

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

474



FROM: Economic Development Agency

SUBMITTAL DATE:
July 6, 2009

SUBJECT: Loan Agreement for the Use of Neighborhood Stabilization Program Funds in the Community of Rubidoux

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Loan Agreement for the Use of Neighborhood Stabilization Program Funds between the County of Riverside and Habitat for Humanity Riverside, Inc.;
2. Authorize the Chairman of the Board to sign the attached Loan Agreement; and
3. Authorize the Assistant County Executive Officer/EDA or his designee to take all necessary steps to implement the Loan Agreement including, but not limited to, signing subsequent deeds of trust for each home acquired, subsequent homebuyer deeds of trust, and subsequent essential and relevant documents subject to approval by County Counsel.

Continued

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 1,915,000	In Current Year Budget:	YES
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	NO
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2009/2010

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: NO

SOURCE OF FUNDS: Neighborhood Stabilization Program Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY:
Serena Chow

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
 BY: MICHELLE CLACK
 DATE: 7/26/09
 Departmental Concurrence

Consent
 Policy
 Consent
 Policy

Prev. Agn. Ref.:

District: 2nd

Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.29

BACKGROUND:

The Neighborhood Stabilization Program (NSP) was enacted under Title III of Division B of the Housing and Economic Recovery Act of 2008 ("HERA") and appropriated under the Community Development Block Grant (CDBG) program for the purpose of assisting in the redevelopment of abandoned and foreclosed homes. The intent of NSP is to stabilize neighborhoods in areas with greatest need and to stem the decline of house values of neighboring homes in the County of Riverside.

On November 25, 2008, the Board of Supervisors approved the activity of acquisition, rehabilitation and resale of housing units as a component of NSP ("NSP-1"). The 2008-2009 One Year Action Plan ("Action Plan") of the 2004-2009 Five-Year Consolidated Plan calls for the County of Riverside to partner with eligible public and private non-profit organizations.

On March 17, 2009, the Board of Supervisors approved the release of the Notice of Funding Availability ("NOFA") for NSP-1 activities.

Habitat for Humanity Riverside, Inc. ("HFHR"), a non-profit organization, has applied for NSP funds to acquire, rehabilitate and resell approximately 11 vacant, foreclosed and bank-owned single-family homes to very low-income (VLI) first-time homebuyers in designated Target Areas, as described in the Action Plan, within the community of Rubidoux (the "Project").

Staff has reviewed the application and is recommending a loan of \$1,915,000 in NSP funds for the Project. The properties identified are listed with purchase prices from \$69,785 to \$189,210. Rehabilitation costs range from \$8,000 to \$38,800 per property.

NSP assisted units will be resold to qualified LMMI first-time homebuyers whose incomes do not exceed 500% of the area median income for the County. Qualified home buyers must not have owned a home within the past 3 years and are required to attend a home buyer counseling session certified by the United States Department of Housing and Urban Development.

HFHR will utilize NSP funds for acquisition, rehabilitation and disposal costs of properties for the Project. Pursuant to NSP regulations, all acquisitions must be at least 15% below the current market appraised value as determined within 60 days of the date of the final purchase price offer. The resale price of each NSP assisted unit shall not exceed the lesser of (a) the fair market value or (b) the total costs to acquire, rehabilitate and dispose the NSP assisted unit. NSP assisted units will be affordable for a period of at least 15 years from the transfer of title to qualified first-time homebuyers. HFHR will be the primary lender to provide qualified homebuyer a mortgage to purchase the home.

County Counsel has reviewed and approved as to form the attached Agreement. Staff recommends that the Board approve the attached documents.

1 NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

2
3 RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

4 County of Riverside
5 Economic Development Agency
6 1325 Spruce Street, Suite 400
Riverside, CA 92507
Attn. Mervyn Manalo

7 SPACE ABOVE THIS LINE FOR RECORDERS USE

8 **LOAN AGREEMENT FOR THE USE OF**
9 **NEIGHBORHOOD STABILIZATION PROGRAM FUNDS**

10 This Agreement is made and entered into this _____ day of _____, 2009
11 by and between the COUNTY OF RIVERSIDE ("COUNTY"), a political subdivision of the
12 State of California and HABITAT FOR HUMANITY RIVERSIDE, INC. ("HFHR"), a
13 California nonprofit public benefit corporation.

14 WITNESSETH:

15 WHEREAS, the Neighborhood Stabilization Program ("NSP"), which was
16 enacted under Title III of Division B of the Housing and Economic Recovery Act of 2008
17 ("HERA") and appropriated under Community Development Block Grant (CDBG), was
18 created under the heading of Emergency Assistance for Redevelopment of Abandoned and
19 Foreclosed Homes; and

20 WHEREAS, the intent of NSP is to stabilize neighborhoods in areas with
21 greatest need and stem the decline of house values of neighboring homes; and

22 WHEREAS, COUNTY has qualified as an "Urban County" for purposes of
23 receiving CDBG funds, including NSP funds, which are to be used to assist and undertake
24 essential community development and housing assistance activities pursuant to the Housing
25 and Community Development Act of 1974, Title I, as amended, Public Law 93-383 (the
26 "Act"); and

27 WHEREAS, HFHR is eligible under NSP to apply and receive NSP funds to
28 perform those activities described herein; and

1 WHEREAS, HFHR has proposed to utilize NSP funds for the acquisition,
2 rehabilitation and resale of approximately eleven (11) single-family homes to qualified very
3 low-income (VLI) first-time homebuyers in the County of Riverside (the "Project") as
4 described in **Exhibit A** which is attached hereto and by this reference incorporated herein; and

5 WHEREAS, eligible single-family homes ("Assisted Units" or "Assisted Unit")
6 are further described in **Exhibit A**; and

7 WHEREAS, each of the Assisted Units will be located within an area of greatest
8 need within the designated "Target Areas" of the County of Riverside as defined in the
9 COUNTY's 2008-2009 One Year Action Plan ("Action Plan"); and

10 WHEREAS, the Project provides that Assisted Units will be sold to VLI
11 Qualified Homebuyers as defined in **Section 24**; and

12 WHEREAS, the NSP-assisted activities described herein comply with the
13 objectives as required under NSP; and

14 WHEREAS, the NSP-assisted activities described herein are consistent with the
15 COUNTY's Consolidated Plan and Action Plan.

16 NOW, THEREFORE, the COUNTY and HFHR mutually agree as follows:

17 1. PURPOSE. The COUNTY agrees to lend up to One Million Nine
18 Hundred Fifteen Thousand Dollars (\$1,915,000) of NSP funds to HFHR ("NSP Loan") upon
19 the terms and conditions set forth herein for individual financing of acquisition, rehabilitation
20 and disposition of each Assisted Unit of the Project. HFHR promises and agrees to undertake
21 and assist with NSP-assisted activities by utilizing such NSP funds, as identified in **Exhibit A**.

22 2. HFHR'S OBLIGATIONS. HFHR hereby agrees to undertake and
23 complete the following activities, subject to its receipt of the NSP funds:

24 a. Timeline. Carry out the Project in accordance with the timeline
25 set forth in **Exhibit A**.

26 b. Recordation. HFHR shall, for each Assisted Unit of the Project,
27 execute and record a Deed of Trust and execute a Note for that
28 portion of the NSP Loan applicable to the Assisted Unit.

- 1 c. Permits. Before commencement of rehabilitation or other works
2 of improvement upon an Assisted Unit, HFHR shall, at its own
3 expense, secure or cause to be secured any and all permits and
4 approvals which may be required for rehabilitation of such
5 Assisted Unit pursuant to the applicable rules and regulations of
6 the County and any other governmental agency affected by such
7 rehabilitation of work. HFHR shall, without limitation, apply for
8 and secure any and all necessary studies required for
9 environmental review, as described in **Section 20**, and pay all
10 costs, charges and fees associated therewith.
- 11 d. Performance. Acquire and complete rehabilitation of the Assisted
12 Units in accordance with the timeline set forth in **Exhibit A** and
13 **Section 27**.
- 14 e. Approval of Assisted Units. Submit each Assisted Unit for
15 COUNTY review and approval prior to acquisition of such
16 Assisted Unit.
- 17 f. Compliance. Project shall remain in compliance with all
18 applicable Federal, State and local codes, laws, regulations and
19 ordinances as described in **Section 20**.

20 3. COUNTY'S OBLIGATIONS. The COUNTY agrees to undertake and
21 complete the following activities, subject to its receipt of NSP funds from the U.S. Department
22 of Housing and Urban Development ("HUD"):

- 23 a. Provide a total amount identified in **Section 1** in NSP funds to
24 HFHR for financing acquisition, rehabilitation and disposal costs
25 of each Assisted Unit of the Project.
- 26 b. Comply with all of its obligations as participating recipient under
27 the applicable regulations set forth under HUD regulations.

28 4. PRIOR COUNTY APPROVAL. HFHR shall obtain COUNTY'S

1 approval, through its Economic Development Agency (“EDA”), of all items requiring such
2 approvals as described in this Agreement.

3 5. NSP Loan. HFHR shall borrow the NSP funds from the COUNTY for
4 individual financing of each Assisted Unit of the Project under the following terms and
5 conditions:

6 a. Term. This Agreement shall become effective upon the Effective
7 Date, as defined in **Section 53**, and shall continue in full force and
8 effect with respect to each Assisted Unit for a period of twelve
9 (12) months, and the NSP Loan shall be forgiven on the date of
10 the initial transfer of title of such Assisted Unit to Qualified
11 Homebuyer (the “Term”).

12 b. Principal. The principal of that portion of the NSP Loan
13 attributable to an Assisted Unit shall be the amount of NSP funds
14 provided for acquisition, rehabilitation and disposition of such
15 Assisted Unit evidenced by a promissory note (“Note”), as shown
16 in **Exhibit C**, which is attached hereto and by this reference
17 incorporated herein, executed by HFHR in favor of the COUNTY
18 in a form satisfactory to the COUNTY.

19 c. Interest. The interest rate shall be zero percent (0%) per annum.

20 d. Note. Each Note shall provide the following:

21 1) The NSP Loan attributable to an Assisted Unit shall be
22 due and payable by an Event of Default by HFHR which
23 has not been cured as provided for in **Section 30**.

24 2) Notwithstanding the above, the full amount of the NSP
25 Loan attributable to a particular Assisted Unit will be
26 reduced by the sum of the Development Subsidy and
27 Closing Costs, as defined below:

28 (a) Development Subsidy. The Development Subsidy is

1 the amount of the NSP Loan attributable to the
2 Assisted Unit minus the Selling Price of the Assisted
3 Unit (as defined in **Section 23**).

4 (b) Closing Costs. Closing Costs include all costs payable
5 by HFHR in connection with the sale of the Assisted
6 Unit to a Qualified Homebuyer;

7 3) The NSP Loan less the Development Subsidy and Closing
8 Costs for such Assisted Unit ("NSP Balance") shall be
9 converted to a grant upon the initial transfer of title of
10 such Assisted Unit to Qualified Homebuyer.

11 4) At the time of each sale of the Assisted Unit to Qualified
12 Homebuyer, as defined herein, COUNTY shall cause to be
13 delivered to HFHR a reconveyance of the Deed of Trust
14 from such Assisted Unit and a termination of this
15 Agreement as a lien on such Assisted Unit, which
16 termination does not affect the Affordability Period, as
17 defined in **Section 14**, for each Assisted Unit.

18 5) Upon the date of transfer of title of such Assisted Unit to
19 Qualified Homebuyer, HFHR promises and agrees to
20 utilize NSP Balance and continue to undertake and assist
21 with the NSP-assisted activities, as provided in **Exhibit A**.

22 6) HFHR will be the primary lender to provide the Qualified
23 Homebuyer a minimum 30-year fixed rate mortgage loan
24 to purchase the home.

25 7) Upon sale of the Assisted Unit prior to the expiration of
26 the Affordability Period, HFHR will utilize money from
27 the sale towards NSP-assisted activities, as provided in
28 **Exhibit A**.

1 8) Annual financial statements providing for the status of the
2 NSP Balance shall be submitted within 60 days of July 1st
3 for COUNTY review.

4 e. Security. Each NSP Loan shall be secured by a "Deed of Trust" as
5 shown in **Exhibit B**, which is attached hereto and by this
6 reference incorporated herein, recorded against each Assisted
7 Unit. HFHR agrees that each Deed of Trust shall be in the first
8 position until the home has been sold to the Qualified
9 Homebuyer.

10 6. TERM OF AGREEMENT. This Agreement shall become effective upon
11 the Effective Date, as defined in **Section 53**, and shall continue in full force and effect with
12 respect to each Assisted Unit for a period of twelve (12) months, and the NSP Loan shall be
13 forgiven on the date of the initial transfer of title of such Assisted Unit to Qualified Homebuyer
14 (the "Term").

15 7. HFHR REPRESENTATIONS. HFHR represents and warrants to
16 COUNTY as follows:

17 a. Authority. HFHR is a duly organized nonprofit public benefit
18 corporation under the laws of the State of California. The copies
19 of the documents evidencing the organization of HFHR, which
20 have been delivered to the COUNTY, are true and complete
21 copies of the originals, amended to the date of this Agreement.
22 HFHR has full right, power and lawful authority to accept the
23 conveyance of eligible properties for the Project and undertake all
24 obligations as provided herein and the execution, performance
25 and delivery of this Agreement by HFHR has been fully
26 authorized by all requisite actions on the part of HFHR.

27 b. No Conflict. To the best of HFHR's knowledge, HFHR's
28 execution, delivery and performance of its obligations under this

1 Agreement will not constitute a default or a breach under contract,
2 agreement or order to which HFHR is a party or by which it is
3 bound.

4 c. No Bankruptcy. HFHR is not the subject of a bankruptcy
5 proceeding.

6 d. Prior to Closing. HFHR shall upon learning of any fact or
7 condition which would cause any of the warranties and
8 representations in this Agreement not to be true as of Closing,
9 immediately give written notice such fact or condition to
10 COUNTY. Such exception(s) to a representation shall not be
11 deemed a breach by HFHR hereunder, but shall constitute an
12 exception which COUNTY shall have the right to approve or
13 disapprove if such exception would have an effect on the value or
14 operation of the Project.

15 8. COMPLETION SCHEDULE. HFHR shall proceed consistent with the
16 completion schedule set forth in **Exhibit A** and **Section 27**, as the same may be amended in
17 writing by the parties from time to time, and subject to force majeure delays.

18 9. EXTENSION OF TIME. COUNTY may grant an extension to the
19 completion schedule for the purpose of completing HFHR's activities which cannot be
20 completed as outlined in **Exhibit A**. HFHR shall request said extension in writing, stating the
21 reasons therefore, and may be granted only by receiving written approval from COUNTY.
22 Every term, condition, covenant, and requirement of this Agreement shall continue in full force
23 and effect during the period of any such extension.

24 10. LETTER TO PROCEED. HFHR shall not initiate nor incur expenses for
25 the NSP funded activity covered under the terms of this Agreement prior to receiving written
26 authorization to proceed.

27 11. REALLOCATION OF FUNDS. If eighty percent (80%) of NSP funds
28 have not been drawn down after eight (8) months from the date of this Agreement, then the

1 balance of the NSP funds which have not been drawn down may be reallocated by COUNTY
2 after thirty (30) days' prior written notice is given and an opportunity to cure is given to HFHR
3 for a period of sixty (60) days. Upon such reallocation, this Agreement shall be terminated and
4 be of no further force and effect and HFHR shall be released and discharged from any
5 obligations under this Agreement.

6 12. CONDITIONS FOR DISPOSITION OF FUNDS. COUNTY's Board of
7 Supervisors shall determine the final disposition and distribution of all funds received by
8 COUNTY under NSP. COUNTY, through its EDA, shall: (1) make payments of the NSP Loan
9 to HFHR as specified in **Exhibit A**, and (2) monitor the Project to ensure compliance with
10 applicable federal, state and local laws, regulations, ordinances and the terms of this
11 Agreement.

12 There will be no disbursement of funds for acquisition costs into escrow for an
13 Assisted Unit until the following events first occur:

- 14 a. HFHR shall execute this NSP Loan Agreement.
- 15 b. HFHR shall provide documentation to support compliance with
16 eligibility requirements for each Assisted Unit.
- 17 c. HFHR shall provide the seller of each Assisted Unit ("Seller")
18 with a letter of "Voluntary Acquisition of Foreclosed Property" as
19 shown in **Exhibit D**, which is attached hereto and by this
20 reference incorporated herein.
- 21 d. HFHR shall provide and cause the Seller to provide for each
22 Assisted Unit signed Initial Notice and Offer forms, as shown in
23 **Exhibit D**, acknowledging that both HFHR and Seller have read
24 and understood:
 - 25 1) The letter of Voluntary Acquisition of Foreclosed
26 Property;
 - 27 2) The purchase price discount requirements of the
28 transaction;

1 3) The initial purchase price negotiated by HFHR and Seller
2 (the "Initial Offer") is contingent and subject to the
3 discount requirement of NSP and the Current Market
4 Appraised Value ("CMAV"), as defined in **Exhibit A**.

5 4) The Seller certifies that such Assisted Unit has been
6 vacant for a period of at least ninety (90) days prior to the
7 Initial Offer.

8 e. Prior to closing of escrow, HFHR shall provide at its expense,
9 Preliminary Title Reports, signed Purchase and Sale Agreements
10 and estimated closing cost statements from escrow to COUNTY.

11 f. HFHR shall provide to COUNTY Escrow Instructions listing each
12 Assisted Unit in the transaction.

13 g. HFHR shall provide and cause Seller to provide signed Final
14 Notice and Offer forms for each Assisted Unit, as shown in
15 **Exhibit D**, acknowledging that both HFHR and Seller have
16 mutually accepted a final purchase price that is fifteen percent
17 (15%) or more below the CMAV as determined within sixty (60)
18 days of the date of the final purchase offer. At COUNTY's
19 discretion and within NSP regulations of the NSP1 Federal
20 Register Bridge Notice, COUNTY may modify the percentage
21 discount requirement below the CMAV.

22 There will be no disbursement of funds for rehabilitation costs for a particular
23 Assisted Unit until the following events first occur with respect to such Assisted Unit:

24 h. HFHR shall provide at its expense an updated Preliminary Title
25 Report for the Assisted Unit evidencing the recordation of all
26 documents to COUNTY.

27 i. If Davis Bacon wages are required to be paid, then HFHR must
28 hire a qualified professional firm or assign experienced staff to

1 review and monitor Davis-Bacon prevailing wage compliance for
2 all submissions of contractors certified payrolls to the COUNTY.

3 j. HFHR must provide satisfactory evidence that it has secured any
4 and all permits and approvals which may be required for
5 rehabilitation of the Assisted Unit pursuant to the applicable rules
6 and regulations of the County, Cities where the properties are
7 located and any other governmental agency affected by such
8 construction of work.

9 k. HFHR shall provide a detailed Rehabilitation Plan and timetable
10 to complete the acquisition, rehabilitation and resale of the
11 Assisted Unit in accordance with the completion schedule shown
12 in **Exhibit A** including a detailed line item rehabilitation cost
13 budget per unit for review and approval by COUNTY.

14 l. HFHR provides duly executed documents and instruments
15 showing the ownership of the Assisted Units as specifically
16 identified in **Exhibit A**.

17 COUNTY shall release final draw down of NSP funds for rehabilitation
18 applicable to an Assisted Unit following receipt of all of the following Closing Documents
19 from HFHR with respect to such Assisted Unit:

- 20 1) unconditional lien release from general contractor and any
21 subcontractors;
- 22 2) recorded Notice of Completion;
- 23 3) if applicable, all remaining Davis Bacon documentation, if
24 any, including, but not limited to, complete certified
25 payrolls, Section 3 certifications, fringe benefit forms, and
26 certificates of authorization and understanding;
- 27 4) final Contract and Subcontract Activity report, Minority
28 Business Enterprise/Women Business Enterprise

1 (MBE/WBE) report, HUD form 2516;

2 5) final development costs and project budget; and

3 6) final sources and uses of funds.

4 13. DISTRIBUTION OF FUNDS. The Disaster Recovery Grant Reporting
5 (DRGR) system was developed by HUD's Office of Community Planning and Development
6 and will be utilized for NSP. The DRGR system is a computerized system which manages,
7 disburses, collects, and reports information on the use of NSP funds in the United States
8 Treasury Account.

9 Any disbursement of funds is expressly conditioned upon the satisfaction
10 of conditions set forth in **Section 12**. Subsequent to acquisition of each Assisted Unit,
11 COUNTY shall pay HFHR for rehabilitation costs on a "cost-as-incurred" basis for all NSP-
12 eligible approved costs on a monthly basis. All disbursements of NSP funds for rehabilitation
13 will be made within thirty (30) days after HFHR has submitted its letter identifying payments
14 made and requesting reimbursement.

15 The developer's fee will be disbursed according to the following schedule:
16 fifty percent (50%) upon completion of rehabilitation of all Assisted Units and fifty percent
17 (50%) upon sale of all Assisted Units. HFHR shall comply with timely drawdown of funds by
18 submitting monthly requests for reimbursement. COUNTY shall release final draw down of
19 NSP funds following receipt of all of the items listed in **Section 12**.

20 14. TERMS OF AFFORDABILITY. The period of affordability for each
21 Assisted Unit (the "Affordability Period") shall be fifteen (15) years from the initial transfer of
22 title of such Assisted Unit to an individual Qualified Homebuyer.

23 15. DEVELOPER'S FEE AND REAL ESTATE SALE COMMISSIONS.
24 The developer's fee plus all real estate commissions, including sales of the Assisted Units,
25 cannot exceed 10% of total Project costs.

26 16. INSURANCE. Without limiting or diminishing HFHR's obligation to
27 indemnify or hold the COUNTY harmless, HFHR shall procure and maintain or cause to be
28 maintained, at its sole cost and expense, the following insurance coverage's during the Term of

1 this Agreement.

2 a. Worker's Compensation Insurance.

3 If HFHR has employees as defined by the State of California,
4 HFHR shall maintain statutory Workers' Compensation Insurance
5 (Coverage A) as prescribed by the laws of the State of California.
6 Policy shall include Employers' Liability (Coverage B) including
7 Occupational Disease with limits not less than \$1,000,000 per
8 person per accident. The policy shall be endorsed to waive
9 subrogation in favor of the County of Riverside, and, if
10 applicable, to provide a Borrowed Servant/Alternate Employer
11 Endorsement.

12 b. Commercial General Liability Insurance.

13 Commercial General Liability insurance coverage, including but
14 not limited to, premises liability, contractual liability, products
15 and completed operations liability, personal and advertising
16 injury, and cross liability coverage, covering claims which may
17 arise from or out of HFHR'S performance of its obligations
18 hereunder. Policy shall name the County of Riverside as
19 additionally insured. Policy's limit of liability shall not be less
20 than \$1,000,000 per occurrence combined single limit. If such
21 insurance contains a general aggregate limit, it shall apply
22 separately to this Agreement or be no less than two (2) times the
23 occurrence limit.

24 c. Vehicle Liability Insurance.

25 If vehicles or mobile equipment are used in the performance of
26 the obligations under this Agreement, then HFHR shall maintain
27 liability insurance for all owned, non-owned or hired vehicles so
28 used in an amount not less than \$1,000,000 per occurrence

1 combined single limit. If such insurance contains a general
2 aggregate limit, it shall apply separately to this Agreement or be
3 no less than two (2) times the occurrence limit. Policy shall name
4 the County of Riverside as Additionally Insured.

5 d. General Insurance Provisions – All Lines.

6 1) Any insurance carrier providing insurance coverage
7 hereunder shall be admitted to the State of California and have an
8 A.M. BEST rating of not less than A: VIII (A:8) unless such
9 requirements are waived, in writing, by the COUNTY Risk
10 Manager. If the COUNTY's Risk Manager waives a requirement
11 for a particular insurer such waiver is only valid for that specific
12 insurer and only for one policy term.

13 2) HFHR'S insurance carrier(s) must declare its insurance
14 self-insured retentions. If such self-insured retentions exceed
15 \$500,000 per occurrence such retentions shall have the prior
16 written consent of the COUNTY Risk Manager before the
17 commencement of operations under this Agreement. Upon
18 notification of self insured retention unacceptable to the
19 COUNTY, and at the election of the COUNTY's Risk Manager,
20 HFHR'S carriers shall either; (a) reduce or eliminate such self-
21 insured retention as respects this Agreement with the COUNTY,
22 or (b) procure a bond which guarantees payment of losses and
23 related investigations, claims administration, and defense costs
24 and expenses.

25 3) HFHR shall cause HFHR's insurance carrier(s) to
26 furnish the County of Riverside with either 1) a properly executed
27 original Certificate(s) of Insurance and certified original copies of
28 Endorsements effecting coverage as required herein, and 2) if

1 requested to do so orally or in writing by the COUNTY Risk
2 Manager, provide original Certified copies of policies including
3 all Endorsements and all attachments thereto, showing such
4 insurance is in full force and effect. Further, said Certificate(s)
5 and policies of insurance shall contain the covenant of the
6 insurance carrier(s) that thirty (30) days written notice shall be
7 given to the County of Riverside prior to any material
8 modification, cancellation, expiration or reduction in coverage of
9 such insurance. In the event of a material modification,
10 cancellation, expiration, or reduction in coverage, this Agreement
11 shall terminate forthwith, unless the COUNTY receives, prior to
12 such effective date, another properly executed original Certificate
13 of Insurance and original copies of endorsements or certified
14 original policies, including all endorsements and attachments
15 thereto evidencing coverage's set forth herein and the insurance
16 required herein is in full force and effect. HFHR shall not
17 commence operations until the COUNTY has been furnished
18 original Certificate (s) of Insurance and certified original copies
19 of endorsements and if requested, certified original policies of
20 insurance including all endorsements and any and all other
21 attachments as required in this Section. An individual authorized
22 by the insurance carrier to do so, on its behalf, shall sign the
23 original endorsements for each policy and the Certificate of
24 Insurance.

25 4) It is understood and agreed to by the parties hereto that
26 HFHR's insurance shall be construed as primary insurance, and
27 the COUNTY's insurance and/or deductibles and/or self-insured
28 retention's or self-insured programs shall not be construed as

1 contributory.

2 5) If, during the Term of this Agreement or any extension
3 thereof, there is a material change in the scope of services; or,
4 there is a material change in the equipment to be used in the
5 performance of the scope of work which will add additional
6 exposures (such as the use of aircraft, watercraft, cranes, etc.); or,
7 the Term of this Agreement, including any extensions thereof,
8 exceeds five (5) years the COUNTY reserves the right to adjust
9 the types of insurance required under this Agreement and the
10 monetary limits of liability for the insurance coverage's currently
11 required herein, if; in the COUNTY Risk Manager's reasonable
12 judgment, the amount or type of insurance carried by HFHR has
13 become inadequate.

14 6) HFHR shall pass down the insurance obligations
15 contained herein to all tiers of subcontractors working under this
16 Agreement.

17 7) The insurance requirements contained in this
18 Agreement may be met with a program(s) of self-insurance
19 acceptable to the COUNTY.

20 8) HFHR agrees to notify COUNTY of any claim by a
21 third party or any incident or event that may give rise to a claim
22 arising from the performance of this Agreement.

23 17. FINANCIAL RECORDS. HFHR shall establish and maintain financial,
24 programmatic, statistical, and other supporting records of its operations and financial activities
25 in accordance with 24 CFR Part 84 or 85 as applicable and Part 570 and OMB Circular Nos.
26 A-102, revised, A-110, A-87, and A-122, as applicable and as they relate to the acceptance and
27 use of federal funds under this Agreement. Records shall be open to inspection and audit by
28 authorized representatives of the COUNTY, HUD, and the Comptroller General of the United

1 States or any of their authorized representatives, at any time during normal business hours, as
2 often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant
3 data. Any deficiencies noted in audit reports must be fully cleared by HFHR within thirty (30)
4 days after receipt by HFHR. Failure of HFHR to comply with the above audit requirements
5 will constitute a violation of this contract and may result in the withholding of future payments.
6 COUNTY, HUD, and the Comptroller General, or any of their representatives, have the right
7 of access to any pertinent books, documents, papers, or other records of HFHR, in order to
8 make audits, examinations, excerpts, and transcripts. Said records shall be retained for such
9 time as may be required by the regulations of the Neighborhood Stabilization Program, but in
10 no case for less than five (5) years after the Project completion date; except that records of
11 individual tenant income verifications, project rents, and project inspections must be retained
12 for the most recent five (5) year period, until five (5) years after the Affordability Period
13 terminates. If any litigation, claim, negotiation, audit, or other action has been started before
14 the expiration of the regular period specified, the records must be retained until completion of
15 the action and resolution of all issues which arise from it, or until the end of the regular period,
16 whichever is later.

17 18. PROJECT MONITORING AND EVALUATION. Except as otherwise
18 provided for in this Agreement, HFHR shall maintain and submit records to the COUNTY
19 within ten (10) business days of the COUNTY's request which clearly documents HFHR's
20 performance under each requirement of NSP. A list of document submissions and timeline are
21 shown in **Exhibit A** and such list may be amended from time to time subject to HUD and
22 COUNTY reporting requirements. Upon the date of transfer of title of such Assisted Unit to
23 Qualified Homebuyer, HFHR promises and agrees to utilize NSP Balance and continue to
24 undertake and assist with the NSP-assisted activities, as identified in **Exhibit A**. Annual
25 financial statements accounting for such NSP Balance shall be submitted within 60 days of the
26 close of each quarter for COUNTY review and file.

27 19. ACCESS TO PROJECT SITE. The COUNTY and HUD shall have the
28 right to visit the Project site at all reasonable times, and upon completion of the Project upon

1 reasonable written notice to HFHR, to review the operation of the Project in accordance with
2 this Agreement.

3 20. COMPLIANCE WITH LAWS AND REGULATIONS. By executing this
4 Agreement, HFHR hereby certifies that it will adhere to and comply with all federal, state and
5 local laws, regulations and ordinances. In particular, HFHR shall comply with the following as
6 they may be applicable to HFHR of funds granted pursuant to the NSP Program:

7 a. NSP regulations as set forth under HERA, as it now exists and
8 may hereafter be amended, and Federal Register / Vol. 73, No.
9 194 / Monday, October 6, 2008 / Docket No. FR-5255-N-01,
10 Notice of Allocations, Application Procedures, Regulatory
11 Waivers Granted to and Alternative Requirements for Emergency
12 Assistance for Redevelopment of Abandoned and Foreclosed
13 Homes Grantees Under the Housing and Economic Recovery Act,
14 2008.

15 b. CDBG statutory and regulatory provisions, including those at 24
16 CFR Part 570 subpart A, C, D, J, K, and O, as appropriate, shall
17 apply.

18 c. Other Federal requirements and non-discrimination. As set forth
19 in 24 CFR Part 5, subpart A, HFHR is required to include the
20 following requirements: non-discrimination and equal
21 opportunity; disclosure; debarred, suspended, or ineligible
22 contractors; and drug-free workplace.

23 d. Environmental Review. Each Assisted Unit will be subject to
24 environmental review prior to acquisition, demolition,
25 rehabilitation or new construction. The environmental effects of
26 each activity carried out with NSP funds must be assessed in
27 accordance with the provisions of the National Environmental
28 Policy Act of 1969 (NEPA) and related authorities listed at 24

1 CFR Part 58. The Project is required to comply with Laws and
2 Authorities of §58.5: Historic Preservation, Floodplain &
3 Wetlands, Coastal Zone, Aquifers, Endangered Species, Rivers,
4 Air, Farmlands, HUD Environmental Standards and
5 Environmental Justice.

6 e. Displacement, Relocation, and Acquisition. Each Assisted Unit
7 must be vacant for a minimum period of ninety (90) days prior to
8 the Initial Offer. The Project is subject to relocation requirements
9 of Title II and the acquisition requirements of Title III of the
10 Uniform Relocation Act (URA) and Real Property Acquisition
11 Policies Act of 1970, and the implementing regulations at 24 CFR
12 Part 42.

13 f. Prevailing Wages and Compliance with Davis-Bacon Act. HFHR
14 shall comply with any applicable labor regulations and all other
15 State and Federal Laws in connection with the construction of the
16 improvements which comprise the Project, including if applicable,
17 requirements relating to the Davis-Bacon Act (40 U.S.C. 276a--
18 276a-5). HFHR agrees and acknowledges that it is the
19 responsibility of HFHR to obtain a legal determination, at
20 HFHR's sole cost and expenses as to whether prevailing wages
21 must be paid during the rehabilitation of the Project. HFHR agrees
22 to identify, defend, and hold COUNTY harmless from and against
23 any and all liability arising out of and related to HFHR's failure to
24 comply with any and all applicable prevailing wage requirements.

25 g. Lead-based Paint. Housing assisted with NSP funds is subject to
26 the lead-based paint regulations of 24 CFR Part 35, subparts A, B,
27 J, K, and R, issued pursuant to the Lead-Based Paint Poisoning
28 Prevention Act (42 U.S.C. 4821, et seq.).

- 1 h. Conflict of Interest. In the procurement of property and services
2 by HFHR, the conflict of interest provisions at §570.611 shall
3 apply.
- 4 i. Section 3 of the Housing and Urban Development Act of 1968.
5 To the greatest extent feasible, opportunities for training and
6 employment arising from NSP funds will be provided to low-
7 income persons residing in the Target Area. To the greatest extent
8 feasible, contracts for work to be performed in connection with
9 NSP funds will be awarded to business concerns that are located
10 in or owned by persons residing in the Target Area. Contracts
11 funded from Section 3 must abide by the Section 3 Clause
12 prescribed at 24 CFR 135.38.
- 13 j. Compliance with anti-discrimination laws. Conformity with title
14 VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair
15 Housing Act (42 U.S.C. 3601-3619), and implementing
16 regulations.
- 17 k. Affirmative marketing and minority outreach program. HFHR
18 must adopt affirmative marketing procedures and requirements.
19 These should include:
- 20 1) Methods for informing the public, owners, and potential
21 tenants about Federal fair housing laws and the affirmative
22 marketing policy.
 - 23 2) Requirements and practices that HFHR must adhere to in
24 order to carry out the affirmative marketing procedures
25 and requirements.
 - 26 3) Procedures to be used by HFHR to inform and solicit
27 applications from persons in the housing market areas that
28 are not likely to apply without special outreach.

1 4) Records will be kept describing actions taken by HFHR to
2 affirmatively market units and to assess the results of these
3 actions.

4 5) A description of how HFHR will annually assess the
5 success of affirmative marketing actions and what
6 corrective actions will be taken where affirmative
7 marketing requirements are not met.

8 6) HFHR should prescribe procedures to establish and
9 oversee a minority outreach program to ensure the
10 inclusion, to the maximum extent possible, of minorities
11 and women, and entities owned by minorities and women,
12 including, without limitation, real estate firms,
13 construction firms, appraisal firms, management firms,
14 financial institutions, investment banking firms,
15 underwriters, accountants, and providers of legal services,
16 in all contracts entered into by HFHR with such persons or
17 entities, public and private, in order to facilitate the
18 activities of the County to provide affordable housing
19 authorized under this Act or any other Federal housing
20 law. Affirmative steps to assure that minority business
21 enterprises and women business enterprises are used when
22 possible in the procurement of property and services are at
23 24 CFR 85.36(e).

24 7) Anti-lobbying. HFHR must comply with restrictions on
25 lobbying required by 24 CFR Part 87.

26 l. Model Energy Code published by the Council of American
27 Building Officials.

28 m. Consultant Activities. Pursuant to 24 CFR 570.200(d), no person

1 providing consultant services in an employer-employee type of
2 relationship shall receive more than a reasonable rate of
3 compensation for personal services paid with CDBG funds.

4 n. Uniform Administrative Requirements of 24 CFR Part 84 or 85 as
5 applicable, Part 570 and OMB Circular Nos. A-102, revised, A-
6 110 (implemented at 24 CFR Part 84), A-87, and A-122, as
7 applicable and as they relate to the acceptance and use of federal
8 funds under this Agreement.

9 o. HFHR shall include written agreements that include all provisions
10 of this section if HFHR provides NSP funds to for-profit owners
11 or developers, non-profit owners or developers, sub-recipients,
12 homeowners, homebuyers, tenants receiving tenant-based rental
13 assistance, or contractors.

14 21. PURCHASE PRICE REQUIREMENT. Any purchase of a foreclosed
15 home shall be at a discount from the CMAV taking into account its current condition. The
16 purchase price of the home must be at least fifteen percent (15%) below the CMAV of the
17 home (the "Discount"). Properties may be purchased in bulk, but the Discount applies to each
18 property, and not an overall discount. The final offer meeting the Discount must be received by
19 EDA within sixty (60) days of the completed EDA appraisal or the property will be denied. At
20 COUNTY's discretion and within NSP regulations of the NSP1 Federal Register Bridge
21 Notice, COUNTY may modify the percentage discount requirement below the CMAV.

22 22. INCOME TARGETING REQUIREMENTS. HFHR shall resell each
23 Assisted Unit limited to VLI households whose incomes are at or below fifty percent (50%) of
24 the Area Median Income (AMI), adjusted by family size at the time of occupancy, for the
25 County of Riverside.

26 23. RESALE REQUIREMENTS. HFHR is required to sell each Assisted
27 Unit to a Qualified Homebuyer and utilize NSP Balance for NSP-assisted activities, as
28 provided in **Exhibit A**. The Selling Price of each Assisted Unit shall not exceed the lesser of

1 (a) the fair market value or (b) the total costs to acquire, rehabilitate and dispose of each
2 Assisted Unit pursuant to NSP. Upon transfer of title to the Qualified Homebuyer, the NSP
3 Balance shall be converted to a grant.

4 24. QUALIFIED HOMEBUYER. HFHR shall provide to EDA evidence to
5 support the following listed information for EDA's review and approval:

6 a. Income Limits. In order for homebuyers to be eligible to
7 purchase the rehabilitated homes, the homebuyer's annual income
8 must not exceed fifty percent (50%) of the AMI, as determined by
9 HUD, adjusted for family size. The income and assets of all
10 persons age eighteen (18) and older who will reside in the home
11 must be included in the calculation to determine income
12 eligibility.

13 b. Co-owners. Co-owners are only permitted if they will occupy the
14 home as their principal residence and qualify as first time buyers.
15 The income of all co-owners will be included in determining if
16 the household qualifies as moderate income, as noted above. Co-
17 signers are not permitted.

18 c. First-time homebuyer. In order to qualify as a first-time
19 homebuyer, the homebuyer cannot have owned a home for the
20 previous three years from the date the homebuyer enters into a
21 purchase agreement. HFHR shall cause the homebuyer to sign a
22 sworn application attesting that they have not owned a home and
23 tax returns from the last three (3) years will be reviewed to
24 ascertain that no mortgage interest or real estate tax deductions
25 have been claimed.

26 d. Principal Residence. Homebuyer must be the principal resident
27 during the Affordability Period.

28 e. Occupancy Standard. All homebuyers must meet the occupancy

1 standard as defined in the Housing Quality Act under 982.401 that
2 states, "The dwelling unit must have at least one bedroom or
3 living/sleeping room for each two persons." Children of opposite
4 sex, other than very young children, may not be required to
5 occupy the same bedroom or living/sleeping room.

6 f. Homebuyer Education. Each homebuyer must receive a certificate
7 of completion evidencing at least eight (8) hours of homebuyer
8 counseling from a HUD-approved housing counseling agency
9 before obtaining a mortgage loan.

10 g. Long Term Affordability. Assisted Units must meet the
11 affordability requirements for fifteen (15) years after transfer of
12 title to Qualified Homebuyer. Affordability requirements apply
13 regardless of the term of any loan, mortgage or the transfer of
14 ownership. Affordability requirements are imposed by deed
15 restrictions, but may terminate upon foreclosure or transfer in lieu
16 of foreclosure.

17 25. FEDERAL REQUIREMENTS. HFHR shall comply with the provisions
18 of NSP and any amendments thereto and all applicable federal regulations and guidelines now
19 or hereafter enacted.

20 26. INDEPENDENT CONTRACTOR. HFHR and its agents, servants and
21 employees shall act at all times in an independent capacity during the Term of this Agreement,
22 and shall not act as, shall not be, nor shall they in any manner be construed to be agents,
23 officers, or employees of COUNTY.

24 27. PERFORMANCE REQUIREMENTS. HFHR must complete the
25 following activities within the time specified:

26 a. Acquisition of the Assisted Units within four (4) months from the
27 Effective Date;

28 b. Rehabilitation of the Assisted Units within seven (7) months from

1 the Effective Date; and

- 2 c. Sale of the Assisted Units within ten (10) months from the
3 Effective Date.

4 28. NONDISCRIMINATION. HFHR shall abide by 24 CFR 570.602 which
5 requires that no person in the United States shall on the grounds of race, color, national origin,
6 religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to
7 discrimination under any program or activity receiving Federal financial assistance including
8 NSP. Under the Act, Section 109 directs that the prohibitions against discrimination on the
9 basis of age under the Age Discrimination Act and the prohibitions against discrimination on
10 the basis of disability under Section 504 shall apply to programs or activities receiving Federal
11 financial assistance under Title I programs. The policies and procedures necessary to ensure
12 enforcement of section 109 are codified in 24 CFR Part 6.

13 29. PROHIBITION AGAINST CONFLICTS OF INTEREST:

- 14 a. HFHR and its assigns, employees, agents, consultants, officers
15 and elected and appointed officials shall become familiar with and
16 shall comply with the conflict of interest provisions in OMB
17 Circular A-110, 24 CFR 85.36, 24 CFR 84.42, 24 CFR 570.611
18 and Policy Manual #A-11, attached hereto as **Exhibit F** which is
19 attached hereto and by this reference incorporated herein.
- 20 b. HFHR understands and agrees that no waiver or exception can be
21 granted to the prohibition against conflict of interest except upon
22 written approval of HUD pursuant to 24 CFR 92.356(d). Any
23 request by HFHR for an exception shall first be reviewed by
24 COUNTY to determine whether such request is appropriate for
25 submission to HUD.
- 26 c. Prior to any funding under this Agreement, HFHR shall provide
27 COUNTY with a list of all employees, agents, consultants,
28 officers and elected and appointed officials who are in a position

1 to participate in a decision-making process, exercise any functions
2 or responsibilities, or gain inside information with respect to the
3 NSP activities funded under this Agreement. HFHR shall also
4 promptly disclose to COUNTY any potential conflict, including
5 even the appearance of conflict that may arise with respect to the
6 NSP activities funded under this Agreement.

- 7 d. Any violation of this section shall be deemed a material breach of
8 this Agreement, and the Agreement shall be immediately
9 terminated by the COUNTY.

10 30. EVENTS OF DEFAULT. The occurrence of any of the following events
11 shall constitute an "Event of Default" under this Agreement:

- 12 a. Monetary Default. (1) HFHR's failure to pay when due any sums
13 payable under the Note or any advances made by the COUNTY
14 under this Agreement; (2) HFHR's or any agent of HFHR's use of
15 NSP funds for costs inconsistent with terms and restrictions set
16 forth in this Agreement; (3) HFHR's failure to obtain and
17 maintain the insurance coverage required under this Agreement;
18 (4) HFHR's or any agent of HFHR's failure to make any other
19 payment of any assessment or tax due under this Agreement;

- 20 b. Non-Monetary Default - Operation. (1) Discrimination by HFHR
21 or HFHR's agent on the basis of characteristics prohibited by this
22 Agreement or applicable law; (2) the imposition of any
23 encumbrances or liens on the Project without the COUNTY's
24 prior written approval that are prohibited under this Agreement or
25 that have the effect of reducing the priority or invalidating the
26 NSP Deed of Trust; (3) any material adverse change in the
27 condition of HFHR or the Project or permanent financing or
28 funding for the Project that gives the COUNTY reasonable cause

1 to believe that the Project cannot be operated according to the
2 terms of this Agreement;

3 c. General Performance of Loan Obligations. Any substantial or
4 continuous or repeated breach by HFHR or HFHR's agents of any
5 material obligations on HFHR imposed in the NSP Agreement;

6 d. General Performance of Other Obligations. Any substantial or
7 continuous or repeated breach by HFHR or HFHR's agents of any
8 material obligations on the Project imposed by any other
9 agreement with respect to the financing, development, or
10 operation of the Project; whether or not the COUNTY is a party to
11 such agreement; but only following any applicable notice and
12 cure periods with respect to any such obligation;

13 e. Representations and Warranties. A determination by the
14 COUNTY that any of HFHR's representations or warranties made
15 in this Agreement, any statements made to the COUNTY by
16 HFHR, or any certificates, documents, or schedules supplied to
17 the COUNTY by HFHR were untrue in any material respect when
18 made, or that HFHR concealed or failed to disclose a material fact
19 from the COUNTY.

20 f. Damage to Project. In the event that the Project is materially
21 damaged or destroyed by fire or other casualty, and HFHR
22 receives an award or insurance proceeds for the repair or
23 reconstruction of the Project, and HFHR does not use such award
24 or proceeds to repair or reconstruct the Project.

25 g. Bankruptcy, Dissolution and Insolvency. HFHR (1) filing for
26 bankruptcy, dissolution, or reorganization, or failure to obtain a
27 full dismissal of any such involuntary filing brought by another
28 party before the earlier of final relief or thirty (30) days after such

1 filing; (2) making a general assignment for the benefit of
2 creditors; (3) applying for the appointment of a receiver, trustee,
3 custodian, or liquidator, or failure to obtain a full dismissal of any
4 such involuntary application brought by another party before the
5 earlier of final relief or forty-five (45) days after such filing; (4)
6 insolvency; or (5) failure, inability or admission in writing of its
7 inability to pay its debts as they become due.

8 31. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For
9 monetary and non-monetary Events of Default, the COUNTY shall give written notice to
10 HFHR of any Event of Default by specifying: (a) the nature of the Event of Default or the
11 deficiency giving rise to the default, (b) the action required to cure the deficiency, if an action
12 to cure is possible, and (c) a date, which shall not be more than thirty (30) calendar days from
13 the mailing of the notice, by which such action to cure must be taken. The COUNTY agrees
14 that HFHR shall have the right to cure any and all defaults under this Agreement.

15 32. COUNTY REMEDIES. Upon the happening of an Event of Default and a
16 failure by HFHR to cure said default within the time specified in the notice of default (if an
17 action to cure is specified in said notice), the COUNTY's obligation to disburse NSP funds
18 shall terminate, and the COUNTY may also in addition to other rights and remedies permitted
19 by this Agreement or applicable law, proceed with any or all of the following remedies in any
20 order or combination the COUNTY may choose in its sole discretion:

- 21 a. Terminate this Agreement, in which event the entire amount as
22 well as any other monies advanced to HFHR by the COUNTY
23 under this Agreement including administrative costs, shall
24 immediately become due and payable at the option of the
25 COUNTY.
- 26 b. Bring an action in equitable relief (1) seeking the specific
27 performance by HFHR of the terms and conditions of this
28 Agreement, and/or (2) enjoining, abating, or preventing any

1 violation of said terms and conditions, and/or (3) seeking
2 declaratory relief.

3 c. Accelerate the NSP Loan, and demand immediate full payment of
4 the principal payment outstanding and all accrued interest under
5 the Note, as well as any other monies advanced to HFHR by the
6 COUNTY under this Agreement.

7 d. Pursue any other remedy allowed at law or in equity.

8 33. HFHR'S REMEDIES. Upon the fault or failure of the COUNTY to meet
9 any of its obligations under this Agreement, HFHR may:

10 a. Demand payment from the COUNTY of any sums due HFHR;
11 and/or

12 b. Bring an action in equitable relief seeking the specific performance
13 by the COUNTY of the terms and conditions of this Agreement;
14 and/or

15 c. Pursue any other remedy allowed at law or in equity.

16 34. HFHR'S WARRANTIES. HFHR represents and warrants (1) that it has
17 access to professional advice and support to the extent necessary to enable HFHR to fully
18 comply with the terms of this Agreement, and to otherwise carry out the Project, (2) that it is
19 duly organized, validly existing and in good standing under the laws of the State of California,
20 (3) that it has the full power and authority to undertake the Project and to execute this
21 Agreement, (4) that the persons executing and delivering this Agreement are authorized to
22 execute and deliver such documents on behalf of HFHR and (5) that neither HFHR nor any of
23 its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or
24 voluntarily excluded from participation in connection with the transaction contemplated by this
25 Agreement.

26 35. HFHR'S CERTIFICATION. HFHR certifies, to the best of its knowledge
27 and belief, that:

28 a. No federally appropriated funds have been paid or will be paid, by

1 or on behalf of the undersigned, to any person for influencing or
2 attempting to influence an officer or employee of any agency, a
3 member of Congress, an officer or employee of Congress, or an
4 employee of a member of Congress in connection with the
5 awarding of any federal contract, the making of any federal grant,
6 the making of any federal loan, the entering into of any cooperative
7 agreement, and the extension, continuation, review, amendment, or
8 modification of any federal contract, grant, loan, or cooperative
9 agreement.

10 b. If any funds other than federally appropriated funds have been paid
11 or will be paid to any person for influencing or attempting to
12 influence an officer or employee of any agency, a member of
13 Congress, an officer or employee of Congress, or an employee of a
14 member of Congress in connection with this federal contract,
15 grant, loan, or cooperative agreement, the undersigned shall
16 complete and submit Standard Form-LLL, "Disclosure Form to
17 Report Lobbying," in accordance with its instructions.

18 c. The undersigned shall require that the language of this certification
19 be included in the award documents for all sub-awards at all tiers
20 (including subcontracts, sub-grants, and contracts under grants,
21 loans, and cooperative agreements) and that HFHR shall certify
22 and disclose accordingly. This certification is a material
23 representation of fact upon which reliance was placed when this
24 transaction was made or entered into.

25 36. HOLD HARMLESS AND INDEMNIFICATION. HFHR shall
26 indemnify and hold harmless the COUNTY, its Agencies, Districts, Special Districts and
27 Departments, their respective directors, officers, Board of Supervisors, elected and appointed
28 officials, employees, agents and representatives from any liability whatsoever, based or asserted

1 upon any services of HFHR, its officers, employees, subcontractors, agents or representatives
2 arising out of or in any way relating to this Agreement, including but not limited to property
3 damage, bodily injury, or death or any other element of any kind or nature whatsoever arising
4 from the performance of HFHR, its officers, agents, employees, subcontractors, agents or
5 representatives from this Agreement. HFHR shall defend, at its sole expense, all costs and fees
6 including, but not limited, to attorney fees, cost of investigation, defense and settlements or
7 awards, the County of Riverside, its Agencies, Districts, Special Districts and Departments,
8 their respective directors, officers, Board of Supervisors, elected and appointed officials,
9 employees, agents and representatives in any claim or action based upon such alleged acts or
10 omissions.

11 With respect to any action or claim subject to indemnification herein by HFHR, HFHR
12 shall, at its sole cost, have the right to use counsel of its own choice and shall have the right to
13 adjust, settle, or compromise any such action or claim without the prior consent of COUNTY;
14 provided, however, that any such adjustment, settlement or compromise in no manner
15 whatsoever limits or circumscribes HFHR'S indemnification to COUNTY as set forth herein.

16 HFHR'S obligation hereunder shall be satisfied when HFHR has provided to COUNTY
17 the appropriate form of dismissal relieving COUNTY from any liability for the action or claim
18 involved.

19 The specified insurance limits required in this Agreement shall in no way limit or
20 circumscribe HFHR'S obligations to indemnify and hold harmless the COUNTY herein from
21 third party claims.

22 In the event there is conflict between this clause and California Civil Code Section 2782,
23 this clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not
24 relieve HFHR from indemnifying the COUNTY to the fullest extent allowed by law.

25 37. TERMINATION.

26 a. HFHR. HFHR may terminate this Agreement consistent with the
27 Act, the regulations implementing the Act, and 24 CFR 85.44.

28 b. COUNTY. Notwithstanding the above provision hereof, COUNTY

1 may suspend or terminate this Agreement upon written notice to
2 HFHR of the action being taken and the reason for such action:

3 (a) In the event HFHR fails to perform the covenants herein
4 contained at such times and in such manner as provided in
5 this Agreement after the applicable notice and cure
6 provision hereof; or

7 (b) In the event there is a conflict with any federal, state or
8 local law, ordinance, regulation or rule rendering any of the
9 provisions of this Agreement invalid or untenable; or

10 (c) In the event the funding from HUD, as referred to in
11 **Section 1**, is terminated or otherwise becomes unavailable.

12 c. This Agreement may be terminated or funding suspended in whole
13 or in part for cause in accordance with 24 CFR 85.43. Cause shall
14 be based on the failure of HFHR to materially comply with either
15 the terms or conditions of this Agreement after the applicable
16 notice and cure provision hereof. Upon suspension of funding,
17 HFHR agrees not to incur any costs related thereto, or connected
18 with, any area of conflict from which the COUNTY has
19 determined that suspension of funds is necessary. The award may
20 be terminated for convenience in accordance with 24 CFR 85.44.

21 d. Upon expiration of this Agreement, HFHR shall transfer to the
22 COUNTY any unexpended NSP funds in its possession at the time
23 of expiration of the Agreement as well as any accounts receivable
24 held by HFHR which are attributable to the use of NSP funds
25 awarded pursuant to this Agreement.

26 38. AFFORDABILITY RESTRICTIONS. The COUNTY and HFHR hereby
27 declare their express intent that the restrictions set forth in this Agreement for each Assisted
28 Unit of the Project shall be affordable for a period of fifteen (15) years from the transfer of title

1 to Qualified Homebuyer, and shall bind all successors in title to the Assisted Unit until the
2 expiration of this Agreement. Each and every contract, deed or other instrument hereafter
3 executed covering and conveying the Assisted Unit or any portion thereof shall be held
4 conclusively to have been executed, delivered and accepted subject to such restrictions,
5 regardless whether such restrictions are set forth in such contract, deed or other instrument.

6 39. MECHANICS LIENS AND STOP NOTICES. If any claim of mechanics
7 lien is filed against the Project or a stop notice affecting the NSP Loan is served on the
8 COUNTY, HFHR must, within twenty (20) days of such filing or service, either pay and fully
9 discharge the lien or stop notice, obtain a release of the lien or stop notice by delivering to the
10 COUNTY a surety bond in sufficient form and amount, or provide the COUNTY with other
11 assurance reasonably satisfactory to COUNTY that the lien or stop notice will be paid or
12 discharged.

13 40. ENTIRE AGREEMENT. It is expressly agreed that this Agreement
14 embodies the entire agreement of the parties in relation to the subject matter hereof, and that no
15 other agreement or understanding, verbal or otherwise, relative to this subject matter, exists
16 between the parties at the time of execution.

17 41. AUTHORITY TO EXECUTE. The persons executing this Agreement or
18 exhibits attached hereto on behalf of the parties to this Agreement hereby warrant and
19 represent that they have the authority to execute this Agreement and warrant and represent that
20 they have the authority to bind the respective parties to this Agreement to the performance of
21 its obligations hereunder.

22 42. WAIVER. Failure by a party to insist upon the strict performance of any
23 of the provisions of this Agreement by the other party, or the failure by a party to exercise its
24 rights upon the default of the other party, shall not constitute a waiver of such party's rights to
25 insist and demand strict compliance by the other party with the terms of this Agreement
26 thereafter.

27 43. INTERPRETATION AND GOVERNING LAW. This Agreement and
28 any dispute arising hereunder shall be governed by and interpreted in accordance with the laws

1 of the State of California. This Agreement shall be construed as a whole according to its fair
2 language and common meaning to achieve the objectives and purposes of the parties hereto,
3 and the rule of construction to the effect that ambiguities are to be resolved against the drafting
4 party shall not be employed in interpreting this Agreement, all parties having been represented
5 by counsel in the negotiation and preparation hereof.

6 44. JURISDICTION AND VENUE. Any action at law or in equity arising
7 under this Agreement or brought by a party hereto for the purpose of enforcing, construing or
8 determining the validity of any provision of this Agreement shall be filed in the consolidated
9 Courts of Riverside County, State of California, and the parties hereto waive all provisions of
10 law providing for the filing, removal or change of venue to any other court or jurisdiction.

11 45. SEVERABILITY. Each paragraph and provision of this Agreement is
12 severable from each other provision, and if any provision or part thereof is declared invalid, the
13 remaining provisions shall nevertheless remain in full force and effect.

14 46. MINISTERIAL ACTS. The COUNTY's Assistant County Executive
15 Officer/EDA or designee(s) are authorized to take such ministerial actions as may be necessary
16 or appropriate to implement the terms, provisions, and conditions of this Agreement as it may
17 be amended from time to time by both parties.

18 47. MODIFICATION OF AGREEMENT. The COUNTY or HFHR may
19 consider it in its best interest to change, modify or extend a term or condition of this
20 Agreement. Any such change, extension or modification, which is mutually agreed upon by the
21 COUNTY and HFHR shall be incorporated in written amendments to this Agreement. Such
22 amendments shall not invalidate this Agreement, nor relieve or release the COUNTY or HFHR
23 from any obligations under this Agreement, except for those parts thereby amended. No
24 amendment to this Agreement shall be effective and binding upon the parties, unless it
25 expressly makes reference to this Agreement, is in writing and is signed and acknowledged by
26 duly authorized representatives of all parties.

27 48. ASSIGNMENT. HFHR will not make any sale, assignment, conveyance,
28 or lease of any trust or power, or transfer in any other form with respect to this Agreement or

1 the Project.

2 49. EXHIBITS AND ATTACHMENTS. Each of the attachments and
3 exhibits attached hereto is incorporated herein by this reference.

4 50. MEDIA RELEASES. HFHR agrees to allow COUNTY to coordinate all
5 media releases regarding the Project, with prior approval of HFHR. Any publicity generated by
6 HFHR for the Project must make reference to the contribution of COUNTY in making the
7 Project possible. COUNTY's name shall be prominently displayed in all pieces of publicity
8 generated by HFHR, including flyers, press releases, posters, signs, brochures, and public
9 service announcements. HFHR agrees to cooperate with COUNTY in any COUNTY-generated
10 publicity or promotional activities with respect to the Project.

11 51. NOTICES. All notices, requests, demands and other communication
12 required or desired to be served by either party upon the other shall be addressed to the
13 respective parties as set forth below or the such other addresses as from time to time shall be
14 designated by the respective parties and shall be sufficient if sent by U.S. first class, certified
15 mail, postage prepaid, or express delivery service with a receipt showing the date of delivery.

16 COUNTY

17 Director of Housing Development
18 Riverside County
19 Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507

HFHR

Board President
Habitat for Humanity Riverside, Inc.
2121 Atlanta Avenue, Suite B-3
Riverside, CA 92507

20
21 52. COUNTERPARTS. This Agreement may be signed by the different
22 parties hereto in counterparts, each of which shall be an original but all of which together shall
23 constitute one and the same agreement.

24 53. EFFECTIVE DATE. The effective date of this Agreement is the date the
25 parties execute the Agreement. If the parties execute the Agreement on more than one date,
26 then the last date the Agreement is executed by a party shall be the effective date.

27 ///

28 ///

1 IN WITNESS WHEREOF, the COUNTY and HFHR have executed this Agreement as of the
2 date first above written.

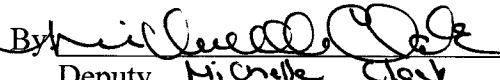
3
4 COUNTY OF RIVERSIDE

HABITAT FOR HUMANITY RIVERSIDE, INC.
a California nonprofit benefit corporation

5
6
7 By: _____
8 JEFF STONE
9 Chairman, Board of Supervisors

By: _____
JOHN C. TERELL
Board President

10
11 APPROVED AS TO FORM:
12 PAMELA J. WALLS
13 County Counsel

14 By:  7/2/09
Deputy Michelle Clark

15
16 ATTEST:
17 KECIA HARPER-IHEM
18 Clerk of the Board

19
20 By: _____
Deputy

21
22
23
24 **(All signatures on this page need to be notarized)**

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Place Notary Seal Above

Signature of Notary Public

Exhibit A

HFHR: Habitat for Humanity Riverside, Inc.
Address: 2121 Atlanta Avenue, Suite B-3, Riverside, CA 92507
Project Title: NSP-1 Habitat for Humanity Riverside, Rubidoux

Project Description:

HFHR will utilize \$1,915,000 in NSP funds for acquisition, rehabilitation and resale of approximately 11 vacant, foreclosed and bank-owned single-family homes to very low-income (VLI) first-time homebuyers within Target Areas, as shown hereof, in the community of Rubidoux.

NSP Assisted Units will be sold to qualified VLI first-time homebuyers whose incomes do not exceed 50% of the area median income for the County. Qualified Homebuyers must not have owned a home within the past 3 years and are required to attend an eight (8) hour home buyer counseling session certified by the United States Department of Housing and Urban Development (HUD).

HFHR will utilize NSP funds for acquisition, rehabilitation and disposal costs of properties for the Project. NSP Assisted Units shall be affordable for a period of at least 15 years from the initial transfer of title to qualified first-time homebuyers. HABITAT will be the primary lender to provide the Qualified Homebuyer a minimum 30-year fixed rate mortgage loan to purchase the home.

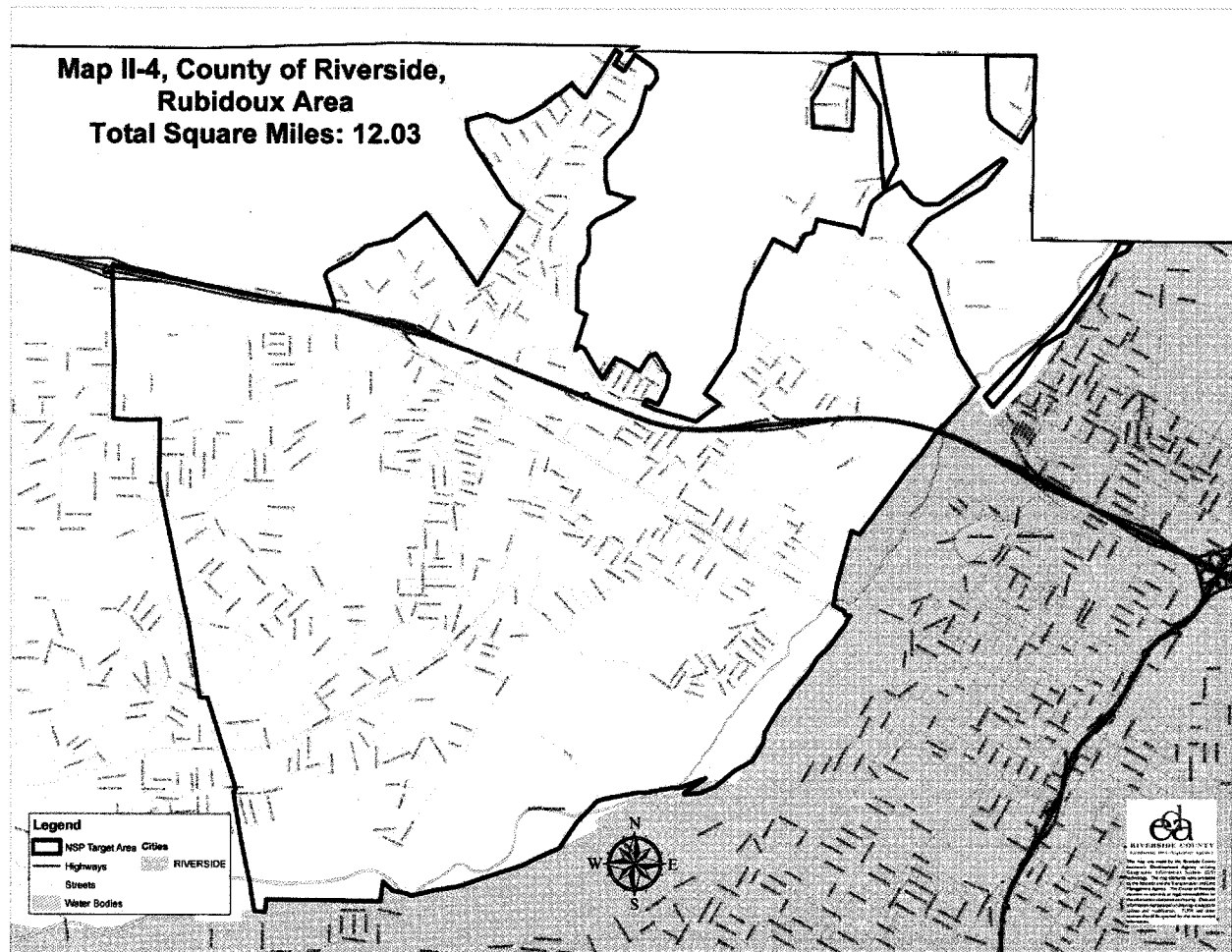
Eligible Properties ("Assisted Units")

Any single-family home, condominium or town home that meets all of the following minimum criteria:

1. The home must be foreclosed or abandoned and bank-owned.
2. The home must be currently vacant for a period of at least 90 days prior to the Initial Notice and Offer form (Exhibit D).
3. The home must be permanently fixed to a permanent foundation.
4. The home must be built after 1978. Homes constructed after January 1, 2000 are preferred. Older dwellings are eligible if they are suitable for renovation and if rehabilitation costs are reasonable. However, all properties must be constructed post-1978 and must not be listed on, or eligible for listing on, the National Register of Historic Places.
5. The home must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and comply with Laws and Authorities of §58.5: Historic Preservation, Floodplain & Wetlands, Coastal Zone, Aquifers, Endangered Species, Rivers, Air, Farmlands, HUD Environmental Standards and Environmental Justice.
6. Single-Family homes with in-ground pools or spas are eligible for acquisition.

Target Areas

Assisted Units must reside inside areas of greatest need within the designated Target Areas of the County of Riverside as defined in the County's 2008-2009 One Year Action Plan. Not all areas inside the city boundary are Target Areas. The Assisted Units for this Project must lie within the Target Areas of the community of Rubidoux. The boundaries are shown in red below.



Maximum Purchase Price

The maximum purchase price shall not exceed the actual 95 percent of the area median sales price, or the FHA 203(b) limit, whichever is lower, as updated and published regularly by HUD.

Resale Price Limitation

The Selling Price of each Assisted Unit shall not exceed the lesser of (a) the fair market value or (b) the total costs to acquire, rehabilitate and dispose of each Assisted Unit pursuant to NSP.

Appraisals

1. All foreclosed homes participating in this program must meet or exceed the minimum fifteen percent (15%) discount below the **Current Market Appraised Value (CMAV)**. The CMAV is the value of a foreclosed upon home that is established through an appraisal made in conformity with appraisal requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) and its implementing regulations at 49 CFR 24.103 and completed within sixty (60) days prior to a final offer made for the property. At COUNTY's discretion and within NSP regulations of the NSP1 Federal Register Bridge Notice, COUNTY may modify the percentage discount requirement below the CMAV.
2. EDA will pay for appraisal costs as follows:
 - a) If the property's purchase price does not meet the minimum fifteen percent (15%) discount below the Current Market Appraised Value, then EDA will only pay up to \$1,500 per property, a maximum \$15,000 per Applicant, of which will be paid by EDA. Beyond that amount, HFHR must pay for the cost of subsequent appraisals.
 - b) If the property's purchase price does meet or exceed the minimum fifteen percent (15%) discount below the Current Market Appraised Value, then the cost of appraisal will be paid from the closing costs budget for the project.
3. Initial Notice and Offer. Upon receipt of a completed and signed Initial Notice and Offer form for each property in consideration, as provided in **Exhibit D**, EDA will conduct an appraisal of the property through an independent fee contract appraiser ("Appraiser"). The Appraiser contracted by EDA will be State licensed or certified in accordance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The initial purchase price, identified in the Initial Notice and Offer form, will be considered as the Initial Offer. Bulk purchases must identify purchase prices for each property.
4. Final Notice and Offer. The final purchase price must be at least fifteen percent (15%) below the CMAV. Properties may be purchased in bulk, but the minimum fifteen percent (15%) discount applies to each property, and not an overall discount.
 - a) If the Initial Offer does meet or exceed the minimum fifteen percent (15%) discount, then the Seller and HFHR ("Buyer") will be required to submit a Final Notice and Offer form, as provided in **Exhibit D**, and the Initial Offer will be considered as the Final Offer. The Final Notice and Offer form must be received and dated within sixty (60) days of the completed EDA appraisal report. Failure to submit this in a timely manner will result in denial of the property.
 - b) If the Initial Offer does not meet the minimum fifteen percent (15%) discount below CMAV, then the Buyer will be required to re-negotiate to meet the minimum fifteen percent (15%) discount. If the Seller and Buyer could not reach an amicable agreement for the purchase price of the property, then the property by the Buyer will be denied and the cost of the appraisal will be paid for by EDA.

Project Sources and Uses of Funds:

Sources:

Habitat Donations	\$ 48,400
Homebuyer Sweat Equity	\$ 7,920
County of Riverside NSP Loan 12 months @ 0%	\$ <u>1,915,000</u>
Total Sources	\$ 1,971,320

Uses:

	Total Project Costs	NSP	Habitat
Acquisition	1,348,440	1,348,440	0
Rehabilitation	276,500	276,500	0
Appraisals	5,500	5,500	0
Building Permits	3,000	3,000	0
Title and Recording	7,040	7,040	0
Interim Maintenance	10,054	10,054	0
Insurance and Inspection	9,900	9,900	0
Marketing	27,500	27,500	0
Escrow	6,380	6,380	0
Donated Materials	22,000	0	22,000
Donated Labor	26,400	0	26,400
Homebuyer Sweat Equity	7,920	0	7,920
Contingency	41,475	41,475	0
Sub-total	1,792,109	1,735,789	56,320
Broker Fees	80,904	80,904	0
Developer Fee	98,307	98,307	0
TOTAL PROJECT COSTS	1,971,320	1,915,000	56,320

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. NSP Loan Agreement executed	July 16, 2009
2. Acquisition of Assisted Units completed*	November 16, 2009 (4 th month)
3. Rehabilitation Plan and revised budget	November 15, 2009
4. Marketing Plan Status and Outreach	December 16, 2009
5. Rehabilitation of Assisted Units complete*	February 16, 2010 (7 th month)
6. Transfer of title to Qualified Homebuyer*	May 16, 2010 (10 th month)
7. Submission of Closing Documents	June 16, 2010

* Section 27 – Performance Requirements

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. NSP Activities Reporting and Project Photos	Monthly, due by the 5 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for HFHR and General Contractor	HFHR – At the execution of this Agreement. GC – Before start of construction. Copies of Certificates must be filed and up-to-date throughout the course of the Project with the COUNTY additionally insured.
3. Minority & Women Business Enterprise Report – HUD form 2516, and Section 3 Reporting	Semi-Annually–Sept 30th & March 31 st Completion of Project
4. Notice of Completion	End of Construction
5. Certificate of Occupancy	End of Construction
6. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Rehabilitation
7. Rehabilitation Completion Report	Close of Rehabilitation
8. Final Development Cost - Sources and Uses	Close of Rehabilitation
9. Qualified Homebuyer Selection Policy	Marketing Stage
10. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
11. Updated Preliminary Title Report showing Transfer of title to Qualified Homebuyer	Close of Escrow

EXHIBIT B

Deed of Trust
(Sample)

EXEMPT RECORDING FEE CODE 6103
RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Riverside County
Economic Development Agency
1325 Spruce St., Suite 400
Riverside, CA 92507
ATTN: Mervyn Manalo

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST is made on this _____ day of _____, 2009. The grantor is HABITAT FOR HUMANITY RIVERSIDE, INC., a California nonprofit benefit corporation ("Borrower" or "HFHR"), and whose address is 2121 Atlanta Avenue, Suite B-3, Riverside, CA 92507. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a public agency, organized and existing under the laws of the State of California, and whose address is 1325 Spruce St. Suite 400, Riverside, CA 92507.

Pursuant to the terms of the NSP Loan Agreement, dated _____, Borrower owes Lender the sum of _____ Dollars (U.S. \$ _____) (the "NSP Loan") for acquisition, rehabilitation and disposition of the "Assisted Unit" as legally described in **Exhibit B-1** which is attached hereto and by this reference incorporated herein. This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the NSP Loan Agreement.

The Note shall provide the following:

The NSP Loan will accrue interest at a rate of zero percent (0%) per annum. The NSP Loan shall be due and payable by an Event of Default by Borrower which has not been cured as provided for in the NSP Loan Agreement. Notwithstanding the above, it is intended that the full amount of the NSP Loan for the Assisted Unit will be reduced by the following:

- (a) Development Subsidy. *The Development Subsidy is the amount of the NSP Loan minus the "Selling Price" of the Assisted Unit which is limited to the lesser of (i) the fair market value or (ii) the total costs to acquire, rehabilitate and dispose of the Assisted Unit; and*
- (b) Closing Costs. *Closing Costs for the sale of the Assisted Unit to Qualified Homebuyer.*

The NSP Loan less the Development Subsidy and Closing Costs for such Assisted Unit ("NSP Balance") shall be converted to a grant upon the transfer of title of such Assisted Unit to Qualified Homebuyer.

At the time of the sale of such Assisted Unit to Qualified Homebuyer, COUNTY shall cause to be delivered to HFHR a reconveyance of the Deed of Trust from such Assisted Unit and a termination of the NSP Loan as a lien on such Assisted Unit, which termination does not affect the Affordability Period for each Assisted Unit.

Upon the date of transfer of title of such Assisted Unit to Qualified Homebuyer, HFHR promises and agrees to utilize NSP Balance and continue to undertake and assist with the NSP-assisted activities, as provided in the NSP Loan.

HFHR will be the primary lender to provide the Qualified Homebuyer a minimum 30-year fixed rate mortgage loan to purchase the home.

*Upon sale of the Assisted Unit prior to the expiration of the Affordability Period, HFHR will utilize money from the sale towards NSP-assisted activities, as provided in **Exhibit A**.*

Annual financial statements providing for the status of the NSP Balance shall be submitted within 60 days of July 1st for COUNTY review.

The NSP Loan is evidenced by the Note and secured by this Deed of Trust ("Security Instrument"). The Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under paragraph 8 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, all of Borrower's right, title and interest in and to the Assisted Unit located in Riverside County, California, which is further described as:

LEGAL DESCRIPTION: See **Exhibit B-1**.

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property".

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey its fee and leasehold interest in the Property, as applicable, and the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

1. **Payment of Principal; Late Charges.** Borrower shall promptly pay when due the principal of on the debt evidenced by the Note and any late charges due under the Note.
2. **Taxes and Insurance.** Borrower shall pay at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said

property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

- a. Should Borrower fail to make any payment or to do any act herein provided, then Lender or Trustee, but without obligation so to do and upon written notice to or demand upon Borrower and without releasing Borrower from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Lender or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

3 Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to amounts payable under paragraph 2; second, to interest due; third, to principal due; and last, to any late charges due under the Note.

4 Prior Deeds of Trust; Charge; Liens. The Borrower shall perform all of the Borrower's obligations under this Deed of Trust, including Borrower's covenants to make payments when due, subject to applicable cure periods. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any, subject to applicable cure periods. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

- a) Except for the liens permitted by the Lender, Borrower shall promptly discharge any other lien which shall have attained priority over this Security Instrument unless Borrower: (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (2) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; (3) bond around the lien; or (4) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within thirty (30) days of the giving of notice.

- 5. Subordination.** This Deed of Trust shall be recorded in first position. This Deed of Trust shall remain in a superior position over any other trust deed that may be issued to secure additional public and/or private financing for the Project. The Lender hereby agrees to execute any and all documents necessary to effectuate such subordination concerning this loan, construction and permanent loans, and any future refinancing upon Borrower's request. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.
- 6. Hazard or Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the NSP Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 8.
- a) All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if the Borrower complies with the insurance requirements under the Senior Deeds of Trust. All original policies of insurance required pursuant to the Senior Deeds of Trust shall be held by the Senior Lien Holders; provided, however, Lender may be named as a loss payee as its interest may appear and may be named as an additional insured. Borrower shall promptly give to Lender certificates of insurance showing the coverage is in full force and effect and that Lender is named as additional insured. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holders and Lender. Lender may make proof of loss if not made promptly by the Senior Lien Holders or the Borrower.
 - b) Unless Lender and Borrower otherwise agree in writing, and subject to the terms of the Senior Deeds of Trust, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided Borrower determines that such restoration or repair is economically feasible and there is no default continuing beyond the expiration of all applicable cure periods. If Borrower determines that such restoration or repair is not economically feasible or if a default exists after expiration of all applicable cure periods, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

- c) Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under paragraph 23 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.
- d) Notwithstanding the above, the Lender's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holders to collect and apply such proceeds in accordance with the Senior Deeds Trust.

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such a default and reinstate, as provided in paragraph 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrowers use of Property for affordable housing. If this Security Instrument is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

- a) The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting the Property's use to very low-income households earning no more than fifty percent (50%) of the median income within Riverside County. The use and occupancy restrictions may limit the Borrower's ability to sell the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the Lender to the remedies provided in Section 23 hereof.

8. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then, subject to any applicable grace periods or cure periods, Lender may do

and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument (including sums secured by the Senior Deeds of Trust), appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 8, Lender does not have to do so.

- a. Any amounts disbursed by Lender under this paragraph 8 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.
- b. Prior to taking any actions under this Section 8, however, Lender shall notify the Senior Lien Holder of such default in the manner provided in Section 23 of this Security Instrument, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Security Instrument. All amounts advanced by a Senior Lien Holder to cure a default hereunder shall be deemed advanced by such Senior Lien Holder and shall be secured by the applicable Senior Deed of Trust. In addition, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders at least 60 days' prior written notice. Any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the Senior Deeds of Trust.
- c. Lender and Borrower further agree that a default hereunder shall constitute a default under the Senior Deed of Trust. In the event of a default hereunder, the Senior Lien Holder shall have the right to exercise all rights and remedies under the Senior Deed of Trust.

9. Mortgage Insurance. (Not used)

10. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

11. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of the Senior Deeds of Trust.

- a. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in

which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due. Notwithstanding the foregoing, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the project.

- b. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.
- c. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

12. Borrower Not Released; Forbearance By Lender Not a Waiver. Except in connection with any successor in interest approved by lender, extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 18. Borrower's covenants and agreements shall be joint and several.

- 14. Loan Charges.** If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be promptly refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.
- 15. Notices.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated herein or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to a Senior Lien Holder shall be given by first class mail to any Senior Lien Holder at such address Senior Lien Holder designates by notice to the Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.
- 16. Governing Law; Severability.** This Security Instrument shall be governed by state law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.
- 17. Borrower's Copy.** Borrower shall be given one conformed copy of the Note and of this Security Instrument.
- 18. Transfer of the Property or a Beneficial Interest in Borrower.** Except for a conveyance to the trustee(s) under the Senior Deeds of Trust and the sale of Assisted Units in the Project, if all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for "low income housing" within the meaning of California Community Redevelopment Law) Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument. Nothing in this Security Instrument shall be deemed to require Lender's approval of a transfer of limited partnership interests in the Borrower.
- a. If Lender exercises the foregoing option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall

provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

- b. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders at least 60 days' prior written notice. The Borrower's limited partners shall have the same right to cure as Senior Lien Holders.
- c. The Borrower and the Lender agree that whenever the Note or this Security Instrument gives the Lender the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holders pursuant to the Senior Deeds of Trust, the Senior Lien Holders' approval or consent or failure to approve or consent, as the case may be, shall be binding on the Borrower and the Lender.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 18.

20. Sale of Note; Change of Loan Servicer. The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 15 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which

payments should be made. The notice will also contain any other information required by applicable law.

21. No Assignment. Until the loans secured by the Senior Deeds of Trust have been satisfied in full, the Lender and the Borrower agree that the Note and the Security Instrument will not be assigned without the Senior Lien Holders' prior written consent.

22. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses, construction, and to maintenance of the Property.

a. Borrower shall promptly given Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified in writing by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Borrower shall notify the Senior Lien Holders that such remedial action is necessary and shall obtain the Senior Lien Holders' prior written consent for such remedial action.

b. As used in this paragraph 22, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

23. Acceleration; Remedies. Lender shall give notice to Borrower, Borrower's investment limited partner (the "Investment Limited Partner") and the Senior Lien Holders prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower and the Investment Limited Partner (and with respect to a Senior Lien Holder, 60 days from the date the notice is given to such Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice

may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holders or the Investment Limited Partner have not exercised their right to cure the default, then Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders, the Special Limited Partner and the Investment Limited Partner at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

- a. If Lender invokes the power of sale, Lender or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the Investment Limited Partner, the Senior Lien Holders and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.
- b. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Security Instrument, Lender shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

25. Substitute Trustee. Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Security Instrument is recorded. Without conveyance of the

Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

26. Modification of Senior Deeds of Trust Loan Documents. The Lender consents to any agreement or arrangement in which a Senior Lien Holder waives, postpones, extends, reduces or modifies any provisions of the applicable Senior Deed of Trust loan documents, including any provisions requiring the payment of money.

27. Not Used.

28. General Partner Change. The withdrawal, removal, and/or replacement of a general partner of the Borrower pursuant to the terms of the Partnership Agreement of Borrower (as the same may be amended from time to time) shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan, provided that any required substitute general partner is reasonably acceptable to Lender and is selected with reasonable promptness. Any proposed General Partner replacement shall have the qualifications and financial responsibility as reasonably determined by the Lender necessary and adequate to fulfill the obligations undertaken in the NSP Loan, as amended.

(SIGNATURES ON NEXT PAGE)

BY SIGNING BELOW, the Borrower and the Lender accept and agree to the terms and covenants contained in this Deed of Trust.

Date: _____

BORROWER:

HABITAT FOR HUMANITY RIVERSIDE, INC.

By: _____
JOHN C. TERELL
Board President

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

LENDER:

COUNTY OF RIVERSIDE

By: _____
ROBERT FIELD
Assistant County Executive Officer/EDA

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

By:  7/2/09
Deputy Michelle Clark

ALL SIGNATURES MUST BE NOTARIZED

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Place Notary Seal Above

Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Place Notary Seal Above

Signature of Notary Public

REQUEST FOR RECONVEYANCE

TO TRUSTEE:

The undersigned is the holder of the Note or Notes secured by this Security Instrument (Deed of Trust). Said Promissory Note or Notes, together with all other indebtedness secured by this Security Instrument (Deed of Trust), have been paid in full. You are hereby directed to cancel said Promissory Note or Notes and this Security Instrument (Deed of Trust), which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Dated: _____

EXHIBIT C

Promissory Note (Sample)

PROMISSORY NOTE

\$ _____ **Riverside, CA**

In installments as hereafter stated, for value received, HABITAT FOR HUMANITY RIVERSIDE, INC., a California nonprofit benefit corporation (“Borrower” or “HFHR”) promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California (“COUNTY”), or order, at 1325 Spruce Street, Suite 400, Riverside, CA 92507, the sum of _____ Dollars (U.S. \$ _____) (the “NSP Loan”), at the rate of zero percent (0%) per annum, pursuant to the terms of the NSP Loan Agreement, dated _____, for acquisition, rehabilitation and disposition of the “Assisted Unit”. at _____. Capitalized terms not defined herein shall have the meaning ascribed to them in the NSP Loan Agreement.

This Promissory Note shall provide the following:

The NSP Loan will accrue interest at a rate of zero percent (0%) per annum. The NSP Loan shall be due and payable by an Event of Default by Borrower which has not been cured as provided for in the NSP Loan Agreement. Notwithstanding the above, it is intended that the full amount of the NSP Loan for the Assisted Unit will be reduced by the following:

- (c) Development Subsidy. The Development Subsidy is the amount of the NSP Loan minus the “Selling Price” of the Assisted Unit which is limited to the lesser of (i) the fair market value or (ii) the total costs to acquire, rehabilitate and dispose of the Assisted Unit; and*
- (d) Closing Costs. Closing Costs for the sale of the Assisted Unit to Qualified Homebuyer.*

The NSP Loan less the Development Subsidy and Closing Costs for such Assisted Unit (“NSP Balance”) shall be converted to a grant upon the transfer of title of such Assisted Unit to Qualified Homebuyer.

At the time of the sale of such Assisted Unit to Qualified Homebuyer, COUNTY shall cause to be delivered to HFHR a reconveyance of the Deed of Trust from such Assisted Unit and a termination of the NSP Loan as a lien on such Assisted Unit, which termination does not affect the Affordability Period for each Assisted Unit.

Upon the date of transfer of title of such Assisted Unit to Qualified Homebuyer, HFHR promises and agrees to utilize NSP Balance and continue to undertake and assist with the NSP-assisted activities, as provided in the NSP Loan.

HFHR will be the primary lender to provide the Qualified Homebuyer a minimum 30-year fixed rate mortgage loan to purchase the home.

*Upon sale of the Assisted Unit prior to the expiration of the Affordability Period, HFHR will utilize money from the sale towards NSP-assisted activities, as provided in **Exhibit A**.*

Annual financial statements providing for the status of the NSP Balance shall be submitted within 60 days of July 1st for COUNTY review.

Pursuant to the NSP Loan Agreement, the NSP Loan Agreement shall become effective upon the Effective Date and shall continue in full force and effect with respect to each Assisted Unit for a period of twelve (12) months, and the NSP Loan shall be forgiven on the date of the initial transfer of title of such Assisted Unit to Qualified Homebuyer.

In any action commenced to enforce the obligation of the Borrower to pay principal and interest under the Note, the obligations hereunder shall be non-recourse to the Borrower and the judgment shall not be enforceable personally against the Borrower, Borrower's partners, or the Borrower's assets, and the recourse of the County for the collection of such amounts shall be limited to actions against the Assisted Unit described in the Deed of Trust executed by the Borrower to secure the Note and the rents, profits, issues, products, and income from the Assisted Unit.

Should default be made in payment of principal when due and such default shall continue beyond the applicable notice and cure period provided in the Deed of Trust, the outstanding principal balance of this Note shall become immediately due at the option of the holder of this Note. Principal is payable in lawful money of the United States. If action be instituted on this Note, the undersigned promises to pay such sums as the Court may fix as attorney's fees.

The Borrower and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the Property Loan or the performance of the Borrower's obligations under the NSP documents. The sole recourse of the COUNTY with respect to payment of the principal of, or interest on, the NSP Loan, shall be to the Assisted Unit. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the NSP documents shall be enforced personally against the Borrower or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the NSP documents. This non-recourse provision does not limit or impair the enforcement against all such security for the NSP Loan of all the rights and remedies of the COUNTY, nor does it impair the right of the COUNTY to assert the unpaid principal amount of the NSP Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this non-recourse provision does not relieve the Borrower of personal liability for damage to or loss suffered by the COUNTY as a result of any of the following (i) fraud or willful misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and that are payable or applicable prior to any foreclosure under the Deed of Trust; (iii) the fair market value of any personal property of fixtures removed or disposed of by the Borrower other than in accordance with the Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by the Borrower after the COUNTY has properly exercised its rights under the Deed of Trust to receive such income upon an Event of Default (as defined under the Deed of Trust).

(SIGNATURE ON NEXT PAGE)

DATE: _____

BORROWER:

HABITAT FOR HUMANITY RIVERSIDE, INC.

By: _____

JOHN C. TERELL

Board President

EXHIBIT D

1. INITIAL NOTICE AND OFFER

2. FINAL NOTICE AND OFFER



INITIAL NOTICE AND OFFER
NSP form

Informational Notice To Seller
VOLUNTARY ACQUISITION OF
FORECLOSED PROPERTY

Date	
------	--

_____, (hereinafter referred to as "Buyer")

is interested in acquiring the property you own at:

_____(Address)

which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the Neighborhood Stabilization Program (NSP) created by the Housing and Economic Recovery Act of 2008 to purchase foreclosed homes at a discount. The Buyer intends to apply and qualify for the Riverside County Economic Development Agency (EDA) NSP assistance. Acquisitions financed with NSP funds are subject to Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA).

Please be advised that the Buyer does not have the authority to acquire your property by eminent domain. In the event the Buyer cannot reach an amicable agreement for the purchase of your property, the proposed acquisition cannot be consummated under NSP and the application for the NSP assistance will be denied.

In accordance with the URA, owner-occupants who move as a result of a voluntary acquisition are not eligible for relocation assistance. A tenant-occupant who moves as a result of a voluntary acquisition for a federally-assisted project may be eligible for relocation assistance. Such displaced persons may include not only current lawful occupants, but also former tenants required to move for any reason other than an eviction for cause in accordance with applicable federal, state, and local law. If the property is currently tenant-occupied or a tenant lawfully occupied the property within the past ninety (90) days prior to this offer, we need to know immediately. Further, you should not order current occupant(s) to move, or fail to renew a lease, in order to sell the property to us as vacant.

EXHIBIT E

RIVERSIDE COUNTY

ECONOMIC DEVELOPMENT AGENCY

SECTION 3

24 CFR PART 135

ECONOMIC OPPORTUNITIES FOR LOW-AND VERY LOW-INCOME PERSONS

CONTRACT REQUIREMENTS

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

I. Section 135.1 Purpose

The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

Section 135.30 Numerical Goals for Meeting the Greatest Extent Feasible Requirement

A. GENERAL

- (1) Recipients and covered contractors may demonstrate compliance with the "greatest extent feasible" requirement of Section 3 by meeting the numerical goals set forth in this Section for providing training, employment, and contracting opportunities to Section 3 residents and Section 3 Business Concerns.
- (2) The goals established in this section apply to the entire amount of the Section 3 covered assistance awarded to a recipient in any Federal Fiscal Year (FY) commencing with the first FY following the effective date of this rule - (October 1, 1994).
- (3) For Recipients that do not engage in training, or hiring, but award contracts to contractors that will engage in training, hiring and subcontracting, recipients must ensure that, to the greatest extent feasible, contractors will provide training, employment, and contracting opportunities to Section 3 residents and Section 3 Business Concerns.
- (4) The numerical goals established in this Section represent minimum numerical goals.

B. TRAINING AND EMPLOYMENT

The numerical goals set forth in this Section apply to new hires. The numerical goals reflect the aggregate hires. Efforts to employ Section 3 residents, to the greatest extent feasible, should be made at all levels.

Recipients of section 3 covered community development assistance, and their contractors and subcontractors may demonstrate compliance with the requirements of this part by committing to employ section 3 residents as:

- (i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995 (October 1, 1994 to September 30, 1995),
- (ii) 20 percent of the aggregate number of the new hires for the one year period beginning in FY 1996 (October 1, 1995 to September 1996); and

- (iii) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997 and continuing thereafter (October 1, 1996 and thereafter).

C. CONTRACTS

Numerical goals set forth in this Section apply to contracts awarded in connection with all Section 3 covered project and Section 3 covered activities. Each recipient and contractor and subcontractor may demonstrate compliance with the requirements of this part by committing to award to Section 3 Business Concerns:

- (1) At least 10 percent of the total dollar amount of all Section 3 covered contracts for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and
- (2) At least three (3) percent of the total dollar amount of all other Section 3 covered contracts.

D. SAFE HARBOR AND COMPLIANCE DETERMINATIONS

- (1) In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the Section 3 preference requirements.
- (2) In evaluating compliance, a recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered despite actions taken. A recipient or contractor also can indicate other economic opportunities, such as those listed in Sec. 135.40, which were provided in its efforts to comply with Section 3 and the requirement of this part.

III. SECTION 135.34 Preference for Section 3 Residents in Training and Employment Opportunities.

A. Order of providing preference. Recipients, contractors, and subcontractors shall direct their efforts to provide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of Section 3 covered assistance to Section 3 residents in the order of priority provided in this section.

- (1) Housing and community development programs. In housing and community development programs, priority consideration shall be given, where feasible, to:
 - (i) Section 3 residents residing in the Riverside or San Bernardino County (collectively, referred to as category 1 residents); and
 - (ii) Participants in HUD Youth build programs (category 2 residents).
 - (iii) Where the section 3 project is assisted under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et seq.), homeless persons residing in the Riverside or San Bernardino County shall be given the highest priority;

B. Eligibility for Preference: A Section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the

recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Sec. 135.5 (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)

- C. Eligibility for employment: Nothing in this part shall be construed to require the employment of a Section 3 resident who does not meet the qualifications of the position to be filled.

IV SECTION 135.36 Preference for Section 3 Business Concerns in Contracting Opportunities.

- A. Order of Providing Preference: Recipients, contractors and subcontractors shall direct their efforts to award Section 3 covered contract, to the greatest extent feasible, to Section 3 Business Concerns in the order of priority provided in this section.
 - (1) Housing and community development programs. In housing and community development programs, priority consideration shall be given, where feasible, to:
 - (i) Section 3 business concerns that provide economic opportunities for section 3 residents in the Riverside or San Bernardino County (category 1 businesses); and
 - (ii) Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses);
 - (iii) Other section 3 business concerns.
- B. Eligibility for Preference: A Business Concern seeking to qualify for a Section 3 contracting preference shall certify or submit evidence, if requested, that the Business Concern is a Section 3 Business Concern as defined in Section 135.5.
- C. Ability to Complete Contract: A Section 3 Business Concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if requested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract. (The ability to perform successfully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36 (b) (8)). This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

SECTION 135.38 Section 3 Clause.

All section 3 covered contracts shall include the following clause (referred to as the Section 3 clause):

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance of HUD-assisted projects covered by Section 3, shall,

to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate actions, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 35 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

VI. SECTION 135.40 Providing Other Economic Opportunities

- A. General. In accordance with the findings of the Congress, as stated in Section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with Section 3 covered assistance.

- B. Other training and employment related opportunities. Other economic opportunities to train and employ Section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring Section 3 residents in management and maintenance positions within other housing developments; and hiring Section 3 residents in part-time positions.
- C. Other business related economic opportunities:
 - (1) A recipient or contractor may provide economic opportunities to establish stabilize or expand Section 3 Business Concerns, including micro-enterprises. Such opportunities include, but are not limited to the formation of Section 3 Joint Ventures, financial support for affiliating with franchise development, use of labor only contracts for building trades, purchase of supplies and materials from housing authority resident-owned businesses, purchase of materials and supplies from Public Housing Agency resident-owned businesses. A recipient or contractor may employ these methods directly or may provide incentives to non-Section 3 businesses to utilize such methods to provide other economics opportunities to low-income persons.
 - (2) A Section 3 Joint Venture means an association of Business Concerns, one of which qualifies as a Section 3 Business Concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the Business Concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the Section 3 Business Concern:
 - (i) Is responsible for clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and
 - (ii) Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

VII. SECTION 135.5 Definitions.

As used in this part:

Applicant means any entity which makes an application for Section 3 covered assistance and includes, but is not limited to, any State, unit of local government, public housing agency, Indian housing authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, owner, developer, limited dividend sponsor, builder, property manager, community housing development organization (CHDO), resident management corporation, resident council, or cooperative association.

Assistant Secretary means the Assistant Secretary for Fair Housing and Equal Opportunity.

Business Concern means a business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Contract. See the definition of "Section 3 covered contract" in this section.

Contractor means any entity which contracts to perform work generated by the expenditure of Section 3 covered assistance, or for work in connection with a section 3 covered project.

Department or HUD means the Department of Housing and Urban Development, including its Field Offices to which authority has been delegated to perform functions under this part.

Employment opportunities generated by Section 3 covered assistance means (with respect to Section 3 covered housing and community development assistance), this term means all employment opportunities arising in connection with Section 3 covered projects (as described in Section 135.3(a) (2)), including management and administrative jobs connected with the Section 3 covered project. Management and administrative jobs, include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

Housing and community development assistance means any financial assistance provided or otherwise made available through a HUD housing or community development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under Section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty.

Housing development means low-income housing owned, developed, or operated by public housing agencies or Indian housing authorities in accordance with HUD's public and Indian housing program regulations codified in 24 CFR Chapter IX.

HUD Youth build Programs means programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low and very low-income families.

Low income person. See the definition of "Section 3 Resident" in this section.

New hires mean full-time employees for permanent, temporary, or seasonal employment opportunities.

Public Housing resident has the meaning given this term in 24 CFR Part 963.

Recipient means any entity which receives Section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit or local government, PHA, Indian Housing Authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, owner,

PARTICIPANT, developer, limited dividend sponsor, builder, property manager, community development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee, or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which Section 3 applies and does not include contractors.

Secretary means the Secretary of Housing and Urban Development.

Section 3 means Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u)

Section 3 Business Concern means a business concern, as defined in this Section:

- (1) That is 51 percent or more owned by Section 3 residents; or
- (2) Whose permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were section 3 residents; or
- (3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in Sections (1) or (2) in this definition of "Section 3 Business Concern"

Section 3 Clause means the contract provisions set forth in Sec. 135.38.

Section 3 covered activity means any activity which is funded by Section 3 covered assistance public and Indian housing assistance.

Section 3 covered assistance means:

- (1) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:
 - (i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement):
 - (ii) Housing construction; or
 - (iii) Other public construction project (which includes other buildings or improvements regardless of ownership).

Section 3 covered contract means a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of section 3 covered assistance, or for work arising in connection with a section 3 covered project. "Section 3 covered contracts" do not include contracts awarded under HUD's procurement program, which are governed by the Federal Acquisition Regulation System (see 48 CFR, Chapter 1). "Section 3 covered contracts" also do not include contracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a Section 3 covered contract. For example, a contract for the purchase and installation of a furnace would be a Section 3 covered contract because the contract is for work (i.e., the installation of the furnace) and thus is covered by Section 3.

Section 3 covered project means the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

Section 3 resident means:

- (1) A public housing resident; or
- (2) An individual who resides in the San Bernardino or Riverside County, and who is:
 - (i) A low income person, is defined as families whose incomes do not exceed 80 percent of the median income for the Riverside and San Bernardino Counties, as determined by the Secretary, with adjustments for smaller and larger families.
 - (ii) A very low income person, is defined as families whose incomes do not exceed 50 percent of the median income for the Riverside and San Bernardino Counties, as determined by the Secretary, with adjustments for smaller and larger families.
 - (iii) A person seeking the training and employment preference provided by Section 3 bears the responsibility of providing evidence (if requested) that the person is eligible for the preference.

Subcontractor means any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the expenditure of Section 3 covered assistance, or arising in connection with a section 3 covered project.

Very low income person. See the definition of "Section 3 resident" in this section.

Exhibit E

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

CONTRACTOR CERTIFICATION

REGARDING STATUS AS A SECTION 3 BUSINESS CONCERN

I, _____, hereby certify that the business
(print name and title)

known as _____
(print business name)

_____ is not a Section 3 business. (Please complete the bottom section.)

_____ is a Section 3 business **because** (check one of the following:)

_____ 51 percent or more is owned by Section 3 residents; or

_____ 30 percent of the permanent full-time employees are currently Section 3 residents or were Section 3 residents when first hired (if within the past three years); or

_____ The business commits in writing to subcontract over 25 percent of the total dollar amount of all subcontracts to be let to businesses that meet the requirements of Sections 1 and 2 of this definition;

AND

The business was formed in accordance with state law and is licensed under state, county, or municipal law to engage in the business activity for which it was formed.

A Section 3 Resident is a person living in San Bernardino or Riverside County who is a Public Housing resident or who is low income.

Low-Income Persons mean families (including single persons) whose income does not exceed 80 percent of the median income, as adjusted by HUD, for Riverside and San Bernardino Counties.

Signature _____

Project _____

Date _____

Project _____

\$ _____

Effective 02/2009

Persons in Household	1	2	3	4	5	6	7	8
Low Income Family	\$37,300	\$42,650	\$47,950	\$53,300	\$57,550	\$61,850	\$66,100	\$70,350

A new hire is qualified as a Section 3 resident if he/she resides in Riverside or San Bernardino County and his/her total family income is less than the family income shown above for his/her household size.

Prohibition Against Conflicts of Interest

EXHIBIT F

§ 92.356 Conflict of interest.

(a) Applicability. In the procurement of property and services by participating jurisdictions, State recipients, and sub-recipients, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively, apply. In all cases not governed by 24 CFR 85.36 and 24 CFR 84.42, the provisions of this section apply.

(b) Conflicts prohibited. No persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted with NSP funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a NSP assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter

(c) Persons covered. The conflict of interest provisions of paragraph (b) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the COUNTY, State recipient, or sub-recipient which are receiving NSP funds.

(d) Exceptions: Threshold requirements. Upon the written request of the recipient, HUD may grant an exception to the provisions of paragraph (b) of this section on a case-by-case basis when it determines that the exception will serve to further the purposes of the NSP Investment Partnerships Program and the effective and efficient administration of the COUNTY's program or project. An exception may be considered only after the recipient has provided the following:

(1) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and

(2) An opinion of the recipient's attorney that the interest for which the exception is sought would not violate State or local law.

(e) Factors to be considered for exceptions. In determining whether to grant a requested exception after the recipient has satisfactorily met the requirements of paragraph (d) of this section, HUD shall consider the cumulative effect of the following factors, where applicable:

(2) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;

(3) Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;

- (4) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
- (5) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (c) of this section;
- (6) Whether undue hardship will result either to the COUNTY or the person affected when weighed against the public interest served by avoiding the prohibited conflict;
- (7) Any other relevant considerations.

Owners/Participants and Developers.

- (1) No owner, developer, or sponsor of a project assisted with NSP funds (or officer, employee, agent or consultant of the owner, developer, or sponsor) whether private, for profit or non-profit (including a community housing development organization (CHDO) when acting as an owner, developer or sponsor) may occupy a NSP assisted affordable housing unit in a project. This provision does not apply to an individual who receives NSP funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.
- (2) Exceptions. Upon written request of owner or developer, the COUNTY may grant an exception to the provisions of paragraph (f)(1) of this section on a case-by-case basis when it determines that the exception will serve to further the purpose of the NSP program and the effective and efficient administration of the owner's or developer's NSP assisted project. In determining whether to grant a requested exception, the COUNTY shall consider the following factors:
 - (i) Whether the person receiving the benefit is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted housing, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 - (ii) Whether the person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted housing in question;
 - (iii) Whether the tenant protection requirements of § 92.253 are being observed;
 - (iv) Whether the affirmative marketing requirements of § 92.351 are being observed and followed; and
 - (v) Any other factor relevant to the COUNTY's determination, including the timing of the requested exception.

TOPIC: CONFLICT OF INTEREST CODED
RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY
DATE: MARCH 1999

This Conflict of Interest Code is written to comply with Federal Regulations (24 CFR Part 85). These Regulations. "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments" require that grantees and sub-grantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts.

- 1) No employee, officer, or agent of the grantee shall participate in the selection, in the award or in the administration of a contract supported by Federal Funds if a conflict of interest, real or apparent, would be involved.
- 2) Such a conflict will arise when:
 - i) The employee, officer or agent;
 - ii) Any member of the immediate family;
 - iii) His/Her partners; or
 - iv) An organization which employs, or is about to employ any of the above has a financial or other interest in the firm's selection for award.
- 3) The grantee's or sub-grantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to sub-agreements except as noted in Section 4.
- 4) A grantee's or sub-grantee's officers, employees or agents will be presumed to have a financial interest in a business if their financial interest exceeds the following:
 - i) Any business entity in which the official has a direct or indirect investment worth one thousand dollars (\$1,000) or more.
 - ii) Any real property in which the official has a direct or indirect interest worth one thousand dollars (\$1,000) or more.
 - iii) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars (\$250) or more in value provided to, received by or promised to the official within 12 months prior to the time when the decision is made.
 - iv) Any business entity in which the official is a director, officer, partner, trustee, employee, or holds any position of management.
 - v) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the official within 12 months prior to the time when the decision is made.
- 5) For purposes of Section 4, indirect investment or interest means any investment or interest owned by the spouse or dependent child of an official, by an agent on behalf of an official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or more.