francisco, a municipal corporation, acting through the Mayor's Office of Housing and Community Development, as the Successor Agency to Redevelopment Agency of the City and County of San Francisco ("the City"), with respect to the above-captioned transaction. Under California State Assembly Bill No. 1X26, adopted by the California Legislature on June 15, 2011, the Redevelopment Agency was dissolved as of February 1, 2012, and the City is the Agency's successor agency. Under Resolution No. 11-12, adopted by the City's Board of Supervisor's and Mayor as of January 26, 2012, the City's Mayor's Office of Housing ("MOH") is authorized to manage all of the Agency's affordable housing assets and to exercise the housing functions that the Agency previously approved.

Pursuant to the terms and provisions contained in the Disposition and Development Agreement by and between the City, dated March 25, 1997 and recorded on May 22, 1998, as Document Number 98-G357278-00 in the official records of the City and County of San Francisco ("DDA"), the City has retained certain rights to ensure the affordability of this unit.

These City escrow instructions shall be read in conjunction with the escrow instructions for First Lender, and the Buyer. In connection with the conveyance of the above-referenced property ("Property") from the Developer ("Seller") to Mary Sample and John Sample ("Buyer"), enclosed herewith for deposit into escrow are the following City documents:

- (a) Original Limited Equity Home Ownership Program Declaration of Restrictions for For-Sale Affordable Housing Units and Option to Purchase Agreement ("City Declaration"). (You are hereby instructed to insert the buyers signature date in Section 1 and Section 5.3 of the City Declaration, insert the escrow closing date in Section 8.2 of the City Declaration prior to its recordation and only when you can confirm and are assured of the actual escrow closing date, and to attach a copy of the Site Legal Description from your PTR);
- (b) Original Short Form Deed of Trust and Assignment of Rents ("City DOT") secured by the Property (you are hereby instructed to insert the buyers' signature date on page 1, and to attach a copy of the Site Legal Description from your PTR);
- (c) Original Addendum to Deed of Trust ("City DOT Addendum") secured by the Property (you are hereby instructed to insert the buyers signature date on both blank spaces in paragraph 1, and to attach a copy of the Site Legal Description from your PTR);
- (d) Original Promissory Note Secured by Deed of Trust ("Promissory Note") in favor of the City;

- (e) Original **Notice of Affordability Restrictions on Transfer of Property** (“**Notice of Affordability**”). (You are hereby instructed to insert in Section 5 the recording date and the expiration date of the City Declaration, which is 45 years from the date the City Declaration is recorded. [For example, if the City Declaration was recorded on January 1, 2013, the expiration date would be January 1, 2058], and to attach a copy of the Site Legal Description from your PTR);
 - (f) Prepare **Request for Notice under Section 2924b Civil Code** (“**Request for Notice**”). you are hereby instructed to prepare and have the buyer execute in front of a Notary Public a Request for Notice of Default related to the First Loan Deed of Trust and the name of the First Lender’s Trustee, and to attach a copy of the Site Legal Description from your PTR.); and
 - (g) Original City’s **Limited Equity Homeownership Program Loan Disclosure Information booklet**;
- II. Under separate cover, you will receive from **Wells Fargo Bank, N.A.** (the “**First Lender**”), their separate escrow instructions, loan documents, and funds related to a purchase money mortgage in the amount of **\$300,000** for the purchase of the Unit, including a first Deed of Trust securing said Property between the Buyer as Trustor, and the First Lender as Beneficiary (“**First Loan DOT**”). The First Loan DOT will be the first priority on the fee title estate.
- III. Pursuant to the For-Sale Restrictions and the City Declaration, the Buyer will execute the City DOT and the City DOT Addendum, which will be secured by the Property and will be recorded against the Unit in Second position.
- IV. Instructions:
- A. The following conditions must be met before the City will approve closing this transaction:
 - (a) You have arranged for the Buyer to execute all original documents attached herein and listed in Section I above. (At signing, you are to provide a copy of each document signed by Buyer to the Buyer.);
 - (b) You have received from the Seller their escrow package, which will include the fully executed and acknowledged Grant Deed for conveyance of the Property to the Buyer.
 - (c) You have received the sums required of Buyer and First Lender;
 - (d) You are in a position to issue to the City an ALTA Lender’s policy of title insurance insuring the City as Beneficiary in the amount of **\$325,000**, subject only to current non-delinquent real estate taxes, the First Loan DOT, the City DOT and the City Declaration and **Exceptions:1-8, 10-12-14-20, as disclosed in your Preliminary Title Report No. 12-012345678-EO, dated 41005 (the “PTR”)**. The lien of the City Declaration, including the option to purchase included therein, is subordinate to the lien of the First Loan DOT.
 - (e) You are in a position to issue a CLTA Owner’s Policy (or ALTA at Buyer’s discretion) insuring Buyer in the amount of the First Loan DOT plus Down Payment, subject to Buyer’s concurrence only to current non-delinquent real estate taxes, the First Loan DOT, the City DOT, and the City Declaration and **Exceptions:1-8, 10-12-14-20, as disclosed in your Preliminary Title Report No. 12-012345678-EO, dated 41005**;
 - (f) You have obtained a Certificate of Insurance naming the City as Second mortgagee/loss payee on the Hazard Insurance Policy.
 - (g) All City documents are to be recorded at no charge pursuant to California Government Code Section 27383. If a recording fee is charged by the Recorder of the City and County of San Francisco, you are to pay the recording fee and charge the Buyer.
 - (h) **You must obtain written email authorization from the undersigned after returning original copies of: your acceptance of these escrow instructions, City Note, and Loan Disclosure Information Booklet; you are to return certified copies of: City Declaration, Deed and Addendum, Notice of Affordability and Request for Notice. In addition, please submit a copy of the first mortgage lender’s closing instructions, and copies of the executed borrowers note and deed.**

V. Record the following documents in the order indicated below:

- (a) Grant Deed;
- (b) First Loan DOT;
- (c) City Declaration transmitted under I.(a) above;
- (d) City DOT and attached City DOT Addendum transmitted under I.(b) and I.(c) above;
- (e) Notice of Affordability, under I.(e) above, after inserting recording details of the City Restrictions on page 3,
- (f) Request for Notice after inserting thereon the recording details of the First Loan under I.(f) above.

VI. **You must return the following documents to the undersigned and await email authorization before you can close escrow. In addition, please submit a copy of the first mortgage lender's closing instructions, copies of the executed borrowers note and deed.:**

- (a) Your acceptance of these instructions;
- (b) Certified copies of Buyer's and Seller's final closing statements (HUD-1);
- (c) Conformed copy of the original Grant Deed;
- (d) Original City Promissory Note;
- (e) Original City Limited Equity Homeownership Program Loan Disclosure Information booklet;
- (f) Certified copy of City Declaration
- (g) Certified copy of City DOT and City DOT Addendum;
- (h) Certified copy of Request for Notice;
- (i) Certified copy of Notice of Affordability; and
- (j) The Certificate of Insurance naming the City as second mortgagee/loss payee on the Hazard Insurance Policy.

After close of escrow, please return recorded City Deed together with an ALTA policy and a copy of the final settlement statement (HUD-1) and any other liens behind the City loans to my attention.

If escrow does not close within 30 days from the date of the instructions, please return all documentation and funds to the City and County of San Francisco, Mayor's Office of Housing, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, Attention: Aissia Ashoori.

Please sign below to indicate your understanding of this transaction. In the event you are unable to comply with these instructions as requested, please notify me immediately.

Thank you for your cooperation.

Sincerely,

Mayor's Office of Housing and Community Development of the
City and County of San Francisco
(415) 701-5500
Enclosures

ACCEPTED:

Title Company Name

By: _____

Date:_____

PROMISSORY NOTE SECURED BY DEED OF TRUST

_____, 2016

San Francisco, California

THIS NOTE MAY NOT BE PREPAID **LEP#16-0000**

FOR VALUE RECEIVED, the undersigned **Mary Sample and John Sample** ("Debtor"), promises to pay to the City and County of San Francisco, a municipal corporation, acting through the Mayor's Office of Housing, as successor to the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, of the State of California, ("Holder" or "City"), at 1 South Van Ness Avenue, 5th Floor, San Francisco, California 94103, or any other place designated in writing by Holder to Debtor, the amount calculated under the formula stated in this Promissory Note ("Note").

Debtor and Holder executed a Declaration of Resale Restrictions and Option to Purchase Agreement ("Declaration"), dated the same date as this Note, which, in part, establishes the rights and obligations of the Debtor and Holder in the event Debtor desires to Transfer the real property described in the Declaration (the "Property"). "Transfer" means any voluntary or involuntary sale, assignment or transfer of any interest in the Property.

Debtor obtained a loan ("Senior Lien") from **Wells Fargo Bank, N.A.** ("Senior Lender"), which loan is secured by a first deed of trust lien on the Property ("First Deed of Trust"). The Declaration and this Promissory Note are subordinate to the Senior Lien.

This Note is secured by a Deed of Trust, dated the same date as this Note, executed by Debtor in favor of Holder, with **Title Company Name** as Trustee, which secures the payment of the debt evidenced by this Note, and all renewals, extensions and modifications of the Note ("City's Deed of Trust").

Capitalized terms used herein and not defined shall have the meanings set forth in the Declaration or in City's Deed of Trust, as applicable.

Upon Debtor's actual, attempted or pending Transfer of the Property other than as permitted under the Declaration, or upon default under the Senior Lien (the "Trigger Date"), Debtor shall pay to Holder:

- a. The difference between (1) the Fair Market Value of the Property as of the Trigger Date and (2) the Resale Affordable Purchase Price as of the Trigger Date, had such Transfer been executed in accordance with the Declaration. Fair Market Value shall be determined by an appraisal of the Property. The appraiser shall be an independent, MAI-certified appraiser who has experience in residential appraisals in San Francisco, and shall be selected by Holder; plus
- b. Any amounts disbursed by Holder under Section 5 of the Deed of Trust to protect Holder's rights in the real property described in the Declaration and Deed of Trust; plus
- c. Commencing from the Trigger Date, interest on the amounts due at an annual rate of 10%, compounded.

With or without the filing of any legal action, proceeding or appeal, or appearance in any bankruptcy proceeding, Debtor agrees to pay on demand, together with interest at the above rate from the date of such demand until paid, all reasonable attorneys' fees, costs of collection, costs, and expenses incurred by Holder in connection with the defense or enforcement of this Note and the Deed of Trust.

No previous waiver and no failure or forbearance by Holder in acting with respect to the terms of this Note or the Deed of Trust shall constitute a waiver of any breach, default, or failure of condition under this Note, the Deed of Trust, or the Declaration. A waiver of any term of this Note, the Deed of Trust, or the Declaration must be made in writing, signed by both parties, and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this Note and the terms of any other document related to the debt evidenced by this Note, the terms of this Note shall prevail.

If this Note is executed by more than one person as Debtor, the obligations of each such person shall be joint and several, and each shall be primarily and directly liable hereunder. Debtor waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and late charges, and diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights or interest in or to properties securing payment of this Note.

Time is of the essence with respect to every provision in this Note. This Note shall be construed and enforced in accordance with the substantive and procedural laws of the State of California, except to the extent that Federal laws preempt the laws of the State of California, and all persons and entities in any manner obligated under this Note consent to the jurisdiction of any Federal or State Court within the State of California having proper venue and also consent to service of process by any means authorized by California or Federal law.

This Note shall be cancelled upon Debtor's Transfer of the Property in accordance with the Declaration.

Mary Sample

John Sample

SAMPLE

Free Recording Pursuant to
Government Code Section 27383 at the
Request of the Mayor's Office of Housing
of the City and County of San Francisco

WHEN RECORDED, PLEASE MAIL TO:

Mayor's Office of Housing as Successor to
the San Francisco Redevelopment Agency
of the City and County of San Francisco
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attn: Housing Division
LEP# Loan Number

123 Main Street, Unit 2, APN 5555-121

---- Space Above This Line for Recorder's Use ----

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

THIS DEED OF TRUST, made on _____, 2016, between Marv Sample and John Sample, ("TRUSTOR" or "OWNER"), whose address is **123 Main Street, Unit 2, San Francisco, CA 94124**, and Title Company Name, a California corporation, ("TRUSTEE"), and the City and County of San Francisco, a municipal corporation, acting through the Mayor's Office of Housing, as successor to the Redevelopment Agency of the City and County of San Francisco (the "City"), a public body, corporate and politic, whose address is 1 South Van Ness Avenue, 5th Floor, San Francisco, California 94103, ("**CITY**" or "**BENEFICIARY**"),

WITNESSETH: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to TRUSTEE IN TRUST, WITH POWER OF SALE, that property in San Francisco County, California, described as Attachment "A" attached hereto and made a part hereof.

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (10) of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

For the Purpose of Securing: 1. Performance of each agreement of Trustor incorporated by reference or contained herein. 2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

To Protect the Security of this Deed of Trust, Trustor Agrees:

By the execution and delivery of this Deed of Trust and the note secured hereby, that provisions (1) to (14), inclusive, of the fictitious deed of trust recorded in Santa Barbara County and Sonoma County October 18, 1961, and in all other counties October 23, 1961, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, viz:

COUNTY	BOOK	PAGE
San Francisco	A332	905

which provisions, identical in all counties, (printed on the attached unrecorded pages) are hereby adopted and incorporated herein and made a part hereof as fully as though set forth herein at length; that Trustor will observe and perform said provisions; and that the references to property, obligations and parties in said provisions shall be construed to refer to the property, obligations, and parties set forth in this Deed of Trust.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to the address hereinbefore set forth.

INITIALS _____

STATE OF CALIFORNIA
COUNTY OF SAN FRANCISCO

On _____, before me,
_____, Notary Public, personally
appeared, **Mary Sample and John Sample** proved
to me on the basis of satisfactory evidence, to be the
person(s) whose name 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 _____

Mary Sample

John Sample

DO NOT RECORD

The following is a copy of provisions (1) to (14), inclusive, of the fictitious deed of trust, recorded in each county in California, as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property on requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all incumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust. Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any incumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

(6) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(7) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(8) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(9) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such full reconveyance, Trustee may destroy said note and this Deed (unless directed in such request to retain them).

INITIALS _____

(10) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such, rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(11) *That upon default* by Trustor in payment of any indebtedness secured hereby or in performance of *any agreement hereunder*, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash of lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the proceeding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(12) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and pages where this Deed is recorded and the name and address of the new Trustee.

(13) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(14) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

INITIALS _____

REQUEST FOR FULL RECONVEYANCE

TO: _____, TRUSTEE:

The undersigned is the legal owner and holder of all indebtedness secured by the within Deed of Trust. All sums secured by said Deed of Trust have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated: _____

By: _____

By: _____

Please mail Reconveyance to:

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both original documents must be delivered to the Trustee for cancellation before reconveyance will be made.

STATE OF CALIFORNIA
COUNTY OF SAN FRANCISCO

ON _____ before me, _____ personally appeared
_____ 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 _____

of Trust, the City may give Owner a notice identifying the lien. Owner shall satisfy such lien or take one or more of the actions set forth above within ten (10) days of the giving of notice.

2. **Obligations Cancelled.** Upon a Transfer of the Property in accordance with the Declaration, Owner's obligations hereunder shall be cancelled, and the lien of this Deed of Trust shall be reconveyed.
3. **Sale of Note.** The City Note or a partial interest in the City Note (together with this Deed of Trust) may be sold one or more times without prior notice to Owner. If the City Note is sold, Owner will be given written notice of the sale in accordance with and containing any other information required by applicable law.

BY SIGNING BELOW, the Owner accepts and agrees to the terms and covenants contained in this Deed of Trust.

Mary Sample

John Sample

----- Space Below This Line for Acknowledgment -----

Free Recording Pursuant to
Government Code Section 27383 at the
Request of the Mayor's Office of Housing
of the City and County of San Francisco

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Mayor's Office of Housing as Successor to
the San Francisco Redevelopment Agency
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attn: HOUSING DIVISION
LEP# Loan Number
123 Main Street, Unit 2, APN 5555-121

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LIMITED EQUITY HOME OWNERSHIP PROGRAM
DECLARATION OF RESTRICTIONS FOR FOR-SALE AFFORDABLE HOUSING UNITS AND
OPTION TO PURCHASE AGREEMENT

Section 1. Parties.

THIS DECLARATION OF RESALE RESTRICTIONS AND OPTION TO PURCHASE AGREEMENT ("Declaration") is made as of _____, **2016**, (the "Effective Date") by and between **Mary Sample and John Sample** ("Owner") and the City and County of San Francisco, a municipal corporation, acting through the Mayor's Office of Housing, as successor to the Redevelopment Agency of the City and County of San Francisco (the "City"), a public body, corporate and politic, of the State of California ("City"). Owner is purchasing that certain real property in the City with a street address of **123 Main Street, Unit 2, San Francisco, CA 94124**, and more particularly described on Exhibit A to the Grant Deed ("Property"). Capitalized terms used in this Declaration have the meanings given to them in Section 4 below.

Section 2. Recitals.

The following recitals of fact are a material part of this Declaration:

- (a) The City has developed a program to provide home ownership opportunities to individuals and families with low and moderate incomes by offering homes for sale at prices which are below those otherwise prevailing in the market;
- (b) The City's intent is to preserve the affordability of such homes by restricting the resale price;
- (c) Such homes constitute a valuable community resource; and
- (d) It is necessary, proper and in the public interest for the City to protect and preserve this resource by administering occupancy and resale controls by means of this Declaration.

NOW, THEREFORE, in consideration of the substantial economic benefits inuring to Owner and the public purposes to be achieved under the affordable housing program, Owner and the City agree as follows:

Section 3. Owner's Affordable Purchase Price.

The Owner's Affordable Purchase Price for the Property described in Section 1, above, is **\$375,000**. This is the purchase price which is affordable to a household earning **75%** of Area Median Income, adjusted for a Household Size of one person for one-bedroom units, and one person per bedroom plus one for all other unit sizes, using a five percent (5%) down payment and a thirty (30)-year, fixed rate mortgage with commercially reasonable points and fees, and with a total annual

payment for principal, interest, taxes, insurance and homeowner's association dues which does not exceed 33% of the household's Gross Annual Income. The mortgage interest rate used in the calculation shall be the higher of 1) the ten-year rolling average interest rate, as calculated by the City (or its successor) based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage financing institution, or 2) the current, commercially reasonable rate available through an City-approved lender.

Section 4. Definitions.

As used in this Declaration, the capitalized terms set forth below shall have the following meanings:

- (a) "Addendum to Deed of Trust" means the supplemental document to the Deed of Trust, executed by a Qualified Purchaser in favor of the City.
- (b) "Affordable Purchase Price" for Owner is defined in Section 3.
- (c) "City" is defined in Section 1.
- (d) "City Note" is the promissory note executed by Owner in favor of the City, which is secured by a Deed of Trust executed by Owner in favor of the City, in the form attached.
- (e) "Area Median Income" ("AMI") means the median income for a household, adjusted solely for Household Size, residing in the City, as determined by the City pursuant to publications issued by the United States Department of Housing and Urban Development for the San Francisco Primary Metropolitan Statistical Area, from time to time.
- (f) "Broker" means a real estate broker licensed by the State of California Department of Real Estate and approved by the City to assist Owner in identifying Qualifying Purchasers for the Transfer of the Property.
- (g) "Buyer Acknowledgement" means the acceptance of terms and conditions in the City's Loan Disclosure Information form.
- (h) "Capital Improvements" is defined in Section 10.1.
- (i) "Catastrophic Illness" means an illness or injury that incapacitates Owner for an extended period of time, or that incapacitates a member of Owner's family, which incapacity requires Owner to take time off from work for an extended period to care for that family member, and taking extended time off from work creates a financial hardship for Owner because he or she has exhausted all of his or her sick leave and other paid time off.
- (j) "Certificate Holder" means those households with a valid Certificate of Preference issued by the City that entitles the holder to receive preference in consideration for housing due to displacement by prior redevelopment activities.
- (k) "City" means the City and County of San Francisco.
- (l) "Closing Costs" means the reasonable and customary costs incurred by Owner in transferring the Property.
- (m) "Damage" means deficiencies in the Property occurring during Owner's ownership of the Property, including without limitation: (1) violations of applicable building, plumbing, electric, fire or housing codes; (2) needed repair to appliances furnished to Owner upon purchase of the Property; (3) holes and other defects (except for holes from picture hangers) in walls, ceilings, floors, doors, windows, screens, carpets, drapes, countertops and similar appurtenances; and (4) repairs needed, as determined by City, to put the Property into saleable condition, including without limitation cleaning and painting.
- (n) "DDA" is defined in Section 5.1.
- (o) "Declaration" is defined in Section 1.
- (p) "Deed of Trust" means one or more Deeds of Trust on this Property, executed by Owner in favor of the City.
- (q) "Developer" is defined in Section 5.1.

- (r) “Domestic Partner” means any person who has or enters into a domestic partnership currently registered with a governmental body pursuant to State or local law authorizing such registration.
- (s) “Down Payment Assistance Loan” is a loan of down payment funds made by the City to Owner for purchase of the Property.
- (t) “Effective Date” is defined in Section 1.
- (u) “Events of Default” are defined in Section 11.1.
- (v) “Fair Market Value” means the cash purchase price for the Property that a willing buyer would pay to a willing seller at the time of sale, neither being under a compulsion to buy or sell, as determined by an independent, MAI-certified appraiser who has experience in residential appraisals in San Francisco.
- (w) “Household Size” means the number of persons for whom the Property will be a Principal Residence. The Affordable Purchase Price shall be established by using a Household Size that assumes occupancy by one person for one-bedroom units. For all other units, the assumption is occupancy by one person per bedroom plus one. Household Size for occupancy shall be a minimum of one person per bedroom.
- (x) “Grant Deed” is defined in Section 8.1(b).
- (y) “Gross Annual Income” means pre-tax money earned annually by a household including overtime pay, commissions, dividends, and any other source of income.
- (z) “Income Certification” has the meaning set forth in Section 7.
- (aa) “Notice” is defined in Section 13.4.
- (bb) “Notice of Proposed Transfer” is defined in Section 7.1.
- (cc) “Occupancy Certificate” is defined in Section 13.3.
- (dd) “Owner” is defined in Section 1, and upon Owner’s death includes the personal representative administering the Owner’s estate.
- (ee) “Owner’s Proceeds” means the amount due to Owner upon Transfer of the Property to a Qualifying Purchaser or upon exercise of the City’s Purchase Option, according to the terms of this Declaration.
- (ff) “Permitted Exceptions,” means those title exceptions that are listed on the Permitted Exceptions attachment.
- (gg) “Principal Residence” means the location at which an individual resides for at least ten (10) months out of each calendar year or such shorter period of time as the City, in its sole discretion, shall determine.
- (hh) “Property” is defined in Section 1.
- (ii) “Purchase Option” is defined in Section 9.1.
- (jj) “Purchase Option Assignee” is defined in Section 9.3.
- (kk) “Qualifying Purchaser” means persons and families who are first time homebuyers as defined in Internal Revenue Service Code and approved by the City whose Gross Annual Income, adjusted for Household Size, does not exceed **80%** of Area Median Income.
- (ll) “Repair Costs” means the costs to repair Damage to the Property.
- (mm) “Resale Affordable Price” means a purchase price which is affordable to a household earning **75%** of current Area Median Income, adjusted for a Household Size of one person for one-bedroom units and one person per bedroom plus one for all other unit sizes, using a five percent (5%) down payment and a thirty (30)-year fixed mortgage with commercially reasonable points and fees, and with a total annual payment for principal, interest, taxes, insurance and homeowner’s

association dues which does not exceed 33% of the household's Gross Annual Income. The mortgage interest rate used in the calculation shall be the higher of 1) the ten-year rolling average of interest rates, as calculated by the City (or its successor) based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage lending institution, or 2) the current, commercially reasonable rate available through an City-approved lender.

(nn) "Senior Lender" means any Lender to which the City has agreed to subordinate its interests in the Property.

(oo) "Senior Lien" means any deed of trust for the purpose of securing a loan from the Senior Lender to finance or refinance the purchase of the property.

(pp) "Transfer" means any voluntary or involuntary sale, assignment or transfer of any interest in the Property.

(qq) "Unauthorized Transfer" is defined in Section 11. Related Documents.

Section 5.

5.1 Disposition and Development Agreement. The former San Francisco Redevelopment Agency and Alamo Square LLC, a California limited liability company ("Developer") entered into that certain Disposition and Development Agreement, dated for reference purposes only as of March 25, 1997 and recorded on May 22, 1998 as Document No. 98-G357278-00 in the City's Official Records ("DDA"), including the Limited Equity for For-Sale Affordable Housing Program attached thereto as Attachment F to the DDA (the "Housing Program"), concerning the development of affordable housing units. The DDA and the Housing Program are on file with the City as public records and are incorporated herein by reference. Under the DDA, and the Housing Program, the Property is income and price restricted to be affordable to persons or households earning not more than 80% of Area Median Income. This Declaration is being executed and recorded in accordance with the DDA and partially satisfies the requirements therein.

5.2 Former Western Addition Redevelopment Project Area Plan. The Property is in the City within the former Western Addition Redevelopment Area Plan, adopted by Ordinance No. 273-64 on October 13, 1964. The Western Addition Redevelopment Project Area Plan expired on, 2011.

5.3 City Note and Deed of Trust. Owner executed a City Note in favor of City, dated , 2015, secured by a Deed of Trust and Addendum to Deed of Trust on the Property.

Section 6. Affordable Restrictions.

6.1 Restrictions. Owner shall own and occupy the Property as Owner's Principal Residence, and Owner shall not lease the Property, or any portion thereof, without the City's prior written consent. Owner shall submit to the City on an annual basis a certification that Owner has occupied the Property as Owner's Principal residence for at least ten (10) months in the preceding year.

6.2 Term. This Declaration shall remain in effect for forty-five (45) years from the Effective Date until such time as the Property is Transferred pursuant to the terms of this Declaration, at which time a declaration with the same form and substance as this Declaration shall become effective for forty-five (45) years from the effective date of such declaration. Upon the expiration of this Declaration due to completion of the 45-year Term, Owner must repay to the City the difference between the Resale Affordable Price and the Fair Market Value, as determined at the completion of the Term. In lieu of this payment to the City, Owner may renew the Term of this Agreement for an additional forty-five (45) years.

6.3 Owner Representations and Warranties. In applying to purchase the Property, Owner submitted an Income Certification form. Owner acknowledges that reasonable efforts may be made to verify such Income Certification, including without limitation calling Owner's employers or other sources of income to confirm the income shown. Owner represents and warrants to the City that the Income Certification and any financial and other information Owner previously provided to City for the purpose of qualifying to purchase the Property was true and correct at the time it was given and remains true and correct as of the date of this Declaration.

Section 7. Transfer Procedures.

7.1 Notice of Proposed Transfer. Except as provided in Sections 7.5 and 7.6(a), if Owner desires to Transfer the Property, Owner shall deliver written notice to City ("Notice of Proposed Transfer"), and City shall calculate the Resale Affordable Price and notify Owner of the same.

7.2 Priority to Certificate Holders. An Owner may transfer the Property only to a Qualifying Purchaser or the City. The City shall give notice to Certificate Holders who shall have priority in purchasing the Property over all other Qualified Purchasers, except for transferees under Section 7.5 and 7.6(a) and the City. If no Certificate Holders express interest in purchasing the Property or are not otherwise qualified, then Owner shall market the Property as set forth in Section 7.3 below.

7.3 Marketing the Property. Owner shall work with Broker to locate a Qualifying Purchaser for Transfer of the Property at the Resale Affordable Price. Owner and Broker shall use diligence and good faith in marketing the Property as evidence by all of the following:

- Listing the Property on the MLS Listing;
- Advertising the Property in the Real Estate section of at least two (2) newspapers of general circulation in the City;
- Conducting at least two (2) open houses of the Property; and
- Requesting that the City list the Property on the City's website.

If Owner and Broker, acting diligently and in good faith, are unable to locate a Qualifying Purchaser after one hundred and fifty (150) days from the date of City's receipt of the Notice of Proposed Transfer, then the percentage of AMI defining Qualifying Purchasers shall be increased to 150% of the AMI set forth in Section 3., up to a maximum of 120% of AMI. The Resale Affordable Purchase Price shall remain the same, unless adjusted pursuant to Section 8.4.

7.4 Inspection. Within thirty (30) days after the City's receipt of the Notice of Proposed Transfer, City shall have the right to enter and inspect the Property. The City shall give Owner twenty-four (24) hours prior written notice before conducting an inspection. The City may inspect the Property to determine if any Damage exists. In the event any Damage is noted, the City shall determine the Repair Costs and shall deliver written notice to Owner specifying the Damage and the Repair Costs. Owner shall either: (a) repair the Damage at Owner's cost, or (b) cause the escrow agent at closing to pay the Repair Costs to City from Owner's Proceeds, as provided in Section 8.3. If Owner elects to repair the Damage, the City shall have the right to re-inspect the Property under the terms of this Section 7.4 after the repairs are complete. If the City determines in the City's sole discretion that Damage still remains, Owner shall cause the escrow agent at closing to pay the remaining Repair Costs to the City, but only to the extent such funds are available after payment of the Senior Lien. If Owner elects to repair the Damage, all repairs and the re-inspection shall be completed without extending the closing date, unless extended by mutual written agreement of both the City and Owner.

7.5 Transfer to Spouse or Domestic Partner. If an Owner marries or becomes a Domestic Partner after purchasing the Property, the spouse or Domestic Partner may become a co-Owner. An Owner intending to add a spouse or Domestic Partner as a co-Owner must present his or her marriage certificate or Domestic Partnership registration to the City for review, and the proposed co-Owner shall execute an addendum to this Declaration and any other City documents related to the Property by which the co-Owner shall assume the same rights and responsibilities with respect to those documents as the Owner.

7.6 Transfer Upon Owner's Death.

(a) Upon Owner's death, the Property may be Transferred to any co-Owner previously approved by the City without further City approval, but such co-Owner shall notify City within thirty (30) days of the Transfer.

(b) Upon the death of Owner and all City approved co-Owners, the Property may be Transferred by inheritance, will, or any other function of law to a Qualifying Purchaser. The proposed transferee shall submit an Income Certification form and any other information reasonably requested by the City to verify that the proposed transferee meets the requirements for a Qualifying Purchaser. The City shall have forty-five (45) days after receipt of all required information to determine whether the proposed transferee is a Qualifying Purchaser. If the City determines that the proposed transferee is a Qualifying Purchaser, the Property may be Transferred to the proposed transferee for no consideration. The proposed transferee shall execute a new Declaration and any other City documents related to the Property by which the proposed transferee shall assume the same rights and responsibilities with respect to those documents as the Owner. If the City determines that the proposed transferee is not a Qualifying Purchaser, the Property shall be Transferred pursuant to Sections 7.1 – 7.4, inclusive.

Section 8. Closing.

8.1 Conditions to Closing. Except as provided in Sections 7.5, 7.6(a) and Transfers by foreclosure or the Senior Lender's acceptance of a deed in lieu of foreclosure, all Transfers shall take place through an escrow with a mutually acceptable escrow company. It shall be a condition to closing, other than a Transfer to a co-Owner pursuant to Sections 7.5 or 7.6(a), that the escrow agent involved in the closing has received the following:

(a) Written confirmation from the City of the Resale Affordable Price and either (i) the identity of the Qualifying Purchaser or (ii) notification that the City is exercising the Purchase Option;

(b) A standard title company form grant deed, executed and acknowledged by Owner (or the City as attorney in fact for Owner) granting the Property to the Qualifying Purchaser ("Grant Deed"), which shall be recorded in the City's Official Records;

(c) A declaration with the same form and substance as this Declaration executed and acknowledged by the Qualifying Purchaser and the City, which shall be recorded in the City's Official Records;

(d) A City Note secured by a Deed of Trust and Addendum to Deed of Trust, executed by the Qualifying Purchaser on the City's standard forms, which Deed of Trust and Addendum shall be recorded in the City's Official Records; and

(e) A signed copy of the Buyer Acknowledgement contained in the Loan Disclosure Information.

8.2 Closing Procedures For Sale to Qualifying Purchaser. At closing, Owner shall convey the Property to the Qualifying Purchaser by Grant Deed. Owner shall cause a mutually acceptable title company to issue to the Qualifying Purchaser a CLTA standard coverage owner's form of title insurance policy in the amount of the Resale Affordable Price insuring title to the Property vested in the Qualifying Purchaser, subject only to standard printed form exceptions, the City's Deed of Trust and exclusions, liens for current taxes and assessments not yet due or payable, the new declaration and such other matters as were exceptions to title as of _____ [date of sale to first Owner] or are accepted by the Qualifying Purchaser in writing, as set forth in the Permitted Exceptions attachment. All closing costs and title insurance premiums shall be paid pursuant to the custom in the City.

8.3 Owner's Proceeds. The value of the Owner's Proceeds from a Transfer of the Property shall be calculated as follows. Owner's Proceeds equal:

(a) The Resale Affordable Price;

(b) Less the amount necessary to release the Senior Liens;

(c) Less Closing Costs;

(d) Less any Repair Costs due to the City pursuant to Section 7.4;

(e) Plus the depreciated value of Capital Improvements.

8.4 Resale Affordable Price.

(a) Notwithstanding anything in this Declaration to the contrary, if the Resale Affordable Price is less than the original principal amount of the Senior Liens, then the City may increase the percentage of AMI to a level sufficient to allow for a Resale Affordable Price which covers the original principal amount of the Senior Liens, up to a maximum of 120% of AMI.

(b) City and Owner acknowledge that the Senior Lien holder will not release the Senior Lien unless it is repaid in full. If the Senior Lien holder does not release the Senior Lien because the Owner has not or cannot fully repay it, then the sale will be cancelled or the Owner will be in default under the Senior Lien.

Section 9. City's Purchase Option.

9.1 Grant of Option. Owner grants to City an option to purchase the Property upon the occurrence of an Event of Default under Section 11.1 ("Purchase Option").

9.2 Exercise of Option. City may exercise the Purchase Option as follows:

- (a) If the Purchase Option is triggered as a result of an Event of Default under Sections 11.1(a) – (d), then the City may exercise the Purchase Option within ninety (90) days after the City gives written notice of default to Owner.
- (b) If the Purchase Option is triggered as a result of Owner's default under the Senior Lien as defined in Section 11.1(e), then the City may exercise the Purchase Option by giving written notice to Owner and Senior Lender at any time prior to five (5) business days before the date of a foreclosure sale, as the same may be postponed from time to time, under the Senior Lien pursuant to California Civil Code § 2924f. Though the Senior Lender shall not be required to do so, the Senior Lender shall endeavor to provide the City with a copy of any notice of default that it issues to Owner.

9.3 Assignment of Purchase Option. Prior to or after exercise of the Purchase Option, the City may assign the Purchase Option to a governmental agency, non-profit organization, or a Qualifying Purchaser ("Purchase Option Assignee"), who shall be subject to this Declaration.

9.4 Grant of Power of Attorney. Owner hereby grants to the City an irrevocable power of attorney coupled with an interest to act on Owner's behalf to execute, acknowledge and deliver any and all documents relating to the Purchase Option.

9.5 Non-Liability of City. The City shall not be held liable by reason of its exercise or non-exercise of the Purchase Option.

Section 10. Capital Improvements; Maintenance.

10.1 Capital Improvements. A "Capital Improvement" is a permanent improvement to the Property made during Owner's ownership of the Property which: (a) has a value in excess of one-half of one percent (0.5%) of the Affordable Purchase Price originally paid by Owner but less than ten percent (10%) of the Affordable Purchase Price originally paid by Owner; (b) has a useful life of greater than five (5) years subsequent to the proposed Transfer by Owner; and (c) has been made with all required permits and approvals, including without limitation homeowner's association and governmental approvals obtained prior to the construction or installation of the Capital Improvement(s).

10.2 Credits for Capital Improvements. Owner shall receive credit at the time of Transfer for Capital Improvements made to the Property as follows:

- (a) At least thirty (30) days prior to the date of Transfer, Owner shall deliver to the City a list of the Capital Improvement(s), if any, made to the Property. The City shall determine whether the proposed improvements qualify as Capital Improvement(s), as defined in Section 10.1.
- (b) The value of Capital Improvements shall equal the cost of all Capital Improvements with each improvement depreciated by a factor of seven percent (7%) per year from the date of the Capital Improvement's completion.

10.3 Maintenance. Owner shall not destroy or damage the Property, allow the Property to deteriorate, or commit waste on the Property. Owner shall maintain the Property in compliance with all applicable laws, ordinances and regulations and in a good and clean condition and all appliances and fixtures shall be in good working order.

Section 11. Default and Remedies.

11.1 Events of Default. The occurrence of any one of the following events or circumstances shall constitute an "Event of Default" by Owner under this Declaration.

- (a) Owner has actually Transferred or attempted to Transfer the Property in violation of the covenants and restrictions contained in this Declaration ("Unauthorized Transfer").
- (b) The City has determined in the City's sole discretion that the Property is not Owner's Principal Residence.
- (c) Owner fails to pay real estate taxes, assessments or homeowner's association dues, when due or Owner fails to maintain insurance in such amounts as required under this Declaration; or Owner places any mortgages, encumbrances or liens upon the Property in violation of this Declaration; and such event or condition shall not have been cured within thirty (30) days following the date of written notice to cure by the City to Owner.

(d) Owner fails to perform any other agreements or obligations on Owner's part to be performed under this Declaration, and such failure continues for thirty (30) days following the date of written notice to cure by the City to Owner, or in the case of a default not susceptible of cure within thirty (30) days, Owner fails to promptly commence such cure within thirty (30) days and thereafter fails to diligently prosecute such cure to completion.

(e) Owner causes or permits a default under the Senior Lien and fails to cure the same in accordance with the cure provisions in the Senior Lien.

(f) Owner is in default of a term of the City Note and/or the Deed of Trust.

11.2 Remedies. Upon the occurrence of an Event of Default by Owner, City may exercise any or all of the remedies set forth below:

(a) City shall have the right to exercise the Purchase Option;

(b) City shall have the right to institute an action for specific performance of the terms of this Declaration, for an injunction prohibiting a proposed Transfer in violation of this Declaration, or for a declaration that a Transfer is void; and

(c) City shall have the right to institute an action for foreclosure on its Deed of Trust and/or to accept a deed in lieu of foreclosure.

(d) City shall have the right to exercise all other remedies permitted by law or at equity.

Section 12. Lender Provisions.

12.1 Purposes of Financing. Subject to the City's prior written approval, Owner may encumber title to the Property for the sole purpose of securing (a) purchase money financing, (b) refinancing (but only up to the amount of the original Senior Liens), or (c) refinancing up to the amount of the original Senior Liens, plus fifty percent (50%) of the value of the Resale Affordable Price less the Owner's Affordable Purchase Price. Refinancing under option (c), above, shall be permitted only for making Capital Improvements to the Property, meeting post-secondary educational expenses incurred by a household member after the date of purchase, meeting the costs of an Owner's or Owner's immediate family member's Catastrophic Illness, or securing funds required to implement a dissolution of marriage or domestic partnership agreement. Owner shall not cause or permit any other mortgages, encumbrances or liens upon the Property. Owner shall submit to the City on an annual basis a certification that Owner has not refinanced the Property in violation of this Section 12.1.

12.2 Subordination. This Declaration shall be subordinate to the City-approved Senior Lien.

12.3 Default and Foreclosure. Owner shall provide a copy of any notice of default under the Senior Lien to the City within three (3) days of Owner's receipt. In the event of any default under the Senior Lien, City, in addition to any other rights and remedies it may have under this Declaration, at law or in equity, shall have the right to:

(a) cure such default pursuant to Section 12.4;

(b) exercise its Purchase Option pursuant to Section 9.2(b); or

(c) foreclose its Deed of Trust on the Property.

City's rights under this Section 12.3 shall not prevent the Senior Lender from commencing a judicial or nonjudicial foreclosure of the Senior Lien. If the City, in its sole discretion, does not act pursuant to Sections 12.3(a-b) above, and the Senior Lender acquires the Property through foreclosure or acceptance of a deed-in-lieu of foreclosure, future sales of the Property shall not be subject to the resale restrictions provided herein.

12.4 Right to Cure. Although the City has no obligation to do so, the City may perform any act required of Owner in order to prevent a default under, or an acceleration of the indebtedness secured by, the Senior Lien or the commencement of any foreclosure or other action to enforce the collection of such indebtedness. If the City elects to cure any such default, Owner shall pay the expenses incurred by the City in effecting any cure upon demand within thirty (30) days, together with the interest thereon at the maximum interest rate permitted by law. Failure of Owner to timely reimburse the City shall constitute an Event of Default under Section 11.1(d).

Section 13. Miscellaneous.

13.1 Damage and Destruction; Condemnation; Insurance. If the Property is condemned or the improvements located on the Property are damaged or destroyed, all proceeds from insurance or condemnation shall be distributed in accordance with this Section 13.1, subject to the requirements of the Senior Lien. Insurance shall be maintained in the types and amounts required under the Senior Lien. Unless Owner, the City, and Senior Lender otherwise agree in writing, insurance proceeds shall be applied to restore or repair the Property damaged. If Owner, the City and Senior Lender determine that restoration or repair cannot be made, or if the Property is condemned, the insurance or condemnation proceeds shall first be allocated to pay the outstanding value of the Senior Lien and all associated fees of the Senior Lender, with the balance distributed between the Owner and City as follows. The proceeds attributable to the Property shall be multiplied by a fraction. The numerator is the Resale Affordable Price as calculated under this Declaration and the denominator is the Fair Market Value of the Property as of the date immediately prior to the damage, destruction or condemnation. The resulting amount shall be allocated to the Owner and the balance shall be allocated to the City.

13.2 No Discrimination; Lead-Based Paint Prohibition. Owner shall comply with all applicable laws and regulations regarding non-discrimination and lead-based paint prohibitions.

13.3 Owner Occupancy Verification. To insure compliance with this Declaration's requirement that Owner use the Property as his/her Principal Residence, Owner shall provide City with a completed Occupancy Certificate ("Occupancy Certificate"), to be provided by the City by February 1 of each year for the previous calendar year.

13.4 Notices. Any notice, demand or other communication required or permitted to be given under this Declaration (a "Notice") by either party to the other party shall be in writing and sufficiently given or delivered if transmitted by (a) registered or certified United States mail, postage prepaid, return receipt requested, (b) personal delivery, or (c) nationally recognized private courier services, in every case addressed as follows:

If to City:

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

If to Owner:

123 Main Street, Unit 2
San Francisco, CA 94124

Any such Notice transmitted in accordance with this Section 13.4 shall be deemed delivered upon receipt, or upon the date delivery was refused. Any party may change its address for notices by written Notice given to the other party in accordance with the provisions of this Section 13.4.

13.5 Remedies Cumulative. Subject to applicable law, the City's rights and remedies, whether provided by law, in equity or by this Declaration, shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude the exercise of any other or further rights or remedies for the same or any other default or breach. No waiver with respect to the performance of any of Owner's obligations shall be effective except to the extent the particular obligation is expressly waived, nor shall it be a waiver with respect to any other rights or remedies of any other of Owner's obligations.

13.6 Attorneys' Fees for Enforcement. If any action or legal proceeding is instituted by Owner or the Agency arising out of this Declaration, the prevailing party therein shall recover reasonable attorneys' fees and costs in connection with such action or proceeding. For purposes of this Agreement, reasonable fees of any in-house counsel for the City shall be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience in the subject matter area of the law for which the City's in-house counsel's services were rendered who practice in law firms located within the City.

13.7 Integration. This Declaration constitutes an integration of the entire understanding and agreement of the Owner and the City with respect to the subject matter hereof. Any representations, warranties, promises, or conditions, whether written or oral, not specifically and expressly incorporated in this Declaration, shall not be binding on any of the parties, and Owner and the City each acknowledge that they have not relied, in entering into this Declaration, on any representation, warranty, promise or condition, not specifically and expressly set forth in this Declaration. All prior discussions and writings have been, and are, merged and integrated into, and are superseded by, this Declaration.

13.8 Severability. In the event that any provision of this Declaration is determined to be illegal or unenforceable, such determination shall not affect the validity or enforceability of the remaining provisions hereof, all of which shall remain in full force and effect.

13.9 Successors and Assigns. This Declaration shall be binding upon and inure to the benefit of the successors and assigns of the City. The City may assign or transfer its rights under this Declaration upon thirty (30) days written notice to Owner. It is expressly agreed by Owner that Owner may assign his or her rights to this Declaration only by Transfer pursuant to Section 7 or by the City's exercise of the Purchase Option pursuant to Section 9.

13.10 Headings. The headings within this Declaration are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this Declaration.

13.11 Time for Performance. Time is of the essence in the performance of the terms of this Declaration. All dates for performance (or cure) shall expire at 5:00 p.m. on the performance or cure date. Any performance date which falls on a Saturday, Sunday or City holiday is automatically extended to the next City working day.

13.12 Amendments. Any modification or waiver of any provision of this Declaration or any amendment thereto must be in writing and signed by a person or persons having authority to do so, on behalf of both the City and Owner.

13.13 Controlling Agreement. Owner covenants that Owner has not executed and will not execute any other agreement with provisions contradictory to or in opposition to the provisions of this Declaration. Owner understands and agrees that this Declaration shall control the rights and obligations between Owner and the City.

13.14 Governing Law. This Declaration shall be governed by, and construed and enforced in accordance with, the internal laws of the state of California.

13.15 Recordation. Owner shall cause this Declaration to be recorded in the City's Official Records.

IN WITNESS WHEREOF, Owner and the City have executed this Declaration as of the date written above.

CITY:

OWNER:

Mayor's Office of Housing and Community Development
Of the City and County of San Francisco,
a public body, corporate and politic

By: _____

Mary Sample

John Sample

ALL SIGNATURES MUST BE NOTARIZED.

----- Attach All Purpose California Notary Acknowledgment -----

Free Recording Pursuant to
Government Code Section 27383 at
the Request of the Mayor's Office of
Housing of the City and County of San
Francisco

WHEN RECORDED MAIL TO:
MAYOR'S OFFICE OF HOUSING
AS SUCCESSOR TO THE SAN
FRANCISCO REDEVELOPMENT
AGENCY
1 SO. VAN NESS AVE, 5th FLOOR
SAN FRANCISCO, CA 94103
ATTN: Housing Division
LEP# Loan Number

123 Main Street, Unit 2 SPACE ABOVE THIS LINE FOR RECORDER'S USE
APN 5555-121

**NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF
PROPERTY
(Owner-Occupied Home)**

NOTICE IS HEREBY GIVEN, that the City and County of San Francisco, a municipal corporation, acting through the Mayor's Office of Housing, as successor to the Redevelopment Agency of the City and County of San Francisco (the "City") to carry out certain obligations under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.) and the Redevelopment Plan for the **Former Western Addition Redevelopment Project Area**, has required **Mary Sample and John Sample**, ("Owners") to enter into certain affordability covenants and restrictions entitled, **Limited Equity Home Ownership Program Declaration of Restrictions for For-Sale Affordable Housing Units and Option to Purchase Agreement** (the "Restrictions"), with reference to certain real property (the "Property"), located at **123 Main Street, Unit 2**, in the City and County of San Francisco, **Assessor's Parcel No. 5555, Lot 121**, and further described in Exhibit "A", incorporated herein by reference.

The affordability covenants and restrictions contained in the Restrictions include without limitation and as further described in the Restrictions:

1. The affordability restrictions will expire 45 (forty-five) years from the date of recordation.

2. **123 Main Street, Unit 2 San Francisco, CA 94124**
3. **Assessor's Block 5555, Lot 121.** The land referred to is situated in the County of San Francisco, City of San Francisco, State of California, and further described in Exhibit "A", incorporated herein by reference.
4. The affordability covenants or restrictions include the following:
 - (a) Affordability of this unit is restricted to **80%** of Area Median Income;
 - (b) Unit is designated for homeownership only and cannot be rented by Owners;
 - (c) Unit is to remain owner-occupied by the Owners;
 - (d) Restrictions on refinancing include the following:
 - 1) Owners can refinance up to the original value of their first mortgage in order to obtain a lower interest or withdraw principal paid down on their mortgage;
 - 2) Owners may also refinance to withdraw up to 50% of the difference between the resale affordable purchase price and their original affordable purchase price, for the following reasons only:
 - i) To make capital improvements to the home;
 - ii) To pay for post-secondary education expenses of a house hold member
 - iii) To meet the cost of an owner's or owner's immediate family member's catastrophic illness;
 - iv) To secure funds required to implement a marriage dissolution agreement or domestic partnership dissolution agreement.
 - (e) Requirements at Resale: Owners may only transfer their homes to other Eligible Buyers or to the City. Though each owner bears sole responsibility for finding an Eligible Buyer if s/he seeks to sell his/her unit, the City will attempt to assist owners in locating Eligible buyers, whether through a mailing to interested persons, accessing a waiting list, or conducting a lottery. Once an owner identifies a potential buyer for his/her unit, only the City can certify that the buyer is actually an Eligible Buyer
 - (f) Notice is being recorded for notice only, and that the affordability covenants prevail if there is any conflict between the Notice and the recorded covenants.

5. The affordability covenants and Notice are being recorded concurrently. This Notice of Affordability Restrictions on Transfer of Property (the "Notice") is recorded for the purpose of providing notice only, and it in no way modifies the provisions

of the Restrictions. In the event of any conflict between this Notice and the Restrictions, the terms of the Restrictions shall prevail.

The Restrictions have been recorded on _____, 2016, as Document/Instrument No. _____, and shall remain in effect until _____, 2061 [Date of expiration of Restrictions].

This Notice is being recorded and filed by the City in compliance with Health and Safety Code Sections 33334.3 and/or Section 33413, as amended effective this date, and shall be indexed against the City and the Owner.

IN WITNESS WHEREOF, the parties have executed this Notice of Affordability Restrictions on Transfer of Property on or as of the date first written above.

CITY:

OWNER:

Mayor's Office of Housing and Community
Development of the
City and County of San Francisco,
a public body, corporate and politic

Mary Sample

By: _____
Director

John Sample

*MAYOR'S OFFICE OF HOUSING AS SUCCESSOR TO THE
REDEVELOPMENT AGENCY OF THE CITY & COUNTY OF SAN
FRANCISCO*

**LIMITED EQUITY
HOMEOWNERSHIP PROGRAM**

Loan Disclosure Information

With English and Chinese Statement of Acceptance

June 2016

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IMPORTANT

NOTE TO THE READER

對讀者的重要注解

The purpose of this document is to explain the City's Limited Equity Homeownership Program ("Program"). Homes sold through this Program are subject to price controls at resale, as well as other terms and restrictions that affect your rights as a homeowner. Some of the terms and provisions are complex, and require that you thoroughly understand them prior to your purchase of a home. **IF YOU DESIRE TO PARTICIPATE IN THE PROGRAM AND PURCHASE A HOME, YOU MUST ATTEST TO YOUR FULL UNDERSTANDING OF AND AGREEMENT TO ALL THE PROGRAM'S TERMS AND CONDITIONS BY SIGNING BELOW PRIOR TO CLOSING ESCROW.**

本文件的用意是解釋市政府屬下有限資產爭值住屋項目(以下簡稱「項目」)。透過該項目而轉售的房屋是受到價格管制的，另外身為業主的權利亦受到其它的條款和限制所影響。某些條款和規定是相當的複雜，程度是需要你在購買房屋之前完全了解。**假如你有意參加該項目而購買房屋，你必須在整個契約完成之前簽署本文件，以表明你完全明白及同意所有該項目的條款及規定。**

I, the undersigned, hereby acknowledge and accept all the terms and conditions contained in the Declaration of Resale Restrictions and Option to Purchase, the Promissory Note Secured by a Deed of Trust, and the Short Form Deed of Trust and Assignment of Rents ("City Documents"), all of which I have agreed to comply with in return for purchasing my home at a below-market-rate price. I acknowledge that a staff member of the City and County of San Francisco ("City") explained the terms and provisions of the City Documents to me, and that I have had a chance to review this Limited Equity Homeownership Program Loan Disclosure Information document, which further explains the City Documents. I have also been provided enough time to seek an independent legal opinion about the City Documents and my purchase of the home, if I so chose.

我，以下簽名者，謹此承諾接受所有下列文件內的條款及規定，包括轉售限制及購買選擇聲明，由信託書擔保的允諾書，信託契據簡本及租金委託（「市政府文件」）；並因為我購買的房屋是低於市場價格，所以我同意遵照上述文件內的條款及規定。我承認三藩市市政府的職員曾向我解釋市政府文件的條款及規定；並且有機會給我審閱有限資產爭值住屋項目之借貸公開資料文件，從而更進一步地解釋重建局文件。假如我選擇的話，市政府亦給予我足夠的時間，對市政府文件及我所購買的房屋尋求獨立的法律專家意見。

I understand that by my execution of the City Documents, I agree that the resale price of my home will be restricted to a price that is affordable to a household of a predetermined size, earning a pre-determined percentage of Area Median Income ("AMI"), based on figures published by the Mayor's Office of Housing, based on data published by the U.S. Department of Housing and Urban Development (or any government agency subsequently assuming this responsibility). I understand that the

City will determine the resale affordable price applicable to my home when I notify the City of my intent to sell. I understand that fair market value will not determine the resale price of my home.

我明白在執行市政府文件的同時，我是同意房屋轉售價格是受到可負擔程度的限制的，包括買家負擔的住戶人數，和收入是地區中位入息的預定比率；數字的計算是根據美國聯邦房屋及都市發展部（或任何其後掌管該處的政府機構）所發表的數據，及由市長辦公室房屋部所公布而得。我明白當我向市政府表達轉售房屋的意願時，市政府會計算我轉售房屋的可負擔價格。我明白公平市場價格是不會確定我房屋的轉售價錢。

I further understand that the City's calculation of the resale affordable purchase price for my home will consider, in addition to the current income for a pre-determined AMI level, an interest rate which is the higher of 1) the 10-year rolling average of rates as calculated by the City (or its successor) and based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage lending institution, or 2) the current, commercially reasonable rate available through an City-approved lender, as well as other current housing costs, such as insurance, HOA dues, and taxes. I know that any proceeds I receive from the sale of my home will be affected by the value of these factors, since they will be used to calculate the resale affordable purchase price of my home.

我亦明白在市政府計算我房屋的可負擔價格的時候，市政府除考慮預定的地區中位入息水平的現時收入外，亦必須估量以下的利率，以取其較高者：(1) 根據房屋貸款公司 Fannie Mae, Freddie Mac, 或其它全國認可的等司按揭貸款機構所提供的數據，再由市政府（或委任的組織）所計算得來的十年持續平均利率，或(2) 現時由市政府核准的貸款機構提供的商業合理利率。另外的考慮因素亦包括其它現時的房屋價格，例如保險，業主聯會月費，及物業稅。我知道轉售房屋時所得的收益是受到以上因素的價值所影響，這是由於三藩市市政府是採用這等因素來計算我房屋轉售時的可負擔購買價錢。

I understand that the City imposes resale restrictions on homes that it subsidizes so that it can provide homeownership opportunities to many generations of low- and moderate-income families over time and that the equity I will be able to build in my home will be limited so that the Program is available to the next purchaser of my home. I understand that my ability to purchase my home at an affordable price is contingent upon my agreement to comply with the resale controls and Program restrictions.

我明白市政府是需要施行這些會接受補助房屋的可負擔限制，以便下數代的低至中等收入家庭能夠獲得自置物業的機會。我明白我房屋的資產淨值的增長會有所限制，以便下一位買家有機會買我的房屋。我明白能夠以可負擔價格購買我的房屋是視乎我是否同意及遵守轉售監控及該項目的限制。

LEP- Loan Number

物業地址:

PROPERTY ADDRESS: 123 Main Street, Unit 2 San Francisco, CA 94124

簽署:

日期:

SIGNED: _____

DATE: _____

Mary Sample

簽署:

日期:

SIGNED: _____

DATE: _____

John Sample

SAMPLE

PROGRAM SUMMARY

- The purpose of the City's Limited Equity Homeownership Program ("Program") is to provide homeownership opportunities to low- and moderate-income households ("Eligible Buyers") who otherwise would not be able to purchase a home in San Francisco.
- To make homes affordable to Eligible Buyers, the City may sell land to developers at below-market-rate prices and/or provide construction funding. In return for this assistance, developers agree to sell the homes to Eligible Buyers. Eligible Buyers, in turn, purchase their homes at affordable prices and agree to comply with Program requirements.
- The City is able to offer the benefits of homeownership to many generations of Eligible Buyers through restrictions on resale prices, which limit the amount of equity that an Eligible Buyer is able to build. By limiting Eligible Buyers' equity, a given home can be resold at affordable prices again and again. Market fluctuations, which often result in prices beyond the affordability of low- and moderate-income households, do not affect limited equity resale affordable prices.

PROGRAM ELEMENTS

#1: Eligibility

To qualify as an Eligible Buyer, households must meet the following criteria:

- Household income (including income imputed from assets) within the AMI “target range” of low- to moderate-income buyers.
- Demonstrated ability to qualify for a mortgage, i.e., good credit, stable employment, and manageable debt.
- Savings available for a 5% down payment (up to 2% may be gift funds).
- First-time homeowner status.
- Commitment to use the property as the principal residence.

The San Francisco Mayor’s Office of Housing publishes AMI levels for San Francisco annually, based on data published by the U.S. Department of Housing and Urban Development. The AMI target ranges that determine a household’s eligibility to purchase will vary from development to development, based on the amount of subsidy provided by the City to the developer. The City will qualify all first-time homebuyers for both initial sales and for resales. Documentation of household size and income and assets, such as W-2s, tax returns, bank statements, and deferred income balance statements, is required.

#2: Affordable Purchase Prices

When developers set affordable purchase prices for units they sell, they use very specific information, as described below:

- AMI level: Developers in contract with the City are obligated to sell their units at prices affordable to households within a certain AMI “target range.” For example, a developer in 2005 may be obligated to sell his/her units to households making between 75% and 100% of AMI. For a household of 3, this translates to incomes between \$64,125 and \$85,500.
- Household size: For the pricing calculation, the City assumes a household size of one person for a one-bedroom unit, and, for all other units, one person more than the number of bedrooms. For example, a household of three people is assumed for a two-bedroom unit, four people for a three-bedroom, and so on. (For occupancy, the City requires a minimum of one person per bedroom. For example, a single person can apply for a studio or one-bedroom unit only. A two- person household could apply for a studio, one- or two-bedroom unit.)

- 33% "PITI": Principal, interest, taxes, and homeowners' insurance – total housing costs – are assumed to be 33% of a household's gross monthly income.
- First mortgage interest rate: the City's calculation assumes a fixed mortgage interest rate based on the higher of the following: 1) a 10-year rolling average of interest rates as calculated by the City, or 2) market conditions at the time the homes are offered for sale. The City will not permit a variable rate mortgage or an interest-only mortgage, as such financing instruments are contrary to the objectives of long-term affordability and stability of the first time homebuyer program.
- Owner down payment: The City assumes (and requires at a minimum) that the household will make a cash down payment of 5% of the affordable purchase price, 2% of which may be gift funds.

Once a developer knows, for each unit, what the applicable AMI level is, the household size, the cost of taxes and insurance, and the interest rate, s/he can set the affordable purchase price. For example, a two-bedroom unit assumes a household of three. If the developer's obligation calls for pricing at an AMI level of 95% (with income eligibility up to a maximum of 100% of AMI), the three-person household's income would be \$81,225 in 2005. 33% of that income level is \$26,804, or \$2,235 per month. This figure, \$2,235, is the target total monthly payment for housing costs for all households buying at this income level. If the household's HOA dues were \$400 per month, taxes were \$235 per month, and personal property insurance was \$50 per month, the total monthly income available to pay the first mortgage would be \$1,550 per month (i.e., \$2,235 - \$400 - \$235 - \$50 = \$1,550). Using a 7.5% interest rate on a 30-year, fixed-rate first mortgage, the supportable mortgage would be \$221,680. Assuming a 5% down payment (since the first mortgage would cover 95% of the purchase price), the affordable purchase price would be \$233,345.

#3: Resale Affordable Purchase Prices

When a household decides to sell its home, it notifies the City, and the City calculates the resale affordable purchase price, using the same AMI percentage and household size that were used to calculate the seller's affordable purchase price. To follow the example given above, the family of 3 earning 95% of AMI that bought its home for \$233,345 in 2005 might decide to sell the home five years later. The City will determine the resale price by taking the income for a 3-person household at 95% of AMI in 2010 and limiting payments for PITI to 33% of gross monthly income. The calculation will use the higher of the current mortgage interest rate or the then current 10-year rolling average of rates, and

current HOA, tax, and insurance costs, and it will assume a 5% down payment by the new Eligible Buyer. So, for example, if the ten-year average interest rate increased .5% between 2005 and 2010, AMI increased 15%, and taxes and insurance increased 5%, the resale affordable purchase price would be \$265,395. After subtracting the cost of necessary repairs (if any) and closing costs, the seller would be entitled to the difference between the old affordable price and the new affordable price. The example is shown numerically below:

95% AMI, 3-person HH income, 2010 (2005 + 15%):	\$93,410
33% of gross income:	\$30,825
Per month:	\$2,570
Monthly HOA dues, taxes & insurance, 2010 (2005 + 5%)	(\$720)
Monthly income available for 1 st mortgage:	\$1,850
Mortgage (assuming 8% interest, 30-yr fixed)	\$252,125
5% Down payment:	\$13,270
Resale Affordable Purchase Price:	\$265,395
 Resale Affordable Purchase Price:	 \$265,395
Closing costs (6%)	(\$15,925)
Repayment of full 1 st mort + down payment:	(\$233,345)
Owner's new equity:	\$16,125
Plus principal paid on the mortgage:	\$11,235
Plus return of owner's down payment:	\$11,665
 NET RETURN TO OWNER:	 \$39,025

+ Amortized value of capital improvements, if any, and less any repair costs attributable to the owner.

By transferring this property from one 95% AMI household to another under the Program, the home remains affordable, the benefits of homeownership are passed along, and all owners have a chance to earn limited equity!

#4: Capital Improvements

As shown above, AMI levels and current housing costs such as interest rates and insurance costs determine affordable prices. Affordable purchase prices alone cannot, therefore, reflect improvements and upgrades that an owner has made to his/her unit, such as new floors and countertops. To avoid discouraging owners from improving their properties, the City will allow owners to recover the depreciated value of approved capital improvements.

To qualify, each capital improvement must meet certain criteria:

- It must be a permanent improvement.
- It must have a value greater than 0.5% but less than 10% of the affordable purchase price originally paid by the owner.
- It must have a useful life longer than 5 years after the owner sells the home.

- It must have been installed with all required permits and approvals.

Owners wishing to sell and recover a portion of the cost of capital improvements must give the City a list of capital improvements and the date installed or completed, with invoices or other verifying documentation, at least thirty (30) days before the property is sold or transferred. The City must approve the capital improvements (i.e., make sure they meet the criteria described above), and will allow owners to recover the approved, depreciated amount at escrow closing. The credit for each capital improvement is depreciated by a factor of 7% per year from the date of the capital improvement's completion. You are advised to maintain good records of any potentially eligible capital improvements.

#5: Minimum Resale Value

As described above, the resale affordable purchase price is subject to variable factors that fluctuate over time, such as mortgage interest rates, taxes, and insurance costs. Because of the variability of these factors, ***owners assume some risk when they purchase their homes!*** For example, if the interest rate used in the pricing calculation increases from the time of initial purchase to time of resale, and increases in AMI over that same time do not compensate for the interest rate increase, a resale affordable purchase price could actually be lower than the original price an owner paid. The City's use of the 10-year rolling average of interest rates is intended to minimize the interest rate risk at resale, but there is no guarantee that the available interest rates or the 10-year average will not increase over time. To further minimize the risk owners take when they participate in the Program, the City will increase the applicable AMI level on a resale, up to 120% of AMI, when the original AMI level applicable to that home does not result in a resale affordable price high enough to pay off the original value of the first mortgage.

But owners still assume risk! Owners are solely responsible for:

- Repair costs. When an owner notifies the City of its intent to sell, the City has the right to inspect the unit, determine if damage exists, and calculate the value of repair. If the owner does not satisfactorily make the itemized repairs, owners will be held responsible for repair costs at the close of escrow.
- Payments due on junior liens and first mortgage equity refinancing. The City will only increase a resale affordable purchase price to the original principal balance of the first mortgage and other approved senior

liens. If the owner has refinanced the home and withdrawn equity, the owner is solely responsible for paying off the incremental value of the refinanced mortgage or new, junior liens.

- If the resale affordable purchase price produced using 120% of AMI is still insufficient to pay off the first mortgage, the owner is solely responsible for his/her mortgage debt beyond that adjusted resale affordable purchase price. Please note that the first mortgage lender will not release its lien unless the mortgage is repaid in full. If the first lender does not release its lien because the owner has not or cannot fully repay it, then the sale will be cancelled or the owner will be in default.

#6: Owner Refinancing

To protect its investment and to preserve the intent of the Program, the City must approve all refinancing agreements.

Owners can refinance up to the original value of their first mortgage in order to obtain a lower interest rate or withdraw principal paid down on the mortgage.

Owners may also refinance their homes to withdraw up to 50% of the difference between the resale affordable purchase price and their original affordable purchase price, for the following reasons only:

- To make capital improvements to the home
- To pay for post-secondary educational expenses of a household member
- To meet the cost of an owner's or owner's immediate family member's catastrophic illness
- To secure funds required to implement a marriage dissolution agreement or domestic partnership dissolution agreement.

The owner must submit documentation to the City verifying the use of funds for any of the four refinancing purposes above. Funds will not be released without evidence to the City's satisfaction.

#7: Permissible Transfers & Resales

Owners may only transfer their homes to other Eligible Buyers or to the City. Though each owner bears sole responsibility for finding an Eligible Buyer if s/he seeks to sell his/her unit, the City will attempt to assist owners in locating Eligible Buyers, whether through a mailing to interested persons, accessing a waiting list, or conducting a lottery. Once an owner identifies a potential buyer for his/her unit, only the City can certify that the buyer is actually an Eligible Buyer.

If an owner has conducted a good faith effort to sell his/her home and still cannot locate an Eligible Buyer after 150 days from the date s/he listed the property for sale, the City will authorize a 50% increase to the AMI level defining “Eligible Buyer” for that particular home. (“Good faith effort” means use of all standard marketing tools, such as a Multiple Listing Service listing, advertised open houses, and other, additional advertising.) For example, if an owner’s good faith effort to find an Eligible Buyer at 80% of AMI failed after 150 days, s/he could renew the search and include as potential buyers households earning up to 120% of AMI. The resale affordable purchase price would remain the same (i.e., based on the 80% AMI income), thus enhancing the home’s marketability to the higher-income households.

#8: City Purchase Option

While the City may purchase the home as an Eligible Buyer (in a standard sale transaction), it retains an option to purchase the home in the event of owner default, under either the City Documents or the first mortgage.

#9: Owner Default and City Remedies

An owner is in default of the City Documents if any of the following occur:

- A transfer of the property in violation of the Declaration of Resale Restrictions and Option to Purchase;
- Use of the property other than as owner’s principal residence (owners must certify that they occupy the home at least 10 months out of every 12 annually);
- Failure to pay required housing costs, such as taxes, homeowner dues, assessments, or insurance;
- Placement of any mortgages, liens or encumbrances on the property that the City has not approved;
- Any other violation of the City Documents; or
- A default on the first mortgage.

If an owner is in default and doesn’t or can’t cure the default within the times specified in the City Documents or first mortgage documents, the City can exercise its purchase option, commence an action for specific performance or an injunction to prevent an impermissible sale, foreclose on its deed of trust, and/or exercise any other remedy permitted by law.

#10: City Promissory Note and Deed of Trust

To protect its investment, the City requires that all owners execute a promissory note and deed of trust when they purchase their homes. Unlike standard promissory notes for conventional mortgages, the City promissory note has no face value and cannot be prepaid. Its purpose is to protect the City’s

investment if an owner defaults on the first mortgage or City obligations. An owner default “triggers” the promissory note and City deed of trust, which secures the promissory note against the property and is recorded to provide public notice of the owner’s obligations under the Program. In the case of default, the promissory note states that the owner must pay the City the difference between the resale affordable purchase price and fair market value, in addition to any costs incurred by the City to enforce its rights and a default interest payment on the sum due. An independent appraiser will determine fair market value.

Financing for the 3-person, 95% AMI household can again illustrate the issue. This household had a resale affordable purchase price of \$265,395. If they defaulted on their loan, and fair market value was, for example, \$700,000, they would owe the City \$434,605 (plus default-related costs) under the City’s promissory note.

If an owner transfers his/her property according to the Program requirements and complies with all other City and first mortgage obligations, the City will simply terminate the promissory note and deed of trust at resale.

#11: Transfer by Marriage, Domestic Partnership, and Inheritance

If an owner marries or enters a domestic partnership, the spouse or partner can become a co-owner by executing an addendum to the City Documents. The addendum confers the same rights and obligations of the owner upon the spouse or partner.

Upon the death of a property owner or owners, the home can be transferred to an heir, as long as the heir is an Eligible Buyer approved by the City. If the heir does not qualify to occupy the home, as an Eligible Buyer, the home must be sold according to the terms of the City Documents, and the owner’s proceeds will transfer to the owner’s estate.

#12: Term

The term of the City Documents – or the period of time that resale restrictions and all other City obligations apply – is 45 years. At the end of the term, owners are obligated to pay to the City the difference between the resale affordable purchase price and fair market value (both as calculated at the time the term ends). In lieu of this payment, an owner may opt to renew his/her agreements with the City for an additional 45 year term.