

EXHIBIT C

Form of Homebuyer Disclosure Statement

DISCLOSURE STATEMENT

THERE ARE RESTRICTIONS ON THE SALE OF THE PROPERTY I AM BUYING. THIS PROPERTY MAY BE SOLD ONLY TO A "QUALIFIED PURCHASER" AT AN "AFFORDABLE HOUSING COST".

This means that for a period of twenty years beginning upon the date that I purchase the property, I may not sell it for market value to whomever I like. I may only sell the property to a buyer certified by the City of Healdsburg ("City") as a Qualified Purchaser whose household income is less than or equal to Moderate Income at a maximum price ("Maximum Resale Price") equal to the greater of: (a) a price established by the City which will make the home available for purchase at Affordable Housing Cost to households of Moderate Income, or (b) the Maximum Initial Sale Price for the home increased by a factor equal to the percentage by which the Consumer Price Index - All Urban Consumers published by the U.S. Bureau of Labor Statistics for the statistical area including the City of Santa Rosa, California (or the San Francisco - Oakland - San Jose statistical area if no such statistic is published for the Santa Rosa area) has increased during the period commencing on the date of close of escrow for the initial sale of the home and ending on the prospective sale date.

If I sell the property prior to the expiration of such twenty-year period to a purchaser who is not a Qualified Purchaser or otherwise in violation of the Regulatory Agreement ("Regulatory Agreement") executed by and between the City and Foss Creek Villas, LLC, a California limited liability company or the Resale Agreement to which the City and I are parties ("Resale Agreement"), the City shall be entitled to receive the amount of the sale price which exceeds the Maximum Resale Price less (i) reasonable costs of sale and (ii) the cost of capital improvements I have made to the Property which are documented to the reasonable satisfaction of the City.

In addition, I understand that I must give the City at least thirty (30) days prior written notice before any proposed sale, transfer, conveyance, new encumbrance or other disposition of the property during the period after initial purchase of the home and ending the day after the twentieth anniversary of the date the home was initially sold.

In addition, I must live in the property as my principal residence. No renting is permitted.

Buyer Initials

Buyer Initials

RECORDING REQUESTED BY,
MAIL TAX STATEMENTS TO
AND WHEN RECORDED MAIL TO:

City of Healdsburg
City Clerk
401 Grove Street
Healdsburg, CA 95448

EXHIBIT D

Space above this line reserved for use by Recorder's Office

Exempt from recording fee (Govt. Code §§ 6103 and 27383)

APN: 089-250-____

RESALE RESTRICTION AGREEMENT

**NOTICE TO BUYER:
THERE ARE RESTRICTIONS ON THE SALE OF THIS PROPERTY**

This Resale Restriction Agreement (hereinafter "**Agreement**") is entered into as of _____, 2007, by and between the City of Healdsburg, a California municipal corporation (hereinafter "**City**") and _____, [choose: a married couple, an individual, individuals](hereinafter "**Owner**") regarding certain improved real property located at _____ Healdsburg, California and further described in Exhibit A (hereinafter "**Property**").

RECITALS

WHEREAS, to further its goal of creating affordable home ownership opportunities for moderate income persons and households, the City has restricted the sale of some homes at a price below market rate through its Inclusionary Housing Program (the "**Program**"); and

WHEREAS, owner is an eligible moderate income purchaser under the Program, intends to live in the Property as an owner occupant, and agrees to maintain the Property as Owner's principal residence; and

WHEREAS, in order to maintain and preserve the Property as affordable housing, it is necessary to restrict the use and resale of the Property through imposition of the occupancy and resale restrictions set forth herein. These restrictions are intended to prevent initial and subsequent purchasers from using the Property for purposes incompatible with the Program and realizing unwarranted gains from sales of the Property at unrestricted prices. The terms and conditions of this Agreement are intended to provide the necessary occupancy and resale restrictions to ensure that the Property is used and maintained as housing affordable to eligible moderate income purchasers; and

WHEREAS, the Property constitutes a valuable community resource by providing decent, safe, and sanitary housing to persons and households of moderate income who otherwise would be unable to afford such housing. To protect and preserve this resource it is necessary, proper, and in the public interest for the City to administer the occupancy and resale controls consistent with the Program by means of this Agreement.

Resale Restriction Agreement
City of Healdsburg

NOW THEREFORE, in consideration of substantial economic benefits received by the Owner and the public purposes served by the Program, Owner and City agree as follows:

1. Definitions.

- a. "Appraiser" means a licensed real estate appraiser who is certified in California.
- b. "Default Events" shall include but not be limited to the following:
 - (i) Failure to use the Property as Owner's Principal Residence;
 - (ii) Sale, conveyance, or other transfer of the Property (including a foreclosure sale), if the remaining ownership interest of the Owner in the Property is less than fifty percent (50%).
 - (iii) A default occurs under the terms of a deed of trust and said default shall not be cured within sixty (60) days following the recordation of notice of default by the trustee under that deed of trust.
- c. "Eligible Homebuyer" or "Eligible Household" means a homebuyer who is purchasing a home in the City of Healdsburg whose income does not exceed one hundred twenty percent (120%) of the median income of the region established and published annually by the State Department of Housing and Community Development ("HCD") for the County of Sonoma.
- d. "Owner" means any person(s) who executes this Agreement and all documents related hereto.
- e. "Program" means the City of Healdsburg's Inclusionary Housing Program.
- f. "Property," means the real property commonly known and described as _____, Healdsburg, California, which will be the Principal Residence of the Owner.
- g. "Principal Residence," means the place where the Owner resides on a substantially full-time basis, defined as not less than ten (10) months per year.

2. Below-Market Unit. The Property is hereby designated as a Below-Market Rate ("BMR") unit and shall be subject to the terms and conditions herein set forth. This Agreement runs with the Principal Residence and is binding on the parties hereto and their successors and assigns and on all purchasers of the Principal Residence for that period of time the BMR unit is in place and being used either wholly or partially for residential purposes.

3. Program Requirements.

- a. Affordability Restrictions. Owner, by and for itself and any successors in interest, hereby covenants and agrees that the Property shall be sold only to Eligible Homebuyers or Eligible Households and that during the term of this Agreement all of the requirements, restrictions and covenants of this Agreement shall apply.

b. Eligible Household. There shall be no sale or other transfer of the Property without certification by the City that the transferee is an Eligible Homebuyer or Eligible Household and that the Property is being transferred at a price not to exceed an "Affordable Housing Cost," which is defined as being affordable to a family whose total income does not exceed one hundred twenty percent (120%) of median income of the region established and published annually by the State Department of Housing and Community Development ("HCD") for the County of Sonoma, and the total debt incurred by the Eligible Homebuyer or Eligible Household, including mortgage payments, property taxes, insurance, and other property related expenses, does not exceed 30% of the family gross income. Any sale or other transfer of the Property in violation of this covenant is void.

c. Principal Residence Requirement. Owner shall occupy the Property as his/her/their Principal Residence for the duration of his/her/their ownership. Without limiting the generality of the foregoing, any absence from the Property by Owner for a period of ninety (90) or more days shall be deemed an abandonment of the Property as the principal residence of Owner in violation of the conditions of this Section. Upon request by the City made from time to time, the Owner of the Property shall submit an affidavit to the City certifying that the Property is the Owner's principal residence and provide such documents and other evidence as may be requested to verify Owner's compliance with this requirement.

d. Re-Sale Restriction. There shall be no sale or other transfer of the Property without the certification by the City that the transferee is an Eligible Homebuyer or Eligible Household and that the Property is being transferred at a price not to exceed an Affordable Housing Cost. Any sale or other transfer of the Property in violation of this covenant shall be void.

e. 30-Year Fixed Rate Mortgage. Owner shall permit no mortgage or other loan other than the following: (i) an initial 30-year fixed rate conventional mortgage loan used to pay for acquisition of the Property by Owner, to be secured by the Property; (ii) a 5-1 ARM with acceptable loan caps; and (iii) any California Housing Finance Agency ("CalHFA") product.

4. Sale or Transfer of Property.

a. Notice of Intent to Transfer. If Owner desires to sell, convey, transfer, lease, encumber or otherwise dispose of the Property ("Proposed Disposition") or of any estate or interest therein (other than pursuant to Sections 7 and 8 below), Owner shall notify City in writing to that effect no less than 30 days prior to the date of the Proposed Disposition (the "Notice of Intent to Transfer"). The Notice of Intent to Transfer shall state the street address of the Property, Owner's full name or names, the address and telephone number at which Owner shall be contacted if not at the Property, and shall be delivered personally or deposited in the United States mail, postage prepaid, certified-return receipt requested, addressed to the City of Healdsburg, 401 Grove Street, Healdsburg, California 95448, Attn: Planning Director. The Notice of Intent to Transfer shall be in substantially the form attached hereto as Exhibit B. In the case of a Proposed Disposition of the Property to a prospective purchaser, the Owner shall submit to the City, together with the Notice of Intent to Transfer, a copy of the prospective purchaser's income certification, a list of all assets owned by the prospective purchaser, and other financial information reasonably requested by City, in a form approved by the City, along with the income certification to be provided to any lender making a loan to the prospective purchaser. City may require documentation evidencing and supporting any financial information contained in the certification.

b. Notice of Consent to Transfer. City may give its consent to a Proposed Disposition or of any estate or interest therein ("Consent to Transfer"). If the Proposed Disposition involves a sale of the Property to a prospective purchaser, City's consent shall be conditioned upon (i) the proposed purchaser's qualification as an Eligible Household; (ii) the sale of the Property at a price not to exceed the Affordable Housing Price; (iii) the proposed purchaser's execution of a Disclosure Statement in the form attached hereto as Exhibit C or such other form or forms as may be promulgated by City; and (iv) the proposed purchaser's assumption of Owner's duties and obligations under this Agreement pursuant to a written assumption agreement in a form acceptable to City, or execution of an agreement substantially similar to this Agreement, within thirty (30) days after the Consent to Transfer has been delivered to Owner and recordation of such assumption agreement or substitute agreement. If the prospective purchaser (i) fails to qualify as an Eligible Household, (ii) fails to execute and deliver the Disclosure Statement to the City, (iii) fails to execute a Disclosure Statement as attached hereto as Exhibit C, (iv) or fails to execute and deliver to the City an assumption agreement or an agreement substantially similar to this Agreement within such thirty (30) day period, then the Consent to Transfer shall expire and City may notify Owner of the disqualification, thereby entitling Owner to locate another purchaser who qualifies as Eligible Household.

c. Time Period for Notice. City shall deliver a Consent to Transfer, if applicable, or a written objection to the Proposed Disposition, not later than thirty (30) days after the date that it receives a Notice of Intent to Transfer. City shall be deemed to have received notification in accordance with the notification provisions of Section 13, below. If there is a stay or injunction imposed by court order precluding City from delivering its Consent to Transfer within the applicable time period, then the running of such period shall cease until such time as the stay is lifted or the injunction is dissolved and City has been given written notice thereof, at which time the period for delivery of a Consent to Transfer shall again begin to run.

d. Liquidated Damages. In the event no qualified owner is found willing and able to purchase the Property, City shall retain or recover from Owner all monies received by Owner as a result of a sale of the Property to an unqualified household less the amount, if any, due and payable to a qualified mortgagor pursuant to Section 3 above ("Surplus"), as its property without any deduction, offset or recoupment whatsoever. If Owner should sell the residence at market rate to an Owner who shall receive title free and clear of the provisions of this Agreement, then the damages suffered by the City by reason thereof would be uncertain. Such damages would involve the replacement costs for another affordable unit, and the failure of City to affect its purposes and objectives within a reasonable time, resulting in additional immeasurable damage and loss to City and the community. It is impractical and extremely difficult to fix the amount of such damages to City, but the Parties are of the opinion, upon the basis of all information available to them, that such damages would exceed the amount of any projected surplus as the total of all liquidated damages and not as a penalty. In the event this section should be held to be void for any reason by a court of law, City shall be entitled to seek the full extent of damages otherwise provided by law.

Owner and City specifically acknowledge this liquidated damages provision by their signatures here:

City: _____

Owner: _____

5. Inspection of Property. After receiving a Notice of Intent to transfer or delivering a Notice of Exercise, City shall be entitled to have its agent(s) or designee(s) inspect the Property one or more times prior to the close of escrow to determine the amount of the Affordable Housing Price. Before inspecting the Property, City shall give Owner not less than forty-eight (48) hours written notice of the date, time and expected duration of the inspection. The inspection shall be conducted between the hours of 9:00 a.m. and 5:00 p.m., Monday through Friday, excluding city holidays, unless the parties mutually agree in writing to another date and time. Owner shall make the Property available for inspection on the date and at the time specified in the City's request for inspection.

6. Voidable Transfers. Any actual or attempted sale, conveyance, transfer or other disposition of the Property or of any estate or interest therein, in violation of the terms and conditions of this Agreement, shall be voidable at the election of the City.

7. Permitted Transfers. The following transfers ("**Permitted Transfers**") of title to the Property, or of any estate or interest therein, shall not be subject to the City's prior approval, and shall not be considered Default Events: (a) a good-faith transfer by gift, devise or inheritance to Owner's spouse or issue; (b) a taking of title by a surviving joint tenant; (c) a court-ordered transfer of title to a spouse as part of a divorce or dissolution proceeding; (d) a transfer by Owner into an inter vivos trust in which the Owner is a beneficiary and the Owner continues to occupy the Property as his/her primary residence; (e) an acquisition of title, or of any interest therein, in conjunction with marriage; or (f) any good faith transfer to an Eligible Household. Notwithstanding any Permitted Transfers, the restrictions and covenants set forth herein shall remain effective with respect to the Property.

8. Permitted Encumbrances and Refinances. Owner shall not be deemed to have violated any of the restrictions or covenants in, nor be in breach of, this Agreement as the result of Owner's encumbering the Property for the purpose of securing financing to purchase the Property pursuant to the Program, or to refinance existing indebtedness incurred to purchase the Property pursuant to the Program. The maximum amount (the "**Permitted Encumbrance Amount**") of any refinancing permitted by this section shall not exceed an amount equal to ninety percent (90%) of the appraised value of the Property as determined by an Appraiser selected or approved by the City. The cost of an appraisal shall be borne by the Owner.

9. Refinancing; Junior Loans.

a. Initial Financing. Any refinance of the original financing used to purchase the Property ("**the Initial Financing**") shall not be permitted unless expressly approved by the City in writing, and the City may approve such refinancing only if all of the following conditions are met:

i. the refinance reduces Owner's monthly payments of principal and interest on the Initial Financing or shall be used to finance Eligible Capital Improvements preapproved by the City (as defined in this Section);

ii. the refinance does not cause the Property's loan to value ratio (calculated by comparing the total debt to be secured by the Property to the appraised value of the Property) to exceed the loan to value ratio for the Property at the time of initial purchase by the Owner (calculated by comparing the total original debt secured by the Property to the original purchase price paid by the Owner).

iii. the total outstanding balance of principal and any accrued interest on all loans secured by the Property does not exceed ninety percent (90%) of the appraised value of the Property as determined by an Appraiser selected or approved by the City.

b. Eligible Capital Improvements. The City will approve capital improvements that affect the health and safety of the Property itself or the public generally. To receive such approval, the Owner must submit evidence to the City showing the purpose and accounting of the capital improvements. If the City approves the capital improvements they become "Eligible Capital Improvements."

c. Affordable Housing Cost; Subordination. City and Owner agree that the requirements of this Section are necessary to ensure the continued affordability of the Property to Owner and to minimize the risk of loss of the Property by Owner through default and foreclosure of mortgage loans. Owner further acknowledges that violation of the provisions of this Section shall constitute a Default under this Agreement. Any subordination agreement to be executed by City shall include notice and cure rights for City regarding any defaults in the mortgage to which the City is subordinating.

10. Limits on Liability. In no event shall the City become liable or obligated in any manner to Owner by reason of this Agreement, nor shall City be in any way liable or obligated to Owner for any failure of a prospective purchaser to consummate a purchase of the Property or to comply with the terms of this Agreement, or any escrow instructions or agreement for the purchase of the Property.

11. Effective Date. The rights and obligations of the City and Owner set forth in this Agreement shall be effective as of the Effective Date.

12. Term of Restrictions and Covenants. The restrictions and covenants contained herein shall continue for a period of twenty (20) years commencing on the Effective Date.

13. Notices. Except as otherwise specified in this Agreement, all notices to be sent pursuant to this Agreement shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other Party in accordance with this Section. All such notices shall be sent by:

a. personal delivery, in which case notice shall be deemed delivered upon receipt;

b. certified or registered mail, return receipt requested, in which case notice shall be deemed delivered two (2) business days after deposit, postage prepaid in the United States mail;

c. nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) day after deposit with such courier; or

d. facsimile transmission, in which case notice shall be deemed delivered on transmittal, provided that a transmission report is generated reflecting the accurate transmission thereof.

City: City of Healdsburg,
401 Grove Street
Healdsburg, California 95448
Attn: Planning Director

Owner: [Name(s)]
At the address of the Property

14. Remedies Upon Breach.

a. Specific Performance. Owner acknowledges that any breach in the performance of its obligations under this Agreement shall cause irreparable harm to the City. Owner agrees that the City is entitled to equitable relief in the form of specific performance, and that an award of damages shall not be adequate to compensate the City for Owner's failure to perform according to the terms of this Agreement.

b. Other Remedies. City shall have all of the remedies provided for at law or equity.

15. General Provisions.

a. Attorneys' Fees. If either party initiates legal proceedings to interpret or enforce its rights under this Agreement, the prevailing party in such action shall be entitled to an award of reasonable attorneys' fees and costs in additions to any other recovery to which it is entitled under this Agreement.

b. No Joint Venture; No Third-Party Beneficiary. No joint venture or other partnership exists or is created between the Parties by virtue of this Agreement. Except as expressly stated herein, this Agreement does not benefit any third party.

c. Successors; Assignment. This Agreement shall inure to the benefit of and shall be binding upon the Parties to this Agreement and their respective heirs, executors, administrators, successors and assigns. City shall have the right to assign all of its rights and obligations under this Agreement without the consent of Owner.

d. Entire Agreement; Amendment. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof, and supersedes any and all other prior negotiations, correspondence, understandings and agreements with respect thereto. There are no representations, promises, agreements or other understandings between the Parties relating to the subject matter of this Agreement that are not expressed herein. This Agreement may be modified only by an instrument in writing executed by the Parties or their respective successors in interest.

e. Survival; No Merger. All of the terms, provisions, representations, warranties and covenants of the Parties under this Agreement shall survive the close of escrow of any sale of the Property and shall not be merged in any deed transferring the Property.

f. Authority and Execution. Each Party represents and warrants that it has full power and authority to enter into this Agreement and to undertake all of its obligations hereunder, that each person executing this Agreement on its behalf is duly and validly authorized to do so.

g. Severability. The invalidity or unenforceability of any term or provision of this Agreement shall not impair or affect the remainder of this Agreement, and the remaining terms and provisions hereof shall not be invalidated but shall remain in full force and effect.

h. Waiver; Modification. No waiver or modification of this Agreement or any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the Party to be charged therewith. No evidence or any waiver or modification shall be offered or received in evidence in any proceeding, arbitration, or litigation between the Parties arising out of or affecting this Agreement or the rights or obligations of any Party hereunder, unless such waiver or modification is in writing and duly executed as aforesaid. The provisions of this section may not be waived except as herein set forth. A waiver or breach of any covenant, condition or provision of this Agreement shall not be deemed a waiver of any other covenant, condition or provision hereof.

i. Construction. The section headings and captions used in this Agreement are for convenience of reference only and shall not modify, define, limit or amplify any of the terms or provisions hereof. This Agreement shall not be construed as if it had been prepared by one of the Parties, but rather as if both Parties have prepared it.

j. Governing Law. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of California. Any action or other proceeding initiated by either party or any party claiming an interest in the Property to enforce, interpret or otherwise arising out of, this Agreement shall be brought in the Superior Court of the State of California, in Sonoma County.

k. Time of the Essence. Time is of the essence in this Agreement as to each provision in which time is an element of performance.

l. Further Assurances. Each Party will, upon reasonable request of the other Party, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such further instruments and documents as may be reasonably necessary in order to fulfill the intents and purposes of this Agreement.

m. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first set forth above.

CITY of HEALDSBURG, a municipal corporation

OWNER(S), [an individual/a married couple]:

by: _____
City Manager

ATTEST:

By: _____
City Clerk

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)
COUNTY OF SONOMA)

On _____, before me, _____, a Notary Public in and for said county and state, personally appeared _____ personally known to me (or 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.

WITNESS my hand and official seal.

Signature _____

(Seal)

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)
COUNTY OF SONOMA)

On _____, before me, _____, a Notary Public in and for said county and state, personally appeared _____ personally known to me (or 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.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A TO RESALE RESTRICTION AGREEMENT

LEGAL DESCRIPTION

[To be inserted]

EXHIBIT B TO RESALE RESTICTION AGREEMENT

FORM OF NOTICE OF INTENT TO TRANSFER

VIA CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: City of Healdsburg
401 Grove Street
Healdsburg, CA 95448
Attn:

Date: _____

Re: Notice of intent to Transfer

Pursuant to the Resale Restriction Agreement dated _____, the undersigned Owner(s) _____, hereby give(s) notice of his/her/their intent to transfer the property located at _____, Healdsburg, California (the "Property"). Owner may be contacted at the Property or at the following address:

Owner's daytime telephone number is () _____

If applicable: The proposed transfer of the Property is to the following person(s):

Name: _____

Address: _____

Telephone: () _____

The proposed transfer is (check one):

Sale _____

Other _____ (Specify: _____)

Owner(s) signature(s):

EXHIBIT C TO RESALE RESTRICTION AGREEMENT

FORM OF DISCLOSURE STATEMENT

THERE ARE RESTRICTIONS ON THE SALE OF THE PROPERTY YOU ARE BUYING. THIS PROPERTY MAY ONLY BE SOLD TO AN "ELIGIBLE HOMEBUYER" OR "ELIGIBLE HOUSEHOLD" AT A PRICE NOT TO EXCEED AN "AFFORDABLE HOUSING COST" AS DETERMINED BY THE CITY OF HEALDSBURG.

THIS MEANS THAT YOU MAY NOT SELL THE PROPERTY FOR MARKET VALUE TO WHOMEVER YOU LIKE.

THESE RESTRICTIONS WILL BE IN EFFECT UNTIL _____. ANY SALE OF THE PROPERTY IN VIOLATION OF THE RESTRICTIONS, SHALL BE VOIDABLE AT THE ELECTION OF THE CITY.

TO DETERMINE WHO IS AN "ELIGIBLE HOMEBUYER" OR "ELIGIBLE HOUSEHOLD IS, AND WHAT THE AN AFFORDABLE HOUSING COST IS, YOU SHOULD CONTACT THE _____ OF THE CITY OF HEALDSBURG.

YOU SHOULD READ THE RESALE RESTRICTION AGREEMENT RECORDED AGAINST THE PROPERTY. YOU MAY OBTAIN A COPY FROM THE CITY OF HEALDSBURG OR FROM THE ESCROW COMPANY.

I HAVE READ THE FOREGOING AND I UNDERSTAND WHAT IT MEANS.

By:
Buyer

By:
Buyer