

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

835



FROM: Economic Development Agency

SUBMITTAL DATE:
May 13, 2010

SUBJECT: Loan Agreement for the Use of HOME Funds for Monte Vista II Family Apartments

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Loan Agreement for the use of \$968,000 in HOME Program Funds with Monte Vista II Family Housing, LLC, a California Limited Liability Company;
2. Approve the attached Deed of Trust with Assignment of Rents and Promissory Note;
3. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement with U.S. Bank in an amount up to Six Million One Hundred Eighty Thousand Two Hundred Twenty Four Dollars (\$6,180,224) subject to approval by County Counsel;
4. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement with the Murrieta Redevelopment Agency in an amount up to Two Million Two Hundred Twenty Two Thousand Two Hundred Twenty Two Dollars (\$2,222,222) subject to approval by County Counsel;
5. Authorize the Chairman of the Board to sign the attached Loan Agreement and Deed of Trust; and
6. Authorize the Assistant County Executive Officer/EDA or designee to take all necessary steps to implement the Loan Agreement including, but not limited to, signing subsequent essential and relevant documents subject to approval by County Counsel.

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 968,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	09/10

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: HOME Investment Partnerships Act Grant Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: MICHELLE CLACK
DATE: 5/12/10
Departmental Concurrence

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: 3.17 of 12/22/2009, 3.6 of 1/12/2010 | District: 3 | Agenda Number: 3.17

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

BACKGROUND:

Monte Vista II Family Housing, LLC ("Applicant") proposes to utilize \$968,000 in HOME funds for the second phase development and construction of a 40-unit affordable housing complex for low-income families in the City of Murrieta in Riverside County. The project consists of 10 one-bedroom units, 14 two-bedroom units, and 16 three-bedroom units. The units will be located in two 2-story buildings, 16-unit buildings and one 2-story, 8-unit building on an approximately two-acre site. The one-bedroom units are approximately 650 square feet, the two-bedroom units are approximately 750 square feet, and the three-bedroom units are approximately 1,050 square feet. All units will include a private balcony, refrigerator, dishwasher, combination range/oven, garbage disposal, and central heating/cooling. The residents will have access to the existing swimming pool, tot lots, community room and computer lab from phase one. Additional laundry, trash facilities and tot lot will be constructed.

A total of 11 units shall be designated as HOME-assisted units limited to households whose incomes do not exceed fifty percent (50%) of the median family income for the County of Riverside, with adjustments for smaller and larger households at the time of occupancy, and as such income levels may be adjusted by HUD. The HOME units shall be restricted for a period of at least 55 years from the issuance of Certificate of Occupancy.

The Applicant intends to use \$968,000 in HOME funds for hard and soft construction expenses. Other funding sources sought after by the Applicant include: a \$2,222,222 loan from the Murrieta Redevelopment Agency; a \$1,320,000 land contribution from the Murrieta Redevelopment Agency; a \$1,189,999 conventional loan; and a limited partner tax credit equity contribution of \$5,765,908. The total development costs are estimated to be \$11,466,129.

The County's HOME Loan will be in the third position behind a U.S. Bank construction loan and permanent first mortgage, and a permanent second mortgage in favor of the Murrieta Redevelopment Agency.

On December 22, 2009, the Board approved the Notice of Finding of No Significant Impact on the Environment, and the County has received authorization from the U.S. Department of Housing and Urban Development to incur costs. The project activity was included in the 2009/2010 One-Year Action Plan on January 12, 2010.

County Counsel has reviewed and approved the attached Loan Agreement and Deed of Trust. Staff recommends that the Board approve the attached documents.

1 NO FEE FOR RECORDING PURSUANT
2 TO GOVERNMENT CODE SECTION 6103

3 Escrow No.

4 Loan No.

5 RECORDING REQUESTED BY AND
6 WHEN RECORDED MAIL TO:

7 County of Riverside

8 Economic Development Agency

9 3403 10th Street, Suite 500

10 Riverside, CA 92501

11 Attn. Mervyn Manalo

12 SPACE ABOVE THIS LINE FOR RECORDERS USE

13 **LOAN AGREEMENT FOR THE USE OF HOME FUNDS**

14 This Agreement is made and entered into this ____ day of _____, 2010
15 by and between THE COUNTY OF RIVERSIDE ("COUNTY"), a political subdivision of the
16 State of California and MONTE VISTA II FAMILY HOUSING, LLC, a California Limited
17 Liability Company ("OWNER"), whose Manager is Affirmed Housing Group, Inc., a
18 Delaware corporation. The COUNTY and OWNER are collectively referred to as the
19 "Parties."

20 **WITNESSETH:**

21 WHEREAS, the Home Investment Partnerships ("HOME") Program, which was
22 enacted under Title II of the Cranston-Gonzalez National Affordable Housing Act (the "Act"),
23 as amended (commencing at 42 U.S.C. 12701 et seq.), and implemented under 24 CFR Part 92,
24 has as its purposes to expand the supply of decent, safe, sanitary, and affordable housing with
25 primary attention to rental housing, for very low-income and low-income families; to
26 strengthen public-private partnerships to carry out affordable housing programs; and to provide
27 for coordinated assistance to participants in the development of affordable senior housing
28 complex; and

WHEREAS, COUNTY has qualified as an "Urban County" for purposes of
receiving HOME funds which are to be used to assist and undertake essential housing
assistance activities pursuant to the Act; and

1 WHEREAS, the OWNER is eligible under the Act to apply and receive HOME
2 funds to perform those activities described herein; and

3 WHEREAS, the OWNER has proposed to develop and construct an affordable
4 rental housing development for families and set aside certain units as HOME-assisted units;
5 and

6 WHEREAS, the HOME-assisted activities described herein comply with the
7 objectives as required under 24 CFR Part 92; and

8 WHEREAS, the HOME-assisted activities described herein are consistent with
9 the COUNTY's "Consolidated Plan."

10 NOW, THEREFORE, the COUNTY and OWNER mutually agree as follows:

11 1. PURPOSE. The COUNTY has agreed to lend up to Nine Hundred Sixty
12 Eight Thousand Dollars (\$968,000) of HOME Funds to the OWNER upon the terms and
13 conditions set forth herein (the "HOME Loan"). Subject to Section 51 hereof, Project
14 Financing Contingency, OWNER promises and agrees to undertake and assist with the HOME
15 activities by utilizing such HOME funds, as specifically identified in Exhibit "A", which is
16 attached hereto and by this reference incorporated herein, for the following project: "Monte
17 Vista II Family Apartments" (the "Project").

18 2. OWNER'S OBLIGATIONS. OWNER hereby agrees to undertake and
19 complete the following activities, subject to its receipt of the HOME
20 funds and the terms of Section 51 hereof:

- 21 a. Develop the Project in accordance with the timeline set forth in
22 Exhibit "A".
- 23 b. Obtain financing from the Murrieta Redevelopment Agency in
24 accordance with the timeline set forth in Exhibit "A" (the
25 "Agency Loan").
- 26 c. Obtain a tax credit allocation from the California Tax Credit
27 Allocation Committee ("TCAC") in accordance with the timeline
28 set forth in Exhibit "A".

- d. Obtain equity financing from a tax credit investor ("Investor Limited Partner") in a sufficient amount to complete the Project.
- e. Operate the Project, in such a manner so that it will remain affordable to qualified very low-income and low-income tenants for a period, beginning after the issuance of the first Certificate of Occupancy for the Project for at least 55 years (without regard to (i) the term of the promissory note or (ii) transfer of ownership).
- f. Shall maintain the Project in compliance with applicable local, state, federal laws, codes and regulations for the duration of the Agreement.

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

- a. Provide the HOME Loan in the amount identified in Section 1 to OWNER for financing of HOME-eligible construction costs of the Project.
- b. Comply with all of its obligations as participating recipient under the applicable regulations set forth in 24 CFR Part 92.

4. HOME Loan. The OWNER shall borrow the HOME funds from the COUNTY for financing of the Project under the following terms and conditions:

- a. Term. The maturity of the HOME Loan shall be the first to occur of (i) July 1, 2068 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project ("HOME Loan Term").
- b. Principal. The principal of the HOME Loan shall be the amount identified in Section 1 and evidenced by a promissory note, as specifically identified in Exhibit "B-2," which is attached hereto and by this reference incorporated herein, executed by the

1 OWNER in favor of the COUNTY in a form satisfactory to the
2 COUNTY, hereinafter referred to as "Note."

3 c. Interest. The interest rate shall be three percent (3.00%) per
4 annum.

5 d. Repayment. The Note shall provide the following:

6 1. That the HOME Loan will accrue simple interest at a rate of
7 three percent (3.00%) per annum, except in the case of default
8 as hereinafter provided, and shall be repaid on an annual basis
9 from the Project's Residual Receipts as defined herein;

10 2. For years 1-30, the Note shall be repaid according to the
11 following until the HOME Loan is paid off:

12 i) Thirty and thirty-four hundredths percent (30.34%) of fifty
13 percent (50%) of the Project's Residual Receipts towards
14 the payment of the HOME Loan; and

15 ii) The remaining Sixty-nine and sixty-six hundredths percent
16 (69.66%) of fifty percent (50%) of the Project's Residual
17 Receipts towards the payment of the Agency Loan.

18 3. For years 31-55, the Note shall be repaid according to the
19 following until the HOME Loan is paid off:

20 i) Thirty and thirty-four hundredths percent (30.34%) of
21 eighty percent (80%) of the Project's Residual Receipts
22 towards the payment of the HOME Loan; and

23 ii) The remaining Sixty-nine and sixty-six hundredths percent
24 (69.66%) of eighty percent (80%) of the Project's
25 Residual Receipts towards the payment of the Agency
26 Loan.

27 4. Project Residual Receipts are defined as gross receipts, not
28 including interest on required reserve accounts, less the

1 following:

- 2 i) auditing and accounting fees;
- 3 ii) a property management fee not to exceed \$40 per
- 4 unit per month, increased annually by an amount
- 5 equal to the increase in the Consumer Price Index
- 6 (CPI);
- 7 iii) an Investor Annual Review Fee not to exceed
- 8 \$5,000;
- 9 iv) operating expenses;
- 10 v) reserves;
- 11 vi) deferred developer's fee;
- 12 vii) an administrative General Partner monitoring fee,
- 13 which shall be in the initial amount of \$50,000 and
- 14 increased annually by an amount equivalent to the
- 15 rise in the Consumer Price Index; and
- 16 viii) a Managing General Partner partnership
- 17 management fee which shall be in the initial
- 18 amount of \$17,500 and increased annually by an
- 19 amount equivalent to the rise in the Consumer
- 20 Price Index; and
- 21 ix) payments of principal and interest on amortized
- 22 loans and indebtedness senior to the HOME Loan,
- 23 which have been approved by the COUNTY
- 24 (collectively, the "Senior Debt").

25 Residual Receipts shall be determined based on a review of

26 certified financial statements for the Project. Annual audited

27 financial statements shall be submitted within sixty (60) days

28 following the close of the project fiscal year. All outstanding

1 principal along with accrued interest shall be due upon the first to
2 occur of (i) July 1, 2068 or (ii) fifty-five (55) years from the
3 issuance of the first Certificate of Occupancy for the Project. The
4 first payment shall be due on July 1st in the first full calendar year
5 following the date of the issuance of the first Certificate of
6 Occupancy for the Project, to the extent of available Residual
7 Receipts, as set forth above. Subsequent payments shall be made
8 on each July 1st thereafter to the extent of available Residual
9 Receipts until the Loan maturity date as set forth above; and

10 e. Security. The HOME Loan shall be secured by a deed of trust
11 recorded against the Project (the "HOME Deed of Trust"). The
12 HOME Deed of Trust to be recorded is shown in Exhibit "B"
13 which is attached hereto and by this reference incorporated herein.
14 The COUNTY hereby agrees that the HOME Deed of Trust and
15 the terms of this Agreement shall be subordinated to: 1) a
16 construction deed of trust in connection with a construction loan
17 in the amount not to exceed \$6,180,224 and a permanent
18 financing deed of trust in the amount not to exceed \$1,189,999 in
19 favor of U.S. Bank, or other mutually acceptable lender agreed to
20 by the Parties; and 2) a permanent second mortgage in favor of
21 Murrieta Redevelopment Agency (collectively, the "Senior
22 Loans").

23 In addition, the COUNTY agrees to execute any and all
24 documents necessary to effectuate subordination concerning this
25 loan, and construction loans, and any future refinancing upon
26 OWNER'S request and COUNTY consent shall not be
27 unreasonably withheld or delayed.

28 f. Prepayment. Prepayment of principal and/or interest may occur at

1 any time without penalty. The requirements of Section 17,
2 Compliance with Laws and Regulations, however, shall remain in
3 full force and effect for a term specified in Section 6 hereof.

4 5. PRIOR COUNTY APPROVAL. OWNER shall obtain COUNTY'S
5 approval, through its Economic Development Agency ("EDA"), of all items requiring such
6 approvals as described in this Agreement. COUNTY shall not unreasonably withhold or delay
7 any such approval.

8 6. TERM OF AGREEMENT. This Agreement shall become effective upon
9 the Effective Date defined herein and, unless terminated earlier pursuant to the terms hereof,
10 shall continue in full force and effect for the period of the HOME Loan Term defined in
11 Section 4(a).

12 7. OWNER'S REPRESENTATIONS. OWNER represents and warrants to
13 COUNTY as follows:

14 a. Authority. OWNER is a duly organized limited liability company
15 in good standing under the laws of the State of California. The
16 copies of the documents evidencing the organization of the
17 OWNER, which have been delivered to the COUNTY, are true
18 and complete copies of the originals, amended to the date of this
19 Agreement. OWNER has full right, power and lawful authority to
20 undertake all obligations as provided herein and the execution,
21 performance and delivery of this Agreement by OWNER has
22 been fully authorized by all requisite actions on the part of the
23 OWNER.

24 b. No Conflict. To the best of OWNER's knowledge, OWNER's
25 execution, delivery and performance of its obligations under this
26 Agreement will not constitute a default or a breach under contract,
27 agreement or order to which the OWNER is a party or by which it
28 is bound.

1 c. No Owner Bankruptcy. OWNER is not the subject of a
2 bankruptcy proceeding.

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

12 8. COMPLETION SCHEDULE. OWNER shall proceed consistent with the
13 completion schedule set forth in Exhibit "A", as the same may be amended by the parties from
14 time to time, and subject to force majeure delays.

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

22 10. LETTER TO PROCEED. OWNER shall not initiate nor incur expenses
23 for the HOME funded activity covered under the terms of this Agreement prior to receiving
24 written authorization to proceed. COUNTY acknowledges that OWNER has purchased the
25 Project site prior to the date of this Agreement.

26 11. REALLOCATION OF FUNDS. If substantial progress toward
27 completion, as determined by COUNTY, of the activity is not made or project financing
28 subject to Section 51 hereof, is not obtained in accordance with the completion schedule

1 specified in Exhibit "A", the funds allocated, reserved, or placed in a HOME Investment Trust
2 Fund may be reallocated by COUNTY after at least sixty (60) days' prior written notice is
3 given to OWNER. Upon such reallocation, this Agreement shall be terminated and be of no
4 further force and effect and OWNER shall be released and discharged from any obligations
5 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 the Act. COUNTY, through its EDA, shall: (1) make payments of the HOME
9 funds to OWNER as designated in Exhibit "A," and (2) monitor the Project to ensure
10 compliance with applicable federal regulations and the terms of this Agreement. There will be
11 no disbursement of funds until the following events first occur:

- 12 a. OWNER executes the Note and HOME Deed of Trust as shown
13 in Exhibit "B" and "B1."
- 14 b. OWNER provides at its expense an ALTA policy insuring the
15 deed of trust.
- 16 c. OWNER provides documentation showing that matching funds of
17 not less than twenty-five percent of the total HOME funds
18 allocated under this Agreement have been provided.
- 19 d. OWNER provides receipts of copies of paid invoices and
20 conditional (upon receipt of payment) lien releases for
21 construction costs.
- 22 e. OWNER provides documentation of a Payment and Performance
23 Bond issued by a bonding company reasonably approved by the
24 COUNTY. COUNTY must be named as additional obligee.
- 25 f. OWNER hires a qualified experienced professional firm to review
26 and monitor Davis Bacon prevailing wage compliance for all
27 submissions of contractors certified payrolls to the COUNTY.
28 The firm should be approved by the COUNTY prior to start of

1 construction.

2 g. COUNTY will retain ten percent (10%) of the final HOME fund
3 disbursement. COUNTY shall release final draw down of HOME
4 funds following receipt of all of the following:

- 5 1) unconditional lien release from general contractor;
- 6 2) recorded Notice of Completion;
- 7 3) architect certification identifying units that are accessible
8 to individuals with mobility impairments and units that are
9 accessible to individuals with sensory impairments in
10 compliance with Section 504 of the Rehabilitation Act of
11 1973, as described in Section 17(i);
- 12 4) all remaining Davis Bacon documentation, if any,
13 including, but not limited to, complete certified payrolls,
14 Section 3 certifications, fringe benefit forms, and
15 certificates of authorization and understanding;
- 16 5) final Contract and Subcontract Activity report, Minority
17 Business Enterprise/Women Business Enterprise
18 (MBE/WBE) report, HUD form 2516;
- 19 6) submission of a Project completion report including
20 Tenant Checklist as shown in Exhibit "F" which is
21 attached hereto and by this reference incorporated herein;
- 22 7) Affirmative Fair Housing Marketing Plan – Multifamily
23 Housing, HUD form 935.2A, as described in Section 17;
- 24 8) Tenant Selection Policy;
- 25 9) Management Plan;
- 26 10) final development costs;
- 27 11) final sources and uses of funds; and
- 28 12) a final Certified Public Accountant's construction cost

1 certification.

2 h. OWNER provides documentation of a Payment and Performance
3 Bond for the construction contract issued by a bonding company
4 reasonably approved by the COUNTY.

5 i. OWNER provides satisfactory evidence that it has satisfied all
6 conditions precedent to the issuance of all permits necessary for
7 the construction of the development and all such permits are
8 available for issuance, other than payment of fees.

9 j. OWNER provides duly executed documents and instruments
10 showing the ownership of the property as specifically identified in
11 Exhibit "A," hereinafter referred to as the "Property."

12 13. DISTRIBUTION OF FUNDS. The HOME Investment Trust Fund
13 account established in the United States Treasury is managed through HUD and the Integrated
14 Disbursement and Information System (IDIS) for the HOME Program. The IDIS System is a
15 computerized system which manages, disburses, collects, and reports information on the use of
16 HOME funds in the United States Treasury Account. Disbursement of HOME funds shall
17 occur upon the satisfaction receipts of copies of paid invoices and conditional (upon receipt of
18 payment) lien releases for construction costs to be paid with the proceeds of the HOME Loan.
19 COUNTY shall pay OWNER the sum specified in Section 1 above on a "cost-as-incurred"
20 basis for all eligible approved costs under the itemized schedule shown in Exhibit "A."
21 COUNTY will retain ten percent (10%) of the final HOME fund disbursement. COUNTY shall
22 release final draw down of HOME funds following receipt of all of the items listed in Section
23 12.

24 14. TERMS OF AFFORDABILITY. The period of affordability for the Low
25 HOME-units identified in Section 18 shall be fifty-five (55) years from the issuance of the first
26 Certificate of Occupancy for the Project.

27 15. INSURANCE. Without limiting or diminishing the OWNER'S obligation
28 to indemnify or hold the COUNTY harmless, OWNER shall procure and maintain or cause to

1 be maintained, at its sole cost and expense, the following insurance coverage's during the term
2 of this Agreement.

3 a. Worker's Compensation Insurance.

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

13 b. Commercial General Liability Insurance.

14 Commercial General Liability insurance coverage, including but
15 not limited to, premises liability, contractual liability, products
16 and completed operations liability, personal and advertising
17 injury, and cross liability coverage, covering claims which may
18 arise from or out of OWNER'S performance of its obligations
19 hereunder. Policy shall name the County of Riverside, its
20 Agencies, Districts, Special Districts, and Departments, their
21 respective directors, officers, Board of Supervisors, employees,
22 elected or appointed officials, agents or representatives as
23 Additional Insured. Policy's limit of liability shall not be less
24 than \$1,000,000 per occurrence combined single limit. If such
25 insurance contains a general aggregate limit, it shall apply
26 separately to this agreement or be no less than two (2) times the
27 occurrence limit.

28 c. Vehicle Liability Insurance.

1 If vehicles or mobile equipment are used in the performance of
2 the obligations under this Agreement, then OWNER shall
3 maintain liability insurance for all owned, non-owned or hired
4 vehicles so used in an amount not less than \$1,000,000 per
5 occurrence combined single limit. If such insurance contains a
6 general aggregate limit, it shall apply separately to this agreement
7 or be no less than two (2) times the occurrence limit. Policy shall
8 name the County of Riverside, its Agencies, Districts, Special
9 Districts, and Departments, their respective directors, officers,
10 Board of Supervisors, employees, elected or appointed officials,
11 agents or representatives as Additional Insured.

12 d. General Insurance Provisions – All Lines.

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

20 2) The OWNER'S insurance carrier(s) must declare its
21 insurance self-insured retentions. If such self-insured retentions
22 exceed \$500,000 per occurrence such retentions shall have the
23 prior written consent of the COUNTY Risk Manager before the
24 commencement of operations under this Agreement. Upon
25 notification of self insured retention unacceptable to the
26 COUNTY, and at the election of the COUNTY's Risk Manager,
27 OWNER'S carriers shall either; (a) reduce or eliminate such self-
28 insured retention as respects this Agreement with the COUNTY,

1 or (b) procure a bond which guarantees payment of losses and
2 related investigations, claims administration, and defense costs
3 and expenses.

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

1 by the insurance carrier to do so on its behalf shall sign the
2 original endorsements for each policy and the Certificate of
3 Insurance.

4 4) It is understood and agreed to by the parties hereto that
5 the OWNER'S insurance shall be construed as primary insurance,
6 and the COUNTY'S insurance and/or deductibles and/or self-
7 insured retention's or self-insured programs shall not be construed
8 as contributory.

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

21 6) OWNER shall pass down the insurance obligations
22 contained herein to all tiers of subcontractors working under this
23 Agreement.

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

27 8) OWNER agrees to notify COUNTY of any claim by a
28 third party or any incident or event that may give rise to a claim

1 arising from the performance of this Agreement.

2 16. FINANCIAL RECORDS. The OWNER shall maintain financial,
3 programmatic, statistical, and other supporting records of its operations and financial activities
4 in accordance with the requirements of the HOME Investment Partnerships Program Final
5 Rule, and the regulations as amended promulgated thereunder, which records shall be open to
6 inspection and audit by authorized representatives of the COUNTY, HUD, and the Comptroller
7 General of the United States during regular working hours. COUNTY, HUD, and the
8 Comptroller General, or any of their representatives, have the right of access to any pertinent
9 books, documents, papers, or other records of the OWNER, in order to make audits,
10 examinations, excerpts, and transcripts. Said records shall be retained for such time as may be
11 required by the regulations of the HOME Program, but in no case for less than five (5) years
12 after the Project completion date; except that records of individual tenant income verifications,
13 project rents, and project inspections must be retained for the most recent five (5) year period,
14 until five (5) years after the affordability period terminates. If any litigation, claim, negotiation,
15 audit, or other action has been started before the expiration of the regular period specified, the
16 records must be retained until completion of the action and resolution of all issues which arise
17 from it, or until the end of the regular period, whichever is later.

18 17. COMPLIANCE WITH LAWS AND REGULATIONS. By executing this
19 Agreement, the OWNER hereby certifies that it will adhere to and comply with all federal,
20 state and local laws, regulations and ordinances. In particular, the OWNER shall comply with
21 the following as they may be applicable to an OWNER of funds granted pursuant to the HOME
22 Program:

- 23 a. The HOME Program and its implementing regulations set forth in
24 the Final Rule, as it now exists and may hereafter be amended.
- 25 b. Section 92.350 Other Federal requirements and non
26 discrimination. As set forth in 24 CFR part 5, sub part A,
27 OWNER is required to include the following requirements: non
28 discrimination and equal opportunity under Section 282 of the

1 Act; disclosure; debarred, suspended, or ineligible contractors;
2 and drug-free workplace.

3 c. Section 92.351 Affirmative marketing and minority outreach
4 program. OWNER must adopt affirmative marketing procedures
5 and requirements. These must include:

6 (1) Methods for informing the public, owners, and potential
7 tenants about Federal fair housing laws and the affirmative
8 marketing policy (e.g., the use of the Equal Housing
9 Opportunity logotype or slogan in press releases and
10 solicitations for owners, and written communication to fair
11 housing and other groups).

12 (2) Requirements and practices that OWNER must adhere to
13 in order to carry out the affirmative marketing procedures
14 and requirements (e.g., use of commercial media, use of
15 community contacts, use of the Equal Housing
16 Opportunity logotype or slogan, and display of fair
17 housing poster).

18 (3) Procedures to be used by OWNER to inform and solicit
19 applications from persons in the housing market area who
20 are not likely to apply without special outreach (e.g., use
21 of community organizations, employment centers, fair
22 housing groups, or housing counseling agencies).

23 (4) Records that will be kept describing actions taken by
24 OWNER to affirmatively market units and records to
25 assess the results of these actions.

26 (5) A description of how the OWNER will annually assess the
27 success of affirmative marketing actions and what
28 corrective actions will be taken where affirmative

1 marketing requirements are not met.

2 (6) OWNER must prescribe procedures to establish and
3 oversee a minority outreach program to ensure the
4 inclusion, to the maximum extent possible, of minorities
5 and women, and entities owned by minorities and women,
6 including, without limitation, real estate firms,
7 construction firms, appraisal firms, management firms,
8 financial institutions, investment banking firms,
9 underwriters, accountants, and providers of legal services,
10 in all contracts entered into by OWNER with such persons
11 or entities, public and private, in order to facilitate the
12 activities of the COUNTY to provide affordable housing
13 authorized under this Act or any other Federal housing
14 law. Section 24 CFR 85.36(e) provided affirmative steps
15 to assure that minority business enterprises and women
16 business enterprises are used when possible in the
17 procurement of property and services. The steps include:

18 (i) Placing qualified small and minority businesses
19 and women's business enterprises on solicitation
20 lists.

21 (ii) Assuring that small and minority businesses, and
22 women's business enterprises are solicited
23 whenever they are potential sources.

24 (iii) Dividing total requirements, when economically
25 feasible, into smaller tasks or quantities to permit
26 maximum participation by small and minority
27 business, and women's business enterprises.

28 (iv) Establishing delivery schedules, where the

1 requirement permits, which encourage
2 participation by small and minority business, and
3 women's business enterprises.

4 (v) Using the services and assistance of the Small
5 Business Administration, and the Minority
6 Business Development Agency of the Department
7 of Commerce.

8 (vi) Requiring the prime contractor, if subcontracts are
9 to be let, to take the affirmative steps listed in (i)
10 through (v) above of this section.

11 d. Section 92.352 Environmental review. The environmental effects
12 of each activity carried out with HOME funds must be assessed in
13 accordance with the provisions of the National Environmental
14 Policy Act of 1969 (NEPA) (42 U.S.C. 4321) and the related
15 authorities listed in HUD's implementing regulations at 24 CFR
16 Parts 50 and 58.

17 e. Section 92.353 Displacement, relocation, and acquisition. The
18 relocation requirements of Title II and the acquisition
19 requirements of Title III of the Uniform Relocation Assistance
20 and Real Property Acquisition Policies Act of 1970, and the
21 implementing regulations at 24 CFR Part 42. OWNER must
22 ensure that it has taken all reasonable steps to minimize the
23 displacement of persons as a result of this project assisted with
24 HOME Funds.

25 f. Section 92.354 Labor. Every contract for the construction of
26 housing that includes 12 or more units assisted with HOME funds
27 must contain a provision requiring the payment of not less than
28 the wages prevailing in the locality, as predetermined by the

1 Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C.
2 276a-276a-5), to all laborers and mechanics employed in the
3 development of any part of the housing. Such contracts must also
4 be subject to the overtime provisions, as applicable, of the
5 Contract Work Hours and Safety Standards Act (40 U.S.C. 327-
6 332). The wage decision that is to be used for the Project is
7 attached hereto and incorporated as Exhibit "G".

8 g. Section 92.355 Lead-based paint. Housing assisted with HOME
9 funds is subject to the lead-based paint requirements of 24 CFR
10 Part 35 issued pursuant to the Lead-Based Paint Poisoning
11 Prevention Act (42 U.S.C. 4821, et seq.). The lead-based paint
12 provisions of 24 CFR 982.401 (j), except 24 CFR 982.401
13 (j)(1)(i), also apply, irrespective of the applicable property
14 standard under §92.251.

15 h. Section 92.356 Conflict of Interest. In the procurement of
16 property and services by OWNER, the conflict of interest
17 provisions in 24 CFR 85.36 and 24 CFR 85.42, respectively shall
18 apply. Section 92.356 shall cover all cases not governed by 24
19 CFR 85.36 and 24 CFR 84.42. OWNER has Multi-Family
20 Builders, Inc., an affiliate of the general partner of OWNER, as
21 the general contractor for the Project.

22 i. Section 504 of the Rehabilitation Act of 1973; Housing
23 accessibility requirement at 24 CFR Part 8, implementing Section
24 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794). The
25 design and construction of multi-family dwellings as defined at 24
26 CFR 100.201 must comply with the requirements set forth in 24
27 CFR 100.205 implementing the Fair Housing Act. For new
28 construction of multi-family projects, 5 percent (5%) of the units

1 (but not less than one unit) must be accessible to individuals with
2 mobility impairments, and an additional 2 percent (2%) of the
3 units (but not less than one unit) must be accessible to individuals
4 with sensory impairments. Dwelling units designed and
5 constructed in accordance with the Uniform Federal Accessibility
6 Standards (UFAS) will be deemed to comply with the Section 504
7 regulation.

8 j. Model Energy Code published by the Council of American
9 Building Officials.

10 k. Section 3 of the Housing and Urban Development Act of 1968.
11 To the greatest extent feasible, opportunities for training and
12 employment arising from HOME Funds will be provided to low-
13 income persons residing in the program service area. To the
14 greatest extent feasible, contracts for work to be performed in
15 connection with HOME Funds will be awarded to business
16 concerns that are located in or owned by persons residing in the
17 program service area as outlined in the Riverside County EDA
18 Section 3 Contract Requirements attached hereto as Exhibit "C".
19 Contracts funded from Section 3 covered funding sources must
20 abide by the Section 3 Clause prescribed at 24 CFR 135.38.

21 l. Section 92.358 Consultant Activities. No person providing
22 consultant services in an employer-employee type relationship
23 shall receive more than a reasonable rate of compensation for
24 personal services paid with HOME funds.

25 m. The OWNER shall carry out its activity pursuant to this
26 Agreement in compliance with all federal laws and regulations
27 described in Subpart E of Part 92 of the Code of Federal
28 Regulations, except that:

1 (1) The OWNER does not assume the COUNTY'S
2 environmental responsibilities described at 24 CFR Part
3 92.352; and

4 (2) The OWNER does not assume the COUNTY'S
5 responsibility for initiating the review process under the
6 provisions of 24 CFR Part 92.352

7 n. Uniform Administrative Requirements of 24 CFR 92.505 Part 84
8 and 85 "Common Rule", OMB Circular Nos. A-87 (for
9 government entities), A-122 (for non-profit organizations), and
10 the following §§85.6, 85.12, 85.20, 85.22, 85.26, 85.32 through
11 85.34, 85.36, 85.44, 85.51 and 85.52 (for government entities),
12 and the following §§84.2, 84.5, 84.13 through 84.16, 84.21,
13 84.22, 84.26 through 84.28, 84.30, 84.31, 84.34 through 84.37,
14 84.40 through 84.48, 84.51, 84.60 through 84.62, 84.72, and
15 84.73 (for non-profit organizations).

16 o. The OWNER shall include written agreements that include all
17 provisions of Section 17 if OWNER provides HOME funds to
18 for-profit owners or developers, non-profit owners or developers,
19 sub-recipients, homeowners, homebuyers, tenants receiving
20 tenant-based rental assistance, or contractors.

21 p. The OWNER shall comply with all applicable local, state and
22 federal laws in addition to the above mentioned laws.

23 18. INCOME TARGETING REQUIREMENTS. OWNER will set aside
24 eleven (11) units of the Project to be designated as floating Low HOME-assisted units, as
25 defined under 24 CFR 92.252(j). Eleven units (2 – 1 Bedroom, 4 – 2 Bedroom, 5 – 3 Bedroom)
26 shall be limited to households whose incomes do not exceed fifty percent (50%) of the median
27 family income for the County of Riverside, with adjustments for smaller and larger households
28 at the time of occupancy, and as such income levels may be adjusted by HUD.

1 19. RENT LIMITATIONS. OWNER shall comply with the rent limitations
2 set forth under 24 CFR 92.252. The COUNTY shall review and approve proposed rents to the
3 extent required under this section. OWNER shall ensure that the HOME-assisted units are
4 rented to qualified applicants at the HOME rent levels, adjusted by family size at the time of
5 occupancy, published by HUD from time to time.

6 a. Additional Rent Limitations: All HOME-assisted units must be
7 occupied by very low-income households complying with the
8 Low HOME rent limits defined under 24 CFR 92.252. The
9 current HUD published Low HOME rent effective April 2009 is:
10 1 bedroom at \$624, 2 bedroom at \$748, and 3 bedroom at \$865. In
11 order to calculate net rent to be charged, an applicable utility
12 allowance must be subtracted from the gross rents listed.

13 b. Initial rent schedule and utility allowance: The maximum monthly
14 allowances for utilities and services (excluding telephone) will not
15 exceed the utility allowance set by the Housing Authority of the
16 County of Riverside. COUNTY shall review and approve rents
17 proposed by OWNER for units subject to the maximum rent
18 limitations to ensure that the rents do not exceed the maximum
19 rent minus the monthly allowances for utilities and services.

20 20. TENANT PROTECTIONS. OWNER shall provide protection to the
21 tenants in accordance to the requirements set forth at 24 CFR 92.253 and described as follows:

22 a. Provide written lease agreement for not less than one year, unless
23 by mutual agreement between the tenant and the OWNER.
24 COUNTY shall review the initial form of the lease agreement
25 prior to OWNER executing any leases and, provided that
26 OWNER uses the approved lease form, OWNER shall be
27 permitted to enter into residential leases without the COUNTY's
28 prior written consent.

1 b. Prohibited Lease Terms. The rental agreement/lease may not
2 contain any of the following provisions:

3 (1) Agreement to be sued. Agreement by the tenant to be
4 sued, to admit guilt or to a judgment in favor of the
5 OWNER in a lawsuit brought in connection with the lease.

6 (2) Treatment of property. Agreements by tenant that the
7 OWNER may take, hold, or sell personal property of
8 household members without notice to the tenant and a
9 court decision on the rights of the parties. This prohibition,
10 however, does not apply to an agreement by the tenant
11 concerning disposition of personal property remaining in
12 the housing unit after the tenant has moved out of the unit.
13 The OWNER may dispose of this personal property in
14 accordance with State law.

15 (3) Excusing OWNER from responsibility. Agreement by the
16 tenant not to hold OWNER or OWNER's agents legally
17 responsible for any action or failure to act, whether
18 intentional or negligent.

19 (4) Waiver of notice. Agreement of the tenant that the
20 OWNER may institute a lawsuit without notice to the
21 tenant.

22 (5) Waiver of legal proceeding. Agreement by the tenant that
23 the OWNER may evict the tenant or household members
24 without instituting a civil court proceeding in which the
25 tenant has the opportunity to present a defense, or before a
26 court decision on the rights of the parties.

27 (6) Waiver of a jury trial. Agreement by the tenant to waive
28 any right to a trial by jury.

1 (7) Waiver of right to appeal court decision. Agreement by the
2 tenant to waive the tenant's right to appeal, or to otherwise
3 challenge in court, a court decision in connection with the
4 lease.

5 (8) Tenant chargeable with cost of legal actions regardless of
6 outcome. Agreement by the tenant to pay attorneys' fees
7 or other legal costs even if the tenant wins in a court
8 proceeding by the OWNER against the tenant. The tenant,
9 however, may be obligated to pay costs if the tenant loses.

10 21. FEDERAL REQUIREMENTS. OWNER shall comply with the
11 provisions of the Act and any amendments thereto and all applicable federal regulations and
12 guidelines now or hereafter enacted pursuant to the Act.

13 22. REPAYMENT INCOME. COUNTY must record the receipt and
14 expenditure of HOME repayment income in accordance with the standards specified in 24 CFR
15 92.503.

16 23. SALE OR TRANSFER OF THE PROJECT. OWNER hereby covenants
17 and agrees not to sell, transfer or otherwise dispose of the Project or any portion thereof,
18 without obtaining the prior written consent of the COUNTY, which consent shall be
19 conditioned solely upon receipt by the COUNTY of reasonable evidence satisfactory to the
20 COUNTY that transferee has assumed in writing and in full, and is reasonably capable of
21 performing and complying with the OWNER'S duties and obligations under this Agreement
22 and where upon Owner shall be released of all obligations hereunder which accrue from and
23 after the date of such sale.

24 24. INDEPENDENT CONTRACTOR. OWNER and its agents, servants and
25 employees shall act at all times in an independent capacity during the term of this Agreement,
26 and shall not act as, shall not be, nor shall they in any manner be construed to be agents,
27 officers, or employees of COUNTY.

28 25. NONDISCRIMINATION. OWNER shall abide by §92.350 of Title 24 of

1 the Federal Code of Regulations, which require that no person in the United States shall, on the
2 grounds of race, color, religion, national origin, or sex, be excluded from participation in, be
3 denied the benefits of, or be subjected to discrimination under any program or activity funded
4 in whole or in part with HOME funds.

5 26. PROHIBITION AGAINST CONFLICTS OF INTEREST:

- 6 a. OWNER and its assigns, employees, agents, consultants, officers
7 and elected and appointed officials shall become familiar with and
8 shall comply with the conflict of interest provisions in OMB
9 Circular A-110, 24 CFR 85.36, 24 CFR 84.42, 24 CFR 92.356
10 and Policy Manual #A-11, attached hereto as Exhibit "D" and by
11 this reference incorporated herein.
- 12 b. OWNER understands and agrees that no waiver or exception can
13 be granted to the prohibition against conflict of interest except
14 upon written approval of HUD pursuant to 24 CFR 92.356(d).
15 Any request by OWNER for an exception shall first be reviewed
16 by COUNTY to determine whether such request is appropriate for
17 submission to HUD. In determining whether such request is
18 appropriate for submission to HUD, COUNTY will consider the
19 factors listed in 24 CFR 92.356(e).
- 20 c. Prior to any funding under this Agreement, OWNER shall provide
21 COUNTY with a list of all employees, agents, consultants,
22 officers and elected and appointed officials who are in a position
23 to participate in a decision-making process, exercise any functions
24 or responsibilities, or gain inside information with respect to the
25 HOME activities funded under this Agreement. OWNER shall
26 also promptly disclose to COUNTY any potential conflict,
27 including even the appearance of conflict that may arise with
28 respect to the HOME activities funded under this Agreement.

1 d. Any violation of this section shall be deemed a material breach of
2 this Agreement, and the Agreement shall be immediately
3 terminated by the COUNTY.

4 27. RELIGIOUS ACTIVITIES. Under federal regulations, 24 CFR 92.257
5 HOME funds may not be provided to primarily religious organizations, such as churches, for
6 any activity including secular activities. In addition, HOME funds may not be used to
7 rehabilitate or construct housing owned by primarily religious organizations or to assist
8 primarily religious organizations in acquiring housing. However, HOME funds may be used
9 by a secular entity to acquire housing from a primarily religious organization, and a primarily
10 religious entity may transfer title to property to a wholly secular entity and the entity may
11 participate in the HOME program in accordance with the requirements set forth at 24 CFR
12 92.257. The entity may be an existing or newly established entity, which may be an entity
13 established by the religious organization. The completed housing project must be used
14 exclusively by the owner/participant entity for secular purposes, available to all persons
15 regardless of religion. In particular, there must be no religious or membership criteria for
16 tenants of the property.

17 28. PROJECT MONITORING AND EVALUATION. OWNER shall submit
18 a Tenant Checklist Form to the COUNTY, as shown in Exhibit "F" which is attached hereto
19 and by this reference is incorporated herein and may be revised by COUNTY, summarizing the
20 racial/ethnic composition, number and percentage of very low-income and low-income
21 households who are tenants. The Tenant Checklist Form shall be submitted upon completion of
22 the construction and thereafter, on a semi-annual basis on or before March 31 and September
23 30. The OWNER shall maintain financial, programmatic, statistical and other supporting
24 records of its operations and financial activities in accordance with the requirements of the
25 HOME Program under 24 CFR 92.508, including the submission of Tenant Checklist Form.
26 Except as otherwise provided for in this Agreement, the OWNER shall maintain and submit
27 records to the COUNTY within ten business days of the COUNTY's request which clearly
28 documents the OWNER's performance under each requirement of the HOME Program. A list

1 of document submissions and timeline are shown in Exhibit "A" and such list may be amended
2 from time to time subject to HUD and COUNTY reporting requirements.

3 29. ACCESS TO PROJECT SITE. The COUNTY and HUD shall have the
4 right to visit the Project site at all reasonable times, and upon completion of the Project upon
5 reasonable written notice to OWNER, to review the operation of the Project in accordance with
6 this HOME Agreement.

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

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

19 b. Non-Monetary Default - Operation. (1) Discrimination by the
20 OWNER or the OWNER's agent on the basis of characteristics
21 prohibited by this Agreement or applicable law; (2) the imposition
22 of any encumbrances or liens on the Project without the
23 COUNTY's prior written approval that are prohibited under this
24 Agreement or that have the effect of reducing the priority or
25 invalidating the HOME Deed of Trust; (3) any material adverse
26 change in the condition of the OWNER or the Project or
27 permanent financing or funding for the Project that gives the
28 COUNTY reasonable cause to believe that the Project cannot be

1 operated according to the terms of this Agreement;

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

6 d. General Performance of Other Obligations. Any substantial or
7 continuous or repeated breach by the OWNER or the OWNER's
8 agents of any material obligations on the Project imposed by any
9 other 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 the OWNER's representations or warranties
15 made in this Agreement, any statements made to the COUNTY by
16 the OWNER, or any certificates, documents, or schedules
17 supplied to the COUNTY by the OWNER were untrue in any
18 material respect when made, or that the OWNER concealed or
19 failed to disclose a material fact 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 the OWNER
22 receives an award or insurance proceeds for the repair or
23 reconstruction of the Project, and the OWNER does not use such
24 award or proceeds to repair or reconstruct the Project.

25 g. Bankruptcy, Dissolution and Insolvency. The OWNER's or any
26 general partner of the OWNER's (1) filing for bankruptcy,
27 dissolution, or reorganization, or failure to obtain a full dismissal
28 of any such involuntary filing brought by another party before the

1 earlier of final relief or sixty (60) days after such filing; (2)
2 making a general assignment for the benefit of creditors; (3)
3 applying for the appointment of a receiver, trustee, custodian, or
4 liquidator, or failure to obtain a full dismissal of any such
5 involuntary application brought by another party before the earlier
6 of final relief or seventy-five (75) days after such filing; (4)
7 insolvency; or (5) failure, inability or admission in writing of its
8 inability to pay its debts as they become due.

9 31. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For
10 monetary and non-monetary Events of Default, the COUNTY shall give written notice to
11 OWNER and its Investor Limited Partner, of any Event of Default by specifying: (a) the nature
12 of the Event of Default or the deficiency giving rise to the default, (b) the action required to
13 cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be more than
14 sixty (60) calendar days from the mailing of the notice, by which such action to cure must be
15 taken. The COUNTY agrees that the OWNER and any beneficiary under a deed of trust
16 permitted by this Agreement and the Investor Limited Partner of the OWNER (collectively, the
17 "Interested Parties") shall have the right to cure any and all defaults under this Agreement.

18 32. RIGHT TO CURE DEFAULTS. COUNTY agrees that the Interested
19 Parties shall have the right to cure any Event of Default existing under the Agreement which
20 right must be exercised by the later of (a) the cure period provided in the Agreement, or (b)
21 fifteen (15) days after receipt of written notice of default by the Interested Parties. COUNTY
22 and OWNER agree that for the Interested Parties to effectively exercise their cure rights, the
23 Interested Parties must fully pay the amount past due or perform the defaulted obligations,
24 including the payment of any amounts due for legal expenses incurred in connection with the
25 default. Notwithstanding anything to the contrary in the Agreement, upon the occurrence of an
26 Event of Default arising out of: (i) the bankruptcy, insolvency or assignment of assets for the
27 benefit of creditors by the General Partner of OWNER or by any Guarantor, or (ii) the
28 withdrawal from OWNER of the OWNER's General Partner, or the death or incapacity of a

1 General Partner or Guarantor, or (iii) a breach of the representations concerning such General
2 Partner or any Guarantor, the Interested Parties shall have the option, but not the obligation,
3 within forty-five (45) days of receipt of written notice of such Event of Default from
4 COUNTY, to cure any such default by appointing a substitute or additional General Partner or
5 Guarantor that is an affiliate of the Investor Limited Partner to act as such General Partner or
6 Guarantor.

7 33. COUNTY REMEDIES. Upon the happening of an Event of Default and a
8 failure by OWNER or Interested Parties to cure said default within the time specified in the
9 notice of default (if an action to cure is specified in said notice), the COUNTY's obligation to
10 disburse HOME funds shall terminate, and the COUNTY may also in addition to other rights
11 and remedies permitted by this Agreement or applicable law, proceed with any or all of the
12 following remedies in any order or combination the COUNTY may choose in its sole
13 discretion:

- 14 a. Terminate this Agreement, in which event the entire amount as
15 well as any other monies advanced to the OWNER by the
16 COUNTY under this Agreement including administrative costs,
17 shall immediately become due and payable at the option of the
18 COUNTY.
- 19 b. Bring an action in equitable relief (1) seeking the specific
20 performance by OWNER of the terms and conditions of this
21 Agreement, and/or (2) enjoining, abating, or preventing any
22 violation of said terms and conditions, and/or (3) seeking
23 declaratory relief.
- 24 c. Accelerate the HOME Loan, and demand immediate full payment
25 of the principal payment outstanding and all accrued interest under
26 the Note, as well as any other monies advanced to the OWNER by
27 the COUNTY under this Agreement.
- 28 d. Enter the Project and take any remedial actions necessary in its

1 judgment with respect to hazardous materials that the COUNTY
2 deems necessary to comply with hazardous materials laws or to
3 render the Project suitable for occupancy.

- 4 e. Enter upon, take possession of, and manage the Project, either in
5 person, by agent, or by a receiver appointed by a court, and collect
6 rents and other amounts specified in the assignment of rents in the
7 Deed of Trust and apply them to operate the Project or to pay off
8 the HOME Loan or any advances made under this Agreement, as
9 provided for by the Deed of Trust.
- 10 f. Pursue any other remedy allowed at law or in equity.

11 34. OWNER'S REMEDIES. Upon the fault or failure of the COUNTY to
12 meet any of its obligations under this Agreement, the OWNER may:

- 13 a. Demand payment from the COUNTY of any sums due OWNER;
14 and/or
- 15 b. Bring an action in equitable relief seeking the specific performance
16 by the COUNTY of the terms and conditions of this Agreement;
17 and/or
- 18 c. Pursue any other remedy allowed at law or in equity.

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

1 36. OWNER'S CERTIFICATION. The OWNER certifies, to the best of its
2 knowledge and belief, that:

- 3 a. No federally appropriated funds have been paid or will be paid, by
4 or on behalf of the undersigned, to any person for influencing or
5 attempting to influence an officer or employee of any agency, a
6 member of Congress, an officer or employee of Congress, or an
7 employee of a member of Congress in connection with the
8 awarding of any federal contract, the making of any federal grant,
9 the making of any federal loan, the entering into of any cooperative
10 agreement, and the extension, continuation, review, amendment, or
11 modification of any federal contract, grant, loan, or cooperative
12 agreement.
- 13 b. If any funds other than federally appropriated funds have been paid
14 or will be paid to any person for influencing or attempting to
15 influence an officer or employee of any agency, a member of
16 Congress, an officer or employee of Congress, or an employee of a
17 member of Congress in connection with this federal contract,
18 grant, loan, or cooperative agreement, the undersigned shall
19 complete and submit Standard Form-LLL, "Disclosure Form to
20 Report Lobbying," in accordance with its instructions.
- 21 c. The undersigned shall require that the language of this certification
22 be included in the award documents for all sub-awards at all tiers
23 (including subcontracts, sub-grants, and contracts under grants,
24 loans, and cooperative agreements) and that OWNER shall certify
25 and disclose accordingly. This certification is a material
26 representation of fact upon which reliance was placed when this
27 transaction was made or entered into.

28 37. HOLD HARMLESS AND INDEMNIFICATION. OWNER shall

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

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

20 OWNER'S obligation hereunder shall be satisfied when OWNER has provided to
21 COUNTY the appropriate form of dismissal relieving COUNTY from any liability for the action
22 or claim involved.

23 The specified insurance limits required in this Agreement shall in no way limit or
24 circumscribe OWNER'S obligations to indemnify and hold harmless the COUNTY herein from
25 third party claims.

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

1 38. TERMINATION.

2 a. OWNER. OWNER may terminate this Agreement consistent with
3 the Act, the regulations consistent implementing the Act, and 24
4 CFR 85.44. In addition, OWNER may terminate this Agreement
5 in accordance with Section 51 below.

6 b. COUNTY. Notwithstanding the provisions of Section 38(a), and
7 subject to the notice and cure provisions contained in Section 31
8 and Section 32, COUNTY may suspend or terminate this
9 Agreement upon written notice to OWNER of the action being
10 taken and the reason for such action:

11 (1) In the event OWNER fails to perform the covenants herein
12 contained at such times and in such manner as provided in
13 this Agreement after the applicable notice and cure
14 provision hereof; or

15 (2) In the event there is a conflict with any federal, state or
16 local law, ordinance, regulation or rule rendering any of the
17 provisions of this Agreement invalid or untenable; or

18 (3) In the event the funding from the Department of Housing
19 and Urban Development referred to in Section 1 above is
20 terminated or otherwise becomes unavailable.

21 c. Subject to the notice and cure provisions contained in Section 31
22 and Section 32, this Agreement may be terminated or funding
23 suspended in whole or in part for cause in accordance with 24 CFR
24 85.43. Cause shall be based on the failure of the OWNER to
25 materially comply with either the terms or conditions of this
26 Agreement after the applicable notice and cure provision hereof.
27 Upon suspension of funding, the OWNER agrees not to incur any
28 costs related thereto, or connected with, any area of conflict from

1 which the COUNTY has determined that suspension of funds is
2 necessary. The award may be terminated for convenience in
3 accordance with 24 CFR 85.44.

4 d. Upon expiration of this Agreement, the OWNER shall transfer to
5 the COUNTY any unexpended HOME funds in its possession at
6 the time of expiration of the Agreement as well as any accounts
7 receivable held by OWNER which are attributable to the use of
8 HOME funds awarded pursuant to this Agreement.

9 39. AFFORDABILITY RESTRICTIONS. The COUNTY and OWNER
10 hereby declare their express intent that the restrictions set forth in this Agreement shall be
11 affordable for a period of fifty-five (55) years from the issuance of the first Certificate of
12 Occupancy for the Project, and shall bind all successors in title to the Property until the
13 expiration of this Agreement. Each and every contract, deed or other instrument hereafter
14 executed covering and conveying the Property or any portion thereof shall be held conclusively
15 to have been executed, delivered and accepted subject to such restrictions, regardless whether
16 such restrictions are set forth in such contract, deed or other instrument.

17 40. MECHANICS LIENS AND STOP NOTICES. If any claim of mechanics
18 lien is filed against the Project or a stop notice affecting the HOME Loan is served on the
19 COUNTY, OWNER must, within twenty (20) days of such filing or service, either pay and
20 fully discharge the lien or stop notice, obtain a release of the lien or stop notice by delivering to
21 the COUNTY a surety bond in sufficient form and amount, or provide the COUNTY with
22 other assurance reasonably satisfactory to COUNTY that the lien or stop notice will be paid or
23 discharged.

24 41. ENTIRE AGREEMENT. It is expressly agreed that this Agreement
25 embodies the entire agreement of the parties in relation to the subject matter hereof, and that no
26 other agreement or understanding, verbal or otherwise, relative to this subject matter, exists
27 between the parties at the time of execution.

28 42. AUTHORITY TO EXECUTE. The persons executing this Agreement or

1 exhibits attached hereto on behalf of the parties to this Agreement hereby warrant and represent
2 that they have the authority to execute this Agreement and warrant and represent that they have
3 the authority to bind the respective parties to this Agreement to the performance of its
4 obligations hereunder.

5 43. WAIVER. Failure by a party to insist upon the strict performance of any
6 of the provisions of this Agreement by the other party, or the failure by a party to exercise its
7 rights upon the default of the other party, shall not constitute a waiver of such party's rights to
8 insist and demand strict compliance by the other party with the terms of this Agreement
9 thereafter.

10 44. INTERPRETATION AND GOVERNING LAW. This Agreement and
11 any dispute arising hereunder shall be governed by and interpreted in accordance with the laws
12 of the State of California. This Agreement shall be construed as a whole according to its fair
13 language and common meaning to achieve the objectives and purposes of the parties hereto,
14 and the rule of construction to the effect that ambiguities are to be resolved against the drafting
15 party shall not be employed in interpreting this Agreement, all parties having been represented
16 by counsel in the negotiation and preparation hereof.

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

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

25 47. MINISTERIAL ACTS. The COUNTY's Assistant County Executive
26 Officer/Economic Development Agency or designee(s) are authorized to take such ministerial
27 actions as may be necessary or appropriate to implement the terms, provisions, and conditions
28 of this Agreement as it may be amended from time to time by both parties.

1 48. MODIFICATION OF AGREEMENT. The COUNTY or OWNER may
2 consider it in its best interest to change, modify or extend a term or condition of this
3 Agreement. Any such change, extension or modification, which is mutually agreed upon by the
4 COUNTY and OWNER shall be incorporated in written amendments to this Agreement. Such
5 amendments shall not invalidate this Agreement, nor relieve or release the COUNTY or
6 OWNER from any obligations under this Agreement, except for those parts thereby amended.
7 No amendment to this Agreement shall be effective and binding upon the parties, unless it
8 expressly makes reference to this Agreement, is in writing and is signed and acknowledged by
9 duly authorized representatives of all parties.

10 49. ASSIGNMENT. The OWNER will not make any sale, assignment,
11 conveyance, or lease of any trust or power, or transfer in any other form with respect to this
12 Agreement or the Project, without prior written approval of the COUNTY. Any proposed
13 transferee shall have the qualifications and financial responsibility, as reasonably determined
14 by the COUNTY necessary and adequate to fulfill the obligations undertaken in this
15 Agreement by the OWNER. Any proposed transferee shall, by instrument in writing, for itself
16 and its successor and assigns, and expressly for the benefit of the COUNTY, assume all of the
17 obligations of the OWNER under this Agreement and agree to be subject to all the conditions
18 and restrictions to which the OWNER is subject.

19 50. CONDITIONAL HOME COMMITMENT. As defined under 24 CFR
20 92.2, the COUNTY can reasonably expect for the OWNER to start construction within twelve
21 months of the date that the OWNER secures a tax credit allocation from TCAC.

22 51. PROJECT FINANCING CONTINGENCY. This Agreement is expressly
23 conditioned upon OWNER's receipt, on or prior to July 30, 2011 of (i) such binding loan
24 commitments for new loans as may be required by OWNER, on terms and conditions
25 acceptable to OWNER, in its sole discretion, including, without limitation, (a) Murrieta
26 Redevelopment Agency financing, (b) any conventional construction and/or permanent
27 financing, including without limitation, a construction and/or permanent loan from an
28 institutional construction lender (the "Senior Lien Holder"), and (c) a binding reservation of

1 federal low income housing tax credits pursuant to Section 42 of the Internal Revenue Code of
2 1986, as amended (collectively, the "Project Financing"). Either the COUNTY or the OWNER
3 may elect to terminate this Agreement with 10 days written notice to the other party if the
4 OWNER fails to acquire the project financing as required by this Section 51. Upon such
5 termination, this Agreement shall be null and void, and:

- 6 a. If OWNER elects to terminate this Agreement, OWNER shall be released
7 and discharged by COUNTY from its obligations under this Agreement; or
8 b. If COUNTY elects to terminate this Agreement, COUNTY shall be released
9 and discharged by OWNER from its obligations under this Agreement.

10 At that time all cost incurred by each party on the Project will be assumed
11 respectively.

12 52. NONRECOURSE OBLIGATION. The OWNER and its partners,
13 officers, directors, employees, and agents shall not have any direct or indirect personal liability
14 for payment of the principal of, or interest on, the HOME Loan or the performance of the
15 OWNER's obligations under the HOME documents. The sole recourse of the COUNTY with
16 respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project.
17 No money judgment (or execution on a money judgment) entered in any action (whether legal
18 or equitable) on the HOME documents shall be enforced personally against the OWNER or its
19 partners, officers, directors, employees, and agents, but shall be enforced only against the
20 Project and such other property as may from time to time be hypothecated in connection with
21 the OWNER's obligations under the HOME documents. This nonrecourse provision does not
22 limit or impair the enforcement against all such security for the HOME Loan of all the rights
23 and remedies of the COUNTY, nor does it impair the right of the COUNTY to assert the
24 unpaid principal amount of the HOME Loan as a demand for money within the meaning of
25 California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this
26 nonrecourse provision does not relieve the OWNER of personal liability for damage to or loss
27 suffered by the County as a result of any of the following: (i) fraud or willful
28 misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay

1 taxes, assessments, or other charges that could create statutory liens on the Project and that are
2 payable or applicable prior to any foreclosure under the HOME Deed of Trust; (iii) the fair
3 market value of any personal property or fixtures removed or disposed of by the OWNER other
4 than in accordance with the HOME Deed of Trust; (iv) the misapplication of any proceeds
5 under any insurance policies or awards resulting from condemnation or the exercise of the
6 power of eminent domain or by reason of damage, loss, or destruction to any portion of the
7 Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other
8 income arising with respect to the Project received by the OWNER after the COUNTY has
9 properly exercised its rights under the HOME Deed of Trust to receive such income upon an
10 Event of Default (as defined under the HOME Deed of Trust).

11 53. EXHIBITS AND ATTACHMENTS. Each of the attachments and
12 exhibits attached hereto is incorporated herein by this reference.

13 54. MEDIA RELEASES. OWNER agrees to allow COUNTY to coordinate
14 all media releases regarding the Project, with prior approval of OWNER. Any publicity
15 generated by OWNER for the Project must make reference to the contribution of COUNTY in
16 making the Project possible. COUNTY's name shall be prominently displayed in all pieces of
17 publicity generated by OWNER, including flyers, press releases, posters, signs, brochures, and
18 public service announcements. OWNER agrees to cooperate with COUNTY in any COUNTY-
19 generated publicity or promotional activities with respect to the Project.

20 55. NOTICES. All notices, requests, demands and other communication
21 required or desired to be served by either party upon the other shall be addressed to the
22 respective parties as set forth below or the such other addresses as from time to time shall be
23 designated by the respective parties and shall be sufficient if sent by United States first class,
24 certified mail, postage prepaid, or express delivery service with a receipt showing the date of
25 delivery.

26 COUNTY
27 Riverside County
Economic Development Agency
3403 10th Street, Suite 500
28 Riverside, CA 92501

OWNER
Monte Vista II Family Housing, LLC
c/o Affirmed Housing Group
13520 Evening Creek Dr North, Suite 360
San Diego, CA 92128

1 Attn: Assistant Director, Housing Attn: James Silverwood, President

2 With a copy to: Incorvaia & Associates
3 445 Marine View Avenue, Suite 295
4 Del Mar, CA 92014
5 Attn: Joel Incorporvaia

6 56. COUNTERPARTS. This Agreement may be signed by the different
7 parties hereto in counterparts, each of which shall be an original but all of which together shall
8 constitute one and the same agreement.

9 57. EFFECTIVE DATE. The effective date of this Agreement is the date the
10 parties execute the Agreement. If the parties execute the Agreement on more than one date,
11 then the last date the Agreement is executed by a party shall be the effective date.

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

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COUNTY OF RIVERSIDE

OWNER

By: _____
MARION ASHLEY
Chairman, Board of Supervisors

Monte Vista II Family Housing, LLC,
a California Limited Liability Company,
By: Affirmed Housing Group, Inc.
a Delaware Corporation
Its: Manager

By: _____
James Silverwood, President

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

By: 
Deputy, Michelle Clack 5/12/10

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

(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.

Place Notary Seal Above

Signature _____
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.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "A"

OWNER: Monte Vista II Family Housing, LLC
Address: 13520 Evening Creek Drive North, Suite 360, San Diego, CA 92128
Project Title: Monte Vista II Family Apartments
Location: The project site is approximately 2.01 acres and situated on the corner of Juniper Street and Jefferson Avenue in the city of Murrieta.
The Assessor's Parcel Number is 949-600-030.

Description:

OWNER will utilize \$968,000 in HOME funds for the second phase development and construction of an additional 40-unit affordable housing complex for low-income families in the City of Murrieta in Riverside County. The project consists of 10 one-bedroom units, 14 two-bedroom units, and 16 three-bedroom units. The units will be located in two 2-story buildings, 16-unit buildings and one 2-story, 8-unit building on an approximately two-acre site. The one-bedroom units are approximately 650 square feet, the two-bedroom units are approximately 750 square feet, and the three-bedroom units are approximately 1,050 square feet. All units will include a private balcony, refrigerator, dishwasher, combination range/oven, garbage disposal, and central heating/cooling. The residents will have access to existing swimming pool, tot lots, community room and computer lab from phase one. Additional laundry and trash facilities, as well as additional tot lot will be constructed.

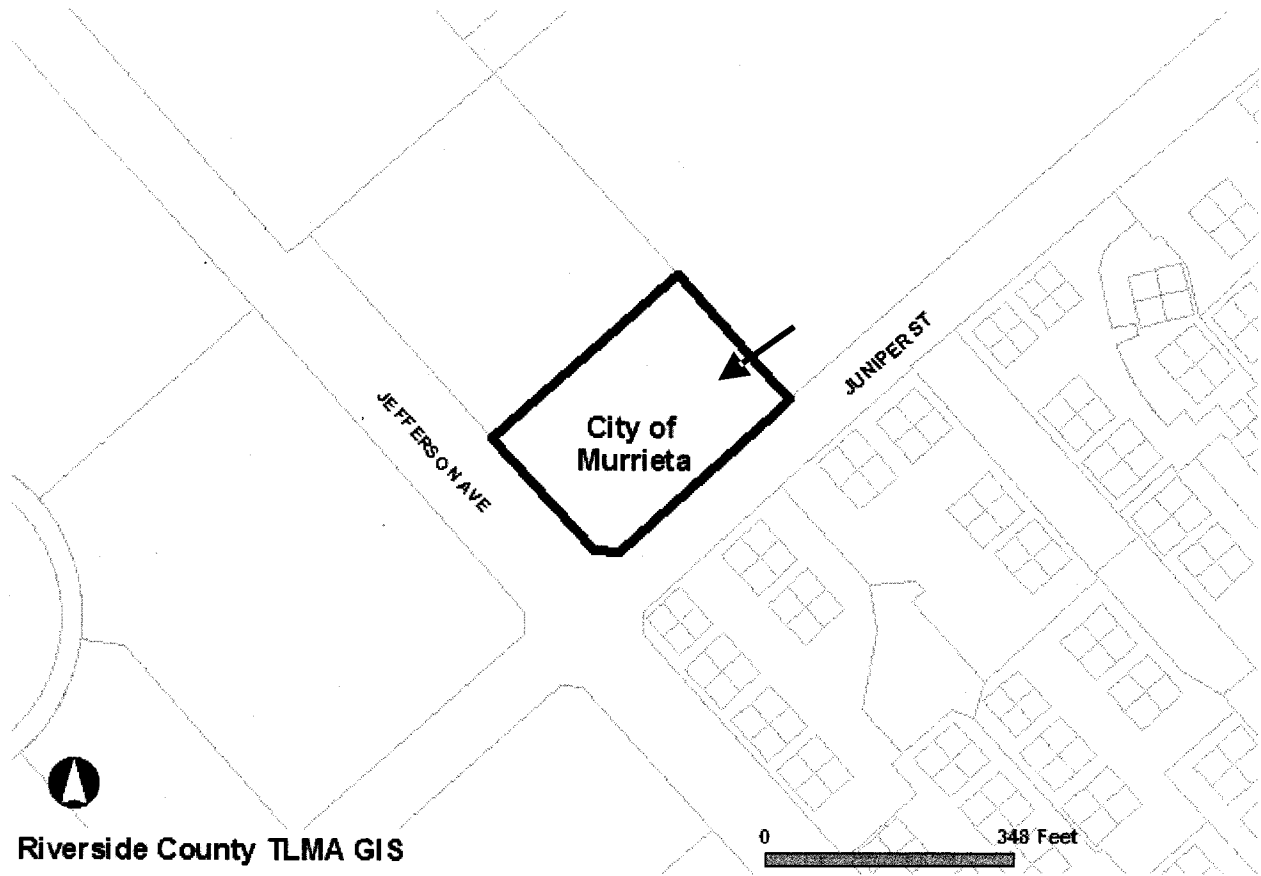
A total of eleven (11) units shall be designated as floating HOME-assisted units. Eleven units (2-1 Bedroom, 4-2 Bedroom, 5-3 Bedroom) shall be limited to households whose incomes do not exceed fifty percent (50%) of the median family income for the County of Riverside, with adjustments for smaller and larger households at the time of occupancy, and as such income levels may be adjusted by HUD. The HOME units shall be restricted for a period of at least 55 years from the issuance of Certificate of Occupancy.

LEGAL DESCRIPTION OF PROPERTY

PARCEL 2 OF PARCEL MAP 31290, IN THE CITY OF MURRIETA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 214, PAGES 38 THROUGH 40, INCLUSIVE, OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

ASSESSOR'S PARCEL NUMBER: 949-600-030

APN 949-600-030



Riverside County TLMA GIS

Permanent Sources and Uses of Funds:

Sources:

Murrieta Redevelopment Agency	\$ 2,222,222
Murrieta Redevelopment Agency Land Contribution	\$ 1,320,000
US Bank Conventional Loan	\$ 1,189,999
Limited Partner Tax Credit Equity	\$ 5,765,908
County of Riverside HOME Loan 55 Yrs	<u>\$ 968,000</u>
Total Sources	\$ 11,466,129

Uses:

Site Improvement (off site)	\$ 840,000
New construction (includes site work, common area bldgs and structures)	\$ 4,492,000
Contractor's Overhead&Profit&Gen'l Req.	\$ 516,000
General Liability Insurance	\$ 103,200
Construction Contingency (Hard and Soft)	\$ 404,450
Architectural & Engineering Cost	\$ 855,000
Construction Interest & Fees	\$ 457,000
Reserves	\$ 97,479
Land Development Impact and Permit Processing Fees	\$ 920,000
Other Fees, Marketing & Furnishings	\$ 93,000
TCAC Fees	\$ 48,000
Legal Fees	\$ 40,000
Developer's Overhead & Profit	\$ 1,280,000
Land & Acquisition Cost	<u>\$ 1,320,000</u>
Total Uses	\$ 11,466,129

The OWNER will obtain a reservation of Federal/State tax credit award from the California Tax Credit Allocation Committee.

HOME Match:

Matching funds in a minimum amount of twenty-five percent (25%) of the total HOME allocation (\$968,000) are required. The HOME match in the amount of \$242,000 will be satisfied from the loan and land contribution from the Murrieta Redevelopment Agency.

OWNER shall submit to the COUNTY copies of the final funding commitment, copies of all executed agreements, final construction cost certification by Certified Public Accountant, and proof that the funds were disbursed for this project.

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. Architectural, Engineering & Construction Drawings	May 15, 2010
2. TCAC Award (preliminary reservation)	June 15, 2010
3. Permanent Financing Commitment	September 15, 2010
4. Building Permit	November 15, 2010
5. Begin Construction	November 15, 2010
6. Marketing & Affirmative Action	January 15, 2012
7. Lease Agreement, Proposed Rents, and Utilities	January 15, 2012
8. Certificate of Occupancy	January 15, 2012
9. Occupancy of HOME units	March 15, 2012
10. Submission of Final actual project costs and Sources and Uses of Funds	May 15, 2012
11. Submission of income & ethnic characteristics report	August 15, 2012

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. Construction Activities Reporting	Monthly, due by the 5 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for RHDC and General Contractor (GC)	OWNER – 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 31st
4. Section 504 Architect Certification	Beginning of Construction – initial letter End of Construction – final letter
5. HOME Match Contribution	Beginning of Construction
6. Project Site Photos	Bimonthly, due by the 5 th of each month
7. Notice of Completion	End of Construction
8. Certificate of Occupancy	End of Construction
9. Tenant Checklist Reporting	Close of Project; and Semi-Annually– Sept 30th & March 31st
10. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Project
11. Project Completion Report	Close of Project
12. Final Development Cost - Sources and Uses	Close of Project
13. Final Cost Certification by CPA	Close of Project and Audits Completed
14. Final 15/30 Year Cash Flow Projection	Close of Project
15. Affirmative Fair Housing Marketing Plan, HUD form 935.2A	Marketing Stage
16. Management Plan	Marketing Stage
17. Tenant Selection Policy	Marketing Stage
18. Copy of Lease Agreement	Marketing Stage
19. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
20. Project Operating Budget	Annual submission
21. Audited Yearly Income Expense Report for the Project	Annual submission

EXHIBIT "B"

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

Riverside County
Economic Development Agency
3403 10th Street, Suite 500
Riverside, CA 92501
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 _____, 2010. The grantor is MONTE VISTA II FAMILY HOUSING, LLC, a California Limited Liability Company ("Borrower" or "OWNER"), and whose address is 13520 Evening Creek Drive North, Suite 360, San Diego, CA 92128. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("Lender" or "COUNTY"), a public agency, organized and existing under the laws of the State of California, and whose address is 3403 10th Street, Suite 500, Riverside, CA 92501. The COUNTY and OWNER are collectively referred to as the "Parties."

Pursuant to the terms of the HOME Loan Agreement, dated _____, Borrower owes Lender the principal sum of Nine Hundred Sixty Eight Thousand and No/100 Dollars (U.S. \$968,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the HOME Loan Agreement.

The Note shall provide the following: (1) That the HOME Loan will accrue simple interest at a rate of three percent (3.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) For years 1-30, the Note shall be repaid according to the following until the HOME Loan is paid off: i) Thirty and thirty-four hundredths percent (30.34%) of fifty percent (50%) of the Project's Residual Receipts towards the payment of the HOME Loan; and ii) The remaining Sixty-nine and sixty-six hundredths percent (69.66%) of fifty percent (50%) of the Project's Residual Receipts towards the payment of the Agency Loan. For years 31-55, the Note shall be repaid according to the following until the HOME Loan is paid off: i) Thirty and thirty-four hundredths percent (30.34%) of eighty percent (80%) of the Project's Residual Receipts towards the payment of the HOME Loan; and ii) The remaining Sixty-nine and sixty-six hundredths percent (69.66%) of eighty percent (80%) of the Project's Residual Receipts towards the payment of the Agency Loan. (3) The HOME Loan shall be subordinated to a construction loan and permanent first mortgage. Available residual receipts shall be determined based on a review of certified financial statements for the project. Annual audited financial statements shall be submitted within sixty (60) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) July 1, 2068 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the issuance of the first Certificate of Occupancy for the Project, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on each July 1st thereafter to

the extent of available Residual Receipts until the Loan maturity date as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) property management fee not to exceed \$40 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index (CPI); iii) an Investor Annual Review Fee not to exceed \$5,000; iv) operating expenses; v) reserves; vi) deferred developer's fee; vii) an administrative general partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in the Consumer Price Index; viii) a managing general partner fee, which shall be in the initial amount of \$17,500 and increased annually by an amount equivalent to the rise in the Consumer Price Index; and ix) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by the COUNTY (collectively, the "Senior Debt").

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 HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of the COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME 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 HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME 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 HOME 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 HOME 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 HOME 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 HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

The HOME Loan evidenced by the Note and secured by this Deed of Trust is being made pursuant to the HOME Investment Partnerships Program and the regulations issued thereunder (Title II, the Cranston-Gonzales National Affordable Housing Act, Public Law No. 101-625, 104 Stat. 4079 (1990), (24 C.F.R. Part 92) (the "HOME Program").

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project.

This Deed of Trust 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 Section 8 to protect the security of this Deed of Trust; and (c) the performance of Borrower's covenants and agreements under this Deed of Trust and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of the Senior Lien Holder under the First Deed of Trust, all of Borrower's right, title and interest in and to the property located in Riverside County, California. The legal description of the property is further described in **Exhibit "B-1"** attached hereto;

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 Deed of Trust. All of the foregoing is referred to in this Deed of Trust as the "Property."

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the fee interest of the Property and, except for the Deed of Trust in favor of the Senior Lien Holder ("First Deed of Trust"), the Deed of Trust in favor of the Murrieta Redevelopment Agency ("Second Deed of Trust") and other encumbrances of record acceptable to the Lender, the Property is or will be unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

THIS DEED OF TRUST 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 and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest 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 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 Sections 1 and 2 shall be applied: first, to amounts payable under Section 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 the First Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any, subject to applicable cure periods. Borrower shall pay these obligations in the manner provided in Section 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 Section. 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 Deed of Trust 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; or (3) bond around the lien (4) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. Except for the lien of the First Deed of Trust, if Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, 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 30 day of the giving of notice.

5. Subordination. This Deed of Trust shall be recorded in third position behind: a construction loan and permanent first mortgage in favor of U.S. Bank, or other mutually acceptable lender agreed to by the Parties; and a permanent second mortgage in favor of Murrieta Redevelopment Agency. COUNTY hereby agrees to execute any and all documents necessary to effectuate such subordination. 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 HOME 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 Section 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 First Deed of Trust. All original policies of insurance required pursuant to the First Deed of Trust shall be held by the Senior Lien Holder; 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 COUNTY is named as additional insured. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holder and Lender. Lender may make proof of loss if not made promptly by the Senior Lien Holder or the Borrower.

b. Unless Lender and Borrower otherwise agree in writing and subject to the rights of senior lenders, 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 Section 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 Deed of Trust 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 Holder to collect and apply such proceeds in accordance with the Senior Deeds of 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 Deed of Trust or Lender's security interest. Borrower may cure such a default and reinstate, as provided in Section 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 Deed of Trust 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 Borrower's use of Property for affordable housing. If this Deed of Trust 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 "low-income housing" within the meaning of the HOME Program. The use and occupancy restrictions may limit the

Borrower's ability to rent 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 Deed of Trust, 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 Deed of Trust (including sums secured by the First Deed of Trust), appearing in court, paying reasonable attorneys' fees, and entering on the Property to make repairs. Although Lender may take action under this Section 8, Lender does not have to do so.

a. Any amounts disbursed by Lender under this Section 8 shall become additional debt of Borrower secured by this Deed of Trust. 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 Deed of Trust, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Deed of Trust. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the Deed of Trust held by such Senior Lien Holder. 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 Holder 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 First Deed of Trust.

9. 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 Deed of Trust, 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 Deed of Trust immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Deed of Trust 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 Deed of Trust 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 condemner 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 Deed of Trust, 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 Sections 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 Deed of Trust 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 Deed of Trust 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; Co-signers. The covenants and agreements of this Deed of Trust shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of Section 18. Borrower's covenants and agreements shall be joint and several.

14. Loan Charges. If the loan secured by this Deed of Trust 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 Deed of Trust 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. All such notices to Borrower shall also be provided to the Investment Limited Partner. 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 the Senior Lien Holder shall be given by first class mail to such other address the Senior Lien Holder designates by notice to the Borrower. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given as provided in this Section.

16. Governing Law; Severability. This Deed of Trust shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision. To this end the provisions of this Deed of Trust 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 Deed of Trust.

18. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the trustee under the First Deed of Trust or the Second Deed of Trust or a transfer or encumbrance of limited partner interests as is customarily made in connection with the syndication and sale of tax credits, 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 the HOME Program) Lender may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Deed of Trust. Nothing in this Deed of Trust shall be deemed to require Lender's approval of a transfer of a limited partnership interest in the Borrower or of a conveyance of an easement interest in the Property for utility purposes.

a. If Lender exercises this 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 Deed of Trust. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Deed of Trust 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 Holder at least 60 days' prior written notice. The Borrower's limited partners shall have the same right to cure as Senior Lien Holder.

c. The Borrower and the Lender agree that whenever the Note or this Deed of Trust 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 Holder pursuant to the Senior Deeds of Trust, the Senior Lien Holder's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Borrower and the Lender.

d. Notwithstanding anything to the contrary contained herein, the transfer of the limited partner interest to the Investment Limited Partner or the assignment of that interest to a limited liability company or limited partnership in which the Investment Limited Partner or an affiliate is the managing member or general partner, respectively, shall not constitute a prohibited transfer under this Deed of Trust.

e. Notwithstanding anything to the contrary contained herein, the Lender hereby acknowledges that the Borrower will be requesting Transfer of the Property, and of the Borrower's obligations hereunder to Menifee Vineyards Limited Partnership upon such terms and conditions as are stated in the HOME Loan Agreement. Upon OWNER'S request and COUNTY consent this transfer shall not be unreasonably withheld.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Deed of Trust 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 Deed of Trust; or (b) entry of a judgment enforcing this Deed of Trust. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Deed of Trust 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 Deed of Trust, 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 Deed of Trust, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unchanged. Upon reinstatement by Borrower, this Deed of Trust 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 Section 18.

20. Sale of Note; Change of Loan Servicer. The Note or a partial interest in the Note (together with this Deed of Trust) 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 Deed of Trust. 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 Section 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 loan secured by the First Deed of Trust has been satisfied in full, the Lender and the Borrower agree that the Note and the Deed of Trust will not be assigned without the Senior Lien Holder's 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 give 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 Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

b. As used in this Section 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 Section 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

23. Acceleration; Remedies. Lender shall give notice to Borrower, the Investor Limited Partner, and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 60 days from the date the notice is given to Borrower and the Investor Limited Partner (and with respect to the Senior Lien Holder, 60 days from the date the notice is given to the 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 Deed of Trust 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 Holder or the Investor Limited Partner have not exercised their right to cure the default, but subject to any non-recourse provisions then in effect, then Lender at its option may require immediate payment in full of all sums secured by this Deed of Trust 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 Holder and the Investor 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 Section 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 Investor Limited Partner, the Senior Lien Holder 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 Deed of Trust; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Deed of Trust, Lender shall release this Deed of Trust 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 Deed of Trust 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 First Deed of Trust Loan Documents. The Lender consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones, extends, reduces, or modifies any provisions of the Senior Deeds of Trust Loan Documents, including any provisions requiring the payment of money.

27. Prohibition against tenancy under foreclosure. Notwithstanding anything to the contrary set forth in this Deed of Trust or in any documents secured by this Deed of Trust or contained in any subordination agreement, the Lender acknowledges and agrees that, in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

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 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 County necessary and adequate to fulfill the obligations undertaken in the HOME Loan Agreement, 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:

Monte Vista II Family Housing, LLC,
a California Limited Liability Company,
By: Affirmed Housing Group, Inc.,
a Delaware Corporation
Its: Manager

By: _____
James Silverwood, President

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

LENDER:

COUNTY OF RIVERSIDE

By: _____
MARION ASHLEY
Chairman, Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By:  5/12/10
Deputy, Michelle Clack

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

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.

Place Notary Seal Above

Signature _____
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.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "B-1"

LEGAL DESCRIPTION OF PROPERTY

PARCEL 2 OF PARCEL MAP 31290, IN THE CITY OF MURRIETA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 214, PAGES 38 THROUGH 40, INCLUSIVE, OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

ASSESSOR'S PARCEL NUMBER: 949-600-030

EXHIBIT "B-2"

PROMISSORY NOTE

\$968,000

Riverside, CA

In installments as hereafter stated, for value received, MONTE VISTA II FAMILY HOUSING, LLC, a California Limited Liability Company (“Borrower” or “OWNER”) promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California (“COUNTY”), or order, at 3403 Tenth Street, Suite 500, Riverside, CA 92501, the sum of Nine Hundred Sixty Eight Thousand and No/100 Dollars (U.S. \$968,000.00) with simple interest on the unpaid principal amount, at the rate of one percent (3.00%) per annum (the “HOME Loan”), interest and principal payable as follows:

This Promissory Note shall provide the following: (1) That the HOME Loan will accrue simple interest at a rate of three percent (3.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project’s Residual Receipts as defined herein; (2) For years 1-30, the Note shall be repaid according to the following until the HOME Loan is paid off: i) Thirty and thirty-four hundredths percent (30.34%) of fifty percent (50%) of the Project’s Residual Receipts towards the payment of the HOME Loan; and ii) The remaining Sixty-nine and sixty-six hundredths percent (69.66%) of fifty percent (50%) of the Project’s Residual Receipts towards the payment of the Agency Loan. For years 31-55, the Note shall be repaid according to the following until the HOME Loan is paid off: i) Thirty and thirty-four hundredths percent (30.34%) of eighty percent (80%) of the Project’s Residual Receipts towards the payment of the HOME Loan; and ii) The remaining Sixty-nine and sixty-six hundredths percent (69.66%) of eighty percent (80%) of the Project’s Residual Receipts towards the payment of the Agency Loan. (3) The HOME Loan shall be subordinated to a construction loan and permanent first mortgage. Available residual receipts shall be determined based on a review of certified financial statements for the project. Annual audited financial statements shall be submitted within sixty (60) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) July 1, 2068 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the issuance of the first Certificate of Occupancy for the Project, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on each July 1st thereafter to the extent of available Residual Receipts until the Loan maturity date as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) property management fee not to exceed \$40 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index (CPI); iii) an Investor Annual Review Fee not to exceed \$5,000; iv) operating expenses; v) reserves; vi) deferred developer’s fee; vii) an administrative general partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in the Consumer Price Index; viii) a managing general partner fee, which shall be in the initial amount of \$17,500 and increased annually by an amount equivalent to the rise in the Consumer Price Index; and ix) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by the COUNTY (collectively, the “Senior Debt”).

This note may be prepaid in whole or in part by the undersigned at any time without prepayment penalty or premium.

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project.

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 Property described in the Deed of Trust executed by the Borrower to secure the Note and the rents, profits, issues, products, and income from the Property.

Should default be made in payment of principal and interest when due and such default shall continue beyond the applicable notice and cure period provided in the Deed of Trust, the whole sum of principal and interest shall become immediately due at the option of the holder of this Note. Principal and interest are 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 HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of the COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME 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 HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME 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 HOME 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 HOME 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 HOME 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 HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

(SIGNATURE ON NEXT PAGE)

DATE: _____

BORROWER:

Monte Vista II Family Housing, LLC,
a California Limited Liability Company,
By: Affirmed Housing Group, Inc.,
a Delaware Corporation
Its: Manager

By: _____
James Silverwood, President

EXHIBIT "C"

**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 to 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 "C"

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 04/2009

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 "D"

§ 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 HOME 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 HOME-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 HOME 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 HOME 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:

- (1) 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;
- (2) 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;
- (3) 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;

- (4) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (c) of this section;
- (5) 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;
- (6) Any other relevant considerations.

Owners/Participants and Developers.

- (1) No owner, developer, or sponsor of a project assisted with HOME 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 HOME-assisted affordable housing unit in a project. This provision does not apply to an individual who receives HOME 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 HOME program and the effective and efficient administration of the owner's or developer's HOME-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.

Community Development Block Grant
Policy Manual, I.D. # A-11

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.

EXHIBIT "E"

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