

RECORDED AT THE REQUEST OF
AND AFTER RECORDING RETURN TO:

Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101
Attention: Deborah S. Winter



201006250087
Skagit County Auditor

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LAND TITLE OF SKAGIT COUNTY

136113-DE

REGULATORY AGREEMENT

Grantor:

Skagit Council Housing
Additional names on pg. N/A.

Grantee:

Housing Authority of Skagit County
Additional names on pg. N/A.

Abbreviated Legal Description:

PTN NW 1/4 NW 1/4 16-34-4

Situate in Mount Vernon, Washington
Official Legal Description on Exhibit A
attached

Assessor's Tax Account #s:

P25034

Reference # (If applicable):

N/A

REGULATORY AGREEMENT

This Regulatory Agreement (this "Agreement") is made this 25th day of June 2010, by and between Skagit Council Housing (the "Borrower"), and the Housing Authority of Skagit County (the "Authority"), and is part of the consideration for the financial assistance provided by the Authority to the Borrower in connection with the acquisition of land for and construction of a multifamily housing project (the "Project") located at 2210 N. LaVenture Rd. in Mount Vernon, Skagit County, Washington, to provide housing for low and moderate income persons.

This Agreement will be filed and recorded in the official public land records of Skagit County, Washington, and shall constitute a restriction upon the use of the real property legally described in Exhibit D (the "Property"), subject to and in accordance with the terms of this Agreement for at least 20 years following the Occupancy Date (defined below).

The covenants contained herein are to be taken and construed as covenants running with the land and shall pass to and be binding upon the Borrower and its successors and assigns, heirs, grantees and lessees of the Property. Each and every contract, deed or other instrument covering or conveying the Property, or any portion thereof or interest therein, shall be conclusively held to have been executed, delivered and accepted subject to such covenants, regardless of whether such covenants are set forth in such contract, deed or other instruments.

NOW, THEREFORE, it is hereby covenanted, for the Regulatory Period (defined below), as follows:

Section 1. Definitions. Unless otherwise expressly provided herein or unless the context clearly requires otherwise, the terms defined above shall have the meanings set forth above and the following terms shall have the respective meanings set forth below for the purposes hereof. Capitalized terms not defined herein shall have the meanings given them in the Loan Agreement

Act means chapter 35.82 of the Revised Code of Washington, as amended.

Available Units means Dwelling Units that are actually occupied and Dwelling Units that are unoccupied and have been leased at least once after becoming available for occupancy, provided that (a) in the case of an acquisition of an existing residential rental project, a Dwelling Unit that is unoccupied on the later of (i) the date the project is acquired or (ii) the earliest issue date of bonds issued to finance the acquisition of the project, under 145(d) of the Code, is not an "Available Unit" and does not become an "Available Unit" until it has been leased for the first time after such date, and (b) a



Dwelling Unit that is not available for occupancy due to renovations is not an "Available Unit" and does not become an "Available Unit" until it has been leased for the first time after the renovations are completed.

Bond means the Authority's \$769,915 original principal amount Low-Income Housing Assistance Revenue Bond, 2006 (Skagit Council Housing Project).

Code means the Internal Revenue Code of 1986, as amended, or any successor federal income tax statute or code. Any reference to a provision of the Code shall include the applicable regulations of the Department of the Treasury promulgated with respect to such provision.

Date of Issue means the date the Bond is issued and delivered to the initial purchaser(s) thereof.

Dwelling Units means the dwelling units within the Project.

Functionally Related and Subordinate means and includes facilities for use by tenants; for example, laundry facilities, parking areas, hallways and recreational facilities, provided that the same are of a character and size commensurate with the character and size of the Project.

Loan Agreement means the Loan Agreement dated September 11, 2006, between the Authority and the Borrower relating to the Bond, as such agreement may be amended from time to time.

Occupancy Date the first date on or after the Date of Issue on which at least 10% of the Dwelling Units in are occupied.

Project means the multifamily housing project to be constructed on the Property.

Qualified Tenants means and includes individuals of low or moderate income determined in a manner consistent with determinations of lower income individuals under Section 8 of the United States Housing Act of 1937, as amended, except that the percentage of area median gross income which qualifies as low or moderate income shall not exceed 80% and such calculation shall be adjusted for family size. Individuals are considered individuals of low or moderate income only if their adjusted income (computed in the manner prescribed by the Treasury Regulations) does not exceed 80% of the median gross income for the area. The method of determining low or moderate income in effect on the Date of Issue will be determinative, even if such method is subsequently changed.

Regulatory Period means the period commencing on the Occupancy Date and ending on the date which is 20 years after the Occupancy Date.



Treasury Regulations means the regulations of the Department of the Treasury under the Code.

Section 2. Use of Facilities. The Borrower hereby agrees that the Project is to be acquired, owned, managed and operated as required under the Act and Section 145 of the Code at all times throughout the Regulatory Period. To that end, the Borrower hereby represents, covenants and agrees as follows:

(a) that the Project is being financed for the purpose of providing low income housing under the Act, and the Borrower shall own and operate the Project as a housing project containing Dwelling Units and facilities Functionally Related and Subordinate to such Dwelling Units in compliance with the provisions of the Act, Section 145 of the Code and related Treasury Regulations;

(b) that, at all times during the Regulatory Period, Dwelling Units, together with facilities Functionally Related and Subordinate to those Dwelling Units, used by Qualified Tenants on a long-term basis shall occupy at least 50% of the interior space in the Project or shall constitute at least 50% of the Dwelling Units in the Project, whichever produces the larger number of Dwelling Units used by Qualified Tenants;

(c) that, throughout the Regulatory Period, not more than 20% of the interior space in any building constituting part of the Project that exceeds four stories in height shall be commercial space;

(d) that, if at any time during the Regulatory Period the Borrower is unable to rent or lease the minimum number of Dwelling Units designated in accordance with Section 2(b) for use by Qualified Tenants to such tenants, it will hold the unrented Dwelling Units so designated vacant until Qualified Tenants are found to occupy those Dwelling Units, and that it will offer the unrented Dwelling Units so designated for occupancy by Qualified Tenants;

(e) that it will use its best efforts in good faith to maintain at all times during the Regulatory Period the percentage of Dwelling Units in the Project required under this Agreement to be made available for occupancy by Qualified Tenants at rents affordable by Qualified Tenants. For purposes of this Section 2(e), "rents" shall refer to that portion of the monthly charges to residents relating to their occupancy of a Dwelling Unit exclusive of charges for meals and other supportive services, if any. The provisions of this paragraph are in addition to, and not in substitution for, the provisions of Section 2(b);

(f) that, throughout the Regulatory Period, it will obtain at the time each Dwelling Unit is rented to a Qualified Tenant, verified annually thereafter, and maintain on



file certifications or verifications of income. Such certifications and verifications of income shall be in a form and manner acceptable to the Authority. Such forms shall contain information regarding the tenant's anticipated income for the taxable year immediately following the tenant's initial occupancy in the Project, which shall be subject to independent investigation and verification by the Authority. Copies of such documentation shall be submitted to the Authority upon request or as often as necessary to comply with the requirements of the Code. An annual rent roll and financial statement for the Project, together with copies of such documentation, shall be submitted to the Authority on or before March 31 of each year, commencing on the first March 31 following the Occupancy Date;

(g) that, throughout the Regulatory Period, none of the Dwelling Units in the Project shall at any time be used on a transient basis (limited, occasional use of individual Dwelling Units by visiting family members shall not constitute use on a transient basis); none of the Dwelling Units in the Project shall be subject to a lease having a term of less than 30 days; and neither the Project nor any portion thereof shall be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, or trailer park or court, or by a cooperative housing corporation (as defined in Section 216(b)(1) of the Code);

(h) that once available for occupancy, each Dwelling Unit in the Project shall be rented or available for rental on a continuous basis to members of the general public for the term of this Agreement and throughout the Regulatory Period in compliance with applicable Treasury Regulations, the laws of the State and this Agreement;

(i) that it will obtain and maintain on file, with respect to each Qualified Tenant residing in the Project, the original documentation required in Section 2(f);

(j) that it will permit any duly authorized representative of the Authority to inspect, during regular business hours and upon reasonable notice, the books and records of the Borrower pertaining to the incomes of the Qualified Tenants who are residing or have resided in the Project;

(k) that it will prepare and submit to the Authority within 90 days after the end of each calendar year after the Occupancy Date a certificate of the Borrower certifying that it has complied in all respects with the requirements of this Section 2; and

(l) that, except as otherwise required or contemplated by this Agreement or allowed by applicable law for the purpose of providing low income housing, the Borrower will not discriminate in the provision of housing on the basis of race, creed, color, sex, national origin, religion, marital status, age, disability, the receipt of public



assistance or housing assistance or any other characteristic protected from discrimination by applicable law.

For the purposes of this Agreement, a Dwelling Unit occupied by an individual or family who at the commencement of that occupancy is a Qualified Tenant shall be treated as occupied by a Qualified Tenant during such individual's or family's tenancy in such unit regardless of the future income levels of such individual or family; moreover, a unit shall be treated as occupied by a Qualified Tenant until occupied by another occupant, at which time the character of the unit shall be redetermined.

Section 3. Compliance With Laws. The Borrower will provide safe and sanitary housing and will comply with all state and local housing codes, licensing requirements and other requirements regarding the condition of the structure and the operation of the Project in the jurisdiction in which the Project is located.

Section 4. Records and Reports. The Borrower will keep any records and make any reports relating to compliance with this Agreement that the Authority may reasonably require.

Section 5. Default. If a violation of any of the covenants herein occurs, the Authority may, after 30 days' notice to the Borrower, institute and prosecute any proceeding at law or equity to abate, prevent or enjoin any such violation or to compel specific performance by the Borrower of its obligations hereunder, provided that the Borrower shall not be required by any provision herein to evict a tenant. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

Section 6. Covenants Run With the Land. The Borrower hereby declares its express intent that the covenants, restrictions, charges and easements set forth herein shall be deemed covenants running with the land throughout the Regulatory Period, and, except as otherwise provided in Section 7, shall pass to and be binding upon the Borrower's successors in title including any purchaser, grantee or lessee of any portion of the Property and any other person or entity having any right, title or interest therein and upon the respective heirs, executors, administrators, devisees, successors and assigns of any purchaser, grantee or lessee (other than a resident) of any portion of the Property and any other person or entity having any right, title or interest therein. Each and every contract, deed or other instrument (other than residential resident leases) hereafter executed conveying the Property or any portion thereof or interest therein shall contain an express provision making such conveyance subject to the covenants, restrictions, charges and easements contained herein; provided, however, that any such contract, deed or other



instrument shall conclusively be held to have been executed, delivered and accepted subject to such covenants, regardless of whether or not such covenants are set forth or incorporated by reference in such contract, deed or other instrument.

Section 7. Release or Termination. Except as set forth in this paragraph, the requirements of this Agreement shall cease to apply to the Project in the event of involuntary noncompliance with this Agreement caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or an action of a federal agency after the date hereof which prevents the Authority (or its assigns) from enforcing the requirements hereof, or condemnation or similar event, so long as the Bond has been retired or is retired within a reasonable period thereafter. The provisions of the preceding sentence shall not apply, and the restrictions contained in this Agreement shall continue to apply to the Project, if at any time during the Regulatory Period and subsequent to any such foreclosure, transfer of title by deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes.

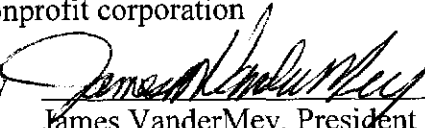
Upon the termination of the terms of this Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Agreement in accordance with its terms.

[Signature Page to Follow]

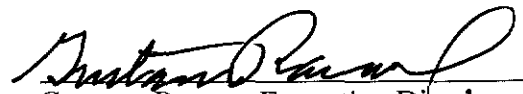


IN WITNESS HEREOF, the parties have executed this Agreement as of the date set forth above.

SKAGIT COUNCIL HOUSING, a Washington nonprofit corporation

By ,
James VanderMey, President

HOUSING AUTHORITY OF SKAGIT COUNTY,
a public body corporate and politic of the State of Washington

By ,
Gustavo Ramos, Executive Director

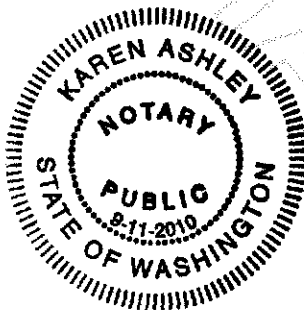
[Signature Page to Regulatory Agreement]



STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this day personally appeared before me James VanderMey, to me known to be the President of SKAGIT COUNCIL HOUSING, a Washington nonprofit corporation, the entity that executed the within instrument and acknowledged the said instrument to be the free and voluntary act and deed of said entity for the uses and purposes therein mentioned and on oath stated that he was authorized to execute the same.

Dated this 25TH day of JUNE 2010.



Karen Ashley
(Signature of Notary)

KAREN ASHLEY

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
residing at SEDRO-WOLLEY

My appointment expires 9/11/2010



201006250087
Skagit County Auditor

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this day personally appeared before me Gustavo Ramos, to me known to be the Executive Director of the HOUSING AUTHORITY OF SKAGIT COUNTY, a public body corporate and politic of the State of Washington, the entity that executed the within instrument and acknowledged the said instrument to be the free and voluntary act and deed of said entity for the uses and purposes therein mentioned and on oath stated that he was authorized to execute the same.

Dated this 21 day of June, 2010.



Hermelinda Sierra
(Signature of Notary)

HERMELINDA SIERRA
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
residing

at Skagit County
My appointment expires 10/01/2012



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Skagit County Auditor

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Exhibit "D"

**Skagit Council Housing Parcel P-25034
After Boundary Line Adjustment**

Tract 4, Short Plat No. MV-17-81, approved September 16, 1981, and recorded in Volume 5 of Short Plats, page 128, under Auditor's File No. 8109160029, being a portion of the Northwest 1/4 of the Northwest 1/4 of Section 16, Township 34 North, Range 4 East, W.M.

TOGETHER WITH that portion of the Northwest 1/4 of the Northwest 1/4 of Section 16, Township 34 North, Range 4 East, W.M., described as follows:

Commencing at the Southwest corner of said Northwest 1/4 of the Northwest 1/4 thence North 0°01'51" West along the West line of said subdivision for a distance of 495.01 feet;
thence South 89°35'09" East parallel with the South line of said Northwest 1/4 of the Northwest 1/4 for a distance of 30.00 feet, more or less, to the Easterly right-of-way margin of LaVenture Road, being the Northwest corner of that certain Parcel "A" conveyed to Richard and Deborah Thurman, husband and wife, by Statutory Warranty Deed recorded under Skagit County Auditor's File No. 9003150088;
thence continue South 89°35'09" East along the North line of said Parcel "A" of the Thurman Tract for a distance of 869.50 feet, more or less, to the Southwest corner of Tract 4, City of Mount Vernon Short Plat No. MV-17-81, approved September 16, 1981, and recorded September 16, 1981 in Volume 5 of Short Plats, page 128 under Auditor's File No. 8109160029 and being the TRUE POINT OF BEGINNING;
thence continue South 89°35'09" East along the North line of said Thurman Tract, also being the South line of said Tract 4, City of Mount Vernon Short Plat No. MV-17-81, for a distance of 413.49 feet, more or less, to the East line of said Northwest 1/4 of the Northwest 1/4, being the Northeast corner of said Thurman Tract and the Southeast corner of said Tract 4, City of Mount Vernon Short Plat No. MV-17-81;
thence South 0°04'45" West along the East line of said Northwest 1/4 of the Northwest 1/4, also being the East line of said Thurman Tract for a distance of 165.00 feet, to the Southeast corner of said Thurman Tract;
thence North 89°35'09" West along the South line of said Thurman Tract for a distance of 413.17 feet, more or less, to a point bearing South 0°01'51" East from the TRUE POINT OF BEGINNING;
thence North 0°01'51" West parallel with the West line of said Northwest 1/4 of the Northwest 1/4 for a distance of 165.00 feet, more or less, to the TRUE POINT OF BEGINNING.

SUBJECT TO and TOGETHER WITH a non-exclusive mutually beneficial easement for ingress, egress and utilities over, under and across the West 50.00 feet (as measured perpendicular to the West line) of the above-described tract reserved by the grantor.



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AND ALSO SUBJECT TO and TOGETHER WITH easements, reservations, restrictions, covenants, liens, leases, court causes and other instruments of record.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

Containing 132,259 sq. ft.



5-21-16



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