RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO: City of Albany 1000 San Pablo Avenue Albany, California 94706

Attn: City Clerk

SPACE ABOVE LINE FOR RECORDER'S USE ONLY EXEMPT FROM RECORDING FEES PURSUANT TO GOVT. CODE § 27383

CITY OF ALBANY

DENSITY BONUS AND INCLUSIONARY HOUSING AGREEMENT (540 San Pablo Avenue)

THIS DENSITY BONUS AND INCLUSIONARY HOUSING AGREEMENT ("**Density Bonus Agreement**") is dated as of ________, 2021, and is made by and between the CITY OF ALBANY, a California municipal corporation (the "City"), and R & S Realty LLC, an Individual ("**Owner**").

RECITALS

- A. Owner proposes the construction and operation of a mixed-use development that includes a total of 207 total dwelling units, which is comprised of 138 base units, plus an additional 69 units based on the density bonus received (more specifically defined in Section 2 as the "**Project**") on that certain real property specifically defined as the "**Property**" in Section 2 of this Density Bonus Agreement;
- B. Chapter 20.40 of the City of Albany Municipal Code requires that in order to advance the goals of the Housing Element of the Albany General Plan and specifically to provide a variety of housing to meet the needs of all economic segments of the community, all residential development projects of fourteen (14) or more units must provide inclusionary units in an amount equal to at least fifteen percent (15%) of the total base number of units;
- C. Owner is willing to provide the required twenty-one (21) inclusionary units as part of the Project to be rented to Very Low Income Households (as defined in Section 2 of this Agreement);
- D. In providing an inclusionary unit to Very Low Income Households, Owner is also eligible to receive a density bonus, as well as certain incentives, concessions, waivers or reductions pursuant to the State Density Bonus Law (Gov't Code §65915) and the City's Density Bonus Ordinance (Albany Municipal Code §20.40.040.).
- E. Developer has requested that the City grant certain concessions and waivers as part of the Project, along with a fifty percent (50%) density bonus.

F. City and Owner desire to enter into this Density Bonus Agreement to ensure that the Owner will construct and operate the Project in a manner that will ensure the provision of the required inclusionary units in accordance with the requirements of the City's Inclusionary Housing Ordinance and the Density Bonus Ordinance in exchange for the concessions and waivers as set forth herein;

AGREEMENT

- 1. Recitals. The Recitals set forth above are true and accurate, and incorporated herein.
- 2. <u>Definitions</u>. For purposes of this Density Bonus Agreement, the terms listed below shall have the meanings thereafter specified:
 - a. **Affordable Rent**. Gross monthly rent for the Designated Unit, as defined in California Health and Safety Code Section 50053(b) for very-low income households and accompanying regulations of the California Department of Housing and Community Development, which includes a reasonable utility allowance. The Designated Unit, Affordable Rent is not more than 30% times 50% of the area median income as established for Alameda County by the State Department of Housing and Community Development, adjusted for family size appropriate for the Designated Unit, as depicted on the Site Plan attached hereto as **Exhibit "B."**
 - b. **Density Bonus Laws**. Chapter 4.3 of Division 1 of Title 7 of the California Government Code (Gov. Code §§ 65915, *et seq.*).
 - c. **Designated Units.** The dwelling units that will be offered exclusively as Affordable Rent housing to a Qualifying Household pursuant to this Density Bonus Agreement. The twenty-one (21) Designated Units include two (2) studio units, one (1) loft unit, eight (8) one bedroom units, eight (8) two-bedroom units, one (1) three bedroom unit, and one (1) three bedroom townhouse. The location of the Designated Units within the Project, and the square footage of the Designated Units shall be as depicted on the Site Plan attached hereto as **Exhibit** "B."
 - d. **Project.** The 207 dwelling units to be built on Property. The Project includes all required or associated on-site and off-site improvements, hardscape improvements, parking areas and landscaping improvements to the Property, in accordance with the plans and specifications approved by the City, any conditions imposed by the City in issuing development entitlements related to the Project and applicable law.
 - e. **Project Records**. All books, records, statements, contracts and other records of the Owner relating in any way to the use, occupancy or operation of the

- Designated Units, including Income Certification Forms completed by applicants or tenants of the Project.
- f. **Property.** That certain real property located within the City of Albany, County of Alameda, State of California, specifically described in the legal description attached as **Exhibit "A"** to this Density Bonus Agreement, which is incorporated into this Density Bonus Agreement by this reference.
- g. **Qualifying Household**. A household that: (1) intends to reside in the Designed Units on the Property; and (2) whose income does not exceed the maximum income allowable for a Very Low Income Household.
- h. **Very Low Income Households.** Households whose gross income does not exceed 50% of the median gross yearly income, adjusted for household size as published by the State of California's Department of Housing and Community Development.
- 3. Construction of Designated Units.
- 4. <u>Designated Units to be Permanently Affordable</u>. Owner shall ensure the construction and reservation of twenty-one (21) of the dwelling units in the Project to serve as the Designated Units for Qualifying Households at an Affordable Rent as consideration for the Density Bonus Inducements being provided to Owner by City regarding the Project. The Designated Units shall be permanently affordable in accordance with the terms of this Agreement.
- 5. Owner Acknowledgment of Potential Impact of Density Bonus Agreement. Owner acknowledges and agrees that this Density Bonus Agreement imposes certain covenants, conditions and restrictions on the use and occupancy of the Property and the Project that will result in less than all of the dwelling units being leased or rented and that may not constitute the highest and best use of the Property.
- 6. <u>Agreement to Record</u>. Owner agrees that City may record this Density Bonus Agreement against the Property in the official records of the County of Alameda.

7. Density Bonus Inducements.

- a. Subject to any necessary project approvals required by City, Owner agrees to construct 207 dwelling units on the Property, with twenty-one (21) Designated Units reserved for Very Low Income Households. City and Owner agreed that in accordance with the Density Bonus Laws, Owner shall be permitted to exceed permissible Zoning Code requirements in the following limited ways:
 - i. <u>Incentives or concessions</u>. A concession to reduce the open space requirement from 41,400 sq. ft. to 22,390 sq. ft. for the project.

- ii. <u>Incentives or concessions.</u> A concession to waive the PUD requirement contained in Section 20.24.030 (D)(1)
- iii. <u>Incentives or concessions.</u> Concession to waive the requirement for retail use only on the ground floor along San Pablo Avenue pursuant to Section 20.12.080 (B) (3) of the Albany Municipal Code.
- iv. <u>Waivers or reductions of Floor Area Ratio.</u> Owner shall receive waiver to increase mixed-use development FAR from 2.25 to 2.96.
- v. <u>Waivers or reduction of Building Height.</u> to increase the building height from 38' to 71'.
- vi. Waiver to or reduction of Daylight Plane. Owner shall receive a waiver from the applicable zoning requirements to project beyond daylight plane regulations for Adams Street.
- b. Owner represents and warrants to City that the granting of these inducements results in an identifiable, financially sufficient and actual economic benefit to the Project that makes development of the Project financially feasible and viable.
- c. City acknowledges and agrees that Owner's requested inducements do not result in the following:
 - i. A failure of identifiable and actual cost reductions that makes development of Project possible;
 - ii. A specific, adverse impact upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households; or
 - iii. Conflicts with state or federal law.
- 8. <u>Timing of Construction of Designated Unit</u>. The Designated Units shall be constructed and marketed simultaneously with the other units in the Project, and the Owner shall not receive certificates of occupancy for more than one hundred four (104) of the market rate units in the Project unless and until the Owner has received a certificate of occupancy for the Designated Units.
- 9. Reservation of Designated Unit for Affordable Rental Housing.

- a. Owner covenants and agrees to reserve and restrict the Designated Units on a permanent basis for the use and residential occupancy of those who, at the time of initial occupancy and continuously thereafter (subject to the other provisions of this Density Bonus Agreement), are members of a Qualifying Household.
- b. Owner covenants and agrees, for the benefit of City, to develop, own, manage and operate, or cause the management and operation of, the Project to include the Designated Units as residential rental housing occupied or available for occupancy to Qualifying Households at an Affordable Rent and for no other purposes.
- c. Owner will not knowingly permit the Designated Units to be used on a transient basis and will not lease or rent the Designated Units for a period of less than twelve (12) months. The Designated Units will not, at any time, be leased or rented for use as a hotel, motel, time share, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitary or rest home.
- 10. <u>Affordable Rent.</u> The monthly rent charged to a Qualifying Household for the occupancy of the Designated Units may never exceed an Affordable Rent in accordance with this Density Bonus Agreement.
 - a. <u>Rent Increases</u>. Rent for the Designated Units may be increased only once in any twelve (12) month period, based on changes in Area Median Income; provided that the rent for the Designated Units shall never exceed an Affordable Rent for the Qualifying Household occupying the Designated Units. All rent increases must be provided to Qualifying Households in writing.
 - b. <u>Determination of Household Income</u>. Determination of Qualifying Household income shall be made by Owner at the time of initial application by an individual or family for occupancy of the Designated Units. At the time of initial application, Owner shall require an applicant to complete an Income Certification Form in the form attached hereto as **Exhibit "C"** (the "Income Certification Form") and certify the accuracy of the information provided on such form. Additionally, on the renewal of a lease for the Designated Units, or if the lease is for a term greater than twelve months on an annual basis, the Owner shall require the Qualifying Household occupying the Designated Units to recertify the Qualifying Household's income on an Income Certification Form.
 - c. <u>Verification</u>. Owner shall make a good faith effort to verify the accuracy of income information provided in any Income Certification Form by an applicant for occupancy of the Designated Units or by a recertifying Qualifying Household occupying the Designated Units, by taking one or more of the following steps, as reasonably required or indicated:
 - i. Obtain an income tax return and copy of each W2 Wage and Earnings Statement for the most recently concluded income tax year;

- ii. Contact a credit reporting agency or conduct a similar search;
- iii. Obtain an income verification form from the applicant's or the Qualifying Household's current employer(s);
- iv. Obtain an income verification form from the United States Social Security Administration or the California Department of Social Services, if the applicant or the Qualifying Household receives assistance from either of such agencies; or
- v. If the applicant or an adult member of a Qualifying Household is unemployed and has no such income tax return, obtain another form of independent verification.
- d. Evidence. For purposes of this Section, Owner may conclusively rely upon the evidence of the age of a Person as presented in a valid California Driver's License or other form of identification issued by the State of California or the United States Government that includes a date of birth and a photograph of the subject person. All such verification information shall only be obtained by Owner after obtaining the applicant's or the Qualifying Household's written consent for the release of such information to Owner. Failure to consent in writing to the release of such income verification information to Owner may disqualify an applicant for occupancy of a Designated Unit or be grounds for termination of Qualifying Household's occupancy of a Designated Unit.
- 11. <u>Tenant Selection Policies and Criteria</u>. The Owner shall adopt written tenant selection policies and criteria applicable to the Designated Units that:
 - a. are consistent with the purpose of providing affordable rental housing for Qualifying Households at an Affordable Rent;
 - b. are reasonably related to tenant eligibility and ability to perform the obligations of the lease for an Affordable Unit;
 - c. subject to applicable fair housing laws, give reasonable preference and consideration to the housing needs of individuals that are involuntarily displaced by activities of the City;
 - d. provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable;
 - e. give prompt written notice to any rejected applicant of the grounds for rejection;
 - f. provide for all of the Designated Units to be Available for occupancy on a continuous basis to Qualifying Households at an Affordable Rent;

g. do not give preference to any particular class or group of persons in leasing or renting the Designated Units except to the extent that a tenant must be a Qualifying Household;

The tenant selection policies and criteria prepared in accordance with this Section shall be subject to approval by the City.

- 12. Owner Covenant Regarding Lease of Dwelling Units. Owner, for itself, its successors, assignees and affiliates, covenants and agrees that, when the Designated Unit is rented or leased, the rental or lease of the Designated Units shall be accomplished through a written lease agreement and all of the following restrictions shall apply:
 - a. Owner shall provide a legible copy of this Density Bonus Agreement to each prospective tenant of the Designated Unit, prior to entering into a lease with such tenant.
 - b. The leases for the Designated Units shall expressly state that the lease is subject and subordinate to this Density Bonus Agreement and shall incorporate each and every provision of this Density Bonus Agreement, either expressly or by reference.
 - c. Owner shall not lease a Designated Unit to any occupant with any family relationship to Owner or who owns, directly or indirectly, any interest in the ownership. For purposes of this section, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member, and ownership, direct or indirect, by a partner of the individual.
 - d. The lease for each Designated Unit shall not contain any of the following provisions:
 - i. An agreement by the Qualifying Household to be sued, to admit guilt or to the entry of a judgment in favor of the Owner in a lawsuit brought in connection with the lease:
 - ii. An agreement by the Qualifying Household that the Owner may take, hold or sell personal property of any member(s) of the Qualifying Household, without notice to the Qualifying Household and a court decision on the respective rights of the Owner and the member(s) of the Qualifying Household, other than an agreement by the Qualifying Household concerning disposition of personal property remaining in the Designated Unit after the Qualifying Household has moved out of the Designated Unit;

- iii. An agreement by the Qualifying Household not to hold the Owner or its agents legally responsible for any action or failure to act, whether intentional or negligent;
- iv. An agreement by the Qualifying Household that the Owner may institute a lawsuit, involving or affecting the Qualifying Household or any of the Qualifying Household's members, without notice to the Qualifying Household or any affected member;
- v. An agreement by the Qualifying Household that the Owner may evict the Qualifying Household or any of the Qualifying Household's members without instituting a civil court proceeding in which the Qualifying Household or any affected member of the Qualifying Household has an opportunity to present a defense, or before a court decision on the respective rights of the Owner and the Qualifying Household or any affected member of the Qualifying Household;
- vi. An agreement by the Qualifying Household to waive any right to a trial by jury;
- vii. An agreement by the Qualifying Household to waive the Qualifying Household's right to appeal or to otherwise challenge a court decision in connection with the lease;
- viii. An agreement by the Qualifying Household to pay attorney's fees or other legal costs, even if the Qualifying Household wins in a court proceeding by the Owner against the Qualifying Household; provided, however, the Qualifying Household may be obligated to pay reasonable attorney's fees and other legal costs, if the Qualifying Household loses such a legal action;
 - ix. An agreement by the Qualifying Household to pay one (1) or more security deposits (or the equivalent) totaling in excess of the amount of one month's rent for such Designated Unit.
- 13. <u>Access to Common Amenities</u>. Occupants of the Designated Units shall be provided the same rights and access to common amenities in the Project as occupants of the other units in the Project.
- 14. Retention of Project Records. The Owner shall prepare and maintain complete and accurate Project Records for so long as this Agreement remains in effect. The Owner shall, at all times following the initial lease of the Designated Units, maintain, safe and intact, all of the Project Records for a period of not less than six (6) years from the generation of such Project Records. From time to time, upon request from the City, the Owner shall make all Project Records, whether in the custody or control of the Owner or its Affiliates, available to the City, the City's auditor, representative or agent for

- examination and copying at any reasonable time, on fifteen (15) calendar days advance notice. The Owner shall also provide the City any additional information concerning the Designated Units, the Project or the Property reasonably requested by the City.
- 15. <u>Continuous Operation Covenant</u>. Owner covenants and agrees to, for the benefit of City, to cause the Project to be continuously operated in accordance with the provisions of this Density Bonus Agreement.
- 16. <u>Administration Fee</u>. Owner agrees to pay such fees and deposits as City Council may adopt by resolution to offset the administrative cost of the City performing the duties and responsibilities described in this Agreement.
- 17. <u>Federal and State Laws</u>. Notwithstanding the above provisions, nothing contained herein shall require Owner or City to do anything contrary to or refrain from doing anything required by federal and state laws or regulations applicable to the construction, management, maintenance, and rental of low income housing units in the City of Albany.
- 18. <u>Prohibition Against Discrimination</u>. Owner shall not discriminate against any tenant or potential tenant on the basis of sex, color, race, religion, ancestry, national origin, age, pregnancy, marital status, family composition, sexual orientation, or the potential or actual occupancy of minor children. Owner further agrees to take affirmative action to ensure that no such person is discriminated against for any of the above mentioned reasons.
- 19. <u>Indemnification</u>. Owner shall defend, indemnify and hold harmless City and its officers, agents, employees, representatives, and volunteers (collectively, "Indemnitees") from and against any loss, liability, claim or judgment relating in any manner to this Density Bonus Agreement. Owner shall not be required to indemnify and hold harmless Indemnitees for liability attributable to the active negligence or willful misconduct of Indemnitees, provided such active negligence is determined by agreement between the parties or by the findings of a court of competent jurisdiction. In instances where an Indemnitee is shown to have been actively negligent and where Indemnitees' active negligence accounts for only a percentage of the liability involved, the obligation of Owner will be for that entire portion or percentage of liability not attributable to the active negligence of Indemnitees.
- 20. <u>City's Right to Inspect Designated Units and Documents</u>. City may inspect the Designated Unit at any reasonable time for so long as this Agreement remains in effect, to determine Owner's compliance with this Agreement.

21. Burden to Run with Land.

a. The covenants and restrictions set forth herein are covenants running with the land and shall pass to and be binding upon all parties having any interest in the Project and its Designated Units, as the case may be. Each and every contract, deed, lease or other instrument covering, conveying or otherwise transferring the Designated Unit or any interest therein, as the case may be (each a "Contract"),

- shall conclusively be held to have been executed, delivered and accepted subject to this Density Bonus Agreement regardless of whether the other party or parties to such Contract have actual knowledge of this Density Bonus Agreement.
- b. Owner and City hereby declare their understanding and intent that (a) the covenants and restrictions contained in this Density Bonus Agreement shall be construed as covenants running with the land pursuant to California Civil Code Section 1468 and not as conditions which might result in forfeiture of title by Owner; (b) the burden of the covenants and restrictions set forth in this Density Bonus Agreement touch and concern the Designated Units in that Owners' legal interest in the Designated Units and all improvements thereon may be rendered less valuable thereby; and (c) the benefit of the covenants and restrictions set forth in this Density Bonus Agreement touch and concern the land by enhancing and increasing the enjoyment and use of the Designated Units by Qualifying Households, the intended beneficiaries of such covenants and restrictions.
- c. All covenants and restrictions contained herein without regard to technical classification or designation shall be binding upon Owner for the benefit of City and Qualifying Households and such covenants and restrictions shall run in favor of such parties for the entire period during which such covenants and restrictions shall be in force and effect, without regard to whether City is an owner of any land or interest therein to which such covenants and restrictions relate.
- 22. <u>Successors and Assigns</u>. This Density Bonus Agreement shall be binding upon and inure to the benefit of City and Owner, and their respective successors, owners and assigns. City reserves the right to designate another public agency to perform City's obligations or to exercise City's rights and options under this Agreement.
- 23. <u>Notices</u>. All notices required herein shall be sent by certified mail, return receipt requested or express delivery service with a delivery receipt and shall be deemed to be effective as date received or the date delivery was refused as indicated on the return receipt, as follows:

If to City:	City of Albany 1000 San Pablo Avenue Albany, California 94706 Attn: City Manager
With a copy to:	Best Best & Krieger LLP 2001 North Main Street, Suite 390
	Walnut Creek, CA 94596
	Attn: Malathy Subramanian, Esq.
If to Owner:	R & S Realty LLC
With a copy to:	

Attn:		

24. <u>Default</u>. Failure or delay by either party to perform any term or provision of this Density Bonus Agreement, which is not cured within 30 days after receipt of notice from the other party, constitutes a default under this Density Bonus Agreement. The party who so fails or delays must immediately commence to cure, correct or remedy such failure or delay, and shall complete such cure, correction or remedy with due diligence. The injured party shall give written notice of default to the party in default specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not initiate proceedings against the party in default until 30 days after giving such notice. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

25. Remedies.

- a. Any individual who sells or rents (including subleasing) a Designated Unit in violation of the provisions of this Density Bonus Agreement shall be required to forfeit to City all monetary amounts so obtained.
- b. City may institute any appropriate legal actions or proceedings necessary to ensure compliance with this Density Bonus Agreement, including but not limited to:
 - i. Actions to revoke, deny or suspend any permits and/or certificate of occupancy; and
 - ii. Actions for injunctive relief or damages.
- 26. Governing Law. The laws of the State of California shall govern this Density Bonus Agreement. Any legal action brought under this Density Bonus Agreement must be instituted in the Superior Court of the County of Alameda, State of California, or in Federal District Court in the Northern District of California.
- 27. Attorney's Fees. In any action brought to declare the rights granted herein or to enforce or to interpret any of the terms of this Density Bonus Agreement, the prevailing party shall be entitled to an award of reasonable attorney's fees in an amount determined by the court.
- 28. <u>No City Responsibility for Project</u>. City shall have no responsibility for the construction, installation, management, operation or maintenance of the Project.

- 29. Entire Agreement. The text herein, including attachments, constitutes the entire agreement between the parties. Each party to this Density Bonus Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that any other agreement, statement or promise not contained in this Density Bonus Agreement shall not be valid or binding. This Agreement may be amended only by written instrument signed by both City and Owner.
- 30. <u>Non-Waiver</u>. Failure to exercise any right City may have or be entitled to, in the event of default hereunder shall not constitute a waiver of such right or any other right in the event of a subsequent default.
- 31. <u>Further Assurances and Recordation</u>. Owner shall execute any further documents consistent with the terms of this Density Bonus Agreement, including documents in recordable form and do such further acts as may be necessary, desirable or proper as City shall from time to time find necessary or appropriate to effectuate its purpose in entering this Density Bonus Agreement.
- 32. <u>Enforcement</u>. City shall have the power to enforce this Density Bonus Agreement and no other person or entity shall have any right or power to enforce any provision of this Density Bonus Agreement on behalf of City, or to compel City to enforce any provision of this Density Bonus Agreement against Owner, the Project, the Property or any Dwelling Unit, including the Designated Unit.
- 33. <u>Amendment</u>. This Density Bonus Agreement may be amended only by a written instrument signed by both Owner and City.
- 34. <u>Severability</u>. If any term or provision of this Density Bonus Agreement or its application to any person or circumstance shall to any extent be invalid or unenforceable, then the remainder of this Density Bonus Agreement, or the application of such term or provision to persons or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected by such invalidity. All remaining provisions of this Density Bonus Agreement shall be valid and be enforced to the fullest extent allowed by law.

SIGNATURE PAGE

TO

DENSITY BONUS AND INCLUSIONARY HOUSING AGREEMENT (540 San Pablo Avenue)

IN WITNESS WHEREOF, Owner and City have signed and entered into this Density Bonus Agreement by and through the signatures of their respective authorized representative(s), as set forth below:

City:	OWNER:
CITY OF ALBANY, a California municipal corporation	
	R & S REALTY LLC
By:	
City Manager	
ATTEST:	
By:City Clerk	
APPROVED AS TO FORM:	
BEST BEST & KRIEGER LLP	
$\mathbf{p}_{\mathbf{v}}$.	
By: Malathy Subramanian, City Attorney	

EXHIBIT "A"

TO

DENSITY BONUS AND INCLUSIONARY HOUSING AGREEMENT (540 San Pablo Avenue)

Property Legal Description

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF ALBANY, COUNTY OF ALAMEDA, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

EXHIBIT "B" SITE PLAN

[TO BE INSERTED]

EXHIBIT "C"

INCOME CERTIFICATION FORM

[TO BE INSERTED]

