

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

427



FROM: Economic Development Agency

SUBMITTAL DATE:
May 13, 2010

SUBJECT: Loan Agreement for the Use of HOME Funds for Pottery Court Apartments in the City of Lake Elsinore

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Loan Agreement for the use of \$440,000 in HOME Program Funds between the County of Riverside and Pottery Court Housing Associates, L.P., a California limited partnership;
2. Authorize the Chairman of the Board to sign the attached Loan Agreement and Deed of Trust;
3. Authorize the Assistant County Executive Officer/EDA or designee to execute a Subordination Agreement with the Redevelopment Agency (RDA) for the City of Lake Elsinore in amount up to Four Million One Hundred Thousand Dollars (\$4,100,000) subject to approval by County Counsel;
4. Authorize the Assistant County Executive Officer/EDA or designee to execute a Subordination Agreement with the City of Lake Elsinore in connection with the HUD HOPE Main Street VI loan in amount up to \$1,000,000 subject to approval by County Counsel;
5. Authorize the Assistant County Executive Officer/EDA or designee to execute a subordination agreement with a lender to be named later in connection with a construction loan in amount not to exceed \$16,000,000 subject to approval by County Counsel; and

(Continued)

Robert Field
Assistant County Executive Officer/EDA

| | | | | |
|-----------------------|-------------------------------|------------|-------------------------|---------|
| FINANCIAL DATA | Current F.Y. Total Cost: | \$ 440,000 | In Current Year Budget: | Yes |
| | Current F.Y. Net County Cost: | \$ 0 | Budget Adjustment: | No |
| | Annual Net County Cost: | \$ 0 | For Fiscal Year: | 2010/11 |

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
 BY:

 County Executive Office Signature Jennifer L. Sargent

FORM APPROVED COUNTY COUNSEL
BY: MICHELLE CLACK DATE: 6/20/10
Departmental Concurrence

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

Prev. Agn. Ref.: 3.27 of 6/30/09; 3.30 of 7/14/09; 3.32 of 7/14/09
District: 1
Agenda Number: 3.33

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

RECOMMENDED MOTION: (Continued)

6. Authorize the Assistant County Executive Officer/EDA or designee to take all necessary steps to implement the Agreements including, but not limited to, signing subsequent, essential and relevant documents.

BACKGROUND:

Pottery Court Housing Associates, L.P., a California limited partnership (OWNER), whose Managing General Partner is BRIDGE SC, LLC, a California limited liability company, is requesting \$440,000 in HOME funds for the development and construction of a 113-unit rental housing complex for families in the City of Lake Elsinore.

The proposed development will consist of 20 one-bedroom, 48 two-bedroom, and 45 three-bedroom rental units including two three-bedroom manager's units. All units will come equipped with a refrigerator, dishwasher, range/oven, garbage disposal, heat/air conditioners, and carpeting. The one-bedroom units are approximately 690 square feet; the two-bedroom units are 875 square feet; and the three-bedroom units are 1,060 square feet. The development will include a community building of approximately 2,344 square feet with a full kitchen, restrooms, laundry facilities, a computer lab room, and a manager's office.

The proposed development site, approximately 4.33 acres, consists of 23 parcels which are situated to the east of Langstaff Street, south of West Pottery Street, west of North Spring Street, and north of Sumner Avenue in the City of Lake Elsinore.

The OWNER intends to use the HOME funds for hard and soft construction expenses. Other funding sources include a \$1,975,000 conventional loan; a loan of \$4,058,577 from the RDA; tax credit equity contribution of \$20,000,000; a \$1,000,000 loan from the HUD HOPE VI Main Street program (HOPE VI); and general partner equity \$300,000. The total cost of development is estimated to be \$27,773,577. Eleven units will be designated as Low HOME units which are limited to extremely low-income households whose incomes do not exceed 30% of the Riverside County Median Income for a period of at least 55 years.

The County's HOME Loan will be in the fourth position behind a construction loan and permanent first mortgage from a permanent lender, behind the second mortgage from the RDA in connection with the RDA loan, and behind the third mortgage from the City of Lake Elsinore (City) in connection with the HUD HOPE VI loan. The RDA and City will require that the County execute a subordination agreement at a later date to signify their senior positions to the HOME Loan.

On June 30, 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 July 14, 2009.

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 Order No.
4 Escrow No.
5 Loan No.

6 RECORDING REQUESTED BY AND
7 WHEN RECORDED MAIL TO:

8 County of Riverside
9 Economic Development Agency
10 1325 Spruce Street, Suite 400
11 Riverside, CA 92507
12 Attn. Juan Garcia

13 SPACE ABOVE THIS LINE FOR RECORDERS USE

14 LOAN AGREEMENT FOR THE USE OF
15 HOME FUNDS

16 This Agreement is made and entered into this _____ day of _____, 2010
17 by and between the COUNTY OF RIVERSIDE (“COUNTY”), and Pottery Court Housing
18 Associates, L.P., a California limited partnership (“OWNER”), whose Managing General
19 Partner is BRIDGE SC, LLC, a California limited liability company (“BRIDGE”), whose sole
20 member is BRIDGE Housing Corporation-Southern California, a California nonprofit public
21 benefit corporation. OWNER will develop the multi-family housing complex identified as
22 “Pottery Court Apartments” in the City of Lake Elsinore in Riverside County (the “Project”).

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

1 assistance activities pursuant to the Act; and

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

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

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

9 WHEREAS, the HOME-assisted activities described herein are consistent with
10 the COUNTY's "Consolidated Plan"; and

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

12 1. PURPOSE. The COUNTY has agreed to lend up to Four Hundred Forty
13 Thousand Dollars (\$440,000) of HOME Funds to the OWNER upon the terms and conditions
14 set forth herein (the "HOME Loan"). Subject to Section 51 hereof, Project Financing
15 Contingency, OWNER promises and agrees to undertake and assist with the HOME activities
16 by utilizing such HOME funds, as specifically identified in Exhibit "A", which is attached
17 hereto and by this reference incorporated herein.

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

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

- d. Obtain financing from the City of Lake Elsinore (the "City"), which source of funds is from the U.S. Department of Housing and Urban Development HOPE VI Main Street Program ("MSP") in accordance with the timeline set forth in Exhibit "A".
- e. Obtain equity financing in a sufficient amount to complete the Project.
- f. Obtain legal title of the property as specifically identified in Exhibit "A", hereinafter referred to as the ("Property" or "Project Site").
- g. Prior to demolition of any of the structures on the Project Site OWNER must provide lead clearance and demolition certification for all buildings built prior to 1979.
- h. Operate the Project in such a manner so that it will remain affordable to qualified very low-income and low-income tenants for the affordability period as defined in Section 14 herein without regard to (i) the term of the promissory note or (ii) transfer of ownership.
- i. 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.

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

3 a. Home Loan Term. The maturity of the HOME Loan shall be the
4 first to occur of (i) July 1, 2068 or (ii) fifty-five (55) years from
5 the recordation of the deed of trust securing the permanent
6 financing for the Project (“Conversion”).

7 b. Principal. The principal of the HOME Loan shall be the amount
8 identified in Section 1 and evidenced by a promissory note, as
9 specifically identified in Exhibit “B-2”, which is attached hereto
10 and by this reference incorporated herein, executed by the
11 OWNER in favor of the COUNTY in a form satisfactory to the
12 COUNTY, hereinafter referred to as “Note”.

13 c. Interest. The interest rate shall be one percent (1.00%) per annum.

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

15 1. That the HOME Loan will accrue simple interest at a rate of
16 one percent (1.00%) per annum, except in the case of default
17 as hereinafter provided, and shall be repaid on an annual basis
18 from the Project’s Residual Receipts as defined herein;

19 2. The Note shall be repaid according to the following:

20 i) Sixty-seven and fifty hundredths percent (67.50%)
21 of the Project’s Residual Receipts shall be used
22 towards the payment of the RDA loan; and

23 ii) Seven and fifty hundredths percent (7.5%) of the
24 Project’s Residual Receipts shall be used towards
25 the payment of the HOME Loan; and

26 iii) The remaining twenty-five percent (25%) of the
27 Project’s Residual Receipts will be paid to
28 OWNER.

1 3. Residual Receipts shall be determined based on an annual
2 review of certified financial statements for the Project.
3 Quarterly operating statements and rent rolls shall be
4 submitted within forty-five (45) days following the close of
5 each quarter of the project fiscal year. In addition, the annual
6 audited financial statements shall be submitted within ninety
7 (90) days following the close of the project fiscal year. All
8 outstanding principal along with accrued interest shall be due
9 upon the first to occur of (i) July 1, 2068 or (ii) fifty-five (55)
10 years from Conversion. The first payment shall be due on July
11 1st of the year after the calendar year in which Conversion
12 occurs, to the extent of available Residual Receipts, as set
13 forth above; and

14 4. Project Residual Receipts are defined as gross receipts, not
15 including interest on required reserve accounts, less the
16 following:

- 17 i) auditing and accounting fees;
- 18 ii) a property management fee not to exceed \$40 per
19 unit per month, which amount shall increase
20 annually by the increase in the Consumer Price
21 Index;
- 22 iii) operating expenses;
- 23 iv) reserves;
- 24 v) deferred developer fee;
- 25 vi) a partnership management fee due to the General
26 Partner not to exceed \$25,000 per year, which
27 amount shall increase annually by the increase in
28 the Consumer Price Index; and

1 vii) a Limited Partnership asset management fee not to
2 exceed \$7,500 per year, which amount shall
3 increase annually by the increase in the Consumer
4 Price Index; and

5 viii) payments of principal and interest on amortized
6 loans and indebtedness senior to the HOME Loan,
7 which have been approved by the COUNTY
8 (collectively, the "Senior Debt").

9 e. Security. The HOME Loan shall be secured by a deed of trust
10 recorded against the Project (the "HOME Deed of Trust"). The
11 form of the HOME Deed of Trust to be recorded is shown in
12 Exhibit "B" which is attached hereto and by this reference
13 incorporated herein. The COUNTY hereby agrees that the HOME
14 Deed of Trust and the terms of this Agreement shall be
15 subordinated to: 1) a construction deed of trust; 2) a permanent
16 financing deed of trust; 3) a deed of trust in favor of the RDA in
17 connection with the RDA Loan; 4) and a deed of trust in favor of
18 the City in connection with the HUD HOPE Main Street VI loan
19 (collectively, the "Senior Loans"). In addition, the COUNTY
20 agrees to execute any and all documents necessary to effectuate
21 subordination concerning this loan, and construction loans, and
22 any future refinancing upon OWNER'S request and COUNTY
23 consent shall not be unreasonably withheld or delayed.

24 f. Prepayment. Prepayment of principal and/or interest may occur at
25 any time without penalty. The requirements of Section 17,
26 Compliance with Laws and Regulations, however, shall remain in
27 full force and effect for a term specified in Section 6 hereof.

28 5. PRIOR COUNTY APPROVAL. OWNER shall obtain COUNTY'S

1 approval, through its Economic Development Agency (“EDA”), of all items requiring such
2 approvals as described in this Agreement. COUNTY shall not unreasonably withhold or delay
3 any such approval.

4 6. TERM OF AGREEMENT. This Agreement shall become effective upon
5 execution and unless terminated earlier pursuant to the terms hereof, shall continue in full force
6 and effect for a period of fifty-five (55) years from Conversion.

7 7. OWNER’S REPRESENTATIONS. OWNER represents and warrants to
8 COUNTY as follows:

9 a. Authority. OWNER is a duly organized limited partnership in
10 good standing under the laws of the State of California. The
11 copies of the documents evidencing the organization of the
12 OWNER, which have been delivered to the COUNTY, are true
13 and complete copies of the originals, amended to the date of this
14 Agreement. OWNER has full right, power and lawful authority to
15 accept the conveyance of the Project Site, as defined in Exhibit
16 “A”, and undertake all obligations as provided herein and the
17 execution, performance and delivery of this Agreement by
18 OWNER has been fully authorized by all requisite actions on the
19 part of the OWNER.

20 b. No Conflict. To the best of OWNER’s knowledge, OWNER’s
21 execution, delivery and performance of its obligations under this
22 Agreement will not constitute a default or a breach under contract,
23 agreement or order to which the OWNER is a party or by which it
24 is bound.

25 c. No Owner Bankruptcy. OWNER is not the subject of a
26 bankruptcy proceeding.

27 d. Prior to Closing. OWNER shall upon learning of any fact or
28 condition which would cause any of the warranties and

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

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

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

18 10. LETTER TO PROCEED. OWNER shall not initiate nor incur expenses
19 for the HOME funded activity covered under the terms of this Agreement prior to receiving
20 written authorization to proceed.

21 11. REALLOCATION OF FUNDS. If OWNER fails to meet the deadlines
22 set forth in the Schedule of Performance, subject to the notice and cure periods set forth in
23 Section 31 herein, the funds allocated, reserved, or placed in a HOME Investment Trust Fund
24 may be reallocated by COUNTY after at least sixty (60) days' prior written notice is given to
25 OWNER; provided that the COUNTY agrees not to reallocate the funds while an application
26 for funding from another source is pending. Upon such reallocation, this Agreement shall be
27 terminated and be of no further force and effect and OWNER shall be released and discharged
28 from any obligations under this Agreement.

1 12. CONDITIONS FOR DISPOSITION OF FUNDS. COUNTY's Board of
2 Supervisors shall determine the final disposition and distribution of all funds received by
3 COUNTY under the Act. COUNTY, through its EDA, shall: (1) make payments of the HOME
4 funds to OWNER as designated in Exhibit "A", and (2) monitor the Project to ensure
5 compliance with applicable federal regulations and the terms of this Agreement. There will be
6 no disbursement of funds until the following events first occur:

- 7 a. OWNER obtains legal title of Project site from the RDA.
8 b. OWNER executes the Note and HOME Deed of Trust as shown
9 in Exhibit "B-1" and "B-2".
10 c. OWNER provides at its expense an ALTA policy insuring the
11 deed of trust.
12 d. OWNER provides documentation showing that matching funds of
13 not less than twenty-five percent of the total HOME funds
14 allocated under this Agreement have been provided.
15 e. OWNER provides receipts of copies of paid invoices and
16 conditional (upon receipt of payment) lien releases for
17 construction costs.
18 f. COUNTY will retain five percent (5%) of the total HOME loan
19 amount. COUNTY shall release final draw down of HOME funds
20 following receipt of all of the following:
21 1) unconditional lien release from general contractor;
22 2) recorded Notice of Completion;
23 3) architect certification identifying units that are accessible
24 to individuals with mobility impairments and units that are
25 accessible to individuals with sensory impairments in
26 compliance with Section 504 of the Rehabilitation Act of
27 1973, as described in Section 17(i);
28 4) final Contract and Subcontract Activity report, Minority

1 Business Enterprise/Women Business Enterprise
2 (MBE/WBE) report, HUD form 2516;

- 3 5) submission of documentation that shows compliance with
4 the Uniform Relocation Assistance and Real Property
5 Acquisition Policies Act of 1970 and 24 CFR Part 42.
6 6) submission of a Project completion report including
7 Tenant Checklist as shown in Exhibit "F" which is
8 attached hereto and by this reference incorporated herein;
9 7) Affirmative Fair Housing Marketing Plan – Multifamily
10 Housing, HUD form 935.2A, as described in Section 17;
11 8) Tenant Selection Policy;
12 9) Management Plan;
13 10) final development costs;
14 11) final sources and uses of funds; and

15 g. If Davis Bacon wages are required to be paid, OWNER hires a
16 qualified professional firm to review and monitor Davis Bacon
17 prevailing wage compliance for all submissions of contractors
18 certified payrolls to the COUNTY.

19 h. OWNER provides documentation of a Payment and Performance
20 Bond or letter of credit to secure performance under the
21 construction contract issued by a bonding company or financial
22 institution reasonably approved by the COUNTY. Policy shall
23 name the COUNTY as Co- Obligee.

24 i. OWNER provides satisfactory evidence that it has satisfied all
25 conditions precedent to the issuance of all permits necessary for
26 the construction of the development and all such permits are
27 available for issuance, other than payment of fees.

28 j. OWNER provides duly executed documents and instruments

1 showing the ownership of the Property as specifically identified in
2 Exhibit "A".

3 k. OWNER obtains and submits at OWNER's sole cost and expense
4 the following documents for COUNTY's review and acceptance
5 of in its sole and absolute discretion:

- 6 1) Copies of Phase I Environmental audit prepared by
7 licensed entity in accordance with State of California
8 requirements.
- 9 2) Copies of Phase II Environmental audit prepared by
10 licensed entity, if the audit on Phase I indicates the
11 possible presence of hazardous substances.
- 12 3) Copies of soil reports.
- 13 4) Any findings identified in the soil, Phase I and Phase II
14 reports shall be fully remediated by OWNER at its sole
15 cost and expense.

16 13. DISTRIBUTION OF FUNDS. The HOME Investment Trust Fund
17 account established in the United States Treasury is managed through the U.S. Department of
18 Housing and Urban Development (HUD), Integrated Disbursement and Information System
19 (IDIS) for the HOME Investment Partnerships Program. The IDIS System is a computerized
20 system which manages, disburses, collects, and reports information on the use of HOME funds
21 in the United States Treasury Account. Disbursement of HOME funds shall occur upon the
22 satisfactory receipt of copies of invoices and conditional (upon receipt of payment) lien
23 releases for construction costs to be paid with the proceeds of the HOME Loan. COUNTY
24 shall pay OWNER the sum specified in Section 1 above on a "cost-as-incurred" basis for all
25 eligible approved costs under the itemized schedule shown in Exhibit "A".

26 14. TERMS OF AFFORDABILITY. The period of affordability shall be
27 fifty-five (55) years from Conversion.

28 15. INSURANCE. Without limiting or diminishing the OWNER'S obligation

1 to indemnify or hold the COUNTY harmless, OWNER shall procure and maintain or cause to
2 be maintained, at its sole cost and expense, the following insurance coverage's during the term
3 of this Agreement.

4 a. Worker's Compensation Insurance.

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

14 b. Commercial General Liability Insurance.

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

1 c. Vehicle Liability Insurance.

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

14 d. General Insurance Provisions – All Lines.

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

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

1 OWNER'S carriers shall either; (a) reduce or eliminate such self-
2 insured retention as respects this Agreement with the COUNTY,
3 or (b) procure a bond which guarantees payment of losses and
4 related investigations, claims administration, and defense costs
5 and expenses.

6 3) OWNER shall cause OWNER'S insurance carrier(s) to
7 furnish the County of Riverside with copies of the Certificate(s)
8 of Insurance and Endorsements effecting coverage as
9 required herein, and 2) if requested to do so orally or in writing by
10 the COUNTY Risk Manager, provide copies of policies including
11 all Endorsements and all attachments thereto, showing such
12 insurance is in full force and effect. Further, said Certificate(s)
13 and policies of insurance shall contain the covenant of the
14 insurance carrier(s) that thirty (30) days written notice shall be
15 given to the County of Riverside prior to any material
16 modification, cancellation, expiration or reduction in coverage of
17 such insurance. In the event of a material modification,
18 cancellation, expiration, or reduction in coverage, this Agreement
19 shall terminate forthwith, unless the County of Riverside receives,
20 prior to such effective date, another Certificate of Insurance and
21 copies of endorsements, 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 Certificate (s) of Insurance and copies of endorsements and if
26 requested, copies of policies of insurance including all
27 endorsements and any and all other attachments as required in this
28 Section. An individual authorized by the insurance carrier to do

1 so on its behalf shall sign the original endorsements for each
2 policy and the Certificate of Insurance.

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

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

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

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

26 8) OWNER agrees to notify COUNTY of any claim by a
27 third party or any incident or event that may give rise to a claim
28 arising from the performance of this Agreement.

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

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

14 h. Section 92.356 Conflict of Interest. In the procurement of
15 property and services by OWNER, the conflict of interest
16 provisions in 24 CFR 85.36 and 24 CFR 85.42, respectively shall
17 apply. Section 92.356 shall cover all cases not governed by 24
18 CFR 85.36 and 24 CFR 84.42.

19 i. Section 504 of the Rehabilitation Act of 1973; Housing
20 accessibility requirement at 24 CFR Part 8, implementing Section
21 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794). The
22 design and construction of multi-family dwellings as defined at 24
23 CFR 100.201 must comply with the requirements set forth in 24
24 CFR 100.205 implementing the Fair Housing Act. For new
25 construction of multi-family projects, 5 percent (5%) of the units
26 (but not less than one unit) must be accessible to individuals with
27 mobility impairments, and an additional 2 percent (2%) of the
28 units (but not less than one unit) must be accessible to individuals

1 with sensory impairments. Dwelling units designed and
2 constructed in accordance with the Uniform Federal Accessibility
3 Standards (UFAS) will be deemed to comply with the Section 504
4 regulation.

5 j. Model Energy Code published by the Council of American
6 Building Officials.

7 k. Section 3 of the Housing and Urban Development Act of 1968.

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

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

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

26 (1) The OWNER does not assume the COUNTY'S
27 environmental responsibilities described at 24 CFR Part
28 92.352; and

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

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

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

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

20 18. INCOME TARGETING REQUIREMENTS. OWNER will set aside
21 eleven (11) units of the Project to be designated as floating HOME-assisted units, as defined
22 under 24 CFR 92.252(j). Eleven units (1 – 1 Bedroom, 5 – 2 Bedroom, and 5 – 3 Bedroom)
23 shall be limited to households whose incomes do not exceed thirty percent (30%) of the
24 median family income for the County of Riverside, adjusted by family size at the time of
25 occupancy.

26 19. RENT LIMITATIONS. OWNER shall comply with the rent limitations
27 set forth under 24 CFR 92.252. The COUNTY shall review and approve proposed rents to the
28 extent required under this section. OWNER shall ensure that the HOME-assisted units are

1 rented to qualified applicants at the HOME rent levels, adjusted by family size at the time of
2 occupancy, published by HUD from time to time.

3 a. Additional Rent Limitations: The current HUD published Low
4 HOME rent effective April 2008 is: 1 bedroom at \$624, 2
5 bedroom at \$748, and 3 bedroom at \$865. In order to calculate net
6 rent to be charged, an applicable utility allowance must be
7 subtracted from the gross rents listed.

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

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

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

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

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

- 1 (2) Treatment of property. Agreements by tenant that the
2 OWNER may take, hold, or sell personal property of
3 household members without notice to the tenant and a
4 court decision on the rights of the parties. This prohibition,
5 however, does not apply to an agreement by the tenant
6 concerning disposition of personal property remaining in
7 the housing unit after the tenant has moved out of the unit.
8 The OWNER may dispose of this personal property in
9 accordance with State law.
- 10 (3) Excusing OWNER from responsibility. Agreement by the
11 tenant not to hold OWNER or OWNER's agents legally
12 responsible for any action or failure to act, whether
13 intentional or negligent.
- 14 (4) Waiver of notice. Agreement of the tenant that the
15 OWNER may institute a lawsuit without notice to the
16 tenant.
- 17 (5) Waiver of legal proceeding. Agreement by the tenant that
18 the OWNER may evict the tenant or household members
19 without instituting a civil court proceeding in which the
20 tenant has the opportunity to present a defense, or before a
21 court decision on the rights of the parties.
- 22 (6) Waiver of a jury trial. Agreement by the tenant to waive
23 any right to a trial by jury.
- 24 (7) Waiver of right to appeal court decision. Agreement by the
25 tenant to waive the tenant's right to appeal, or to otherwise
26 challenge in court, a court decision in connection with the
27 lease.
- 28 (8) Tenant chargeable with cost of legal actions regardless of

1 outcome. Agreement by the tenant to pay attorneys' fees
2 or other legal costs even if the tenant wins in a court
3 proceeding by the OWNER against the tenant. The tenant,
4 however, may be obligated to pay costs if the tenant loses.

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

8 22. REPAYMENT INCOME. COUNTY must record the receipt and
9 expenditure of HOME repayment income in accordance with the standards specified in 24 CFR
10 92.503.

11 23. SALE OR TRANSFER OF THE PROJECT.

12 a) OWNER hereby covenants and agrees not to sell, transfer or otherwise
13 dispose of the Project or any portion thereof, without obtaining the prior written consent of the
14 COUNTY, which consent shall be conditioned solely upon receipt by the COUNTY of
15 reasonable evidence satisfactory to the COUNTY that transferee has assumed in writing and in
16 full, and is reasonably capable of performing and complying with the OWNER's duties and
17 obligations under this Agreement and where upon OWNER shall be released of all obligations
18 hereunder which accrue from and after the date of such sale.

19 b) Upon prior written approval by COUNTY, OWNER may transfer the
20 Project and/or accomplish any of the following: (i) a conveyance of a security interest in the
21 Property in connection with any Senior Loan and any transfer of title by foreclosure, deed or
22 other conveyance in lieu of foreclosure in connection therewith; (ii) a conveyance of the
23 Property to any affiliate of BRIDGE Housing Corporation or assignee pursuant to an option
24 agreement granted with respect to the tax credit financing; (iii) the admission of limited
25 partners to OWNER's limited partnership, or similar mechanism, and the purchase of any such
26 limited partnership interest or interests by OWNER's general partner; (iv) the replacement of
27 OWNER's general partner or similar mechanism, by an affiliate of the general partner or
28 BRIDGE Housing Corporation; (v) the removal for cause of any general partner by a limited

1 partner of OWNER's partnership, and the replacement thereof; (vi) the lease for occupancy of
2 all or any of the Units; (vii) the granting of easements or permits to facilitate the development
3 of the Property in accordance with this Agreement; and (viii) the withdrawal, removal and/or
4 replacement of any limited partner of OWNER.

5 The COUNTY's approval of the transfers in Section 23(b) shall not be
6 unreasonably withheld and COUNTY's Assistant County Executive Officer/Economic
7 Development Agency or designee(s) are authorized to execute such written instrument
8 necessary or appropriate to evidence approval of the transfers in Section 23(b).
9 Notwithstanding anything to the contrary herein, any transfer described in subsection (vi)
10 above shall not require the COUNTY's prior approval, and any transfer described in subsection
11 (i) above shall not require the COUNTY's prior approval as long as the lease complies with
12 Section 20 of this Agreement.

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

17 25. NONDISCRIMINATION. OWNER shall abide by §92.350 of Title 24 of
18 the Federal Code of Regulations, which require that no person in the United States shall, on the
19 grounds of race, color, religion, national origin, or sex, be excluded from participation in, be
20 denied the benefits of, or be subjected to discrimination under any program or activity funded
21 in whole or in part with HOME funds.

22 26. PROHIBITION AGAINST CONFLICTS OF INTEREST:

- 23 a. OWNER and its assigns, employees, agents, consultants, officers
24 and elected and appointed officials shall become familiar with and
25 shall comply with the conflict of interest provisions in OMB
26 Circular A-110, 24 CFR 85.36, 24 CFR 84.42, 24 CFR 92.356
27 and Policy Manual #A-11, attached hereto as Exhibit "D" and by
28 this reference incorporated herein.

1 b. OWNER understands and agrees that no waiver or exception can
2 be granted to the prohibition against conflict of interest except
3 upon written approval of HUD pursuant to 24 CFR 92.356(d).
4 Any request by OWNER for an exception shall first be reviewed
5 by COUNTY to determine whether such request is appropriate for
6 submission to HUD. In determining whether such request is
7 appropriate for submission to HUD, COUNTY will consider the
8 factors listed in 24 CFR 92.356(e).

9 c. Prior to any funding under this Agreement, OWNER shall provide
10 COUNTY with a list of all employees, agents, consultants,
11 officers and elected and appointed officials who are in a position
12 to participate in a decision-making process, exercise any functions
13 or responsibilities, or gain inside information with respect to the
14 HOME activities funded under this Agreement. OWNER shall
15 also promptly disclose to COUNTY any potential conflict,
16 including even the appearance of conflict that may arise with
17 respect to the HOME activities funded under this Agreement.

18 d. Any violation of this section shall be deemed a material breach of
19 this Agreement, and the Agreement shall be immediately
20 terminated by the COUNTY.

21 27. RELIGIOUS ACTIVITIES. Under federal regulations, 24 CFR 92.257
22 HOME funds may not be provided to primarily religious organizations, such as churches, for
23 any activity including secular activities. In addition, HOME funds may not be used to
24 rehabilitate or construct housing owned by primarily religious organizations or to assist
25 primarily religious organizations in acquiring housing. However, HOME funds may be used
26 by a secular entity to acquire housing from a primarily religious organization, and a primarily
27 religious entity may transfer title to property to a wholly secular entity and the entity may
28 participate in the HOME program in accordance with the requirements set forth at 24 CFR

1 92.257. The entity may be an existing or newly established entity, which may be an entity
2 established by the religious organization. The completed housing project must be used
3 exclusively by the owner/participant entity for secular purposes, available to all persons
4 regardless of religion. In particular, there must be no religious or membership criteria for
5 tenants of the property.

6 28. PROJECT MONITORING AND EVALUATION. OWNER shall submit
7 a Tenant Checklist Form to the COUNTY, as shown in Exhibit "E" which is attached hereto
8 and by this reference is incorporated herein and may be revised by COUNTY, summarizing the
9 racial/ethnic composition, number and percentage of very low-income and low-income
10 households who are tenants. The Tenant Checklist Form shall be submitted upon completion of
11 the construction and thereafter, on a semi-annual basis on or before March 31 and September
12 30. The OWNER shall maintain financial, programmatic, statistical and other supporting
13 records of its operations and financial activities in accordance with the requirements of the
14 HOME Program under 24 CFR 92.508, including the submission of Tenant Checklist Form.
15 Except as otherwise provided for in this Agreement, the OWNER shall maintain and submit
16 records to the COUNTY within ten business days of the COUNTY's request which clearly
17 documents the OWNER's performance under each requirement of the HOME Program. A list
18 of document submissions and timeline are shown in Exhibit "A" and such list may be amended
19 from time to time subject to HUD and COUNTY reporting requirements.

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

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

- 26 a. Monetary Default. (1) The OWNER's failure to pay when due
27 any sums payable under the Note or any advances made by the
28 COUNTY under this Agreement; (2) the OWNER's or any agent

1 of the OWNER's use of HOME funds for costs other than costs or
2 for uses inconsistent with terms and restrictions set forth in this
3 Agreement; (3) the OWNER's or any agent of the OWNER's
4 failure to make any other payment of any assessment or tax due
5 under this Agreement;

6 b. Non-Monetary Default - Operation. (1) Discrimination by the
7 OWNER or the OWNER's agent on the basis of characteristics
8 prohibited by this Agreement or applicable law; (2) the imposition
9 of any encumbrances or liens on the Project without the
10 COUNTY's prior written approval that are prohibited under this
11 Agreement or that have the effect of reducing the priority or
12 invalidating the HOME Deed of Trust; (3) the OWNER's failure
13 to obtain and maintain the insurance coverage required under this
14 Agreement; (4) any material default under this Agreement;

15 c. General Performance of Loan Obligations. Any substantial or
16 continuous or repeated breach by the OWNER or OWNER's
17 agents of any material obligations on the OWNER imposed in the
18 HOME Agreement;

19 d. General Performance of Other Obligations. Any substantial or
20 continuous or repeated breach by the OWNER or the OWNER's
21 agents of any material obligations on the Project imposed by any
22 other agreement with respect to the financing, development, or
23 operation of the Project; whether or not the COUNTY is a party to
24 such agreement; but only following any applicable notice and
25 cure periods with respect to any such obligation;

26 e. Representations and Warranties. A determination by the
27 COUNTY that any of the OWNER's representations or warranties
28 made in this Agreement, any statements made to the COUNTY by

1 the OWNER, or any certificates, documents, or schedules
2 supplied to the COUNTY by the OWNER were untrue in any
3 material respect when made, or that the OWNER concealed or
4 failed to disclose a material fact from the COUNTY.

5 f. Damage to Project. In the event that the Project is materially
6 damaged or destroyed by fire or other casualty, and the OWNER
7 receives an award or insurance proceeds sufficient for the repair
8 or reconstruction of the Project, and the OWNER does not use
9 such award or proceeds to repair or reconstruct the Project.

10 g. Bankruptcy, Dissolution and Insolvency. The OWNER's or any
11 general partner of the OWNER's (1) filing for bankruptcy,
12 dissolution, or reorganization, or failure to obtain a full dismissal
13 of any such involuntary filing brought by another party before the
14 earlier of final relief or sixty (60) days after such filing; (2)
15 making a general assignment for the benefit of creditors; (3)
16 applying for the appointment of a receiver, trustee, custodian, or
17 liquidator, or failure to obtain a full dismissal of any such
18 involuntary application brought by another party before the earlier
19 of final relief or seventy-five (75) days after such filing; (4)
20 insolvency; or (5) failure, inability or admission in writing of its
21 inability to pay its debts as they become due.

22 31. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For
23 monetary and non-monetary Events of Default, the COUNTY shall give written notice to
24 OWNER and its investor limited partner, of any Event of Default by specifying: (a) the nature
25 of the Event of Default or the deficiency giving rise to the default, (b) the action required to
26 cure the deficiency, and (c) a date, which shall not be more than sixty (60) calendar days from
27 the mailing of the notice for a monetary default, or a date, which shall not be more than ninety
28 (90) calendar days from the mailing of the notice for a non-monetary default, by which such

1 action to cure must be taken. The COUNTY agrees that the OWNER and any beneficiary
2 under a deed of trust permitted by this Agreement and the investor limited partner of the
3 OWNER (collectively, the "Interested Parties") shall have the right to cure any and all defaults
4 under this Agreement.

5 32. RIGHT TO CURE DEFAULTS. The investor limited partner shall have
6 the right to cure any Event of Default existing under the Agreement which right must be
7 exercised by the later of (a) the cure period provided in the Agreement, or (b) fifteen (15) days
8 after receipt of written notice of default by the investor limited partner. For the investor
9 limited partner to effectively exercise its cure rights, the investor limited partner must fully pay
10 the amount past due or perform the defaulted obligations, including the payment of any
11 amounts due for legal expenses incurred in connection with the default. Notwithstanding
12 anything to the contrary in the Agreement, upon the occurrence of an Event of Default arising
13 out of: (i) the bankruptcy, insolvency or assignment of assets for the benefit of creditors by the
14 General Partner of OWNER, or (ii) the withdrawal from OWNER of the OWNER's General
15 Partner, or (iii) a breach of the representations concerning such General Partner, the investor
16 limited partner shall have the option, but not the obligation, within forty-five (45) days of
17 receipt of written notice of such Event of Default from COUNTY, to cure any such default by
18 appointing a substitute or additional General Partner that is an affiliate of the investor limited
19 partner to act as such General Partner.

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

- 27 a. Terminate this Agreement, in which event the entire amount as
28 well as any other monies advanced to the OWNER by the

1 COUNTY under this Agreement including administrative costs,
2 shall immediately become due and payable at the option of the
3 COUNTY.

- 4 b. Bring an action in equitable relief (1) seeking the specific
5 performance by OWNER of the terms and conditions of this
6 Agreement, and/or (2) enjoining, abating, or preventing any
7 violation of said terms and conditions, and/or (3) seeking
8 declaratory relief.
- 9 c. Accelerate the HOME Loan, and demand immediate full payment
10 of the principal payment outstanding and all accrued interest under
11 the Note, as well as any other monies advanced to the OWNER by
12 the COUNTY under this Agreement.
- 13 d. Enter the Project and take any remedial actions necessary in its
14 judgment with respect to hazardous materials that the COUNTY
15 deems necessary to comply with hazardous materials laws or to
16 render the Project suitable for occupancy.
- 17 e. Enter upon, take possession of, and manage the Project, either in
18 person, by agent, or by a receiver appointed by a court, and collect
19 rents and other amounts specified in the assignment of rents in the
20 Deed of Trust and apply them to operate the Project or to pay off
21 the HOME Loan or any advances made under this Agreement, as
22 provided for by the Deed of Trust.
- 23 f. Pursue any other remedy allowed at law or in equity.

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

- 26 a. Demand payment from the COUNTY of any sums due OWNER;
27 and/or
28 b. Bring an action in equitable relief seeking the specific performance

1 by the COUNTY of the terms and conditions of this Agreement;
2 and/or

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

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

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

16 a. No federally appropriated funds have been paid or will be paid, by
17 or on behalf of the undersigned, to any person for influencing or
18 attempting to influence an officer or employee of any agency, a
19 member of Congress, an officer or employee of Congress, or an
20 employee of a member of Congress in connection with the
21 awarding of any federal contract, the making of any federal grant,
22 the making of any federal loan, the entering into of any cooperative
23 agreement, and the extension, continuation, review, amendment, or
24 modification of any federal contract, grant, loan, or cooperative
25 agreement.

26 b. If any funds other than federally appropriated funds have been paid
27 or will be paid to any person for influencing or attempting to
28 influence an officer or employee of any agency, a member of

1 Congress, an officer or employee of Congress, or an employee of a
2 member of Congress in connection with this federal contract,
3 grant, loan, or cooperative agreement, the undersigned shall
4 complete and submit Standard Form-LLL, "Disclosure Form to
5 Report Lobbying," in accordance with its instructions.

6 c. The undersigned shall require that the language of this certification
7 be included in the award documents for all sub-awards at all tiers
8 (including subcontracts, sub-grants, and contracts under grants,
9 loans, and cooperative agreements) and that OWNER shall certify
10 and disclose accordingly. This certification is a material
11 representation of fact upon which reliance was placed when this
12 transaction was made or entered into.

13 37. HOLD HARMLESS AND INDEMNIFICATION. OWNER shall
14 indemnify and hold harmless the County of Riverside, its Agencies, Districts, Special Districts
15 and Departments, their respective directors, officers, Board of Supervisors, elected and
16 appointed officials, employees, agents and representatives from any liability whatsoever, based
17 or asserted upon any services of OWNER, its officers, employees, subcontractors, agents or
18 representatives arising out of their performance under this Agreement, including but not limited
19 to property damage, bodily injury, or death or any other element of any kind or nature
20 whatsoever arising from the performance of OWNER, its officers, agents, employees,
21 subcontractors, agents or representatives under this Agreement. OWNER shall defend, at its
22 sole expense, all costs and fees including, but not limited, to attorney fees, cost of investigation,
23 defense and settlements or awards, the County of Riverside, its Agencies, Districts, Special
24 Districts and Departments, their respective directors, officers, Board of Supervisors, elected and
25 appointed officials, employees, agents and representatives in any claim or action based upon
26 such alleged acts or omissions.

27 With respect to any action or claim subject to indemnification herein by OWNER,
28 OWNER shall, at their sole cost, have the right to use counsel of their own choice and shall have

1 the right to adjust, settle, or compromise any such action or claim without the prior consent of
2 COUNTY; provided, however, that any such adjustment, settlement or compromise in no
3 manner whatsoever limits or circumscribes OWNER'S indemnification to COUNTY as set forth
4 herein.

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

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

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

14 38. TERMINATION.

- 15 a. OWNER. OWNER may terminate this Agreement consistent with
16 the Act, the regulations consistent implementing the Act, and 24
17 CFR 85.44. In addition, OWNER may terminate this Agreement
18 in accordance with Section 51 below.
- 19 b. COUNTY. Notwithstanding the provisions of Section 38(a),
20 COUNTY may suspend or terminate this Agreement upon written
21 notice to OWNER of the action being taken and the reason for
22 such action:
- 23 (1) In the event OWNER fails to perform the covenants herein
24 contained at such times and in such manner as provided in
25 this Agreement after the applicable notice and cure
26 provision hereof; or
- 27 (2) In the event there is a conflict with any federal, state or
28 local law, ordinance, regulation or rule rendering any

1 material provision, in the judgment of COUNTY of this
2 Agreement invalid or untenable; or

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

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

16 d. Upon expiration of this Agreement, the OWNER shall transfer to
17 the COUNTY any unexpended HOME funds in its possession at
18 the time of expiration of the Agreement as well as any accounts
19 receivable held by OWNER which are attributable to the use of
20 HOME funds awarded pursuant to this Agreement.

21 39. AFFORDABILITY RESTRICTIONS. The COUNTY and OWNER
22 hereby declare their express intent that the restrictions set forth in this Agreement shall be
23 affordable for a period of fifty-five (55) years from Conversion, and shall bind all successors in
24 title to the Property until the expiration of this Agreement. Each and every contract, deed or
25 other instrument hereafter executed covering and conveying the Property or any portion thereof
26 shall be held conclusively to have been executed, delivered and accepted subject to such
27 restrictions, regardless whether such restrictions are set forth in such contract, deed or other
28 instrument.

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

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

12 42. AUTHORITY TO EXECUTE. The persons executing this Agreement or
13 exhibits attached hereto on behalf of the parties to this Agreement hereby warrant and
14 represent that they have the authority to execute this Agreement and warrant and represent that
15 they have the authority to bind the respective parties to this Agreement to the performance of
16 its obligations hereunder.

17 43. WAIVER. Failure by a party to insist upon the strict performance of any
18 of the provisions of this Agreement by the other party, or the failure by a party to exercise its
19 rights upon the default of the other party, shall not constitute a waiver of such party's rights to
20 insist and demand strict compliance by the other party with the terms of this Agreement
21 thereafter.

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

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

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

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

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

22 49. ASSIGNMENT. Except as otherwise permitted hereunder, the OWNER
23 will not make any sale, assignment, conveyance, or lease of any trust or power, or transfer in
24 any other form with respect to this Agreement or the Project, without prior written approval of
25 the COUNTY. Any proposed transferee shall have the qualifications and financial
26 responsibility, as reasonably determined by the COUNTY necessary and adequate to fulfill the
27 obligations undertaken in this Agreement by the OWNER. Any proposed transferee shall, by
28 instrument in writing, for itself and its successor and assigns, and expressly for the benefit of

1 the COUNTY, assume all of the obligations of the OWNER under this Agreement and agree to
2 be subject to all the conditions and restrictions to which the OWNER is subject.

3 50. CONDITIONAL HOME COMMITMENT. As defined under 24 CFR
4 92.2, the COUNTY can reasonably expect for the OWNER to start construction within twelve
5 months of the execution of this Agreement.

6 51. PROJECT FINANCING CONTINGENCY. This Agreement is expressly
7 conditioned upon OWNER's receipt, on or prior to February 28, 2012 of (i) such binding loan
8 commitments for new loans as may be required by OWNER, on terms and conditions
9 acceptable to OWNER, in its sole discretion, including, without limitation, (a) RDA financing,
10 and (b) any conventional construction and/or permanent financing, including without
11 limitation, a construction and permanent loan from an institutional construction lender (the
12 "Senior Lien Holder"), and (c) a binding reservation of federal low income housing tax credits
13 pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (collectively, the
14 "Project Financing"). Either the COUNTY or the OWNER may elect to terminate this
15 Agreement with 10 days written notice to the other party if the OWNER fails to acquire the
16 project financing as required by this Section 51. Upon such termination, this Agreement shall
17 be null and void, and:

- 18 a. If OWNER elects to terminate this Agreement, OWNER shall
19 be released and discharged by COUNTY from its obligations
20 under this Agreement; or
21 b. If COUNTY elects to terminate this Agreement, COUNTY shall
22 be released and discharged by OWNER from its obligations
23 under this Agreement.

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

26 52. NONRECOURSE OBLIGATION. The OWNER and its partners,
27 officers, directors, employees, and agents shall not have any direct or indirect personal liability
28 for payment of the principal of, or interest on, the HOME Loan or the performance of the

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

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

27 54. MEDIA RELEASES. OWNER agrees to allow COUNTY to provide
28 input regarding all media releases regarding the Project. Any publicity generated by OWNER

1 for the Project must make reference to the contribution of COUNTY in making the Project
2 possible. COUNTY's name shall be prominently displayed in all pieces of publicity generated
3 by OWNER, including flyers, press releases, posters, signs, brochures, and public service
4 announcements. OWNER agrees to cooperate with COUNTY in any COUNTY-generated
5 publicity or promotional activities with respect to the Project.

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

12 COUNTY

OWNER

13 Director of Housing Development
14 Riverside County
15 Economic Development Agency
16 1325 Spruce Street, Suite 400
17 Riverside, CA 92507

Pottery Court Housing Associates, L.P.
c/o BRIDGE Housing Corporation
345 Spear Street, Suite 700
San Francisco, CA 94105
Attn: President

18 With copies to:

19 BRIDGE Housing Corporation – Southern California
20 2202 30th Street
21 San Diego, CA 94104
22 Attn: Director of Development

23 And:

24 Goldfarb & Lipman, LLP
25 1300 Clay Street, 9th Floor
26 Oakland, CA 94612
27 Attn: Polly V. Marshall

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

57. EFFECTIVE DATE. The effective date of this Agreement is the date the

1 parties execute the Agreement. If the parties execute the Agreement on more than one date,
2 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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4

5 COUNTY OF RIVERSIDE

OWNER
6 POTTERY COURT HOUSING ASSOCIATES, L.P.,
a California limited partnership

7

8 By: _____
9 MARION ASHLEY
Chairman, Board of Supervisors

By: BRIDGE SC, LLC
a California limited liability company,
its Managing General Partner

10

By: BRIDGE Housing Corporation – Southern
California, a California nonprofit public
Benefit corporation, its sole member and manager

11

12

13

14

By: _____
Lydia Tan, Vice President

15

16


APPROVED AS TO FORM:

17

PAMELA J. WALLS
County Counsel

18

19

By:  5/23/10
Deputy Michelle Clack

20

21

22

ATTEST:

23

KECIA HARPER-IHEM
Clerk of the Board

24

25

26

By: _____
Deputy

27

(All signatures on this page need to be notarized)

28

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

EXHIBIT "A"

OWNER: Pottery Court Housing Associates, L.P.
Address: 2202 30th Street
San Diego, CA 92104
Project Title: Pottery Court Apartments

Location: The project site is approximately 4.33 acres and is situated to the east of Langstaff Street, south of West Pottery Street, west of North Spring, and north of Sumner Avenue in the City of Lake Elsinore.

The Assessors Parcel Numbers (APNs): 374-017-003, 374-017-004, 374-017-005, 374-017-006, 374-017-007, 374-017-008, 374-017-009, 374-017-010, 374-017-011, 374-017-012, 374-017-013, 374-017-014, 374-071-026, 374-071-027, 374-072-018, 374-072-020, 374-072-022, 374-072-026, 374-072-028, 374-072-030, 374-072-032, 374-072-034, 374-072-036.

Description:

OWNER will utilize \$440,000 in HOME funds for the development and construction of a 113-unit multifamily housing complex in the City of Lake Elsinore in Riverside County. The Project consists of 20 one-bedroom units, 48 two-bedroom units, and 43 three-bedroom units. Two additional three-bedroom units will be set-aside as onsite manager's units. The units will be located in 8 one- and two-story, wood frame, stucco buildings. The one-bedroom units are approximately 690 square feet, the two-bedroom units are approximately 875 square feet, and the three-bedroom units are approximately 1,060 square feet. All units will be equipped with a refrigerator, dishwasher, combination range/oven, garbage disposal, and central heating/cooling. The residents of Pottery Court Apartments will have access to a sports court, tot lots, swimming pool, open space play areas, and BBQ picnic area.

The Project will include a community building of approximately 2,344 square feet with a kitchen, restrooms, laundry facilities, a computer lab room, and a manager's office.

A total of eleven units shall be designated as floating HOME assisted units. Eleven units (1 – 1 Bedroom, 5 – 2 Bedroom, and 5 – 3 Bedroom) shall be limited to households whose incomes do not exceed thirty percent (30%) of Riverside County median family income. The HOME units shall be restricted for a period of at least 55 years from conversion to permanent financing.

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN IS SITUATED IN THE STATE OF CALIFORNIA COUNTY OF RIVERSIDE, CITY OF LAKE ELSINORE, AND DESCRIBED AS FOLLOWS:

LOTS 2, 4 AND 6 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20L ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648, AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160 OF OFFICIAL RECORDS.

LOT 8 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20N ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

LOT 10 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20P ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

LOT 12 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20R ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

LOTS 14, 16, AND 18 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THREFROM THAT PORTION DESCRIBED AS PARCEL 3040-41-A-3040-41B-4040-40A-3040-40B-3040-40C AND 3040-40D ON RECORD OF SURVEY RECORDED IN BOOK 91,

PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED 12 2, 1992 AS INSTRUMENT NO. 460200 AND MARCH 1, 1993 AS INSTRUMENT NO. 75561 OF OFFICIAL RECORDS.

LOT 20 IN BLOCK 56 OF HEALD' S RESUBDIVISON OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THE NORTHERLY 30 FEET OF THE EAST 20 FEET. ALSO EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20T ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

THE WESTERLY RECTANGULAR 114 FEET OF LOTS 22 AND 24 IN BLOCK 56 OF ELSINORE, AS SHOWN BY MAP ON HEALD'S SUBDIVISION OF SAID BLOCK, ON FILE IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM PARCEL 3040-43 AS SHOWN ON RECORD OF SURVEY FILED IN BOOK 91 PAGES 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO RIVERSIDE COUNTY FLOOD CONTROL AND CONSERVATION DISTRICT BY DEED RECORDED APRIL 15, 1993 AS INSTRUMENT NO. 126478 OF OFFICIAL RECORDS.

LOT 7 IN BLOCK 57 OF HEALD' S SUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 8 IN BLOCK 57 OF ELSINORE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON HEALD'S RE-SUBDIVISION ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 9 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION, BLOCK 51 AND 54 TO 86 OF ELSINORE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP THEREOF RECORDED IN BOOK 8 OF MAPS, PAGE 378, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

LOT 10 IN BLOCK 57 OF HEALD'S RESUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOTS 11 AND 13 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP RECORDED IN BOOK 8, PAGE 378 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 12 IN BLOCK 57 OF HEALDS RESUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 14 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 15 OF TRACT NO. 57 HEALDS RE-SUBDIVISION OF BLOCKS 51 AND 54 THROUGH 86 OF MAPS, RECORDS OF RIVERSIDE COUNTY, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8, PAGE 378 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

LOT 16 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION OF BLOCK 51 AND 54 TO 86 INCLUSIVE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON A MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 17 IN BLOCK 57 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS SHOWN BY MAP OF SAID RESUBDIVISION ON FILE IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 19 IN BLOCK 57 OF HERALDS RESUBDIVISION OF BLOCKS 51 AND 54 TO 86, INCLUSIVE IN THE CITY OF LAKE ELSINORE, COUNTY RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8, PAGE 378, OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY

PARCEL "A" OF LOT LINE ADJUSTMENT 2004-11, IN THE CIT OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON THAT CERTAIN LOT LINE ADJUSTMENT RECORDED SEPTEMBER 27, 2004 AS INSTRUMENT NO. 2004-0765006 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL "B" OF LOT LINE ADJUSTMENT 2004-11, IN THE CIT OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON THAT CERTAIN LOT LINE ADJUSTMENT RECORDED SEPTEMBER 27, 2004 AS INSTRUMENT NO. 2004-0765006 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN's : 374-017-003, 374-017-004, 374-017-005, 374-017-006, 374-017-007, 374-017-008,
374-017-009, 374-017-010, 374-017-011, 374-017-012, 374-017-013, 374-017-014,
374-071-026, 374-071-027, 374-072-018, 374-072-020, 374-072-022, 374-072-026,
374-072-028, 374-072-030, 374-072-032, 374-072-034, 374-072-036.



Project Permanent Sources and Uses of Fund:

Sources:

| | |
|---|-------------------|
| The Redevelopment Agency for the City of Lake Elsinore Loan 55 Yrs @ 1.00% | \$ 4,058,577 |
| HUD Main Street HOPE Program | \$ 1,000,000 |
| General Partner Contribution | \$ 300,000 |
| Conventional Bank Loan | \$ 1,975,000 |
| Limited Partner Tax Credit Equity | \$ 20,000,000 |
| County of Riverside HOME Loan 55 Yrs @ 1% | <u>\$ 440,000</u> |
| Total Sources | \$ 27,773,577 |

Uses:

| | |
|--|---------------------|
| Acquisition and Demolition Costs | \$ 3,585,702 |
| New construction (includes site work, common area bldgs and structures) | \$ 13,300,828 |
| Contractor's Overhead&Profit&Gen'l Req. | \$ 1,382,111 |
| General Liability Insurance | \$ 206,783 |
| Architectural & Engineering Cost | \$ 1,171,550 |
| Construction Interest & Fees | \$ 1,870,322 |
| Construction Contingency (Hard and Soft) | \$ 746,486 |
| Permanent Financing costs | \$ 79,625 |
| Legal Fees | \$ 90,000 |
| Reserves | \$ 910,713 |
| Land Development Impact and Permit Processing Fees | \$ 2,079,627 |
| TCAC Fees | \$ 73,330 |
| Relocation Expenses | \$ 431,500 |
| Other Fees, Marketing & Furnishings | \$ 445,000 |
| Developer's Overhead & Profit | <u>\$ 1,400,000</u> |
| Total Uses | \$ 27,773,577 |

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 (\$440,000) are required. The HOME match in the amount of \$110,000 will be satisfied from the below-market interest loan from the Redevelopment Agency of the City of Lake Elsinore Set-Aside Funds.

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

IMPLEMENTATION SCHEDULE

| Milestone | Completion Date |
|---|------------------------|
| 1. TCAC Award | June 30, 2011 |
| 2. Permanent Financing Commitment | November 30, 2011 |
| 3. Building Permit | November 30, 2011 |
| 4. Begin Construction | December 1, 2011 |
| 5. Marketing & Affirmative Action | September 1, 2012 |
| 6. Lease Agreement, Proposed Rents, and Utilities | December 1, 2012 |
| 7. Certificate of Occupancy | March 1, 2013 |
| 8. Occupancy of HOME units | June 1, 2013 |
| 9. Submission of Final actual project costs and Sources and Uses of Funds | December 1, 2013 |
| 10. Submission of income & ethnic characteristics report | December 1, 2013 |

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-1"

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

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

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 Pottery Court Housing Associates, L.P., a California limited partnership ("Borrower" or "OWNER"), and whose address is 345 Spear Street, Suite 700, San Francisco, CA 94105. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a public agency, organized and existing under the laws of the State of California, and whose address is 1325 Spruce St. Suite 400, Riverside, CA 92507. Pursuant to the terms of the HOME Loan Agreement, dated _____, Borrower owes Lender the principal sum of Four Hundred Forty Thousand and No/100 Dollars (U.S. \$440,000.00) (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 one percent (1.00%) 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) The Note shall be repaid as defined herein: i) Sixty-seven and fifty hundredths percent (67.50%) of the Project's Residual Receipts shall be used towards the payment of the loan from the Redevelopment Agency for the City of Lake Elsinore ("RDA Loan"); ii) Seven and fifty hundredths percent (7.5%) of the Project's Residual Receipts towards the payment of the HOME Loan; and iv) The remaining twenty-five percent (25%) of the Project's Residual Receipts will be paid to OWNER. (3) The HOME Loan shall be subordinated to a construction loan, permanent first mortgage, the City HOPE VI Main Street Loan, and the RDA Loan. Available residual receipts shall be determined based on a review of certified financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days following the close of each quarter of the project fiscal year. In addition, the annual audited financial statements shall be submitted within ninety (90) 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 Conversion. The first payment shall be due on July 1st of the year after the calendar year in which Conversion occurs, to the extent of available Residual Receipts, 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, which amount shall increase annually by the increase in the Consumer Price Index; iii) operating expenses; iv) reserves; v) deferred developer's fee; vi) a partnership management fee due to the General Partner not to exceed \$25,000 per year, which amount shall increase annually by the

increase in the Consumer Price Index; vii) a Limited Partnership asset management fee not to exceed \$7,500 per year, which amount shall increase annually by the increase in the Consumer Price Index; and viii) 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 Conversion.

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 for the Deed of Trust in favor of the Senior Lien Holder ("First Deed of Trust"), the Deed of Trust in favor of the City of Lake Elsinore, and the Deed of Trust in favor of the Redevelopment Agency of the City of Lake Elsinore (collectively, the "Second Deed of Trust") and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

THIS 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 liens approved herein,, 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 fourth position behind: a construction loan, permanent first mortgage, a deed of trust in favor of the Redevelopment Agency for the City of Lake Elsinore, and a deed of trust in favor of the City of Lake Elsinore. 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 at least forty-eight (48) hours 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 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 the Third Deed of Trust or as otherwise allowed under the Loan Agreement, 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.

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, which shall not be more than sixty (60) calendar days from the mailing of the notice for a monetary default, or a date, which shall not be more than ninety (90) calendar days from the mailing of the notice for a non-monetary default, 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.

29. Removal, Demolition or Alteration of Personal Property and Fixtures. Except to the extent permitted by the following sentence, no personal property or fixtures shall be removed, demolished or materially altered without the prior written consent of the Beneficiary. Trustor may remove and dispose of, free from the lien of this HOME Deed of Trust, such personal property and fixtures as from time to time become worn out or obsolete, providing that, (a) the same is done in the ordinary course of business, and (2) either (i) at the time of, or prior to, such removal, any such personal property or fixtures are replaced with other personal property or fixtures which are free from liens other than encumbrances permitted hereunder and which have a value at least equal to that of the replaced personal property and fixtures (and by such removal replacement Trustor shall be deemed to have subjected such replacement personal property and fixtures to the lien of this HOME Deed of Trust), or (ii) such personal property and fixtures may not require replacement if functionally, economically or operationally obsolete and so long as the fair market value of and operational efficiency of the Project is not reduced or adversely effected thereby.

(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:

POTTERY COURT HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: BRIDGE SC, LLC
a California limited liability company,
its Managing General Partner

By: BRIDGE Housing Corporation – Southern California
a California nonprofit public benefit corporation
its sole member and manager

By: _____
Lydia Tan, Vice 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: 
Deputy **Michelle Clack** 0/23/10

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.

Signature _____
Signature of Notary Public

Place Notary Seal Above

EXHIBIT "B-1"

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN IS SITUATED IN THE STATE OF CALIFORNIA COUNTY OF RIVERSIDE, CITY OF LAKE ELSINORE, AND DESCRIBED AS FOLLOWS:

LOTS 2, 4 AND 6 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20L ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648, AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160 OF OFFICIAL RECORDS.

LOT 8 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20N ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

LOT 10 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20P ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

LOT 12 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20R ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

LOTS 14, 16, AND 18 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-41-A-3040-41B-4040-40A-3040-40B-3040-40C AND 3040-40D ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED 12 2, 1992 AS INSTRUMENT NO. 460200 AND MARCH 1, 1993 AS INSTRUMENT NO. 75561 OF OFFICIAL RECORDS.

LOT 20 IN BLOCK 56 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS PER MAP RECORDED IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THE NORTHERLY 30 FEET OF THE EAST 20 FEET. ALSO EXCEPTING THEREFROM THAT PORTION DESCRIBED AS PARCEL 3040-20T ON RECORD OF SURVEY RECORDED IN BOOK 91, PAGE 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL DISTRICT AND WATER CONSERVATION DISTRICT BY DEED RECORDED OCTOBER 26, 1993 AS INSTRUMENT NO. 420648 AND RERECORDED DECEMBER 22, 1993 AS INSTRUMENT NO. 510160, OF OFFICIAL RECORDS.

THE WESTERLY RECTANGULAR 114 FEET OF LOTS 22 AND 24 IN BLOCK 56 OF ELSINORE, AS SHOWN BY MAP ON HEALD'S SUBDIVISION OF SAID BLOCK, ON FILE IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM PARCEL 3040-43 AS SHOWN ON RECORD OF SURVEY FILED IN BOOK 91 PAGES 5 TO 13, INCLUSIVE OF SURVEYS, AS CONVEYED TO RIVERSIDE COUNTY FLOOD CONTROL AND CONSERVATION DISTRICT BY DEED RECORDED APRIL 15, 1993 AS INSTRUMENT NO. 126478 OF OFFICIAL RECORDS.

LOT 7 IN BLOCK 57 OF HEALD'S SUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 8 IN BLOCK 57 OF ELSINORE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON HEALD'S RE-SUBDIVISION ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 9 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION, BLOCK 51 AND 54 TO 86 OF ELSINORE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP THEREOF RECORDED IN BOOK 8 OF MAPS, PAGE 378, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

LOT 10 IN BLOCK 57 OF HEALD'S RESUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOTS 11 AND 13 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP RECORDED IN BOOK 8, PAGE 378 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 12 IN BLOCK 57 OF HEALDS RESUBDIVISION, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 14 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 15 OF TRACT NO. 57 HEALDS RE-SUBDIVISION OF BLOCKS 51 AND 54 THROUGH 86 OF MAPS, RECORDS OF RIVERSIDE COUNTY, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8, PAGE 378 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

LOT 16 IN BLOCK 57 OF HEALD'S RE-SUBDIVISION OF BLOCK 51 AND 54 TO 86 INCLUSIVE, IN THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON A MAP ON FILE IN BOOK 8, PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 17 IN BLOCK 57 OF HEALD'S RESUBDIVISION OF BLOCKS 51 AND 54 TO 86 INCLUSIVE, AS SHOWN BY MAP OF SAID RESUBDIVISION ON FILE IN BOOK 8 PAGE 378 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

LOT 19 IN BLOCK 57 OF HERALDS RESUBDIVISION OF BLOCKS 51 AND 54 TO 86, INCLUSIVE IN THE CITY OF LAKE ELSINORE, COUNTY RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8, PAGE 378, OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY

PARCEL "A" OF LOT LINE ADJUSTMENT 2004-11, IN THE CIT OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON THAT CERTAIN LOT LINE ADJUSTMENT RECORDED SEPTEMBER 27, 2004 AS INSTRUMENT NO. 2004-0765006 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL "B" OF LOT LINE ADJUSTMENT 2004-11, IN THE CIT OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON THAT CERTAIN LOT LINE ADJUSTMENT RECORDED SEPTEMBER 27, 2004 AS INSTRUMENT NO. 2004-0765006 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT "B-2"

PROMISSORY NOTE

\$440,000

Riverside, CA

In installments as hereafter stated, for value received, Pottery Court Housing Associates, L.P., a California limited partnership ("Borrower" or "OWNER") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 1325 Spruce St. Suite 400, Riverside, CA 92507, the sum of Four Hundred Forty Thousand and No/100 Dollars (U.S. \$440,000.00) with simple interest on the unpaid principal amount, at the rate of one percent (1.00%) 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 one percent (1.00%) 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) The Note shall be repaid as defined herein: i) Sixty-seven and fifty hundredths percent (67.50%) of the Project's Residual Receipts shall be used towards the payment of the loan from the Redevelopment Agency for the City of Lake Elsinore ("RDA Loan"); ii) Seven and fifty hundredths percent (7.5%) of the Project's Residual Receipts towards the payment of the HOME Loan; and iv) The remaining twenty-five percent (25%) of the Project's Residual Receipts will be paid to OWNER. (3) The HOME Loan shall be subordinated to a construction loan, permanent first mortgage, the City HOPE VI Main Street Loan, and the RDA Loan. Available residual receipts shall be determined based on a review of certified financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days following the close of each quarter of the project fiscal year. In addition, the annual audited financial statements shall be submitted within ninety (90) 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 Conversion. The first payment shall be due on July 1st of the year after the calendar year in which Conversion occurs, to the extent of available Residual Receipts, 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, which amount shall increase annually by the increase in the Consumer Price Index; iii) operating expenses; iv) reserves; v) deferred developer's fee; vi) a partnership management fee due to the General Partner not to exceed \$25,000 per year, which amount shall increase annually by the increase in the Consumer Price Index; vii) a Limited Partnership asset management fee not to exceed \$7,500 per year, which amount shall increase annually by the increase in the Consumer Price Index; and viii) 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 Conversion.

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:

POTTERY COURT HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: BRIDGE SC, LLC
a California limited liability company,
its Managing General Partner

By: BRIDGE Housing Corporation – Southern California
a California nonprofit public benefit corporation
its sole member and manager

By: _____
Lydia Tan, Vice 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 02/2008

| 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.

