

**SEAL BEACH MUTUAL NO. SIXTEEN****Mutual Operations – Resident Regulations****Leasing Rules and Regulations**

1 The Board of Directors (“Board”) of Seal Beach Mutual No. Sixteen (“Mutual”) has adopted the  
 2 following Leasing Rules and Regulations (“Leasing Rules”) in accordance with Civil Code §4740,  
 3 et seq., to establish certain procedural rules for the rental of Units within the Mutual. To the extent  
 4 that these Leasing Rules conflict with the Governing Documents of the Mutual, these Leasing  
 5 Rules are intended to replace and supersede the provisions of the Mutual’s Governing  
 6 Documents, including without limitation, the Occupancy Agreement, Rules and Regulations and  
 7 Policies, that discuss the rental or lease of a Unit. These Leasing Rules were revised and adopted  
 8 by the Board to comply with the changes to California Civil Code §§ 4740 and 4741 which take  
 9 effect on January 1, 2021, pursuant to California Assembly Bill 3182.

**DEFINITIONS**

13 For the purposes of these Leasing Rules the definitions set forth below shall apply. To the extent  
 14 any term is capitalized herein but not defined, the definition set forth in the Mutual’s Bylaws shall  
 15 apply.

16 Lease: A lease or rental agreement, whether or not in writing and regardless of whether any  
 17 consideration is paid, entered into between a Shareholder and a Tenant for the Tenant’s  
 18 occupancy of the Shareholder’s Unit.

19 Tenant: Any person who: (i) meets the age requirements set forth in California Civil Code Section  
 20 51.3, et. seq., specifically a person who is 55 years of age or older; and (ii) occupies any portion  
 21 of a Unit at the Development pursuant to a Lease, irrespective of any rent paid or compensation  
 22 given to the Shareholder of the Unit for such occupancy. All Tenants must sign the Addendum  
 23 as further described in these Leasing Rules. Only persons who have signed the Addendum may  
 24 reside in the Unit.

**Rules and Regulations****1. Leasing of Units.**

29 The rental or leasing of any Unit shall be subject to the provisions set forth herein. When the term  
 30 “rent” is used herein, it shall be deemed to mean and include the rental and/or leasing of a Unit.

**2. Residential Purpose.**

33 Each residence shall be used only as a residential dwelling for a single household. A Shareholder  
 34 may rent/lease his or her Unit for such residential purpose under a Lease, pursuant to these  
 35 Leasing Rules. The number of persons residing in a Residence at any time shall comply with the  
 36 Shareholder’s Occupancy Agreement and Addendum, all City and County codes, regulations,  
 37 and ordinances regarding the occupancy of residential dwellings, and may not exceed any  
 38 occupancy limits established under such codes, regulations, or ordinances. No Tenant or  
 39 occupant of the Unit may have a pet of any species.

**a. Addendum to Occupancy Agreement.**

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- 42 i. Any Shareholder approved by the Mutual to lease out his/her Unit is required  
43 to execute an addendum to his/her Occupancy Agreement (“Addendum”).  
44 Such Addendum will also require the signature of each Tenant. The failure  
45 of the Shareholder and/or the Tenant to sign the Addendum shall be deemed  
46 a waiver of the Shareholder’s right to rent the Unit.  
47 ii. Cost of Addendum.  
48 a. Shareholder shall pay the cost incurred by the Mutual for the  
49 Mutual’s legal counsel to prepare such Addendum, in addition  
50 to the cost to have the Addendum notarized and recorded,  
51 promptly upon request.  
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53 b. Restriction on Number of Units Leased.

- 54 i. No more than twenty five percent (25%) of the Units in the Mutual shall be  
55 rented at any time (the “Leasing Cap”).  
56 ii. A shareholder desiring to rent his or her Unit may submit to the Board a  
57 written request for approval to rent. No Shareholder shall rent his or her Unit  
58 prior to receiving written approval from the Board.  
59 1. The Board shall respond to any Shareholder’s written request for  
60 approval to rent the Shareholder’s Unit within forty-five (45) days of  
61 the Board’s receipt of such request. If the Board does not respond to  
62 the Shareholder’s written request at the Shareholder’s last known  
63 address of record within this time period, permission to rent shall be  
64 deemed to have been approved by the Board.  
65 2. The Board shall deny a Shareholder’s request for approval to rent the  
66 Shareholder’s Unit if the number of rented Units, plus the number of  
67 Units for which other Shareholders have received Board approval to  
68 rent but which are not yet rented, plus the Shareholder’s Unit (the  
69 “Leased Unit Calculation”) exceeds twenty-five percent (25%) of the  
70 Units in the Mutual. If the Leased Unit Calculation does not exceed  
71 twenty-five percent (25%) of the Units in the Mutual, the Board shall  
72 grant a Shareholder’s request for rental approval.  
73 3. In the event a Shareholder’s request for approval to rent is denied,  
74 the Shareholder shall be placed on a waiting list maintained by the  
75 Mutual, and the Shareholder shall be given an opportunity to rent his  
76 or her Unit when such Shareholder’s name is first on the waiting list  
77 and the Leased Unit Calculation no longer exceeds twenty-five  
78 percent (25%) of the Units in the Development.  
79 4. If a Shareholder who has been approved to rent his or her Unit fails  
80 to rent his or her Unit within ninety (90) days of the date of rental  
81 approval, the Shareholder’s written approval to rent from the Board  
82 shall expire. In such event, the Shareholder shall be required to

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83 submit a new written request to rent his or her Unit in accordance with  
 84 the foregoing provisions.

- 85 5. If a Lease for an approved rental of a Shareholder’s Unit expires or  
 86 terminates and the Shareholder does not enter into a new Lease for  
 87 the Shareholder’s Unit within ninety (90) days of the expiration or  
 88 termination of the prior Lease, the Shareholder’s written approval to  
 89 rent shall expire. In such event, the Shareholder shall be required to  
 90 submit a new written request to rent his or her Unit in accordance with  
 91 the foregoing provisions.
- 92 6. At no time may a prospective Shareholder or any non-Shareholder be  
 93 added to the Wait List.

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 95 c. Lease Requirements.

- 96 i. Subject to the Leasing Cap, and the provisions set forth above, a  
 97 Shareholder may rent his or her Unit pursuant to a Lease that is: (A) in  
 98 writing; (B) for a term of at least thirty (30) days (the “Minimum Lease Term”);  
 99 and (C) subject in all respects to the Governing Documents, including, but  
 100 not limited to, the Occupancy Agreement, provided it does not conflict with  
 101 the terms contained herein.
- 102 ii. The Shareholder is required to provide the Tenant with a copy of all  
 103 Governing Documents, and any amendments thereto for the duration of the  
 104 tenancy and Lease and ensure that the Tenant understands and  
 105 acknowledges and agrees to be bound by the same. The Shareholder must  
 106 provide the Mutual with written confirmation of the foregoing. The Lease shall  
 107 include a statement that any failure by the Tenant to comply with the  
 108 Governing Documents will constitute a default under the Lease. The  
 109 following paragraph, or a substantially similar paragraph, shall be included  
 110 in each Lease: “In accepting this Lease, Tenant acknowledges that Tenant  
 111 has received, read, and understands Occupancy Agreement for Unit \_\_,  
 112 dated \_\_, and any addendum thereto, and the Bylaws, rules, regulations,  
 113 and policies of Seal Beach Mutual No. Sixteen (the “Governing Documents”).  
 114 Tenant agrees to comply with the terms of the Governing Documents, and  
 115 acknowledges that any failure by Tenant, or Tenant’s family members, social  
 116 guests, houseguests, servants, employees, or agents, to comply with the  
 117 terms of the Governing Documents shall constitute a material default under  
 118 this Lease and may result in the early termination of this Lease.”
- 119 iii. No less than the entirety of a Unit may be rented under a Lease, or  
 120 otherwise. Notwithstanding the foregoing, one (1) roommate paying rent to  
 121 a Shareholder may reside simultaneously with a Shareholder in the  
 122 Shareholder’s Unit. Any roommate contemplated herein must meet the age  
 123 requirements of a Tenant, specifically set forth in California Civil Code

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- 124 Section 51.3, et. seq. The foregoing exemption shall only apply to Units with  
 125 two (2) bedrooms.
- 126 iv. No sub-rental or sub-lease of a Unit shall be permitted, and no Unit may be  
 127 used for vacation rentals (for example only, listed on Airbnb, VRBO or a  
 128 similar website) or rented to a corporate housing company.
- 129 v. No Unit may be leased for hotel or transient purposes.
- 130 vi. The Lease must provide that upon the notice of intent to transfer Stock, the  
 131 Lease shall terminate, and the Tenant must vacate the premises and remove  
 132 all personal property within thirty (30) days. The transfer of Stock cannot take  
 133 place unless and until Tenant has vacated the Unit.
- 134 vii. Each Shareholder shall be responsible for any and all violations of the  
 135 Governing Documents committed by any Tenant, or any guest or invitee of  
 136 Tenant, of the Shareholder's Unit.
- 137 viii. Each Shareholder shall be deemed to have agreed to save, hold harmless,  
 138 indemnify, and defend the Mutual and its Directors, officers, agents,  
 139 representatives, attorneys, and employees from and against any and all  
 140 claims, demands, actions, causes of action, liabilities, damages, and  
 141 expenses arising out of, or incurred as a result of, the rental/leasing of the  
 142 Shareholder's Unit, together with all costs, expenses, and actual attorneys'  
 143 fees resulting therefrom.
- 144 ix. Tenant must acknowledge the Mutual's right to initiate an unlawful detainer  
 145 action against the Shareholder in the event: (1) the Tenant fails to abide by  
 146 the terms of the Mutual's Governing Documents and the Shareholder fails to  
 147 initiate an unlawful detainer action within thirty (30) days of notice from the  
 148 Mutual Board of the same; and/or (2) the Shareholder's Share of Stock is  
 149 terminated. Any expenses and attorneys' fees incurred by the Mutual, shall  
 150 be paid as set forth in Section 7.1.2 of these Leasing Rules.
- 151 x. Tenant must acknowledge the Mutual's right to initiate an unlawful detainer  
 152 action against the Shareholder in the event: (1) the Tenant fails to abide by  
 153 the terms of the Mutual's Governing Documents and the Shareholder fails to  
 154 initiate an unlawful detainer action within thirty (30) days of notice from the  
 155 Mutual Board of the same; and/or (2) the Shareholder's Share of Stock is  
 156 terminated. Any expenses and attorneys' fees incurred by the Mutual, shall  
 157 be paid as set forth in Section 7.1.2 of these Leasing Rules.
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- 160 d. Exemptions; Enforcement.
- 161 i. If a Shareholder rents his or her Unit without approval from the Board, or  
 162 otherwise in violation of the provisions of these Leasing Rules, the Mutual is  
 163 authorized to pursue all of its available legal rights and remedies against the  
 164 Shareholder to enforce such violation and the Shareholder shall be subject

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- 165 to disciplinary measures, including, but not limited to: (a) a monetary penalty  
 166 in an amount to be determined by the Board; (b) other disciplinary measures;  
 167 (c) termination of the Occupancy Agreement; (d) injunctive relief; and/or (e)  
 168 a Reimbursement Assessment in an amount equal to the costs incurred by  
 169 the Mutual related to addressing such violation, including, without limitation,  
 170 attorneys' fees and costs, irrespective of whether the Mutual is able to obtain  
 171 a court order to evict the Tenant or otherwise effectuate the legal eviction of  
 172 the non-compliant Shareholder and/or Tenant from the Shareholder's Unit.
- 173 ii. Notwithstanding anything to the contrary contained in these Leasing Rules,  
 174 the Leasing Cap shall not apply to the Mutual.
- 175 e. Unlawful Detainer.
- 176 i. Failure by a Shareholder to take legal action, including the institution of  
 177 unlawful detainer proceedings to evict such Shareholder's Tenant, who is in  
 178 violation of the Mutual's Governing Documents, including without limitation,  
 179 the Articles, Occupancy Agreement and/or Addendum thereto, Bylaws,  
 180 Rules and Regulations, or Policies, within ten (10) days after receipt of  
 181 written demand so to do from the Board, shall constitute a default of the  
 182 Shareholders Occupancy Agreement and/or Addendum thereto and entitle  
 183 the Mutual, through the Board, to take any and all such action necessary,  
 184 including without limitation, declaring forfeiture/termination of the  
 185 Shareholder's Occupancy Agreement, and the institution of unlawful  
 186 detainer proceedings against the Shareholder to recover possession of the  
 187 Unit.
- 188 ii. In any such unlawful detainer action against the Shareholder, the Mutual will  
 189 seek an award of its attorney's fees and costs incurred in connection with  
 190 the same pursuant to the Occupancy Agreement and/or Addendum thereto.  
 191 Any other expenses incurred by the Mutual in connection with the  
 192 enforcement of these Leasing Rules, including attorney's fees, shall be  
 193 repaid to it by such Shareholder. Failure by such Shareholder to make such  
 194 repayment within (10) days after receipt of a written demand therefor shall  
 195 entitle the Board to levy a Special Assessment against such Shareholder  
 196 and such Shareholder's Unit for all such expenses incurred by the Mutual.
- 197 iii. The authority granted by this Section 7 shall be cumulative with all other  
 198 rights and remedies of the Mutual in enforcing its Governing Documents.
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- 200 f. Shareholder Liability.
- 201 i. Shareholder shall be absolutely liable to the Mutual and other Shareholders  
 202 and their families, guests, tenants, and invitees for any liability arising from  
 203 the acts/or omissions of such Shareholder's Tenant. Each Shareholder who  
 204 chooses to lease such Shareholder's Unit agrees to be held liable for all acts,  
 205 whether negligent or non-negligent of such Shareholder's Tenant and/or any

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206 guests or invitees of Tenant.

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g. Mutual Not a Landlord.

- i. The exercise and enforcement of the Mutual's rights under these Leasing Rules shall in no way constitute the Mutual as a landlord or lessor under any Lease, and the Mutual shall have no such responsibility. Each Shareholder hereby agrees to indemnify, defend, and hold harmless the Mutual and its Directors, officers, agents, representatives, employees, and attorneys, as may be applicable, from and against any and all claims by a Tenant or any third party that the Mutual failed to fulfill the duties of landlord or lessor under any Lease for the Shareholder's Unit.

h. Shareholder Insurance Requirements.

i. Property Damage and General Liability Insurance.

- a. Each Shareholder is responsible for insuring his or her personal property located within the Mutual. Each Shareholder is also responsible for ensuring all buildings, structures, and other Improvements contained within or located upon the Shareholder's Unit (including, but not limited to the Shareholders' Residences) against fire and other casualty. Nothing in these Leasing Rules precludes any Shareholder from carrying public liability insurance as he or she may deem reasonable, however, such insurance coverage may not adversely affect or diminish any coverage under any of the Mutual's insurance policies. If any loss intended to be covered by insurance carried by or on behalf of the Mutual occurs and the proceeds payable are reduced due to insurance carried by a Shareholder, such Shareholder shall assign the proceeds of the Shareholder's insurance to the Mutual, to the extent of such reduction, for application to the same purposes as the reduced proceeds are to be applied.

ii. Renter's and Landlord's Insurance.

- a. A Shareholder whose Unit is subject to a Lease shall require as a term of the Lease that the Tenant is required, at all times during the Tenant's tenancy and occupancy of the Shareholder's Unit, to obtain and maintain "renter's insurance" of no less than fifty thousand dollars (\$50,000.00), insuring, including without limitation, the Tenant for general liability, property damage, and the replacement value of the Tenant's personal property and belongings located in the Unit from damage and loss. Such Shareholder shall also be required to

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- 247 maintain “landlord’s insurance” during the period of the Lease,  
 248 under an insurance policy that covers the Shareholder’s Unit  
 249 from financial losses connected with the Unit; such policy shall  
 250 cover standard perils such as fire, and, to the extent  
 251 commercially available, include coverage for accidental  
 252 damage, malicious damage by tenants, and rent guarantee  
 253 insurance.
- 254 iii. Proof of Insurance.
- 255 a. Duplicate copies of the insurance policies required under these  
 256 Leasing Rules shall be submitted by a Shareholder to the  
 257 Board at the New Tenant Orientation and upon request  
 258 thereafter. Notwithstanding the foregoing, the Mutual shall not  
 259 have the obligation to confirm that any Shareholder or Tenant  
 260 carries the insurance required under these Leasing Rules  
 261 and/or confirm the terms of any insurance purchased by a  
 262 Shareholder or Tenant.
- 263 iv. Lack of Insurance.
- 264 a. The Mutual shall not be responsible for any damage or loss to  
 265 a Shareholder’s Unit, another Unit, or the Common Area for  
 266 which the Shareholder is responsible, and the Shareholder  
 267 does not maintain sufficient insurance coverage for the cost of  
 268 repair and restoration of such damage or loss. Any failure by  
 269 the Tenant to have renter’s insurance shall be regarded as a  
 270 material breach of the Lease.
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- 272 i. Tenant Eligibility.
- 273 i. No Discrimination.
- 274 a. No Shareholder shall execute or cause to be recorded any  
 275 instrument that imposes a restriction on the rental or  
 276 occupancy of the Shareholder’s Unit on the basis of race,  
 277 color, religion, sex, gender, gender identity, gender  
 278 expression, sexual orientation, marital status, national origin,  
 279 ancestry, familial status, source of income, disability, or  
 280 genetic information, nor shall any Shareholder discriminate  
 281 against or harass any prospective Tenant, or Resident of the  
 282 Shareholder’s Unit because of such bases. Notwithstanding  
 283 the foregoing, selection preferences based on age in the rental  
 284 of a Shareholder’s Unit, imposed in accordance with Section  
 285 51 of the Civil Code or a federally approved housing program,  
 286 as may be applicable, shall not constitute age discrimination.
- 287 ii. Criteria for Eligibility.

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- 288 a. All Tenants must meet the criteria for membership eligibility set  
 289 forth in the Mutual's Governing Documents, specifically the  
 290 Occupancy Agreement and by the Golden Rain Foundation,  
 291 as the same may be amended from time to time.  
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- 293 j. Board's Right to Impose Additional Rules and Regulations.  
 294 i. As long as Civil Code Section 4741, or similar statutes, is effective and has  
 295 not been overturned by the Courts or repealed or otherwise amended by the  
 296 state legislature, these Leasing Rules will remain effective. Should Civil  
 297 Code Section 4741, or similar statutes, be overturned, repealed, or  
 298 otherwise amended, the Board retains the right to revoke and/or revise these  
 299 Leasing Rules accordingly. The Board retains the right to establish and  
 300 enforce additional Rules and Regulations to implement the leasing  
 301 restrictions contained in these Leasing Rules and any other Governing  
 302 Documents of the Mutual.  
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- 304 k. Inspection of Unit Upon Termination of Lease.  
 305 i. The Mutual shall conduct an inspection of any leased Units within the Mutual,  
 306 upon the termination of the Lease. The Mutual will provide notice of such  
 307 inspection to the Shareholder, if required under to the Occupancy  
 308 Agreement or Addendum. The Mutual is entitled to charge a fee for such  
 309 inspection. The fee will be as set forth in the Mutual's Schedule of Fees and  
 310 is subject to change at the Board's sole discretion.  
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- 312 l. Tenant Not Entitled to Take Over Rights of Shareholders.  
 313 i. Mutual Meetings and Events.  
 314 a. Tenants may not participate in, or attend, meetings of the  
 315 Mutual, including without limitation, any townhall meeting,  
 316 open Board meeting, or any event intended only for the  
 317 Shareholders of the Mutual.  
 318 ii. Tenant and Shareholder Required to Attend Orientation.  
 319 a. All new Tenants within the Mutual are required to attend a New  
 320 Tenant Orientation. All leasing Shareholders will be required to  
 321 attend such Orientation with the Tenant. The Mutual is entitled  
 322 to charge a fee for such New Tenant Orientation. The current  
 323 cost for this orientation to the Shareholder will be \$100.00 and  
 324 is subject to change at the sole discretion of the Board.  
 325 iii. All required documents for orientation must be presented to the board 3  
 326 working days prior to the New Tenant Orientation, including background and  
 327 credit checks, proof of insurance for both the Tenant and the Shareholder,  
 328 signed Occupancy Agreement and Addendum, Lease, Tenant contact

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- 329 information and shareholder contact information.
- 330 iv. Tenant is not permitted to have overnight guests.
- 331 v. Except in case of emergency, Tenant shall not contact the Directors of the
- 332 Mutual, or any vendor of the Mutual, including without limitation any
- 333 employees or representatives of the GRF, for any maintenance issues.
- 334 Tenant must contact the Shareholder-Landlord for any non-emergency
- 335 maintenance issues.
- 336 vi. Tenant is only permitted to have one (1) car in the Mutual.
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- 338 m. Forfeiture of Shareholder Rights.
- 339 i. Shareholder cannot utilize any common areas of the Mutual, including
- 340 without limitation, laundry rooms, use of carport and storage cabinets
- 341 therein, if a shareholder elects to lease out his/her unit to a tenant.
- 342
- 343 n. Background and Credit Checks.
- 344 i. Shareholder must conduct a background check and a credit check prior to
- 345 entering into a lease agreement with a Tenant. Upon demand by the Board,
- 346 Shareholder must present the Board with a copy of the results of the
- 347 background check and the credit check within ten (10) days of such request,
- 348 at the New Tenant Orientation.
- 349
- 350 o. Documents to Mutual.
- 351 i. Prior to Tenant Occupancy of any unit in the Mutual the Shareholder must
- 352 provide to the Mutual:
- 353 ii. Lease.
- 354 a. The Shareholder shall provide the Mutual with a copy of the
- 355 executed Lease.
- 356 iii. Tenant Contact Information.
- 357 a. The telephone number and e-mail address, if applicable, of the
- 358 Tenant, and information related to any vehicle of the Tenant,
- 359 including the make, model, color, and license plate number.
- 360 iv. Shareholder Contact Information.
- 361 a. The telephone number and any change in address of the
- 362 Shareholder.
- 363
- 364 p. Fine Policy of the Mutual.
- 365 i. Pursuant to the Mutual's Governing Documents, the Shareholder will be
- 366 called to a hearing for any Tenant violations of the Governing Documents,
- 367 and the Mutual Board will determine what disciplinary measures and/or
- 368 monetary fines to levy against Shareholder. The Mutual's Fine Policy in
- 369 effect at the time the violation occurs will be applied.

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