



CITY OF KIRKLAND

Department of Planning and Community Development
123 Fifth Avenue, Kirkland, WA 98033 425-587-3225
www.ci.kirkland.wa.us

MEMORANDUM

To: Kurt Triplett, City Manager

From: Dawn Nelson, Planning Supervisor

Date: January 3, 2012

Subject: BAYSHORE VISTA, LLC APPLICATION FOR CONDITIONAL CERTIFICATE FOR MULTIFAMILY PROPERTY TAX EXEMPTION, FILE MIS11-00024

RECOMMENDATION

Staff recommends that the City Council approve the enclosed resolution authorizing the Planning Director to:

- Enter into the contract included as Exhibit A with Bayshore Vista, LLC for a potential multifamily housing property tax exemption; and
- Issue a conditional certificate of acceptance of tax exemption.

BACKGROUND DISCUSSION

Chapter 5.88 KMC allows a multifamily housing property tax exemption for new multifamily residential improvements if the prescribed affordable housing is provided. In exchange for a twelve year exemption from property taxes on the value of the new improvements, 20% of the multifamily units on the property are required to be affordable. The prescribed affordability levels for rental projects in this situation are:

- 10% of the units at 50% of King County median income; and
- 10% of the units at 80% of King County median income.

The affordability provisions are required to remain in place for the life of the project and are secured by the agreement attached to the resolution.

The Bayshore Apartments project includes construction of a new 6-unit apartment building at 11615 91st Lane NE in the Juanita neighborhood (see Attachment 1). The property already contains a 14-unit apartment building (see Attachment 2). When the new building is complete, the property will contain a total of 20 residential units, including a mix of one- and two-bedroom apartments. The proposed affordable units are two one-bedroom units and two two-

bedroom units, all in the existing building (see Attachment 3). Three of the units will be affordable at 50% of King County median income and one of the units will be affordable at 60% of King County median income.

The process for approving a multifamily housing property tax exemption includes the following steps:

- Review and approval of application for conditional certificate for tax exemption by the Planning Director – *completed on December 23, 2011*
- Approval of resolution to enter into contract with City – *action by City Council scheduled for January 17, 2012*

Actions to occur following approval of the resolution:

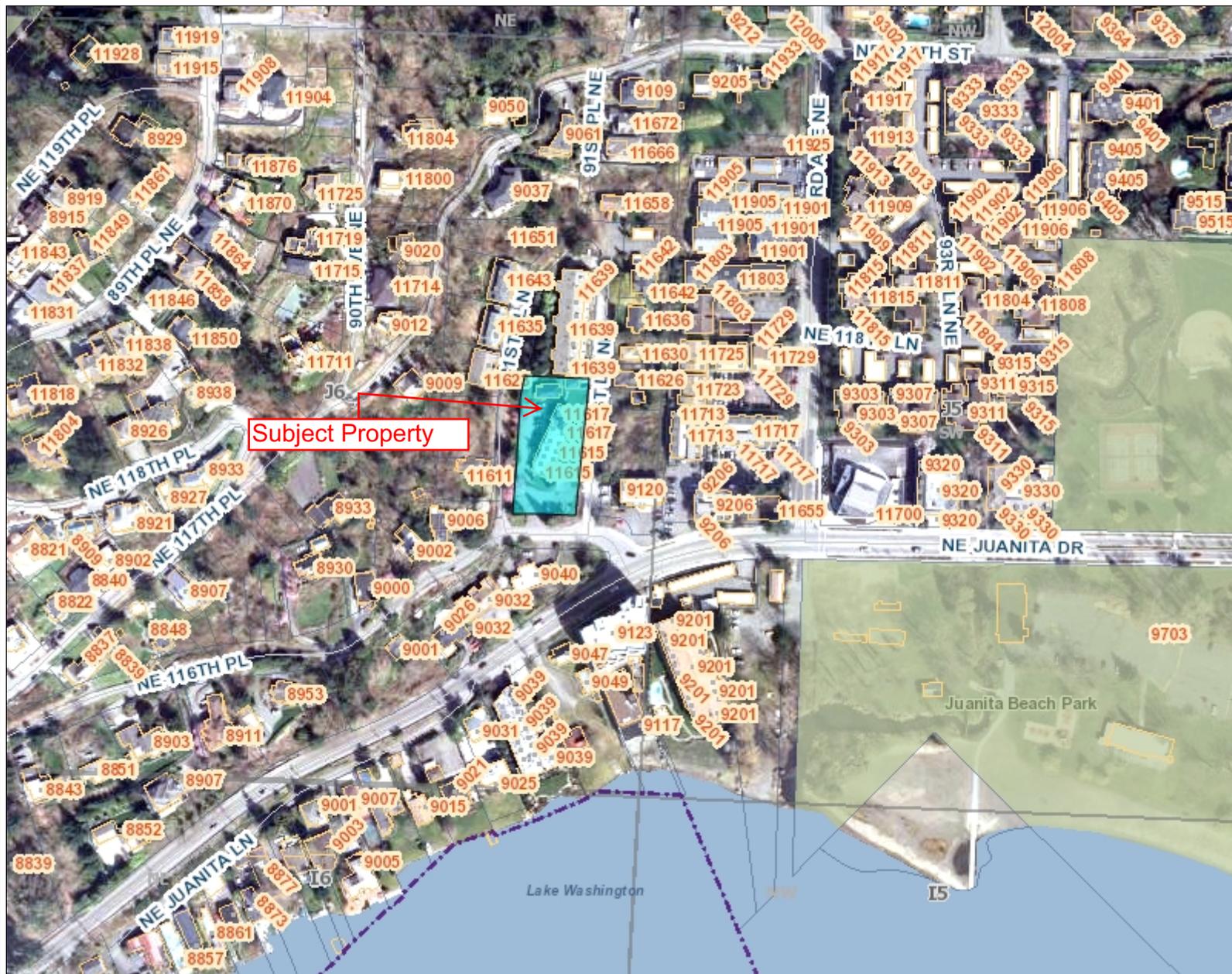
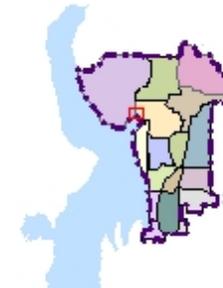
- Execution of contract and issuance of conditional certificate of acceptance of tax exemption
- Recording of covenant that addresses long term affordability requirements (Exhibit D to contract)
- Completion of construction as provided in the contract within three years and issuance of a Certificate of Occupancy
- Submittal of request for final certificate for tax exemption and review by Planning Director
- Filing of final certificate of tax exemption with the King County Assessor
- Submittal of annual certification of compliance by property owner

ATTACHMENTS

1. Vicinity Map
2. Bayshore Apartments Site Plan
3. Bayshore Apartments Existing Floor Plans and Designation of Affordable Units



BAYSHORE APARTMENTS VICINITY MAP



Legend

- Address
 - City Limits
 - Grid
 - QQ Grid
 - Streets
 - Parcels
 - Buildings
 - Lakes
 - Parks
 - Schools
- z_Image09
- Red: Band_1
 - Green: Band_2
 - Blue: Band_3

0.1 0 0.05 0.10 Miles

NAD_1983_StatePlane_Washington_North_FIPS_4601_Feet
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No warranties of any sort, including but not limited to accuracy, fitness or merchantability, accompany this product.

THIS MAP IS NOT TO BE USED FOR NAVIGATION

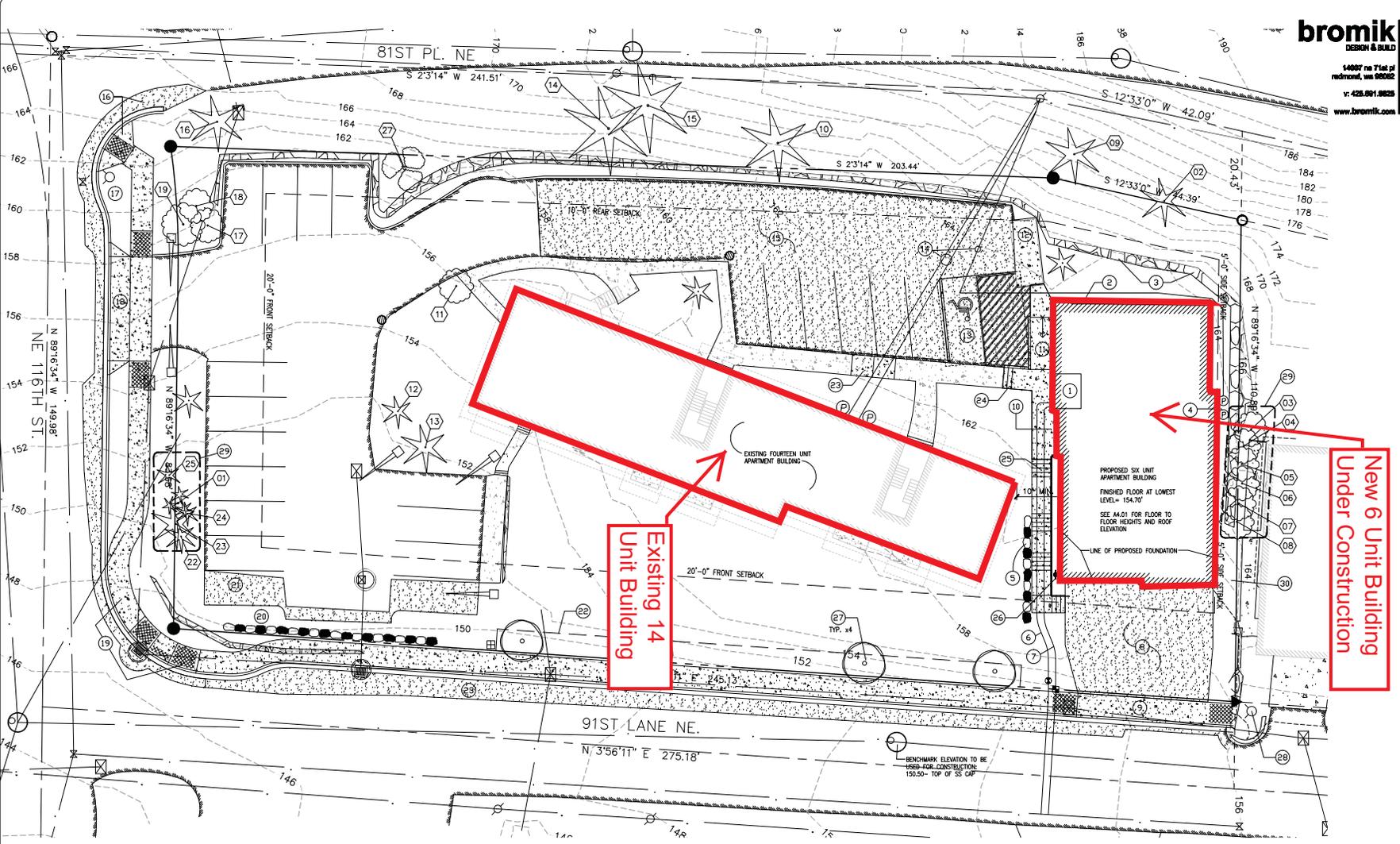
Notes

Vicinity Map

1:3,109



ATTACHMENT 1
BAYSHORE VISTA LLC



Bromik
Bayshore View Apartments
11615 - 91st Ln NE
Kirkland, WA 98034

**New 6 Unit Building
Under Construction**

**Existing 14
Unit Building**

REVISIONS:

CONTRACTOR SHALL VERIFY AND CORRECT THE DIMENSIONS AND LOCATIONS OF ALL UTILITIES PRIOR TO PROCEEDING WITH THE WORK AND SHALL NOTIFY THE PROJECT OF ANY DISCREPANCIES OR VARIATIONS FROM CONTRACTOR'S SURVEY. DO NOT SCALE DRAWINGS. THESE DRAWINGS ARE THE PROPERTY OF RHODES ARCHITECTURE. ALL DIMENSIONS, LOCATIONS AND OTHER INFORMATION ON THE DRAWINGS ARE FOR USE ON THE SPECIFIC PROJECT ONLY, AND SHALL NOT BE USED OTHERWISE WITHOUT THE EXPRESS WRITTEN PERMISSION OF RHODES ARCHITECTURE. ARCHITECT ACCEPTS NO LIABILITY AND SHALL BE HELD HARMLESS FROM ANY RESPONSIBILITY FOR DAMAGES RESULTING FROM REVISIONS, CHANGES OR APPROVALS TO THESE DRAWINGS.

1 ARCHITECTURAL SITE PLAN
AT 02 3/32" = 1'-0"

SHEETS:
DRAWN BY: **MJB** DATE: **9/10/11**
PROJECT NO.: **11-002**
FILE NAME:

**ARCHITECTURAL
SITE PLAN**

SHEET NO: **A1.02**

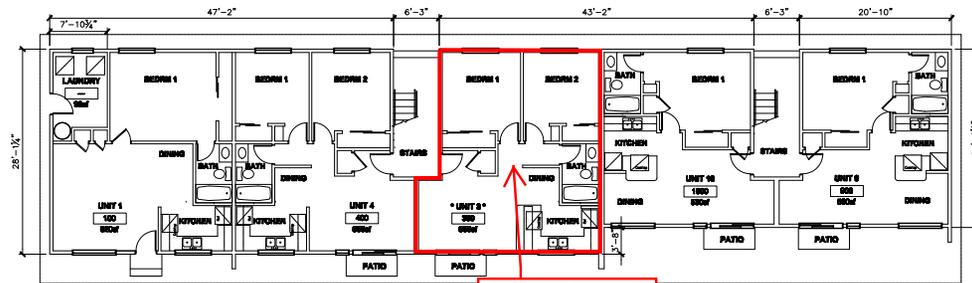
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- SYMBOLS**
REFERENCED FROM SURVEY
- UTILITY POLE
 - ⊕ GUY WIRE
 - ⊗ FIRE HYDRANT
 - ⊕ WATER VALVE
 - ⊕ WATER METER
 - ⊕ POWER METER
 - ⊕ TELEPHONE VAULT
 - ⊕ LIGHT POLE
 - 12" DRAIN

****SEE COVER SHEET FOR SITE PLAN CALCULATIONS****
NOTES:

- 1 LOCATION OF RISER ROOM AT LOWER LEVEL (SEE A2.01). FIRE SPRINKLER AND DOMESTIC WATER LINES TO BE BROUGHT TO THIS ROOM.
- 2 LINE OF MAT FOUNDATION WALL DRAIN- SEE 1/C2.2 FOR DETAIL. SEE ALSO GEOTECHNICAL REPORT.
- 3 EXISTING ROCKERY AND TOE OF SLOPE TO REMAIN UNDISTURBED.
- 4 LOCATION OF POWER METERS FOR PROPOSED BUILDING. POWER LINES TO BE ROUTED UNDERGROUND TO EXISTING AND PROPOSED STRUCTURES.
- 5 PROPOSED ROCKERY- SEE DETAIL 2/C3.3.
- 6 FIRE SERVICE WATER LINE, INCLUDE POST INDICATOR VALVE. SERVICE LINE TO BE 4" PER SPRINK FIRE SYSTEMS.
- 7 DOMESTIC WATER LINE. INCLUDE WATER METER PER NORTHSHORE UTILITY DISTRICT REQUIREMENTS.
- 8 PERMEABLE ASPHALT DRIVEWAY. SEE CIVIL DRAWINGS FOR GRADING AND DETAILS.
- 9 PROPOSED CONCRETE CURB CUT PER COK STANDARDS. SEE CIVIL DRAWINGS FOR DETAILS AND DIMENSIONS. MAX 30" WIDE.
- 10 CONCRETE SLAB/SIDEWALK ELEVATION AT THIS LEVEL TO BE 163.00 TO MEET 1:12 RAMP AT PARKING LOT AND AT BUILDING TO FIRST FLOOR.
- 11 ADA ACCESS RAMP TO BE 1:12. BOTTOM ELEVATION= 163.00; TOP ELEVATION= 164.00 AT PARKING LOT. INCLUDE GRAB RAIL ON BOTH SIDES OF RAMP.
- 12 CONCRETE SLAB FOR TRASH/RECYCLING BINS. PROVIDE WOOD FENCE ENCLOSURE ON THREE SIDES.
- 13 VAN ACCESSIBLE PARKING SPACE; SEE DETAIL 10/A6.01. PROVIDE PREFAB METAL COVER AT THIS SPACE PER IBC CODE.
- 14 RELOCATE EXISTING OVERHEAD POWER LINES TO UNDERGROUND. ROUTE LINES FOR PROPOSED BUILDING UNDERGROUND. SEE PSE GUIDELINES FOR TRENCHING.
- 15 PERMEABLE ASPHALT PAVEMENT. SEE DETAIL 1/C3.3. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
- 16 SIDEWALK AND STREET IMPROVEMENTS PER COK STANDARDS. SEE CIVIL DRAWINGS FOR DETAILS AND DIMENSIONS.
- 17 EXISTING FIRE HYDRANT TO BE RETAINED AT EXISTING LOCATION.
- 18 PROPOSED CONCRETE CURB CUT PER COK STANDARDS. SEE CIVIL DRAWINGS FOR DETAILS AND DIMENSIONS. MAX 30" WIDE.
- 19 SIDEWALK AND STREET IMPROVEMENTS PER COK STANDARDS. SEE CIVIL DRAWINGS FOR DETAILS AND DIMENSIONS.
- 20 PROPOSED ROCKERY- SEE DETAIL 2/C3.3.
- 21 PERMEABLE ASPHALT PAVEMENT EXTENSION TO EXISTING PAVEMENT. SEE DETAIL 1/C3.3. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
- 22 REPRESENTS LINE OF LANDSCAPE EASEMENT FOR STREET TREE REQUIREMENT.
- 23 REPLACE CONCRETE SIDEWALK SECTIONS AS NEEDED FOR UNDERGROUND POWER TRENCH TO EXISTING BUILDING.
- 24 CONCRETE STEPS, TOP ELEVATION= 164.00, BOTTOM ELEVATION= 163.00.
- 25 CONCRETE STAIRWAY AND LANDINGS. PROVIDE 1-1/2" ROUND PIPE HANDRAIL ON ONE SIDE. SEE CIVIL DRAWINGS FOR ELEVATIONS.
- 26 WALL MOUNTED FIRE DEPARTMENT CONNECTION PER COK FIRE DEPARTMENT STANDARDS.
- 27 SIDEWALK STREET TREES PER COK GUIDELINES. TO BE SELECTED FROM COK APPROVED STREET TREE LIST.
- 28 PROVIDE 5" STORTZ FITTING ON EXISTING FIRE HYDRANT.
- 29 OWNER'S ARBORIST TO BE ON SITE FOR ANY ROOT PRUNING.
- 30 5' LANDSCAPE BUFFER ALONG THIS PROPERTY LINE. MAINTAIN THE EXISTING TREES FOR VISUAL BARRIERS. PROVIDE LANDSCAPE GROUND COVER TO COVER A MINIMUM OF 60% GROUND IN TWO YEARS.

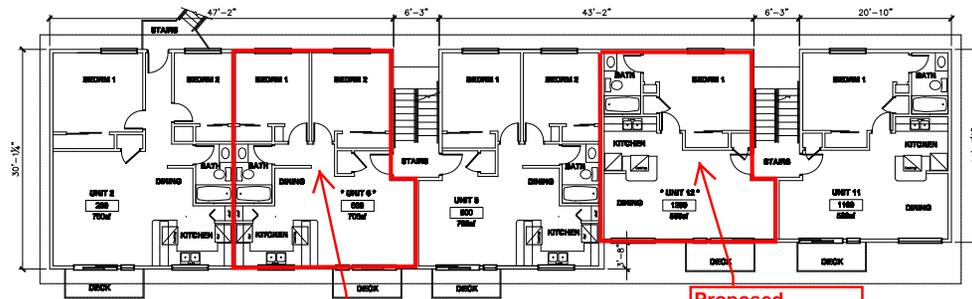
**ATTACHMENT 2
BAYSHORE VISTA LLC**



1 EXISTING BUILDING- FIRST FLOOR PLAN
1/8" = 1'-0"



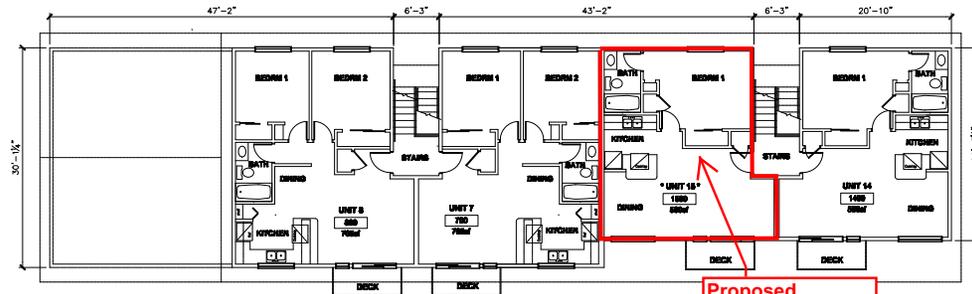
- NOTES:
1. THESE PLANS ARE FOR REFERENCE ONLY, NOT FOR CONSTRUCTION PURPOSES**
 2. THERE ARE 14 TOTAL EXISTING UNITS. THE UNIT NUMBERING SYSTEM SKIPS "13".
 3. (*) REPRESENTS UNITS BEING PROPOSES TO BE USED FOR AFFORDABLE HOUSING REQUIREMENTS.



2 EXISTING BUILDING- SECOND FLOOR PLAN
1/8" = 1'-0"



- NOTES:
1. THESE PLANS ARE FOR REFERENCE ONLY, N
 2. THERE ARE 14 TOTAL EXISTING UNITS. THE UNIT NUMBERING SYSTEM SKIPS "13".
 3. (*) REPRESENTS UNITS BEING PROPOSES TO BE USED FOR AFFORDABLE HOUSING REQUIREMENTS.



3 EXISTING BUILDING- THIRD FLOOR PLAN
1/8" = 1'-0"



- NOTES:
1. THESE PLANS ARE FOR REFERENCE ONLY, NOT FOR CONSTRUCTION PURPOSES**
 2. THERE ARE 14 TOTAL EXISTING UNITS. THE UNIT NUMBERING SYSTEM SKIPS "13".
 3. (*) REPRESENTS UNITS BEING PROPOSES TO BE USED FOR AFFORDABLE HOUSING REQUIREMENTS.

Bromik
Bayshore View Apartments
11615 - 91st Ln NE
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REVISIONS:
▲ CITY COMMENTS

CONTRACTOR SHALL VERIFY AND CORRECT THE DIMENSIONS AND LOCATIONS OF ALL DIMENSIONS PRIOR TO PROCEEDING WITH THE WORK AND SHALL NOTIFY THE PROJECT OF ANY DISCREPANCIES OR VARIATIONS FROM CONDITIONS SHOWN. DO NOT SCALE DRAWINGS. THESE DRAWINGS ARE THE PROPERTY OF RHODES ARCHITECTURE. ALL DIMENSIONS, DESIGN AND OTHER INFORMATION ON THE DRAWINGS ARE FOR USE ON THE SPECIFIC PROJECT ONLY, AND SHALL NOT BE USED OTHERWISE WITHOUT THE EXPRESS WRITTEN PERMISSION OF RHODES ARCHITECTURE. ARCHITECT ACCEPTS NO LIABILITY AND SHALL BE HELD HARMLESS FROM ANY RESPONSIBILITY FOR DAMAGES RESULTING FROM REVISIONS, CHANGES OR APPROVALS TO THESE DRAWINGS.

SHEETS:
DRAWN BY: **MJB** DATE: **9/10/11**
PROJECT NO.: **11-002**
FILE NAME:

EXISTING BUILDING FLOOR PLANS

SHEET NO: **A1.00**

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RESOLUTION R-4907

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND AUTHORIZING THE DIRECTOR OF PLANNING AND COMMUNITY DEVELOPMENT TO ENTER INTO A CONTRACT WITH BAYSHORE VISTA, LLC, REGARDING A POTENTIAL MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION AND APPROVING THE ISSUANCE OF A CONDITIONAL CERTIFICATE OF TAX EXEMPTION

WHEREAS, Bayshore Vista, LLC, has applied for a limited property tax exemption as provided for in Chapter 84.14 RCW and Chapter 5.88 KMC for multifamily residential rental housing ("Multifamily Housing") in the Juanita Target Area, and the Director of Planning and Community Development has approved the application; and

WHEREAS, Bayshore Vista has submitted to the City preliminarily site plans and floor plans for new Multifamily Housing to be constructed as part of a twenty (20) unit multifamily residential property situated at 11615 91st Lane NE in Kirkland, Washington; and

WHEREAS, the Director has determined the multifamily housing will, if completed, occupied, and owned as proposed, satisfy the requirements for a Final Certificate of Tax Exemption,

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. The Director of the Department of Planning and Community Development is hereby authorized and directed to execute on behalf of the City of Kirkland, an agreement substantially similar to that attached as Exhibit "A", which is entitled "Multifamily Housing Limited Property Tax Exemption Agreement" and thereafter issue a Conditional Certificate of Acceptance of Tax Exemption

Passed by majority vote of the Kirkland City Council in open meeting this ____ day of _____, 2012.

Signed in authentication thereof this ____ day of _____, 2012

MAYOR

Attest:

City Clerk

MULTIFAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION AGREEMENT

THIS AGREEMENT, entered into this _____ day of _____, 2012, between the City of Kirkland, a State of Washington municipal corporation ("City") and the Bayshore Vista, LLC ("Applicant"), and incorporated attachments and exhibits, contains all terms and conditions agreed to by the City and the Applicant to undertake the activities described herein.

RECITALS

1. Applicant has applied for a limited property tax exemption as provided for in Chapter 84.14 RCW and Chapter 5.88 KMC for multifamily residential rental housing ("Multifamily Housing") in the Juanita Residential Target Area, and the City's Director of Planning and Community Development ("Director") has approved the application; and

2. Applicant has submitted to the City preliminary site plans and floor plans for new Multifamily Housing to be constructed as part of a 20-unit project comprising 14 existing units and six newly constructed units ("Project") on property situated at 11615 91st Lane NE in Kirkland, Washington ("Property"), and as more particularly described in **Exhibit A** which is attached hereto, and incorporated by reference herein; and

3. Applicant is the owner of the Property; and

4. No existing rental housing building that contained four (4) or more occupied dwelling units was demolished on the Property within 18 months prior to Applicant's submission of its application for limited property tax exemption; and

5. The City has determined that the Multifamily Housing will, if completed, occupied, and owned as proposed, satisfy the requirements for a Final Certificate of Tax Exemption.

6. This Agreement is entered into pursuant to City Council action taken on _____
_____.

NOW, THEREFORE, in consideration of the mutual promises herein, City and Applicant do mutually agree as follows:

1. Conditional Certificate of Acceptance of Tax Exemption.

City agrees, upon execution of this Agreement following approval by the City Council, to issue a Conditional Certificate of Acceptance of Tax Exemption ("Conditional Certificate"), which Conditional Certificate shall expire three (3) years from the date of approval of this Agreement by the Council, unless extended by the Director as provided in KMC 5.88.070.

2. Agreement to construct Multifamily Housing.

a. Applicant agrees to construct the Project on the Property, including the Multifamily Housing, substantially as described in the site plans, floor plans, and elevations attached hereto in **Exhibit B**, subject to such modifications thereto as may be required to comply with applicable codes and ordinances, including the design review process. In no event shall

Applicant provide fewer than four (4) new dwelling units designed for permanent residential rental or ownership occupancy, nor shall permanent residential housing comprise less than fifty percent (50%) of the gross floor area of the Project constructed pursuant to this Agreement.

b. Applicant agrees to construct the Project on the Property, including the Multifamily Housing, and to comply with all applicable zoning requirements, land use regulations, and building and housing code requirements contained in KMC Titles 21, 22, 23, and 25 or other applicable law. Applicant further agrees that approval of this Agreement by the City Council, its execution by the Director, or issuance of a Conditional Certificate by the City pursuant to KMC chapter 5.88.060 in no way constitutes approval of proposed improvements on the Property with respect to applicable provisions of KMC Titles 21, 22, 23, and 25 or other applicable law or obligates the City to approve proposed improvements.

c. Applicant agrees that the Multifamily Housing will be completed within three years from the date of approval of this Agreement by the Council, unless extended by the Director for cause as provided in KMC 5.88.070.

3. Agreement to provide affordable housing.

Applicant agrees to provide four (4) "Affordable Units" for rent, specifically available for Low and Moderate Income Households as shown in the following table, and affordable to households whose household annual income does not exceed the percent of the King County median household income given in the table, adjusted for household size, as determined by HUD, and no more than thirty percent (30%) of the monthly household income is paid for monthly housing expenses (rent and an appropriate utility allowance).

	Percent of King County Median Income		
	Income for Determining Maximum Housing Expense	Maximum Income at Initial Occupancy	Number of Affordable Units
Low Income, 2-bedroom	50%	50%	2
Low Income, 1-bedroom	50%	60%	1
Moderate Income, 1-bedroom	60%	60%	1
Total			4

4. Location and design of Affordable Units – Affordability Agreement – Conversion.

The Affordable Units shall be those units indicated in **Exhibit C**. The Owner may propose to change the particular units dedicated for the Affordable Units, provided that a total of four (4) units are designated for Affordable Units, and the same unit mix and minimum sizes of Affordable Units is maintained. The Owner shall request in writing the City's approval of any proposed change to the units dedicated for the Affordable Units. The City will review the proposed changes and shall base its approval or disapproval of the proposed changes upon the criteria set forth in this section.

The exterior designs of the Affordable Units are to be compatible and comparable with the market rate units. The interior finish of the Affordable Units shall at a minimum include standard features and result in a totally finished and livable home.

Prior to issuing a certificate of occupancy, an agreement in a form acceptable to the city attorney ("Affordability Covenant") and substantially in the form of **Exhibit D** that addresses price restrictions, eligible household qualifications, long-term affordability, and any other applicable topics of the Affordable Units shall be recorded with the King County department of records and elections. This agreement shall be a covenant running with the land and shall be binding on the assigns, heirs and successors of the Applicant. Affordable Units that are provided under this section shall remain as affordable housing for the life of the project.

In the event the Project is proposed for conversion to condominium, owner-occupied, or non-rental residential use, the Owner must submit to the City for its approval a plan for preserving the Affordable Units. The City can consider options which would convert the Affordable Units to owner occupancy Affordable Units. In the event a condominium conversion occurs during the period of the property tax exemption and owner-occupied Affordable Units are provided at the affordability levels as defined in Section 5.88.020(a) or that have such other comparable level of affordability as provided for in the city's affordable housing multifamily tax exemption incentive program, as regulated through Chapter 112 of the Kirkland Zoning Code, per Section 6 of this Agreement, the Affordable Units will continue to be eligible for the property tax exemption for the balance of the exemption period or for the period of time the conversion allows, whichever is appropriate. The balance of the Project would no longer be eligible for the exemption, and City will not cancel the Final Certificate of Tax Exemption as provided in Section 10 of this Agreement.

5. Requirements for Final Certificate of Tax Exemption.

Applicant may, upon completion of the Project and upon issuance by the City of a temporary or permanent certificate of occupancy, request a Final Certificate of Tax Exemption. The request shall be in a form approved by the city and directed to the City's Planning Department and at a minimum include the following:

- a. A statement of expenditures made with respect to the overall Project and the residential and non-residential portions of the Project.
- b. A description of the completed work, including floor area of residential and non-residential area, and a statement of qualification for the exemption.
- c. Documentation that the Multifamily Housing was completed within the required three-year period or any authorized extension and in compliance with the terms of this Agreement.
- d. Information regarding Applicant's compliance with the affordability requirements in KMC 5.88.090 and this Agreement, which shall include the following:
 - (1) Identification of all Affordable Units, whether rented or held vacant to be rented by Income Eligible Occupants, the size of the Affordable Units, and the maximum rents and household incomes for each affordable unit at time of initial leasing;
 - (2) Rents (or offering rents, as applicable) for all Affordable Units;

(3) A copy of the application and income verification form used for rental of Affordable Units; and

(4) A copy of the form of lease or rental agreement to be used for Affordable Units; and

e. Any such further information that the Director deems necessary or useful to evaluate eligibility for the Final Certificate of Tax Exemption.

6. Agreement to Issue Final Certificate.

The City agrees to file a Final Certificate of Tax Exemption, with an exemption period of twelve (12) years with the King County Assessor within forty (40) days of submission of all materials required by paragraph 5, if Applicant has:

a. Successfully completed the Multifamily Housing in accordance with the terms of this Agreement and KMC chapter 5.88;

b. Filed a request for a Final Certificate of Tax Exemption with the Director and submitted the materials described in Paragraph 5 above;

c. Paid to the City a fee in the amount of \$150.00 to cover the Assessor's administrative costs; and

d. Met all other requirements provided in KMC chapter 5.88 for issuance of the Final Certificate of Tax Exemption.

7. Annual certification.

Within thirty (30) days after the first anniversary of the date the City filed the Final Certificate of Tax Exemption and each year thereafter for the term of the Affordability Covenant, Applicant agrees to file a certification or declaration with the Director, verified upon oath or affirmation, with respect to the accuracy of the information provided therein, containing at a minimum the following:

a. A statement of the occupancy and vacancy of the Multifamily Housing units during the previous year; and

b. A statement that the Multifamily Housing has not changed use since the date of filing of the Final Certificate of Tax Exemption; and

c. A statement that the Multifamily Housing continues to be in compliance with this Agreement and the requirements of KMC chapter 5.88; and

d. A description of any improvements or changes to the Project made after the filing of the Final Certificate or the previous certification; and

e. A statement of the change in ownership of all or any part of the property since the final certificate was filed; and

f. Information and documentation sufficient to demonstrate, to the satisfaction of the Director, compliance with the affordability requirements of KMC 5.88.090 and this Agreement, which shall, at minimum, include the following:

(1) Identification of each Affordable Unit, and any substitution of Affordable Units during the previous year and for each Affordable Unit, the current Household Income limits and maximum allowed rent.

(2) For each Affordable Unit that was initially occupied or that had a change of tenancy during the previous year, the date of each tenant's initial occupancy, the household size and Household Income of each tenant household at initial occupancy, and the rent charged at initial occupancy.

(3) For each Affordable Unit that was occupied by the current tenant prior to the previous year, the date of each tenant's initial occupancy, the tenant's current Household Income, the tenant's Household Income at initial occupancy, and current contract rent.

8. No violations for duration of exemption.

For the duration of the exemption granted under KMC chapter 5.88, Applicant agrees that the Project and that portion of the Property on which the Project is constructed will have no violations of applicable zoning requirements, land use regulations, and building and housing code requirements contained in KMC Titles 21, 22, 23, and 25 or other applicable law for which the Department of Planning and Community Development or its functional successor shall have issued a notice of violation, citation or other notification that is not resolved by a certificate of compliance, certificate of release, withdrawal, or another method that proves either compliance or that no violation existed, within the time period for compliance, if any, provided in such notice of violation, citation or other notification or any extension of the time period for compliance granted by the Director.

9. Notification of transfer of interest or change in use.

Applicant agrees to notify the Director within thirty (30) days of any transfer of Applicant's ownership interest in the Project or that portion of the Property on which the Project is constructed. Applicant further agrees to notify the Director and the King County Assessor within sixty (60) days of any change of use of any or all of the Multifamily Housing on the Property to another use. Applicant acknowledges that such a change in use may result in cancellation of the tax exemption and imposition of additional taxes, interest and penalties pursuant to State law.

10. Cancellation of exemption - Appeal.

a. The City reserves the right to cancel the Final Certificate of Tax Exemption if at any time the Multifamily Housing, the Project or that portion of the Property on which the Project is

constructed no longer complies with the terms of this Agreement or with the requirements of KMC chapter 5.88, or for any other reason no longer qualifies for an exemption.

b. If the exemption is canceled for non-compliance, Applicant acknowledges that state law requires that an additional real property tax is to be imposed in the amount of: (1) the difference between the tax paid and the tax that would have been paid if it had included the value of the non-qualifying improvements, dated back to the date that the improvements became non-qualifying; (2) a penalty of 20% of the difference calculated under paragraph (a) of this paragraph; and (3) interest at the statutory rate on delinquent property taxes and penalties, calculated from the date the tax would have been due without penalty if the improvements had been assessed without regard to the exemptions provided by Chapter 84.14 RCW and KMC chapter 5.88. Applicant acknowledges that, pursuant to RCW 84.14.110, any additional tax owed, together with interest and penalty, become a lien on that portion of the Property on which the Project is constructed and attach at the time the portion of the Property is removed from multifamily use or the amenities no longer meet applicable requirements, and that the lien has priority to and must be fully paid and satisfied before a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the Property may become charged or liable. Applicant further acknowledges that RCW 84.14.110 provides that any such lien may be foreclosed in the manner provided by law for foreclosure of liens for delinquent real property taxes.

c. Upon determining that a tax exemption is to be canceled, the Director, on behalf of the City Council, shall notify the property owner by certified mail, return receipt requested. The property owner may appeal the determination in accordance with KMC 5.88.100(h).

11. Amendments.

No modification of this Agreement shall be made unless mutually agreed upon by the parties in writing and unless in compliance with the provisions of KMC 5.88.065.

12. Binding effect.

The provisions, covenants, and conditions contained in this Agreement are binding upon the parties hereto and their legal heirs, representatives, successors, assigns, and subsidiaries.

13. Audits and inspection of records.

Applicant understands and agrees that the City has the right to audit or review appropriate records to assure compliance with this Agreement and KMC chapter 5.88 and to perform evaluations of the effectiveness of the Multifamily Tax Exemption program. Applicant agrees to make appropriate records available for review or audit upon seven days' written notice by the City.

14. Notices.

All notices to be given pursuant to this Agreement shall be in writing and shall be deemed given when hand-delivered within normal business hours, when actually received by facsimile transmission, or two business days after having been mailed, postage prepaid, to the

parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

APPLICANT: Bayshore Vista, LLC
10304 NE 62nd St.
Kirkland, WA 98033
Attn: Robert R. Wright

CITY: City of Kirkland
Planning Department
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033
Attn: Planning Director

15. Severability.

In the event that any term or clause of this Agreement conflicts with applicable law, such conflict shall not affect other terms of this Agreement that can be given effect without the conflicting terms or clause, and to this end, the terms of the Agreement are declared to be severable. However, if the severable term prevents the City from receiving the benefits of having affordable housing as set forth in RCW Chapter 84.14 and KMC Chapter 5.88, then this agreement shall be deemed terminated, or may be terminated, as soon as possible in compliance with any applicable law.

16. Exhibits.

The following exhibits are attached to this Agreement and incorporated herein by this reference:

Exhibit A	Legal Description
Exhibit B	Project Site Plan
Exhibit C	Designation of Affordable Units
Exhibit D	Regulatory Agreement and Affordability Covenant

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates indicated below.

THE CITY OF KIRKLAND

APPLICANT

Eric R. Shields
Its: Planning Director

Robert R. Wright
Its: Manager

Approved as to Form

City Attorney

EXHIBIT A

LEGAL DESCRIPTION

THAT PORTION OF GOVERNMENT LOT 5, SECTION 30, TOWNSHIP 26, RANGE 5 EAST, WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST BOUNDARY LINE OF SAID GOVERNMENT LOT 5 WHICH POINT IS THE NORTHEAST CORNER OF THE PLAT OF JUANITA POINT, A RESIDENCE PARK, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 25 OF PLATS, PAGE 27, IN KING COUNTY WASHINGTON;

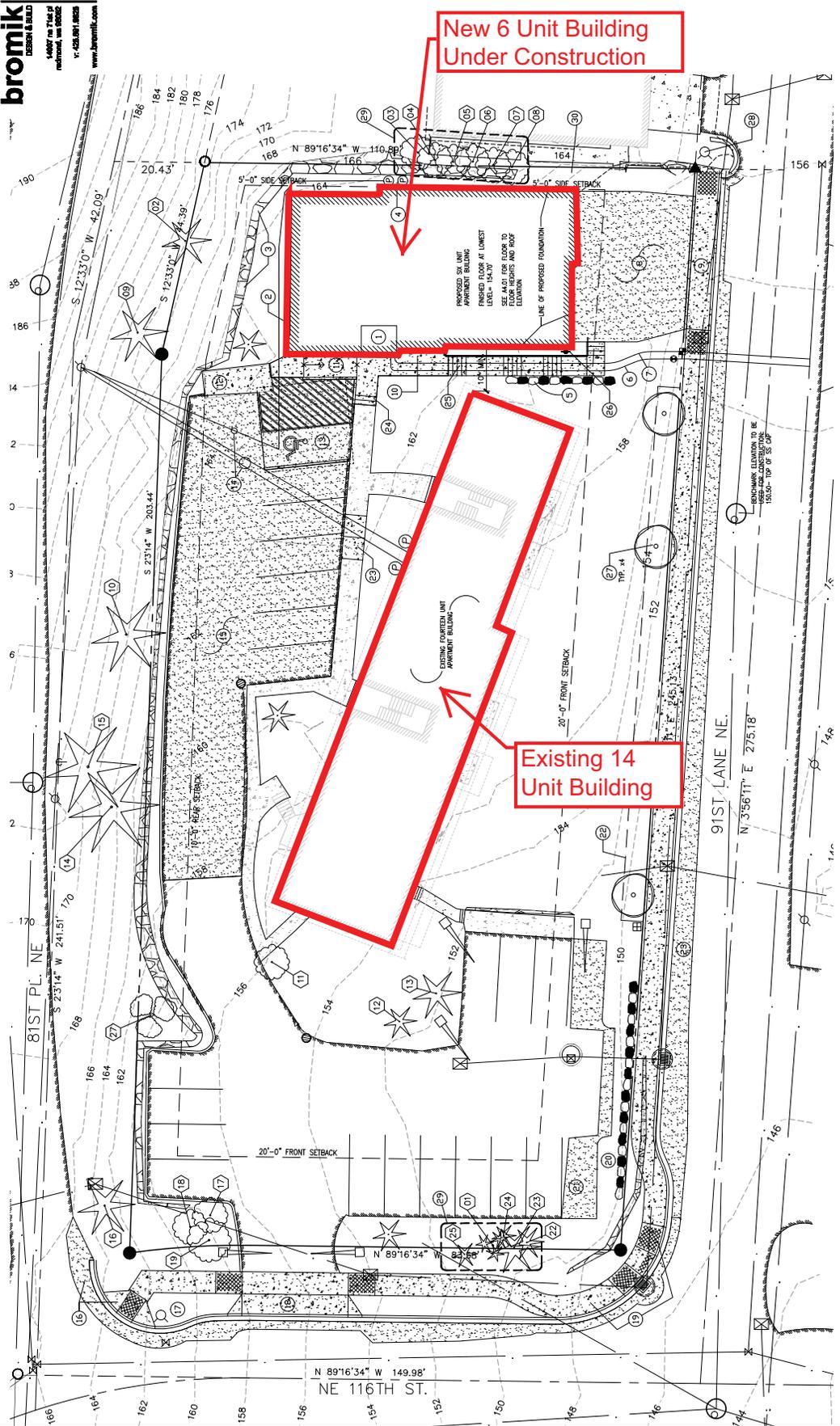
THENCE WEST ALONG SAID NORTH BOUNDARY LINE 118 FEET TO THE TRUE POINT OF BEGINNING;

THENCE NORTH 89°16'34" WEST 101.96 FEET TO POINT OF CURVE; THENCE CONTINUING ALONG SAID NORTH BOUNDARY LINE FOLLOWING A CURVE THE LEFT HAVING A UNIFORM RADIUS OF 150.78 FEET, A DISTANCE OF 49.06 FEET TO AN INTERSECTION WITH A LINE 120 FEET EASTERLY OF AN PARALLEL WITH THE EASTERLY BOUNDARY OF LOTS 20, 21 AND 22, BLOCK 11, JUANITA BEACH CAMPS, (MEASURED AT RIGHT ANGLE THERETO), PRODUCED SOUTHERLY; THENCE ALONG SAID PARALLEL LINE NORTH LINE OF TRACT CONVEYED TO SCHWENDT UNDER RECORDING NO. 3906479; THENCE SOUTH 89°16'34" EAST ALONG SAID NORTH LINE 151.32 FEET TO A POINT NORTH 3°56'11" WEST FROM POINT OF BEGINNING; THENCE SOUTH 3°56'11" WEST 275.18 FEET, MORE OR LESS, TO THE POINT OF BEGINNING;

EXCEPT THOSE PORTIONS THEREOF CONVEYED TO KING COUNTY FOR ROAD PURPOSES BY DEED RECORDED UNDER RECORDING NO. 3010969;

AND EXCEPT THOSE PORTIONS THEREOF RESERVED FOR ROAD PURPOSES BY DEEDS RECORDED UNDER RECORDING NOS. 3287579 AND 3906479;

(ALSO KNOW AS PORTIONS OF LOTS 2, 4, 6, 8, 10 AND 12, CARR'S PARK, ACCORDING TO THE UNRECORDED PLAT THEREOF).



- SYMBOLS**
- SURVEY
 - UTILITY POLE
 - GUY WIRE
 - FIRE HYDRANT
 - WATER VALVE
 - WATER METER
 - POWER METER
 - TELEPHONE WALL
 - TELEPHONE POLE
 - 12" DRAIN
- NOTES:**
1. LOCATION OF RISER ROOM AT LOWER LEVEL (SEE A2.01). FIRE SPRINKLER AND DOMESTIC WATER LINES TO BE BROUGHT TO THIS ROOM.
 2. FOUNDATION WALL DRAIN - SEE 1/222 FOR DETAIL. SEE ALSO GEOTECHNICAL REPORT.
 3. EXISTING ROOFCY AND TOE OF SLOPE TO REMAIN UNDISTURBED.
 4. LAYOUT OF PUMP SYSTEMS FOR PROPOSED BUILDING. POWER LINES TO BE ROUTED UNDERGROUND TO EXISTING AND PROPOSED STRUCTURES.
 5. PROPOSED ROOFCY - SEE DETAIL 2/33.
 6. THE SERVICE WATER LINE INCLUDES POST INDICATOR VALVE. SERVICE LINE TO BE INSTALLED UNDERGROUND TO THE BUILDING. SEE DETAIL 1/33 FOR REQUIREMENTS.
 7. DOMESTIC WATER LINE INCLUDES WATER METER FOR NORTHSHORE UTILITY DISTRICT REQUIREMENTS.
 8. FURNISHABLE ASPHALT DRIVEWAY. SEE CIVIL DRAWINGS FOR GRADING AND DETAILS.
 9. PROPOSED CONCRETE CURB CUT FOR COX STANDARDS. SEE CIVIL DRAWINGS FOR DETAILS AND DIMENSIONS. MAX 30" WIDE.
 10. ADA ACCESS RAMP TO BE 1:12. BOTTOM ELEVATION= 143.00; TOP ELEVATION= 144.00 AT PARKING LOT. INCLUDE GRAB BAR ON BOTH SIDES OF RAMP ON THREE SIDES FOR TRANSFER/RECLINING BINS. PROVIDE WOOD FENCE ENCLOSURE ON THESE SIDES.
 11. VAN ACCESSIBLE PARKING SPACE. SEE DETAIL 10/16.01. PROVIDE PRECAST METAL COVER AT THIS SPACE PER IRC CODE.
 12. THE SERVICE WATER LINE INCLUDES POST INDICATOR VALVE. SERVICE LINE TO BE INSTALLED UNDERGROUND TO THE BUILDING. SEE DETAIL 1/33 FOR REQUIREMENTS.
 13. FURNISHABLE ASPHALT DRIVEWAY. SEE DETAIL 1/33. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
 14. FURNISHABLE ASPHALT DRIVEWAY. SEE DETAIL 1/33. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
 15. FURNISHABLE ASPHALT DRIVEWAY. SEE DETAIL 1/33. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
 16. FURNISHABLE ASPHALT DRIVEWAY. SEE DETAIL 1/33. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
 17. EXISTING FIRE HYDRANT TO BE RETAINED AT EXISTING LOCATION.
 18. PROPOSED CONCRETE CURB CUT FOR COX STANDARDS. SEE CIVIL DRAWINGS FOR DETAILS AND DIMENSIONS. MAX 30" WIDE.
 19. SIDEWALK AND STREET IMPROVEMENTS PER COX STANDARDS. SEE CIVIL DRAWINGS FOR DETAILS AND DIMENSIONS.
 20. PROPOSED ROOFCY - SEE DETAIL 2/33.
 21. FURNISHABLE ASPHALT DRIVEWAY EXTENSION TO EXISTING PAVEMENT. SEE DETAIL 1/33. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
 22. REPRESENTS LINE OF LANDSCAPE ELEMENT FOR STREET TREE REQUIREMENT.
 23. REPLACE CONCRETE SIDEWALK SECTIONS AS NEEDED FOR UNDERGROUND POWER TRENCH TO EXISTING BUILDING.
 24. CONCRETE STEPS, TOP ELEVATION= 144.00, BOTTOM ELEVATION= 143.00.
 25. CONCRETE STAIRWAY AND LANDINGS. PROVIDE 1-1/2" ROUND PIPE HANDRAIL ON ONE SIDE. SEE CIVIL DRAWINGS FOR ELEVATIONS.
 26. FURNISHABLE ASPHALT DRIVEWAY. SEE DETAIL 1/33. RETAIN ALL EXISTING DRAINS FOR OVERFLOW.
 27. PROPOSED STREET TREES PER COX GUIDELINES. TO BE SELECTED FROM COX APPROVED STREET TREE LIST.
 28. PROVIDE 2" STOUT FITTING ON EXISTING FIRE HYDRANT.
 29. OWNERS HARBORST TO BE ON SITE FOR ANY ROOF FINISHING.
 30. LANDSCAPE DESIGNER USING THE SERVICES OF THE LANDSCAPE ARCHITECT. PROVIDE LANDSCAPE GRADING COURSE TO COVER A MINIMUM OF 60% GROUND IN TWO YEARS.
- ARCHITECTURAL SITE PLAN**
11-002 3/02 - 1'-0"

EXHIBIT C

DESIGNATION OF AFFORDABLE UNITS

Unit Number	Unit Type	Unit Size (sq ft)
3	Two-Bedroom	650
6	Two-Bedroom	705
12	One-Bedroom	580
15	One-Bedroom	580

EXHIBIT D

BAYSHORE VIEW APARTMENTS

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

SECTION 1 —	DEFINITIONS AND INTERPRETATION
SECTION 2 —	RESIDENTIAL RENTAL PROPERTY
SECTION 3 —	AFFORDABLE UNITS FOR ELIGIBLE HOUSEHOLDS
SECTION 4 —	REPORTING REQUIREMENTS
SECTION 5 —	SECTION 8 CERTIFICATE HOLDERS
SECTION 6 —	LEASE PROVISIONS
SECTION 7 —	SALE OR TRANSFER OF THE PROJECT
SECTION 8 —	TERM
SECTION 9 —	NO DISCRIMINATION
SECTION 10 —	COVENANTS RUN WITH LAND
SECTION 11 —	ENFORCEMENT
SECTION 12 —	SUBORDINATION, TERMINATION, RIGHTS RESERVED BY HUD
SECTION 13 —	ESTOPPEL CERTIFICATE
SECTION 14 —	AGREEMENT TO RECORD
SECTION 15 —	RELIANCE
SECTION 16 —	GOVERNING LAW
SECTION 17 —	NO CONFLICT WITH OTHER DOCUMENTS
SECTION 18 —	AMENDMENTS
SECTION 19 —	NOTICES
SECTION 20 —	SEVERABILITY
SECTION 21 —	CONSTRUCTION
SECTION 22 —	TITLES AND HEADINGS

EXHIBITS

"A"	LEGAL DESCRIPTION OF PROPERTY
"B"	DESIGNATION OF AFFORDABLE UNITS
"C"	CERTIFICATE OF HOUSEHOLD ELIGIBILITY
"D"	ANNUAL PROJECT CERTIFICATION

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the "Agreement") is made and entered into as of this _____ day of _____, 2012, by and between the CITY OF KIRKLAND, a Municipal Corporation of the State of Washington (the "City"); and BAYSHORE VISTA, LLC (the "Owner").

WITNESSETH:

A. This Agreement is predicated upon the following facts:

1) The Owner is the owner of property located at 11615 91st Lane NE, City of Kirkland. Owner intends to develop said property by constructing six housing units and renting a total of twenty (20) units, including 14 existing units, (the "Project") subject to City approval, and such other approvals by State and local agencies, as required.

2) The Owner's proposed Project shall include four (4) affordable rental units for Low and Moderate Income Households ("Eligible Households", as the term is defined below). Such affordable rental units shall be of such bedroom size and quality as are in proportion to the overall proportion of bedroom sizes and quality of all of the rental units in the project.

3) The City finds that the Project will benefit the City by providing rental housing for Eligible Households.

4) The Owner has indicated its willingness to accept certain conditions affecting the use of the Property. It is the purpose of this Agreement to set forth the conditions under which the City has approved the Project and to impose enforceable restrictions on the use and occupancy of the rental portion of the Project.

5) This Agreement is entered into pursuant to Chapter 112 of the Kirkland Zoning Code, which implements the Affordable Housing policies of the City of Kirkland.

6) Owner has applied for a limited property tax exemption for twelve years as provided for in Chapter 84.14 RCW and Chapter 5.88 KMC for multi-family residential rental housing ("Multifamily Housing") in the Juanita Residential Targeted Area, and the Director of Planning and Community Development has approved the application.

NOW, THEREFORE, for and in consideration of the mutual promises aforesaid and made and relied upon by the parties hereto, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Owner and the City agree as follows:

SECTION 1 - DEFINITIONS AND INTERPRETATION

Capitalized terms used herein shall have the following meanings unless the context in which they are used clearly requires otherwise.

"Affordable Rents" means a monthly housing expense, including if applicable a Utility Allowance and parking for a minimum of one car, which is no greater than thirty percent (30%) of the monthly median income for Eligible Households within the Seattle Metropolitan Statistical

Area (Seattle MSA), as shown in the following table, as adjusted for Household Size. The maximum Affordable Rents shall be adjusted no more than once every 12 months and such adjustment shall be by a factor equivalent to adjustments in the Seattle MSA Median Income.

Applicable Median Income Level	
Affordable Rent Level	
Low Income	50%
Moderate Income	60%

"Affordable Units" means the four (4) units in the Project as selected by the Owner and as approved by the City or its Designee, as set forth in Exhibit B, and reserved for occupancy by Eligible Households pursuant to Section 3, adjusted for household size.

"City" means the City of Kirkland.

"Completion Date" means the date of the completion of the acquisition, construction, purchase, reconstruction and equipping, as the case may be, of the Project, as that date shall be certified as provided in Section 4.

"Designee" means A Regional Coalition for Housing ("ARCH") or such other agency as may be designated by the City in writing to the Owner. The City shall notify the Owner of any determination not to utilize ARCH as its Designee for purposes of this designation.

"Eligible Household" means one or more adults and their dependents who certify that they meet the qualifications for eligibility set forth below in this definition, Section 3.F of this Agreement, and as set forth in the Certificate of Household Eligibility attached hereto as Exhibit C and incorporated by reference herein, and who certify that their incomes do not exceed the applicable percent of the median household income for the Seattle MSA, as set forth in this definition and Section 3.F of this Agreement, adjusted for household size, as published by the United States Department of Housing and Urban Development (HUD).

Maximum Percent of Median Income at Occupancy	
Income Level	
Low Income, 2-bedroom	50%
Low Income, 1-bedroom	60%
Moderate Income, 1-bedroom	60%

"Household Income" means all income from all household members over the age of 18 residing in the household. Income consists of those items listed in Exhibit C, Certificate of Household Eligibility (e.g. wages, interest income, etc). Income of dependents who reside within a household for less than four (4) months of the year will not be counted toward Household Income.

"Household Size" means the average household size assumed for purposes of calculating Affordable Rents as follows:

<u>UNIT TYPE</u>	<u>AVERAGE HOUSEHOLD SIZE</u>
Studio	1 Person
1 Bedroom	2 Persons
2 Bedroom	3 Persons
3 Bedroom	4 Persons

"Lender" means HUD/FHA, Veterans Administration ("VA"), Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), or another party acquiring such loan upon foreclosure of a deed of trust or mortgage ("Deed of Trust") insured, made or held by HUD/FHA, VA, FNMA, FHLMC or an institutional third-party lender or investor.

"Median Income" means the median income for the Seattle MSA as most recently determined by the Secretary of Housing and Urban Development under Section 8(f)(3) of the United States Housing Act of 1937, as amended, or if programs under said Section 8(f)(3) are terminated, median income determined under the method used by the Secretary prior to such termination.

"Owner" means BAYSHORE VISTA, LLC, and its successors and assigns, and any surviving, resulting or transferee entity.

"Owner Representative" means the person or persons (who may be employees of the Owner) designated from time to time to act hereunder on behalf of the Owner in a written certification furnished to the City or its Designee, containing a specimen signature of such person or persons and signed by the Owner or on behalf of the Owner by a duly authorized representative of the Owner.

"Project" means the building, structures and other improvements to be constructed on the Property, and all equipment, fixtures and other property owned by the Owner and located on, or used in connection with, such buildings, structures and other improvements and all functionally related and subordinate facilities.

"Property" means the real property which will be devoted to the Project as more particularly described in Exhibit A which is attached hereto, and incorporated by reference herein, and all rights and appurtenances thereunto appertaining.

"Property Tax Exemption Agreement" means that agreement titled Multifamily Housing Limited Property Tax Exemption Agreement between the City and Owner dated _____.

"Qualified Project Period" means for the life of the Project.

"Regulatory Agreement" or "Agreement" means this Regulatory Agreement and Declaration of Restrictive Covenants between the City and the Owner.

"Utility Allowance" means that portion of housing expenses for utilities. Therefore, Affordable Rents are calculated assuming payment of all utilities (not including phone or cable television) by the Owner. In the event gas and/or electric utilities, used for purposes of heating, cooking and/or lighting, are paid directly by the tenant, then the monthly Affordable Rent will be reduced by the following allowance:

Studio	\$36
One Bedroom	\$54
Two Bedroom	\$72
Three Bedroom	\$90

The base year for the ARCH utility allowance figures is 2011. The allowance figures will be adjusted annually based on changes in the Consumer Price Index-U.S. Cities Average-All Urban Consumers. If water, garbage and/or sewage are paid for directly by the tenant, the affordable rent levels will be further reduced by the typical cost to the tenant of such utilities, or a set allowance established by the City or its Designee.

SECTION 2 — RESIDENTIAL RENTAL PROPERTY

A. General Description. The Project will be acquired and constructed for purposes of providing multi-family rental housing for Eligible Households, and the Owner shall own, manage and operate (or cause the management and operation of) the Project to provide multiple family rental housing comprising a building or structure or several inter-related buildings or structures, each consisting of more than one dwelling unit and facilities functionally related and subordinate thereto, and no other facilities. As used herein "facilities functionally related and subordinate" to the Project shall include facilities for use by the tenants, including, for example, recreational facilities, parking areas, and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment or units of resident managers or maintenance personnel.

B. Similar Quality Construction. All of the dwelling units in the Project shall be constructed of similar quality, and each dwelling unit in the Project shall contain facilities for living, sleeping, eating, cooking and sanitation for a single person or a household which are complete, separate and distinct from other dwelling units in the Project and will include a sleeping area, separate bathing facility, and a cooking range, refrigerator and sink.

C. Conversion to Condominium. In the event the project is proposed for conversion to condominium, owner-occupied, or non-rental residential use, the Owner must submit to the City for its approval a plan for preserving the Affordable Units. The City can consider options which would convert the Affordable Units to owner occupancy by Eligible Households and are consistent with the provisions of the Property Tax Exemption Agreement related to conversion to condominium use. This section does not waive the owner's obligations to comply with any other law or regulations pertaining to conversion to ownership use.

SECTION 3 — AFFORDABLE UNITS FOR ELIGIBLE HOUSEHOLDS

A. Number of Affordable Units. All of the Affordable Units in the Project shall be leased or rented, or available for lease or rental, to the general public, and, the Owner shall designate all of the Affordable Units, reserved for occupancy by Eligible Households, as follows:

	Number of Affordable Units
Low Income, 2-bedroom	2
Low Income, 1-bedroom	1
Moderate Income, 1-bedroom	1

Total	4
-------	---

B. Designation/Re-designation of Affordable Units. Prior to issuance of a Building Permit, the Owner shall submit to the City or its Designee for the City's or its Designee's approval a certificate in writing of such designation of Affordable Units [See Exhibit B]. Units so designated shall have substantially the same equipment and amenities as other dwelling units in the Project with the comparable number of rooms. The Affordable Units shall be intermingled with all other dwelling units and shall be of a unit mix comparable to the overall mix of units in the Project and as specified in Exhibit B. The City or its Designee shall base its approval or disapproval of the proposed Affordable Units upon the criteria set forth in this section.

The Owner, from time to time, may propose to change the particular units declared as Affordable Units provided that at all times at least four (4) of all of the residential units are designated as Affordable Units, and provided that at all times the same unit mix is retained. The Owner shall notify the City or its Designee of the proposed change in writing for the City's or its Designee's approval. The City or its Designee will review the proposed changes and shall base its approval or disapproval of the proposed changes based upon the criteria set forth in this section.

C. Affordable Units Rent Level. The monthly rent for the Affordable Units occupied by Eligible Households shall not exceed the applicable Affordable Rents, and for each specific tenant, shall be adjusted no more than once every twelve (12) months, and in no event within the first twelve (12) months of occupancy.

D. Renting Affordable Units to Eligible Households. During the Qualified Project Period, the Owner shall rent or lease the Affordable Units to Eligible Households and, if at any time the Owner is unable to rent or lease the Affordable Units, the Affordable Units shall remain vacant pending rental or lease to Eligible Households.

E. Equal Access to Common Facilities. Tenants in the Affordable Units shall have equal access to enjoyment of all common facilities of the Project.

F. Qualifying Eligible Household Income for Affordable Units at Initial Occupancy and Recertification. Qualifying Eligible Household Income at time of occupancy may not exceed the applicable percent of Median Income set forth in the chart below, adjusted for Household Size, provided that households residing in existing units on the date of this Agreement may qualify as Eligible Households having incomes up to 70% of Median Income. If applicable pursuant to the provisions of Section 4.D, at time of annual recertification, a household will remain eligible for an Affordable Unit as long as Household Income does not exceed the Maximum Recertification Income set forth in the chart below, adjusted for Household Size. If at the time of recertification Household Income exceeds the Maximum Recertification Income limit for the income level initially qualified for by a household, then such household must within 90 days either pay market rent and the next available comparable market rate unit must be rented as an Affordable Unit; or vacate the unit, unless otherwise prohibited by law, to make it available for an Eligible Household.

Maximum Permitted Income Levels

	Maximum Initial Income	Maximum Recertification Income
Low Income, 2-bedroom	50%	70%
Low Income, 1-bedroom	60%	80%
Moderate Income, 1-bedroom	60%	80%

G. Household Size Limits for Affordable Units. The Owner shall utilize the following occupancy standards for Affordable Units:

<u>Unit Size</u>	<u>Household Size</u>
Studio	1-2 Persons
1 Bedroom	1-2 Persons
2 Bedroom	1-4 Persons
3 Bedroom	2-6 Persons

SECTION 4 — REPORTING REQUIREMENTS

A. Notice of Occupancy Permit. Within thirty (30) days of issuance of any final inspection, and if applicable occupancy permits, the Owner shall notify the City's Planning Department [Attn: Housing Planner] or its Designee, of receipt of the first occupancy permit for the project.

B. City Mailing List. The City maintains a mailing list of households interested in occupying Affordable Units. From time to time the City or its Designee will provide to the Owner the names of persons from the City's mailing list. In determining which eligible applicants shall be rented Affordable Units, the Owner shall, subject to Section 4.C below, reasonably consider persons on the City's mailing list, and when they were placed on the City's mailing list.

C. Completion of Certificate of Household Eligibility. In the event the Affordable Units are restricted to Eligible Households pursuant to Section 3.D of this Agreement, prior to allowing any household to occupy any Affordable Unit, the Owner shall require the prospective tenant to complete a Certificate of Household Eligibility that shall be substantially in the form set forth in Exhibit C. The Owner shall also undertake a good faith effort to verify the applicant's Household Income, as reported on the completed Certificate. The Owner's obligation to verify the reported Household Income shall be limited to requesting copies of and reviewing the applicant's federal income tax returns, unless the Owner has actual knowledge, or reason to believe, that the information provided by the applicant is materially inaccurate. In the event federal income tax returns are not available, Household Income shall be verified by wage or salary statements, or other income records that the City or its Designee may consider appropriate.

D. Annual Recertification of Residents. On an annual basis, the Owner shall require all households occupying an Affordable Unit to complete and return to the Owner an updated Certificate of Household Eligibility. The Owner shall undertake a good faith effort to verify the reported Household Income, as reported in the completed Certificate. The Owner's obligation to verify the Household Income shall be limited to obtaining a copy of and reviewing the tenant's federal income tax returns, unless the Owner has actual knowledge or reason to

believe that the information provided by the household is materially inaccurate. In the event federal income tax returns are not available, Household Income shall be verified by wage or salary statements, or other income records the City or its Designee may consider appropriate.

Such certifications shall be filed with the City or its Designee, by attachment to the Annual Project Certification required pursuant to Subsection 'E' and are subject to independent investigation and verification by the City or its Designee.

E. Annual Project Certification. After the Completion Date and until 90% of the rental units are occupied, the Owner shall, on a quarterly basis, file with the City or its Designee an Annual Project Certification, in substantially the form of Exhibit D. Thereafter, during the term of the Regulatory Agreement, such certification shall be filed annually on or before March 31st and shall set forth the required information for the preceding year.

F. Maintain Complete Records. The Owner shall maintain complete and accurate records pertaining to the Affordable Units, and shall permit any duly authorized representative of the City, including, without limitation, its Designee to inspect the books and records of the Owner pertaining to the Affordable Units, and if applicable, incomes of Eligible Households residing in the Project. Failure to maintain such records or failure to allow examination by the City or any duly authorized representative shall constitute a default hereunder.

G. Form of Certification. Notwithstanding anything in this Section to the contrary, all documentation required by this Section shall be submitted on the forms designated herein as such forms may be modified by the City or its Designee from time to time. Changes to forms by the City or its Designee shall not significantly enlarge the Owner's obligations hereunder.

SECTION 5 — SECTION 8 CERTIFICATE HOLDERS

The Owner shall accept as tenants for Affordable Units, on the same basis as all other prospective households, households who are recipients of Federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, as amended. The Owner shall not apply, or permit the application of, management policies or lease provisions with respect to the Project which have the effect of precluding occupancy of Units by holders of Section 8 certificates.

SECTION 6 — LEASE PROVISIONS

A. It is the Owner's responsibility to screen and select tenants for desirability and credit worthiness. Such selection is within the Owner's discretion. If written management policies exist, or exist in the future, with respect to the Project, the City or its Designee may review such written policies and may require changes in such policies, if necessary, so that they comply with the requirements of this Agreement.

B. In the event income certification are required pursuant to Section 4.C of this Agreement, all leases for Eligible Households shall contain clauses wherein each individual lessee: (i) certifies the accuracy of the statements made in the Certificate of Household Eligibility, (ii) agrees that the household income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy, and (iii) agrees that

misrepresentation in the certification is a material breach of the lease, entitling the Owner to terminate the lease for the Affordable Unit.

SECTION 7 — SALE OR TRANSFER OF THE PROJECT

The Owner hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project or any portion thereof without first providing a written notice from the purchaser stating that the purchaser understands, and will comply with the Owner's duties and obligations under this Agreement. Such notice must be received by the City or its Designee at least 10 days prior to the close of escrow.

SECTION 8 — TERM

This Regulatory Agreement shall become effective upon its execution and delivery, and shall continue in full force and effect throughout the Qualified Project Period, unless sooner modified or terminated in accordance with Section 12 hereof.

SECTION 9 — NO DISCRIMINATION

The Owner shall not discriminate on the basis of race, creed, religion, color, sex, sexual orientation, age, national origin, marital status, or presence of any mental or physical handicap as set forth in RCW 49.60.030, as now existing and as may be amended, in the lease, use, or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

SECTION 10 — COVENANTS RUN WITH LAND

The City and Owner hereby declare their understanding and intent that the covenants, conditions and restrictions set forth herein directly benefit the land (i) by enhancing and increasing the enjoyment and use of the Project by certain Eligible Households, and (ii) by furthering the public purposes of providing housing for Eligible Households.

The City and the Owner hereby declare that the covenants and conditions contained herein shall bind and the benefits shall inure to, respectively, the Owner and their successors and assigns and all subsequent owners of the Project or any interest therein, and the City and its successors and assigns, all for the Qualified Project Period. Except as provided in Section 12 of this Regulatory Agreement, each and every contract, deed or other instrument hereafter executed conveying the Project or any portion thereof or interest therein shall contain an express provision making such conveyance subject to the covenants and conditions of this Agreement, 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 and conditions, regardless of whether or not such covenants and conditions are set forth or incorporated by reference in such contract, deed or other instrument.

SECTION 11 — ENFORCEMENT

A. Enforcement Provisions. The Owner shall exercise reasonable diligence to comply with the requirements of this Agreement and shall correct any such noncompliance within sixty (60) days after such noncompliance is first discovered by the Owner or would have been

discovered by the exercise of reasonable diligence, or within 60 days after the Owner receives notice of such noncompliance from the City or its Designee; provided however, that such period for correction may be extended by the City if the Owner is exercising due diligence to correct the noncompliance. If such noncompliance remains uncured after such period, then the Owner shall be in default and the City on its own behalf may take any one or more of the following steps:

1) By any suit, action or proceeding at law or in equity, require the Owner to perform its obligations under this Regulatory Agreement or the Property Tax Exemption Agreement, or enjoin any acts or things which may be unlawful or in violation of the rights of the City hereunder; it being recognized that the beneficiaries of the Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of the Owner's default;

2) Have access to, and inspect, examine and make copies of, all of the books and records of the Owner pertaining to the Project. Provided, however, the City or its Designee shall not divulge such information to any third party unless required by law or unless the same is necessary to enforce the City's rights hereunder; and

3) Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants, conditions and agreements of the Owner under this Regulatory Agreement.

4) The Owner hereby grants to the City or the Designee the option, upon Owner's default under this Regulatory Agreement, for the Qualified Project Period to lease up to four (4) of the units in the Project as mutually selected by the City or its Designee and the Owner for the purpose of subleasing such units to Eligible Households, but only to the extent necessary to comply with the provisions of this Agreement. The City or its Designee may lease from the Owner the units at the Affordable Rent level less a reasonable management fee to reimburse the City or its Designee for any expenses incurred in connection with such sublease. The City or its Designee may terminate its lease of the units in the Project upon determination that the Owner is no longer in default pursuant to this Agreement.

B. Hold Harmless. The Owner hereby agrees to pay, indemnify and hold the City and its Designee any other party authorized hereunder to enforce the terms of this Regulatory Agreement harmless from any and all costs, expenses and fees, including all attorneys' fees which may be incurred by the City or the Designee or any other party in enforcing or attempting to enforce this Regulatory Agreement following any default hereunder on the part of the Owner or its successors, whether the same shall be enforced by suit or otherwise; together with all costs, fees and expenses which may be incurred in connection with any amendment to this Regulatory Agreement or otherwise by the City at the request of the Owner.

SECTION 12 — SUBORDINATION, TERMINATION, RIGHTS RESERVED BY HUD

A. Notwithstanding any provision in this Agreement to the contrary, all of the provisions of this Agreement shall terminate and have no further force and effect upon the occurrence of one of the following events:

(1) Foreclosure of a HUD/FHA insured loan is initiated under which the subject property is held as a security.

(2) Title to the subject property is acquired by Lender or HUD/FHA by deed in lieu of foreclosure of the Deed of Trust.

(3) Title to subject project is acquired by HUD/FHA, Veterans Administration ("VA"), Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") or another party upon foreclosure of a deed of trust or mortgage ("Deed of Trust") insured, made or held by HUD/FHA, VA, FNMA, FHLMC or an institutional, third-party lender or investor (collectively, "Lender").

(4) The Deed of Trust, if insured by HUD/FHA, is assigned to HUD/FHA.

Notwithstanding anything in this Agreement to the contrary, enforcement of this Agreement shall not serve as a basis for (i) default under the Deed of Trust insured by HUD/FHA or any other Lender, or (ii) an acceleration of the loan secured by the Deed of Trust ("Loan"), or result in any claim against the Project, the Loan proceeds, any reserve or deposit required by HUD/FHA or any other Lender in connection with the Loan transaction or the rents or other income from the subject project other than from available surplus cash as that term is defined by HUD/FHA or any other Lender.

B. Notwithstanding anything in this Agreement to the contrary:

(1) All of the provisions of this Agreement are subordinate and subject to the Deed of Trust, the Loan, and all documents relating to the Loan ("Loan Documents"), if any, as well as all applicable HUD/FHA mortgage insurance regulations, related HUD/FHA administrative requirements, Section 8 of the U.S. Housing Act of 1937, as amended and the regulations thereunder, as amended, and the rights of the Lender thereunder. In the event of any conflict between this Agreement and the provisions of any applicable HUD/FHA mortgage insurance regulations, related HUD/FHA administrative requirements, Section 8 of the U.S. Housing Act of 1937, as amended, and the regulations thereunder, as amended the applicable HUD/FHA mortgage insurance regulations, related HUD/FHA administrative requirements, Section 8 of the U.S. Housing Act of 1937, as amended, and the regulations thereunder, as amended will control.

(2) Lender shall take no role in monitoring compliance with state and federal use and occupancy requirements; nor shall Lender be required to provide notice to third parties of actions under the Deed of Trust, if any.

(3) No amendment to this Agreement will be effective without the prior written consent of Lender, if any.

(4) The Owner, its successors or assigns, will take all steps necessary to comply with this Agreement; provided that the Owner, its successors or assigns, shall not be required to take action prohibited by, or to refrain from action required by Lender, pursuant to the National Housing Act (as amended), applicable HUD/FHA mortgage insurance regulations, related administrative requirements, Section 8 of the Housing Act of 1937, as amended, and the regulations thereunder, as amended, or the Loan and the Loan Documents.

SECTION 13 — ESTOPPEL CERTIFICATE

The City agrees, upon the request of the Owner or its successor in interest, to promptly execute and deliver to the Owner or its successor in interest or to any potential or actual purchaser, mortgagor or encumbrance of the Project, a written certificate stating, if such is true, that the City has no knowledge of any violation or default by the Owner of any of the covenants or conditions of this Agreement, or if there are such violations or defaults, the nature of the same.

SECTION 14 — AGREEMENT TO RECORD

The Owner shall cause this Regulatory Agreement to be recorded in the real property records of King County, Washington. The Owner shall pay all fees and charges incurred in connection with such recording and shall provide the City or its Designee with a copy of the recorded document.

SECTION 15 — RELIANCE

The City and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by City and the Owner. In performing its duties and obligations hereunder, the City may rely upon statements and certificates of the Owner and Eligible Households, and upon audits of the books and records of the Owner pertaining to occupancy of the Project. In performing its duties hereunder, the Owner may rely on the Certificates of Tenant Eligibility unless the Owner has actual knowledge or reason to believe that such Certificates are inaccurate.

SECTION 16 — GOVERNING LAW

This Regulatory Agreement shall be governed by the laws of the State of Washington, except to the extent such laws conflict with the laws of the United States or the regulations of federally insured depository institutions, or would restrict activities otherwise permitted in relation to the operation of federally insured depository institutions.

SECTION 17 — NO CONFLICT WITH OTHER DOCUMENTS

The Owner warrants that it has not executed and will not execute, any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith except for the Multifamily Housing Limited Property Tax Exemption Agreement referenced in Section 21 herein.

SECTION 18 — AMENDMENTS

This Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their respective successors in title, and duly recorded in the real property records of King County, Washington. Amendments to Exhibit B shall be considered to be approved in writing when the revised Exhibit B is signed by the Owner and the City and/or its Designee without the need for a further written document attaching the revised exhibit and

SECTION 22 — SEVERABILITY

If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

SECTION 23 — CONSTRUCTION

Unless the context clearly requires otherwise, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. All the terms and provisions hereof shall be construed to effectuate the purposes set forth in this Agreement and to sustain the validity hereof.

SECTION 24 — TITLES AND HEADINGS

The titles and headings of the sections of this Agreement have been inserted for convenience of reference only, are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in the construing this document or any provision hereof or in ascertaining intent, if any question of intent shall arise.

IN WITNESS WHEREOF, the Owner and City have each executed the Regulatory Agreement and Declaration of Restrictive Covenants on the Date first above written.

Owners:

City:

Robert R. Wright
Its Manager

Kurt Triplett
Its: City Manager

Approved as to Form:

City Attorney

STATE OF WASHINGTON }
 }
COUNTY OF KING } ss.

On this _____ day of _____, 2012, personally appeared before me _____ known to me to be the _____ of the CITY OF KIRKLAND, who executed the foregoing document on behalf of said City, and acknowledged the said document to be the free and voluntary act and deed of said City, for the uses and purposes therein mentioned, and on oath stated that s/he was authorized to execute said document.

IN WITNESS WHEREOF I have given under my hand and official seal this ___ day of _____ of 2012.

Notary Public in and for the State of Washington.

Print Name _____

Residing at _____

My commission expires _____

STATE OF WASHINGTON }
 }
COUNTY OF KING } ss.

On this _____ day of _____, 2012, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the _____ of _____, corporation, who executed the foregoing instrument on behalf of the said corporation, and acknowledged the said document to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that's/he was authorized to execute said document.

IN WITNESS WHEREOF I have given under my hand and official seal this ____ day of _____ of 2012.

Notary Public in and for the State of
Washington.
Print Name _____
Residing at _____
My commission expires _____