

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE  
REDEVELOPMENT AGENCY  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

920



**FROM:** Redevelopment Agency

**SUBMITTAL DATE:**  
December 2, 2010

**SUBJECT:** Exclusive Negotiation Agreement and Pre-Development Loan with Urban Housing Communities LLC

**RECOMMENDED MOTION:** That the Board of Directors:

1. Approve the attached Exclusive Negotiation Agreement and Pre-Development Loan (ENA) with Urban Housing Communities LLC;
2. Authorize the Chairman of the Board of Directors to execute said ENA; and
3. Authorize the Executive Director, or designee, to take all necessary steps to implement the ENA, including, but not limited to, signing subsequent necessary and relevant documents.

**BACKGROUND:** (Commences on Page 2)

*Lisa Brandl for*  
\_\_\_\_\_  
Robert Field  
Executive Director  
By Lisa Brandl, Deputy Executive Director

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 645,000	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 SUPERVISORS AGENDA:** No

<b>SOURCE OF FUNDS:</b> Redevelopment Low-and Moderate-Income Housing Funds	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** APPROVE  
BY: *Jennifer J. Sargent*  
\_\_\_\_\_  
**County Executive Office Signature** Jennifer J. Sargent

FISCAL PROCEDURES APPROVED  
 ROBERT E. BYRD, AUDITOR-CONTROLLER  
 BY: *Samuel Wong* 11/22/10  
 SAMUEL WONG  
 Departmental Concurrence  
 DATE: 11/17/10  
 FORM APPROVED COUNTY COUNSEL  
 BY: ANITA C. WILLIS

Policy  Policy  
 Consent  Consent  
 Per Exec. Ofc.:

Prev. Agn. Ref.: N/A | District: 4 | Agenda Number: **4.2**

ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD

**BACKGROUND:**

The Redevelopment Agency for the County of Riverside is the current owner of 23.87 acres of vacant land located in the unincorporated community of Thermal, Assessor's Parcel Numbers 751-160-007, 751-016-009, 751-160-012, and 751-160-014. The Agency desires to engage an affordable housing developer to form a public/private partnership with the Agency to develop high quality affordable housing to alleviate blighting condition on the property as set forth in Section 33031 of the California Health and Safety Code. The Agency has selected Urban Housing Communities LLC (Developer).

Developer is proposing to build an affordable housing project for low-income households. The site will be entitled through the County of Riverside Planning Department.

Developer has requested funding assistance in the amount of \$645,000 (Pre-development Loan) for expenses that will be incurred in the entitlement process. Agency and Developer agree to explore and negotiate in good faith pursuant to the terms of the ENA a possible disposition and development agreement or other agreement satisfactory to the Agency. The ENA does not constitute a commitment for conveyance or development of property, nor a promise to enter into a disposition and development agreement.

Redevelopment Agency Low- and Moderate-Income Housing Set-Aside Funds will be utilized for this Pre-development Loan. Developer will process the entitlements and seek other gap financing including, but not limited, to federal and/or state tax credit financing for the development and construction of the project.

Agency Counsel has reviewed and approved the attached ENA. Staff recommends that the Board approve the attached document.

**EXCLUSIVE NEGOTIATION AGREEMENT**  
**AND**  
**PRE-DEVELOPMENT LOAN**

THIS AGREEMENT TO NEGOTIATE EXCLUSIVELY (the "Agreement") is entered into as of \_\_\_\_\_, 2010 ("Effective Date") by and between the Redevelopment Agency for the County of Riverside, a public body, corporate and politic (the "Agency"), and Urban Housing Communities LLC, a California limited liability company (the "Developer"), on the basis of the following purposes, intentions, and facts:

**RECITALS**

- A. The Agency is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the provisions of the California Community Redevelopment Law ("CRL"), which is Part 1 of Division 24 of the California Health and Safety Code (commencing with Section 33000 et seq.); and
- B. The Developer is a California limited liability company whose purpose is to acquire, construct, operate and manage residential properties and is an experienced affordable housing developer; and
- C. The Agency desires to encourage and effectuate the redevelopment of that certain real property (the "Property") located in Riverside County, California (Assessor Parcel Numbers: 751-160-007; and 751-016-009; and 751-160-012; and 751-160-014), which consists of approximately 23.87 acres and is generally depicted on the map attached hereto and incorporated herein by reference as Exhibit A; and
- D. The Agency desires to engage an affordable housing developer to form a public/private partnership with the Agency to develop high quality affordable housing to alleviate blighting condition on the Property as set forth in Section 33031 of the California Health and Safety Code; and
- E. Through a competitive process, the Agency selected the Developer as its collaborative developer partner due to, among other things, Developer's extensive experience in the development of affordable housing, sustained history of leveraging multiple funding sources, clear lines of responsibility and working relationships, excellent references, and distinguished property management firm; and
- F. The Agency, pursuant to Section 33334.2 of the California Health and Safety Code, wishes to utilize its Low- and Moderate-Income Housing Set-Aside Funds to improve and increase the supply of affordable housing in the unincorporated County of Riverside (hereinafter referred to as "County"); and
- G. The County adopted by Ordinance No. 638, on December 23, 1986, a redevelopment plan for an area within the County known as the Desert Communities Project

Area (hereinafter referred to as "Project Area"); and

H. The Property is located within the boundaries of the Project Area; and

I. The Agency endeavors to preserve, protect, improve and increase the affordable housing stock and eliminate blight in the Project Area; and

J. The Project Area is in need of additional housing that is affordable to low and very low income households; and

K. The Agency currently owns the Property, but the Property is leased to Cocopah Nurseries, Inc. for a period of two years from June 9, 2009 pursuant to the terms and conditions of an Agricultural Lease ("Lease"); and

L. The Developer desires the Agency to convey the Property to the Developer for the redevelopment of the blighted Property, through the construction of an affordable housing development (sometimes herein referred to as the "Project"); and

M. The parties desire to enter into this Agreement in order to permit the parties to negotiate the terms and conditions of a Disposition and Development Agreement or such other type of agreement as the parties may deem appropriate to specify the rights and obligations of the parties with respect to the disposition and development of the Property (herein referred to as a "DDA") and to provide Developer a pre-development loan for expenses that will be incurred in analyzing and investigating the development of the Project.

NOW, THEREFORE, the Agency and the Developer hereby mutually agreed as follows:

I. Negotiation

A. Good Faith Negotiations

The Agency and the Developer agree for the Negotiation Period (as hereinafter defined) to negotiate diligently and in good faith to prepare a DDA to be entered into between the Agency and the Developer with respect to the sale and development of the Property. The Agency agrees for the Negotiation Period (and the Extension Period if a DDA is signed and submitted by Developer during the Negotiation Period) not to negotiate with any other person or entity to enter into any agreement regarding the acquisition, disposition or development of the Property. "Good Faith Negotiations" shall mean that the Developer and the Agency shall use their best efforts to communicate frequently and follow reasonable negotiation procedures to develop a DDA mutually acceptable to the Developer and the Agency.

Each of the parties will bear its own costs and expenses, including, but not limited to, attorneys' fees, incurred or to be incurred in connection with negotiating and preparing this Agreement and the DDA and in carrying out the obligations under this Agreement (the "Direct Costs").

B. Period of Negotiations

The Negotiating Period shall be three hundred sixty (360) days, commencing on the Effective Date, subject to extension as provided below. The Negotiating Period may be extended for an additional one hundred eighty (180)-day period by the written mutual agreement by the Agency and the Developer. The Executive Director of the Agency has the authority to agree to an extension on behalf of the Agency, if in the Executive Director's judgment sufficient progress in accomplishing the tasks set forth in Exhibit B and working toward a mutually acceptable DDA has been made during the initial three hundred sixty (360)-day period to merit such extension.

If a DDA has not been executed by the Agency and the Developer by the expiration of the Negotiating Period (as the Negotiating Period may be extended by operation of the preceding paragraph), then this Agreement shall terminate, and neither Party shall have any further rights or obligations under this Agreement; provided, however, that the indemnification obligations pursuant to Section VII shall survive such termination. If a DDA is executed by the Agency and the Developer, then, upon such execution, this Agreement shall terminate and all rights and obligations of the Agency and Developer shall be as set forth in the executed DDA.

C. Developer's Obligations During the Negotiation Period

The Developer shall within the Negotiating Period (and mutually agreed upon extensions):

1. Investigate the projected costs of redeveloping the Property, including the performance of all related on-site and off-site improvements for the Project.
2. Complete the process for the necessary entitlements required for the Project.
3. Developer agrees to participate in all community meetings related to the Project.
4. Prepare and submit to the Agency for its review:
  - a. A preliminary site plan and architectural/design concept for the proposed development of the Project.
  - b. A schedule of the development of all structures and improvements proposed for the Project and an estimate of development costs including hard and soft costs.
  - c. An estimate of Project income and a proforma statement of Project return adequate to enable the Agency to evaluate the economic feasibility of the proposed Project.
  - d. A description of the proposed method of financing and amounts and sources of equity and debt capital.

- e. The Developer shall provide the Agency with copies of all reports, studies, analyses, correspondence and similar documents, prepared or commissioned by the Developer with respect to this Agreement and the Development, promptly upon their completion.
5. The Developer and Agency shall utilize Good Faith Negotiations in negotiating the terms and conditions of a management agreement under which Developer shall manage the Property if the Lease terminates prior to the expiration of the Negotiating Period. Additionally, to the extent not covered in the Lease, and provided that the Agency notifies Developer, the Developer shall perform minor maintenance tasks related to the Property. The Agency shall reimburse the Developer for fees and costs related to its performance of such tasks.

D. Agency's Obligations.

The Agency shall within the Negotiation Period (and any mutually agreed upon extensions):

1. Negotiate exclusively through its staff with the Developer for the redevelopment of the Property;
2. Determine and process, any CEQA documentation required in connection with the sale of the Property to the Developer and the Agency's approval of a DDA, including the fees and expenses of any consultants to the Agency employed in connection with the preparation of the requisite environmental documentation for the proposed Project under CEQA;
3. Deliver to the Developer not later than thirty (30) days of the Effective Date of this Agreement any environmental "Phase I" report or environmental site assessments concerning hazardous materials on the Property, complaints or notices of the presence of hazardous materials on the Property, geological surveys, soils tests, engineering reports, or notices in the possession or control of the Agency or the County regarding the condition of the Property (herein referred to collectively as the "Environmental Reports");
4. Deliver to Developer not later than ten (10) days of the Effective Date of this Agreement any of the following documents related to the Property which are in possession of the Agency:
  - a. Any existing surveys.
  - b. Any government permits, licenses and approvals.
  - c. Any contracts or leases or other agreements relating to the Property or any operations thereon.

- d. Other written documents in the Agency's possession regarding physical condition of the Property or the improvements thereof or the use or development of the Property.
5. Review Property plans and use its best efforts to assist the Developer in securing any and all Project Entitlements (as hereinafter defined), which may be required by the County or any other Governmental Authorities (as hereinafter defined);
6. Review the Developer's proposal;
7. Cooperate fully in providing the Developer with appropriate information and assistance;
8. Prepare a summary report, at the Agency's expense, in accordance with Section 33433 of the Health and Safety Code, including the fees and expenses of any consultants to the Agency employed in connection with the preparation of said summary report;
9. Arrange for and obtain, at the Agency's expense, publication of notices of the public hearing for consideration of the DDA; and
10. Provide a Pre-development loan to Developer in accordance with Section II (B) of this Agreement.

## II. Proposed Development

### A. Development Concept and Essential Terms and Conditions

The proposed development to be negotiated hereunder shall be for the development of an affordable housing project.

The essential terms and conditions of any such DDA entered into with the Developer shall be in conformance with the following requirements:

1. The Developer and Agency shall utilize Good Faith Negotiations in negotiating the terms and conditions under which Developer shall purchase the Property from the Agency.
2. The Developer shall design and construct the development on the Property, in accordance with the Redevelopment Plan for the Desert Communities Project Area, in accordance with a Schedule of Performance to be negotiated as part of the DDA and in accordance with plans and specifications prepared by the Developer and approved by the Agency.

3. The Developer shall secure in accordance with the Schedule of Performance to be negotiated as part of the DDA, an amendment to the County's General Plan, a change of zone for the Property and any and all entitlements (other than grading or building permits or approvals which are simply ministerial and nondiscretionary in nature) (the "Entitlements"), which may be required by the County or any other governmental agency affected by construction and development of the Project (the "Governmental Authorities") to allow development of the Project;
4. Other terms and conditions applicable to the DDA are as follows:
  - a. It is understood by the Developer that design and architectural approval by the Agency will be required for the development and that sketches, plans, working drawings, specifications and similar documents will be required to be submitted for approval pursuant to the terms and provisions in the DDA.

**B. Pre-Development Loan**

In order to permit Developer to make a full analysis and investigation of possible acquisition, financing and development of the Property and in furtherance of its goal to provide safe and affordable housing within the County, effective as of the Effective Date, Agency has agreed to make a pre-development loan to Developer (the "Predevelopment Loan") to facilitate Developer's work relating to the Property and Project, including initiating the process for the necessary entitlements required for the Project. The principal amount of the Predevelopment Loan shall not exceed Six Hundred Forty Five Thousand Dollars (\$645,000). Except upon prior approval of Agency, distributions of funds from the Predevelopment Loan shall only be used by Developer to pay for predevelopment activities listed in Exhibit "C," which is attached hereto and by this reference incorporated herein, provided that the Developer may use any or all of the dollar amount depicted as "Contingency" for any development activity line item that exceeds the amount depicted on Exhibit "C". Prior to Developer incurring any cost not listed in Exhibit "C", Developer shall obtain Agency's written approval. In no event shall Agency be obligated to distribute more than the above referenced Predevelopment Loan amount.

Agency specifically prohibits Developer using Predevelopment Loan funds to reimburse any legal expenses incurred by Developer and any Developer's staffing, administration, and general expenses incurred by Developer.

Any month in which Developer wishes to receive a disbursement, Developer shall submit to Agency an invoice for a portion of the Predevelopment Loan. Such invoice shall (i) describe in detail the predevelopment activities by Developer, including time, materials and amount sought and (ii) include a copy of the any billing and/or advance payment by Developer for any such predevelopment expenses. The invoice shall include copies of all supporting documentation (i.e., invoices, cancelled checks, etc.) to support the request. The invoice shall contain a certification by an authorized representative of Developer specifying that the reimbursement in question is for the work performed in accordance with the terms of the Agreement.



In the event that the Agency and Developer agree to and execute a DDA, and if the provisions of the DDA further obligate the Agency to make a loan to the Developer for the purpose of development, construction and operations of the Property ("Development Loan"), upon execution of the DDA the amount of the then outstanding balance of the Predevelopment Loan shall be credited against any amount which Agency is required to lend Developer pursuant to the Development Loan. Until such time, the Predevelopment Loan shall bear no interest. Upon execution of a DDA, all Predevelopment Loan proceeds then advanced shall bear interest at the rate provided in the DDA for the Development Loan.

If for any reason, other than a default of Developer, a DDA is not executed between Agency and Developer, the Developer shall not be obligated to repay the Predevelopment Loan to Agency. In the case of Developer's default, however, Developer shall be obligated to repay the amount of the Predevelopment Loan to Agency. If applicable provisions hereof excuse the repayment of the Predevelopment Loan, at the time the loan repayment is forgiven Developer's interest and right to use all drawings, specifications, reports, records, surveys, documents, plans, entitlements and other materials prepared by or for Developer in the performance of predevelopment activities pursuant to this Agreement shall be assigned by Developer to Agency, pursuant to an assignment agreement in a form mutually acceptable to Agency and Developer. Developer shall concurrently deliver to Agency a copy of all such materials. Such assignment by Developer to Agency shall be without further payment therefore by Agency.

Disbursements made pursuant to an invoice received by Agency from Developer shall be made promptly within fifteen (15) business days after receipt provided that the invoice otherwise conforms to the terms and conditions of this Agreement. Developer shall not submit an invoice requesting the payment of Pre-development Loan proceeds more frequently than once a month. All predevelopment services shall be rendered by Developer in a timely and diligent manner and within the time set forth on the Schedule of Performance attached to this Agreement as shown in Exhibit "B," which is attached hereto and by this reference incorporated herein.

C. Assignment of Contracts

In addition to the assignment obligation set forth in Section II(B), if applicable provisions hereof excuse the repayment of the Loan, at the time the loan repayment is forgiven, Developer's assignable interest and rights to the following: 1) all construction contracts and subcontracts now or hereafter entered into for the Project, 2) all supply contracts and subcontracts now or hereafter entered into for the Project, 3) all contracts with architects, landscape architects, environmental consultants, geologists, surveyors, engineers, or other development consultants now or hereafter entered into for the Project, 4) all plans, specifications, drawings, data, and studies produced by these architects and development consultants for development of the Project, now or hereafter shall be assigned to Agency by an assignment agreement in a form mutually acceptable to Agency and Developer. Developer shall use its best efforts to cause the third parties to the contracts referenced above for Project work consent to the assignment of these contracts to Agency.

D. Developer's Findings, Determinations, Studies, and Reports

From time-to-time, as reasonably requested by the Agency, the Developer agrees to make oral and written progress reports, advising the Agency on all matters related to the development, including financial feasibility analyses, construction cost estimates, marketing studies, and similar due diligence matters. Should negotiations not result in a DDA between the Agency and the Developer, the Agency may use the information provided by the Developer in any way deemed by the Agency to be of benefit to the Agency.

### III. Environmental Requirements

Certain State and local environmental requirements under CEQA may be applicable to the proposed Project. The Agency Board of Directors will consider the DDA upon submission of Agency's successful negotiations with Developer on the term and conditions of DDA. The Agency will act as the "lead agency" under CEQA. Accordingly, the Developer agrees to supply information and otherwise cooperate with the Agency, as requested by the Agency to determine the environmental impact of the proposed Project, and to allow the Agency to prepare such environmental documents as the Agency may determine to be necessary pursuant to CEQA and the Agency's guidelines and procedures.

### IV. Assignment

Developer shall not assign all or any part of this Agreement without the prior written approval of the Agency. The Agency agrees to reasonably give such approval if: (1) the change is to a limited partnership, limited liability company or other entity formed for financing, in which the original Developer or an affiliate of the Developer is a co-general partner (if a limited partnership) or a managing member (if a limited liability company), and, in any case, possesses not less than a 50% interest in the entity; and (2) if, in the reasonable determination of the Agency, the proposed reconstituted Developer is comparable in all material respects (including experience, character and financial capability) to the Developer. Any such change (or assignment of this Agreement in connection therewith) shall be by instruments satisfactory to the Agency's Executive Director, and be subject to the approval by the Agency's Board of Directors of evidence of the proposed assignee's qualifications to meet the obligations of the Developer under this Agreement. Developer shall promptly notify the Agency of any and all changes whatsoever in the identity of the parties in control of the Developer or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information.

### V. Condition of Property

The Developer will assume the full and complete responsibility to make all investigations of surface and subsurface conditions as may be necessary or appropriate and to evaluate the suitability of the Property for the proposed Project. Neither the Agency nor the County shall make any representations or warranties concerning the Property, its suitability for the use intended by the Developer, or the surface or subsurface conditions of the Property.

The Property shall be conveyed to the Developer "AS IS", meaning that Developer will be accepting the Property in its present condition, including, but not limited to, the physical condition of the Property and all laws, rules and regulations, whether federal, state or local, having or potentially having any impact on ownership, use, subdivision, improvement or other aspects of the Property. If a DDA is executed and approved by the Agency Board, the Developer shall be responsible, at its own sole cost and expense, for the demolition of all buildings, structures and improvements on the Property required by Developer in connection with the construction of the Project, and will do all things necessary to prepare the Property for the construction and development of the Project in accordance with the Entitlements therefor.

VI. Right of Entry

The Agency hereby grants to Developer and its employees, agents and contractors (herein referred to collectively as the "Developer's Designees") the nonexclusive right to enter upon the Property at any time during the Negotiation Period to perform a survey and certain work, consisting of geotechnical investigation, a Phase I Environmental Assessment prepared in compliance with the most recent published American Society for Testing and Materials Phase I Environmental Property Assessment Standard, a Phase II Environmental Investigation and Report, if required, and other due diligence related activities (collectively, the "Work"), and for no other purposes without the prior written approval of the Agency's Executive Director.

Prior to each entry onto the Property, the Developer (i) shall provide twenty-four (24) hours notice to the Agency, (ii) arrange for access, and, (iii) if requested by the Agency, will allow oversight of all on-site activities.

Prior to any entry onto the Property for the taking of environmental samples or testing, the Developer shall provide the Agency with a work plan for on-site activity, including but not limited to a copy of its sampling and testing procedures. Such work plan shall be provided not less than forty-eight (48) hours in advance of any activity contemplated under this Agreement.

The Developer shall provide to the Agency a copy of all results generated by the sampling and testing performed pursuant to this Agreement. The Developer agrees for itself and on the behalf of the Developer's Designees as follows:

- A. That Developer will not permit any dangerous condition to be created on the Property as a result of the activities of Developer or the Developer's Designees; and,
- B. That all acts and things done by the Developer on the Property will be done in a careful and reasonable manner, in accordance with all federal, state and local laws; and,
- C. That Developer will enter the Property entirely at its own cost, risk and expense; and,
- D. That prior to the Developer's entry upon the Property and during the term of this

Agreement, the Developer shall require each and all of Developer's Designees responsible for the work under this Agreement with whom Developer enters into a written contract for such work to maintain, in full force and effect, statutory workers' compensation insurance coverage and a commercial general liability policy in the amount of at least One Million Dollars (\$1,000,000) combined single limit policy. Prior to entry on the Property, the Developer shall cause Developer's Designees with whom Developer enters into a written contract for such work to provide certificates evidencing such coverage and naming the Agency as an insured, as its interests may appear; and,

- E. That Developer shall not have any interest in the Property or be entitled to any reimbursement or repayment for any Work performed upon the Property pursuant to this Agreement; and,
- F. The Developer shall take all necessary precautions to prevent the import and/or release into the environment of any hazardous materials which are imported to, in, on or under the Property during the performance of the Work. If hazardous materials are imported onto the Property as a result of the performance of the Work, the Developer shall be solely responsible for removing such imported hazardous materials in conformance with all governmental requirements. The Developer shall report to the Agency, as soon as possible after each incident, any unusual or potentially important incidents with respect to the environmental condition of the Property; and,
- G. The Developer shall obtain and maintain all governmental permits and approvals required for the Work conducted under this Agreement and shall comply with all statutes, ordinances, rules, regulations, orders and requirements now in effect or that become effective during the term of this Agreement applicable to its sampling and other activities pursuant to the access granted by this Agreement.
- H. The Developer shall initiate the process for the necessary entitlements required for the Project. This includes performing any necessary studies and or plans required for the entitlement process.

## VII. Indemnity

Developer shall indemnify and hold harmless the Agency and County of Riverside ("County"), their elected and appointed officials, employees, agents and representatives from any liability whatsoever, based or asserted upon any services of Developer, its officers, employees, subcontractors, agents or representatives arising out of or in any way relating to this Agreement, including but not limited to property damage, bodily injury, or death or any other element of any kind or nature whatsoever arising from the performance of Developer, its officers, agents, employees, subcontractors, agents or representatives from this Agreement. Developer shall defend, at its sole expense, all costs and fees including, but not limited, to attorney fees, cost of investigation, defense and settlements or awards, the Agency and/or County of Riverside, their

elected and appointed officials, employees, agents and representatives in any claim or action based upon such alleged acts or omissions.

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

Developer's obligation hereunder shall be satisfied when Developer has provided to Agency the appropriate form of dismissal relieving Agency from any liability for the action or claim involved.

The specified insurance limits required in this Agreement shall in no way limit or circumscribe Developer's obligations to indemnify and hold harmless the Agency herein from third party claims.

In the event there is conflict between this clause and California Civil Code Section 2782, this clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not relieve the Developer from indemnifying the Agency and/or County of Riverside to the fullest extent allowed by law.

#### VIII. Default and Remedies

(a) Failure by either party to negotiate in good faith as provided in this Agreement shall constitute an event of default under this Agreement. The non-defaulting party shall give written notice of a default to the defaulting party, specifying the nature of the default and the required action to cure the default. If a default remains uncured fifteen (15) days after receipt by the defaulting party of such notice, the non-defaulting Party may exercise the remedies set forth in subsection (b).

##### (b) Remedies.

(1) Agency Default. In the event of an uncured default by the Agency under this Agreement, the Developer may elect the following remedies: (i) terminate this Agreement in which case following such termination, neither party shall have any further right, remedy or obligation under this Agreement; or (ii) seek specific performance of the exclusive negotiating obligations of the Agency under this Agreement. Developer's remedy of specific performance shall mean only that if the Agency breaches its duty of negotiating in good faith or negotiating exclusively with Developer, that Developer may seek appropriate order requiring the Agency to cease or refrain from negotiating with any such third party until the end of the Negotiating Period.

(2) Developer Default. In the event of an uncured default by the Developer under this Agreement, the Agency shall be entitled to terminate this Agreement. Following such

IX. Developer Employees and Liabilities

It is understood that persons engaged or employed by Developer as employees, agents, or independent contractors shall be engaged or employed by Developer and not by the Agency. Developer alone is responsible for their work, direction, compensation and personal conduct. Nothing included in any provision of this Agreement shall impose any liability or duty upon the Agency to persons, firms, or corporations employed or engaged by Developer in any capacity whatsoever, or make the Agency liable to any such persons, firms, or corporations, or to any government, for the acts, omissions, liabilities, obligations, and taxes, of whatsoever nature, of Developer or of its employees, agents, or independent contractors.

X. Non-Recourse to Agents

No member, official, employee, agent, or consultant of any Party to this Agreement shall be personally liable to any other Party, or any successor in interest or person claiming by, through or under any Party, in the event of any default or breach, or for or on account of any amount which may be or become due, or in any claim, cause or obligation whatsoever under the terms of this Agreement.

XI. Actions By the Agency

The Executive Director of the Agency or his or her designee(s) are authorized to take such ministerial actions as may be necessary or appropriate to implement the terms, provisions, and conditions of this Agreement as it may be amended from time to time by Agency.

XII. Real Estate Commissions

The Agency shall not be liable for any real estate commissions or brokerage fees which may arise herefrom. The Agency and Developer each represents that it has engaged no broker, agent or finder in connection with this transaction, and each party agrees to hold the other party harmless from any claim by any broker, agent or finder which it has retained.

XIII. Limits of this Agreement

If the negotiations hereunder culminate in a DDA, such DDA will become effective only after and if it has been considered and approved by the Agency Board of Directors and the County Board of Supervisors after public hearing, as required by law.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

By its execution of this Agreement, the Agency is not committing itself to or agreeing to undertake: (i) disposition of the Property (or any portion thereof) to the Developer; or (ii) any other acts or activities requiring the subsequent independent exercise of discretion by the Agency, the County or any agency or department thereof. The parties recognize that one or more of the conditions to the Developer's proposal set forth herein may fail to be met as a result of subsequent studies, reviews and proceedings involving the exercise of discretion by the Agency, the County or any agency or department thereof.

This Agreement does not constitute a disposition of property or exercise of control over property by the Agency or the County and does not require a public hearing. Execution of this Agreement by the Agency is merely an agreement to enter into a period of exclusive negotiations according to the terms hereof, reserving final discretion and approval by the Agency Board of Directors and the County Board of Supervisors as to the Entitlements and any DDA and all proceedings and decisions in connection therewith. By executing this Agreement, Developer acknowledges that the Agency and the County have no obligation to approve the Entitlements or a DDA or to take any other discretionary action relating to the Developer's proposal.

The Developer shall not be entitled to reimbursement for its direct costs (or any portion thereof) other than those costs outlined in Exhibit C.

#### XIV. Need for DDA

The parties acknowledge and agree that this Agreement is for the sole purpose of stating the intention of the parties to negotiate and enter into a DDA. The parties have not reached agreement on the matters related to the redevelopment of the Property, and do not intend to be bound until a final written DDA is executed by both parties. In the event the final, written DDA is not executed by both parties within the time provided in Section I, this Agreement shall automatically terminate, and be of no further force or effect, unless extended by action of the Agency and Developer.

The Agency's acknowledgment of this Agreement is merely an agreement to enter into a period of negotiations according to the concepts presented herein, reserving final discretion and approval by the Board of Directors of the Agency.

#### XV. Insurance

Coincident with the execution of this Agreement by Developer, Developer shall procure and keep in full force and effect during the continuance of this Agreement, the following insurance policies:

- a) Comprehensive General Liability. General public liability and property damage insurance issued by a reliable insurance company authorized to do business in the State of California. Such policy of public liability and property damage insurance shall be in an amount of not less than One Million Dollars (\$1,000,000) per person for liability insurance and Five Hundred Thousand Dollars (\$500,000) for property damage. A combined single limit policy with aggregate limits in of One Million Dollars (\$1,000,000) will be considered equivalent to the required minimum limits.

The insurance coverage contemplated by the provisions of this section not intended to include that coverage which is contained in an error and omissions policy. Agency shall be named additionally insured.

- b) Worker's Compensation Insurance. Worker's Compensation Insurance to the established California legal limits. Developer shall, deliver a copy of said policies to the Executive Director with an endorsement or attached rider whereby it is provided that, in the event of expiration or proposed cancellation of such policy for any reason whatsoever, Agency shall be notified by registered mail or certified mail, postage prepaid, return receipt requested, not less than thirty (30) days before expiration or cancellation is effective.

XVI. Authority to Execute

The persons executing this Agreement or exhibits attached hereto on behalf of the parties to this Agreement hereby warrant and represent that they have the authority to execute this Agreement and warrant and represent that they have the authority to bind the respective parties to this Agreement to the performance of its obligations hereunder.

XVII. Notices

Any notice to any of the parties required or permitted under this Agreement shall be delivered by facsimile transmission together with delivery by a nationally recognized "overnight" delivery service, addressed to the other party as follows:

AGENCY:                   Redevelopment Agency for the  
County of Riverside  
Attention: Emilio Ramirez, Assistant Director - Housing  
3403 Tenth Street, Suite 500  
Riverside, CA 92501  
Telephone: (951) 955-3418  
Facsimile: (951) 955-3426

DEVELOPER:               Urban Housing Communities LLC, a California limited liability company  
Attention: John Bigley, Chief Operating Officer  
200 E. Fourth Street, Suite #205  
Santa Ana, CA 92705  
Telephone: (714) 835-3955  
Facsimile: (714) 835-3275

XVIII. Entire Agreement

This Agreement constitutes the entire agreement of the parties regarding the subject matter of this Agreement.

XIX. Severability



In the event that any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby.

XX. Waiver.

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

XXI. Jurisdiction and Venue.

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

XXII. Interpretation and Governing Law.

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

XX. 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.

[SIGNATURES ARE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, AGENCY and DEVELOPER have executed this Agreement as of the date first above written.

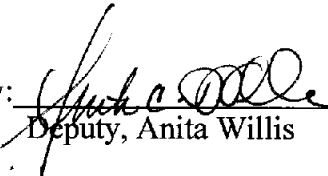
AGENCY  
Redevelopment Agency for the  
County of Riverside

DEVELOPER  
Urban Housing Communities LLC,  
a California limited liability company

By: \_\_\_\_\_  
Marion Ashley  
Chairman, Board of Directors

By: \_\_\_\_\_  
John Bigley  
Chief Operating Officer

APPROVED AS TO FORM:  
PAMELA J. WALLS  
AGENCY Counsel

By:  \_\_\_\_\_  
Deputy, Anita Willis

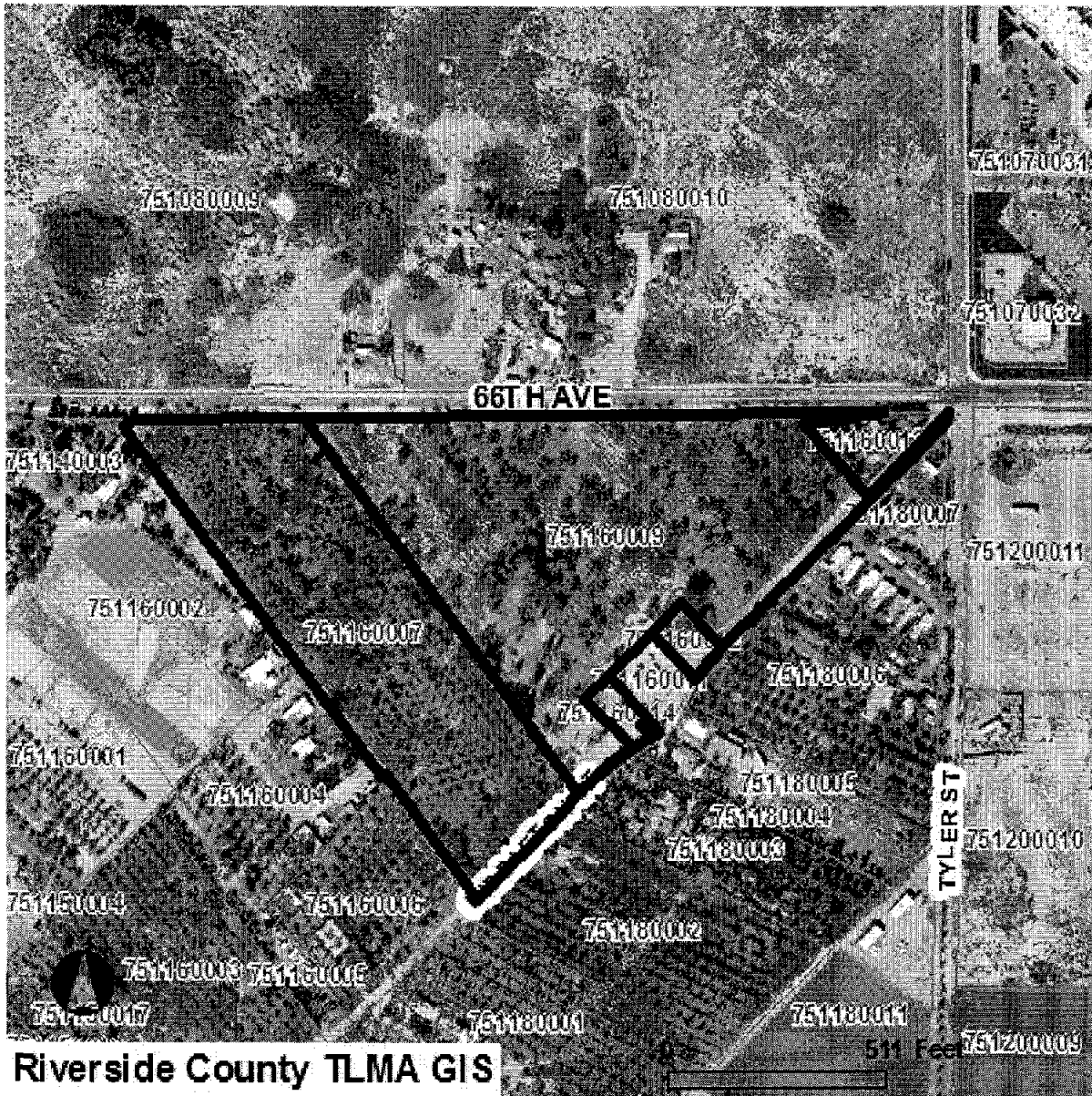
ATTEST:  
KECIA HARPER-IHEM  
Clerk of the Board

By: \_\_\_\_\_  
Deputy

### Exhibit A

#### Property Location

APNs: 751-160-007; 751-016-009, 751-160-012, 751-160-014  
23.87 Acres



## Exhibit B Schedule of Performance

	Timeline
<b>Board consideration of ENA/Pre-development agreement</b>	December-2010
<b>Board consideration of DDA</b>	December-2011
<b>Planning Schedule</b>	
Submit for GIS	January-2011
Approval of GIS	February-2011
Submit to Planning (Major Conditional Use Permit, Zone Change, Parcel Map, and Variance)	March-2011
Review and Resubmittal of any Changes	May-2011
Review Committee Meeting	June-2011
Preliminary Review Meeting	July-2011
Environmental Assessment Initiated	August-2011
Environmental Review Completed	December-2011
Applicant/Staff Meeting	January-2012
Community Meeting	Continuous
CEQA Circulated for Public Review/Comment (30 days)	March-2012
Final Resolution/ Publish CEQA	April-2012
Planning Commission/Board approval of entitlements	May-2012
<b>Financing</b>	
Construction and Perm Loan Commitments	May-2012
MHP Application (or Replacement Source)	TBD
MHP Award	TBD
Tax Credit Application	May-2012
CDLAC Application	May-2012
TCAC/CDLAC Awards	July-2012
Issuance of bonds/syndication of credits (90 days from CDLAC award)	Oct-2012
AHP Application	July-2012
AHP Award	October-2012
*Financing Dates are subject to change based on funding source	
<b>Construction</b>	
Start construction drawings	May-2012
50% completion construction drawings	July-2012
Complete construction drawings	September-2012
Submit construction drawings - Plan check (3 months)	June-2012
Secure building permits	October-2012
Construction Start	November-2012
Construction Completion	December-2013
Placed In Service/Lease up/stabilization	June-2014

## **Exhibit C**

### **Pre-development Budget**

<b>Description</b>	<b>Amount</b>
Appraisal	\$ 4,000
Architect	\$ 48,452
Archeological	\$ 11,610
Biological	\$ 12,080
Civil Engineering	\$168,256
Cultural Resources	\$ 3,600
Entitlement Review Fees	\$163,058
Phase I/Phase II	\$ 38,331
Geotechnical/Soils	\$ 23,800
Landscape Architect	\$ 30,000
Market Study	\$ 14,000
Noise and Air Study	\$ 11,800
Traffic Study	\$ 18,000
Solar Credit Application	\$ 1,000
Traffic Study	\$ 34,700
Utilities	\$ 10,000
Property Maintenance	\$ 5,313
Contingency	<u>\$ 65,000</u>
Total Loan	\$645,000