

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

413



SUBMITTAL DATE:
January 12, 2011

FROM: Redevelopment Agency

SUBJECT: Loan Agreement for Vineyards at Menifee in the City of Menifee

RECOMMENDED MOTION: That the Board of Directors:

1. Approve the attached Loan Agreement for the use of \$3,600,000 in Redevelopment Agency Housing Set Aside Funds between the Redevelopment Agency for the County of Riverside and Menifee Vineyards Limited Partnership, a California limited partnership;
2. Authorize the Chairman of the Board to sign the attached Loan Agreement, Deed of Trust, and Covenant Agreement;
3. Authorize the Executive Director, or designee, to execute a subordination agreement with a construction lender to be named at a later date in an amount up to \$13,000,000, subject to approval by Agency Counsel;

(Continued)

Lisa Brandl for

Robert Field
Executive Director
By Lisa Brandl, Deputy Executive Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 3,600,000	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

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

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

BY *Jennifer L. Sargent*
Jennifer L. Sargent

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

Prev. Agn. Ref.: 4.3 of 6/29/2010; 4.7 of 3/25/08

District: 3

Agenda Number:

4.2

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY *Samuel Wong* 1/26/11
 Departmental Counsel
 SAMUEL WONG
 FORM APPROVED COUNTY COUNSEL
 BY *Anita C. Willis* 1-25-11
 ANITA C. WILLIS

RECOMMENDED MOTION: (Continued)

4. Authorize the Executive Director, or designee, to execute a subordination agreement with a permanent lender to be named at a later date in an amount up to \$1,200,000, subject to approval by Agency Counsel;
5. Authorize the Executive Director, or designee, to take all necessary steps to implement these agreements, including, but not limited to, signing subsequent necessary and relevant documents.

BACKGROUND:

Menifee Vineyards, L.P., a California limited partnership (the "Owner"), whose general partner is Palm Desert Development Company, a California corporation, is requesting \$3,600,000 in Redevelopment Agency Housing Set Aside Funds for the development and construction of a 81-unit rental housing complex for seniors in the City of Menifee.

The proposed development has a mix of 64 one-bedroom, 16 two-bedroom units, and one three-bedroom unit for an on-site manager. The proposed project site, approximately 4.8 acres, is located at the northeast corner of Newport Road and Winter Hawk Road in the City of Menifee. The development will include a community building of approximately 3,051 square feet with a full kitchen, restrooms, laundry facilities, a computer lab room, and a manager's office. The community building will also include a separate office that will be used by staff from the Riverside County Mental Health Department to provide services to its clients living in the complex.

The Owner intends to use the Redevelopment Agency Housing Set Aside Funds for hard and soft construction expenses. Other funding sources include a \$1,500,000 loan from the County of Riverside Mental Health Department Mental Health Services Act (MHSA) Funds, a \$2,000,000 grant from the Redevelopment Agency for the County of Riverside (RDA), a \$1,050,004 conventional loan, a deferred developer fee of \$265,957, and a limited partner tax credit equity contribution of \$12,331,494. The total development costs are estimated to be \$20,747,455. 39 units shall be limited to households whose incomes do not exceed 80% area median income for the county for a period of at least 55 years. Also, as a requirement of the MHSA financing, a total of 15 floating units will be restricted for homeless individuals that are referred by the Department of Mental Health Homeless Housing Opportunities, Partnership, and Education (HHOPE) Program.

The Agency loan will be in the second position behind a construction loan and permanent first mortgage; after permanent closing.

Agency counsel has reviewed and approved the attached Loan Agreement, Covenant Agreement, and Deed of Trust. Staff recommends that the Board approve the attached documents.

FINANCIAL DATA:

All the costs related to the development of the project will be fully funded with Redevelopment Housing Set Aside Funds. The agency has budgeted this expense in the FY 2010/11 budget.

Attachments:
Loan Agreement

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 Redevelopment Agency
9 for the County of Riverside
10 3403 Tenth Street, Suite 500
11 Riverside, CA 92501
12 Attn. Juan Garcia

13 SPACE ABOVE THIS LINE FOR RECORDERS USE

14 LOAN AGREEMENT FOR
15 THE VINEYARDS AT MENIFEE

16 This Agreement is made and entered into this ____ day of _____, 2011
17 by and between the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE, a
18 public body, corporate and politic (hereinafter referred to as "AGENCY") and Menifee
19 Vineyards Limited Partnership, a California limited partnership (hereinafter referred to as
20 "OWNER") for the development and construction of "The Vineyards at Menifee" (hereinafter
21 referred to as the "Project").

22 WITNESSETH:

23 WHEREAS, AGENCY is a redevelopment agency duly created, established and
24 authorized to transact business and exercise its powers, all under and pursuant to the provisions
25 of the California Community Redevelopment Law ("CRL"), which is Part 1 of Division 24 of
26 the California Health and Safety Code (commencing with Section 33000 et seq.); and

27 WHEREAS, AGENCY, pursuant to Section 33334.2 of the California Health
28 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 City of Menifee within the
County of Riverside (hereinafter referred to as "County"); and

WHEREAS, the Community Redevelopment Law provides that the territorial

1 jurisdiction of a county redevelopment agency is the unincorporated territory in that county.

2 WHEREAS, the Project was once located in the County's territorial jurisdiction
3 and on June 3, 2008, voters elected to incorporate Menifee as a general law city;

4 WHEREAS, prior to incorporation of Menifee the OWNER's administrative
5 general partner, using a Two Million Dollar (\$2,000,000) grant in AGENCY funds to acquire
6 approximately 4.88 acres of land located in Menifee for the purpose of developing and
7 constructing an affordable senior housing complex, as specifically identified in Exhibit "A",
8 which is attached hereto and by this reference incorporated herein ("The Vineyards at Menifee"
9 (the "Project")). The \$2,000,000 in Agency funds are in addition to the Agency Loan made
10 herein.

11 WHEREAS, SB 977 (Hollingsworth), amended Community Redevelopment
12 Law to allow the AGENCY to contribute additional funding towards the Project which was
13 once located within the County's territorial jurisdiction and later incorporated;

14 WHEREAS, on July 16, 2002, the Riverside County Board of Supervisors
15 adopted Ordinance No. 821 and No. 822 approving the merger of the 5-1986 Project Area and
16 the 5-1987 Project Area forming the redevelopment plan for the I-215 Project Area (hereinafter
17 referred to as "Project Area"); and

18 WHEREAS, the Project is located outside the Redevelopment Project Area; and

19 WHEREAS, the AGENCY adopted Resolution RDA 2005-35 on December 20,
20 2005 with a finding that the use of Low- and Moderate-Income Housing Set-Aside Funds
21 outside the Redevelopment Project Area is of benefit to the Project Area; and

22 WHEREAS, the Riverside County Board of Supervisors adopted Resolution
23 2005-374 on December 20, 2005, with a similar finding; and

24 WHEREAS, the AGENCY endeavors to preserve, protect, improve and increase
25 the affordable housing stock and eliminate blight; and

26 WHEREAS, the Project will alleviate blighting condition on the Project Site as
27 set forth in Section 33031 of the California Health and Safety Code; and

28 WHEREAS, the OWNER has represented that it has the necessary expertise,

1 skill, and ability to carry out the commitments contained in this agreement; and

2 WHEREAS, AGENCY agrees to loan the OWNER funds for the development
3 and construction of the Project Site and maximize the affordability of units to qualified low-
4 income senior households (hereinafter referred to as the "Assisted Units"); and

5 WHEREAS, concurrently with this agreement, a promissory note will be
6 executed by the OWNER evidencing this loan, and a deed of trust and a covenant restriction
7 will be recorded; and

8 NOW, THEREFORE, AGENCY and OWNER mutually agree as follows:

9 1. PURPOSE. The AGENCY has agreed to lend Three Million Six Hundred
10 Thousand Dollars (\$3,600,000) of Redevelopment Housing Set-Aside Funds to the OWNER
11 upon the terms and conditions set forth herein (the "AGENCY Loan"). Subject to Section 45
12 hereof, Project Financing Contingency, OWNER promises and agrees to undertake and assist
13 with the AGENCY activities by utilizing such Redevelopment Housing Set-Aside funds, as
14 specifically identified in Exhibit "A".

15 2. OWNER'S OBLIGATIONS. OWNER hereby agrees to undertake and
16 complete the following activities, subject to its receipt of the AGENCY funds:

17 a. Before commencement of construction or other works of
18 improvement upon the Project Site, the OWNER shall, at its own
19 expense, secure or cause to be secured any and all land use
20 entitlements, permits and approvals which may be required for
21 construction of the Project pursuant to the applicable rules and
22 regulations of, the County, and any other governmental agency
23 affected by such construction of work. OWNER shall, without
24 limitation, apply for and secure all entitlement, change of zone,
25 lot line adjustment, any and all necessary studies required
26 including but not limited to environmental and traffic, and pay all
27 costs, charges and fees associated therewith.

28 b. Obtain Mental Health Services Act ("MHSA") financing from the

1 California Housing Finance Agency, which will be the entity
2 making the loan to the OWNER on behalf of the County of
3 Riverside Mental Health Department in accordance with the
4 timeline set forth in Exhibit "A".

5 c. Obtain a reservation of Federal and, if applicable, State Tax
6 Credits from the California Tax Credit Allocation Committee
7 (TCAC).

8 d. In accordance with the timeline set forth in Exhibit "A", submit to
9 AGENCY for approval evidence that OWNER has obtained
10 sufficient equity capital or has obtained firm and binding
11 commitments for construction and permanent financing necessary
12 to undertake the development and completion of the Project.

13 e. Develop the Project in accordance with the timeline set forth in
14 Exhibit "A".

15 f. Operate the Project, in such a manner so that it will remain
16 affordable to qualified lower income tenants for a period,
17 beginning after the issuance of the first Certificate of Occupancy
18 for the Project for at least 55 years (without regard to (i) the term
19 of the promissory note or (ii) transfer of ownership).

20 g. Project shall remain in compliance with all applicable Federal,
21 State and local codes, laws, regulations and ordinances for the
22 duration of the Agreement.

23 h. In the event the project requires prevailing wages, the OWNER is
24 required to hire a qualified consultant, approved by the
25 AGENCY, to monitor prevailing wages and maintain compliance
26 with State Laws and requirements relating to prevailing wages.

27 3. AGENCY'S OBLIGATIONS. The AGENCY hereby agrees to undertake
28 and complete the following activities:

1 a. Subject to Section 45, Project Financing Contingency, the
2 AGENCY will loan the funds in the amount identified in Section
3 1 to OWNER for financing of construction costs of the Project.

4 4. AGENCY LOAN. The OWNER shall borrow the funds from the
5 AGENCY for financing of the Project under the following terms:

6 a. Term. The maturity of the AGENCY Loan shall be the first to
7 occur of (i) December 30, 2068 or (ii) fifty-five (55) years from
8 the issuance of the first certificate of occupancy for the Project
9 (“AGENCY Loan Term”).

10 b. Principal. The principal of the AGENCY Loan shall be the
11 amount identified in Section 1 and evidenced by a promissory
12 note, as specifically identified in Exhibit “C”, which is attached
13 hereto and by this reference incorporated herein, executed by the
14 OWNER in favor of the AGENCY in a form satisfactory to the
15 AGENCY, hereinafter referred to as “Note”.

16 c. Interest. The interest rate shall be 1.00% per annum.

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

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

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

24 (i) Twenty-two and six hundredths percent (22.06%)
25 of the Project’s Residual Receipts towards the
26 payment of the MHSA Loan;

27 (ii) Fifty-two and ninety-four hundredths percent
28 (52.94%) of the Project’s Residual Receipts

1 towards the payment of the AGENCY Loan; and

2 (iii) The remaining twenty-five percent (25%) of the
3 Project's Residual Receipts will be paid to
4 OWNER.

5 3. Project Residual Receipts are defined as gross receipts, not
6 including interest on required reserve accounts, less the
7 following:

- 8 i) auditing and accounting fees;
- 9 ii) a property management fee not to exceed \$42.50
10 per unit per month, increased annually by an
11 amount equal to the increase in the Consumer Price
12 Index (CPI);
- 13 iii) lease up fee of \$150 per unit;
- 14 iv) an Investor Annual Review Fee which shall be in
15 the initial amount of \$7,000 and increased
16 annually by an amount equivalent to the rise in the
17 Consumer Price Index;
- 18 v) operating expenses;
- 19 vi) reserves;
- 20 vii) deferred developer's fee;
- 21 viii) an Administrative General Partner monitoring fee,
22 which shall be in the initial amount of \$50,000 and
23 increased annually by an amount equivalent to the
24 rise in the Consumer Price Index; and
- 25 ix) a Managing General Partner partnership
26 management fee which shall be in the initial
27 amount of \$17,500 and increased annually by an
28 amount equivalent to the rise in the Consumer

1 Price Index; and

- 2 x) payments of principal and interest on amortized
3 loans and indebtedness senior to the AGENCY
4 Loan, which have been approved by the AGENCY
5 (collectively, the "Senior Debt").

6 Residual Receipts shall be determined based on a review of
7 certified financial statements for the Project. Annual audited
8 financial statements shall be submitted within sixty (60) days
9 following the close of the project fiscal year. All outstanding
10 principal along with accrued interest shall be due upon the first to
11 occur of (i) December 30, 2068 or (ii) fifty-five (55) years from
12 the issuance of the first Certificate of Occupancy for the Project.
13 The first payment shall be due on, the first July 1st in the first full
14 calendar year following the date of the issuance of the first
15 Certificate of Occupancy for the Project, to the extent of available
16 Residual Receipts, as set forth above. Subsequent payments shall
17 be made on each July 1st thereafter to the extent of available
18 Residual Receipts until the Loan maturity date as set forth above;
19 and

- 20 e. Security. The AGENCY Loan shall be secured by a deed of trust
21 recorded against the Project (the "AGENCY Deed of Trust"). The
22 form of the AGENCY Deed of Trust to be recorded is shown in
23 Exhibit "B" which is attached hereto and by this reference
24 incorporated herein. The AGENCY hereby agrees that the
25 AGENCY Deed of Trust and the terms of this Agreement shall be
26 subordinated to: 1) a construction deed of trust in connection with
27 a construction loan in the amount not to exceed \$13,000,000; and
28 2) a permanent financing deed of trust in the amount not to exceed

1 \$1,200,000 (collectively, the "Senior Loans").

2 In addition, the AGENCY agrees to execute any and all
3 documents necessary to effectuate subordination concerning this
4 loan, and construction loans as set forth here. Subordination of
5 any future refinancing shall be considered upon OWNER'S
6 reasonable request. AGENCY consent shall not be unreasonably
7 withheld or delayed.

8 f. Prepayment. Prepayment of principal and/or interest may occur at
9 any time without penalty. The requirements of Section 20,
10 however, shall remain in full force and effect for 55 years after
11 the issuance of the first certificate of occupancy for the Project.

12 5. PRIOR AGENCY APPROVAL. OWNER shall obtain AGENCY'S
13 approval of all items requiring such approvals as described in this Agreement. AGENCY shall
14 not unreasonably withhold or delay any such approval.

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

19 7. COMPLETION SCHEDULE. OWNER shall proceed consistent with the
20 completion schedule set forth in Exhibit "A", subject to force majeure delays.

21 8. OWNER'S REPRESENTATIONS. OWNER represents and warrants to
22 AGENCY as follows:

23 a. Authority. OWNER is a duly organized limited partnership in
24 good standing under the laws of the State of California. The
25 copies of the documents evidencing the organization of the
26 OWNER, which have been delivered to the AGENCY, are true
27 and complete copies of the originals, amended to the date of this
28 Agreement. OWNER has full right, power and lawful authority to

1 accept the conveyance of the Project Site and undertake all
2 obligations as provided herein and the execution, performance
3 and delivery of this Agreement by OWNER has been fully
4 authorized by all requisite actions on the part of the OWNER.

5 b. No Conflict. To the best of OWNER'S knowledge, OWNER'S
6 execution, delivery and performance of its obligations under this
7 Agreement will not constitute a default or a breach under contract,
8 agreement or order to which the OWNER is a party or by which it
9 is bound.

10 c. No Owner Bankruptcy. OWNER is not the subject of a
11 bankruptcy proceeding.

12 d. Prior to Closing. Until Closing, OWNER shall upon learning of
13 any fact or condition which would cause any of the warranties and
14 representations in this Section 8 not to be true as of Closing,
15 immediately give written notice of such fact or condition to
16 AGENCY. Such exception(s) to a representation shall not be
17 deemed a breach by OWNER hereunder, but shall constitute an
18 exception which AGENCY shall have the right to approve or
19 disapprove if such exception would have an effect on the value
20 and/or operation of the Project Site.

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

24 10. EXTENSION OF TIME. AGENCY may grant an extension to the
25 completion schedule for the purpose of completing OWNER'S activities which cannot be
26 completed as outlined in Exhibit "A". OWNER shall request said extension in writing, stating
27 the reasons therefore, and may be granted only by receiving written approval from AGENCY,
28 which approval shall not be unreasonably withheld. Every term, condition, covenant, and

1 requirement of this Agreement shall continue in full force and effect during the period of any
2 such extension.

3 11. LETTER TO PROCEED. OWNER shall not initiate nor incur expenses
4 for the AGENCY funded activity covered under the terms of this Agreement prior to receiving
5 written authorization to proceed.

6 12. REALLOCATION OF FUNDS. If OWNER fails to meet the deadlines
7 set forth in the Schedule of Performance, subject to the notice and cure periods set forth in
8 Section 28 herein, the funds allocated or reserved may be reallocated by AGENCY after thirty
9 (30) days' prior written notice is given and an opportunity to cure is given to OWNER for a
10 period of sixty (60) days.

11 13. CONDITIONS FOR DISBURSEMENT OF FUNDS. AGENCY'S Board
12 of Directors shall determine the final disposition and distribution of all funds. AGENCY shall:
13 (1) make payments of the AGENCY funds to OWNER as designated in Exhibit "A", pursuant
14 to the Schedule in Section 14, and (2) monitor the Project to ensure compliance with all
15 applicable state regulations and the terms of this Agreement. There will be no disbursement of
16 funds until the following events first occur:

- 17 a. OWNER executes and records the AGENCY Agreement, Deed of
18 Trust, Promissory Note, and Covenant Agreement, as shown in
19 Exhibit "B", "C", and "D".
- 20 b. OWNER provides at its expense an ALTA lender's policy
21 insuring the Deed of Trust upon the close of escrow.
- 22 c. AGENCY will retain ten percent (10%) of the final AGENCY
23 fund disbursement. AGENCY shall release final draw down of
24 AGENCY funds following receipt of all of the following:
 - 25 1) unconditional lien release from general contractor;
 - 26 2) recorded Notice of Completion;
 - 27 3) all remaining prevailing wage documentation, if any,
28 including, but not limited to, complete certified payrolls,

1 fringe benefit forms, and certificates of authorization and
2 understanding;

3 4) submission of a Project completion report including
4 Tenant Checklist as shown in Exhibit "G" which is
5 attached hereto and by this reference incorporated herein;

6 5) Tenant Selection Policy;

7 6) Management Plan;

8 7) final development costs;

9 8) final sources and uses of funds; and

10 9) a final Certified Public Accountant's construction cost
11 certification.

12 d. OWNER provides satisfactory evidence that it has all the
13 financing documents required to cause the proceeds of the
14 construction loan and the equity investment from the investor to
15 be committed and available, in an amount sufficient, when
16 combined with the AGENCY Loan to pay for all development
17 costs.

18 e. OWNER provides documentation of a Payment and Performance
19 Bond issued by a bonding company reasonably approved by the
20 AGENCY. AGENCY must be named as additional obligee.

21 f. OWNER provides satisfactory evidence that it has secured any
22 and all land use entitlements, permits and approvals which may be
23 required for construction of the Project pursuant to the applicable
24 rules and regulations of, the County, and any other governmental
25 agency affected by such construction of work. OWNER shall,
26 without limitation, secure all entitlement, change of zone, lot line
27 adjustment, any and all necessary studies required including but
28 not limited to archaeological, cultural, environmental, traffic and

1 lead based paint, and pay all costs, charges and fees associated
2 therewith, all conditions precedent to the issuance of all permits
3 necessary for the construction of the development and all such
4 permits are available for issuance, other than payment of fees.

5 g. Should the Project be required to pay State prevailing wages,
6 OWNER shall be required to hire a qualified experienced
7 professional firm to review and monitor prevailing wage
8 compliance for all submissions of contractors certified payrolls to
9 the AGENCY. The firm should be approved by the AGENCY
10 prior to start of construction.

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

14 14. DISTRIBUTION OF FUNDS. Any disbursement of funds is expressly
15 conditioned upon the satisfaction of conditions set forth in Section 13. AGENCY shall pay
16 OWNER the sum specified in Section 1 above on a "cost-as-incurred" basis for all eligible
17 approved costs under the following schedule:

- 18 (a) Thirty percent (30%) upon thirty percent (30%) completion of
19 Project, as certified and documented by the project architect.
20 (b) Sixty percent (60%) upon sixty percent (60%) completion of
21 Project, as certified and documented by the project architect.
22 (c) Ninety percent (90%) upon ninety percent (90%) completion of
23 Project, as certified and documented by the project architect.
24 (d) AGENCY shall release final draw down of AGENCY funds
25 following receipt of all of the items listed in Section 13.

26 15. MECHANICS LIENS AND STOP NOTICES. If any claim of mechanics
27 lien is filed against the Project or a stop notice affecting the AGENCY Loan is served on the
28 AGENCY, OWNER must, within twenty (20) days of such filing or service, either pay and

1 fully discharge the lien or stop notice, obtain a release of the lien or stop notice by delivering to
2 the AGENCY a surety bond in sufficient form and amount, or provide the AGENCY with
3 other assurance reasonably satisfactory to AGENCY that the lien or stop notice will be paid or
4 discharged.

5 16. INSURANCE. OWNER and its contractors shall procure and maintain
6 during the entire period of this Agreement, at its sole expense, the following insurance
7 coverage as a minimum:

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

18 b. Comprehensive Broad Form General Liability Insurance.
19 Commercial General Liability insurance coverage, including but
20 not limited to, premises liability, contractual liability, products
21 and completed operations liability, personal and advertising
22 injury, and cross liability coverage, covering claims which may
23 arise from or out of OWNER'S performance of its obligations
24 hereunder. Policy shall name the Redevelopment Agency for the
25 County of Riverside, the County of Riverside, its Agencies,
26 Districts, Special Districts, and Departments, their respective
27 directors, officers, Board of Directors, employees, elected or
28 appointed officials, agents or representatives as Additional

1 Insureds. Policy's limit of liability shall not be less than
2 \$1,000,000 per occurrence combined single limit. If such
3 insurance contains a general aggregate limit, it shall apply
4 separately to this agreement or be no less than two (2) times the
5 occurrence limit.

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

20 d. General Insurance Provisions – All Lines.

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

28 2) The OWNER'S insurance carrier(s) must declare its

1 insurance self-insured retentions. If such self-insured retentions
2 exceed \$500,000 per occurrence such retentions shall have the
3 prior written consent of the County Risk Manager before the
4 commencement of operations under this Agreement. Upon
5 notification of self insured retention unacceptable to the
6 AGENCY, and at the election of the County's Risk Manager,
7 OWNER'S carriers shall either; (a) reduce or eliminate such self-
8 insured retention as respects this Agreement with the AGENCY,
9 or (b) procure a bond which guarantees payment of losses and
10 related investigations, claims administration, and defense costs
11 and expenses.

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

1 herein is in full force and effect. OWNER shall not commence
2 operations until the AGENCY has been furnished Certificate (s)
3 of Insurance and copies of endorsements and if requested, copies
4 of policies of insurance including all endorsements and any and
5 all other attachments as required in this Section. An individual
6 authorized by the insurance carrier to do so on its behalf shall sign
7 the original endorsements for each policy and the Certificate of
8 Insurance.

9 4) It is understood and agreed to by the parties hereto that
10 the OWNER'S insurance shall be construed as primary insurance,
11 and the AGENCY's insurance and/or deductibles and/or self-
12 insured retention's or self-insured programs shall not be construed
13 as contributory.

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

26 6) OWNER shall pass down the insurance obligations
27 contained herein to all tiers of subcontractors working under this
28 Agreement.

1 7) The insurance requirements contained in this
2 Agreement may be met with a program(s) of self-insurance
3 acceptable to the AGENCY.

4 8) OWNER agrees to notify AGENCY of any claim by a
5 third party or any incident or event that may give rise to a claim
6 arising from the performance of this Agreement.

7 17. FINANCIAL RECORDS. The OWNER shall maintain financial,
8 programmatic, statistical, and other supporting records of its operations and financial activities.
9 Said records shall be retained for no less than five (5) years after the Project completion date.
10 Records of individual tenant income verifications, project rents, and project inspections must
11 be retained for the most recent five (5) year period, until five (5) years after the affordability
12 period terminates. If any litigation, claim, negotiation, audit, or other action has been started
13 before the expiration of the regular period specified, the records must be retained until
14 completion of the action and resolution of all issues which arise from it, or until the end of the
15 regular period, whichever is later.

16 18. COMPLIANCE WITH LAWS AND REGULATIONS. By executing this
17 Agreement, the OWNER hereby certifies that it will adhere to and comply with all federal,
18 state and local laws, regulations and ordinances. In particular, the OWNER shall comply with
19 the following as they may be applicable:

20 a. Obligation to Refrain from Discrimination. OWNER covenants
21 and agrees there shall be no discrimination against or segregation
22 of any person, or group of persons, on account of race, color, age,
23 religious creed, sex, sexual orientation, marital status, national
24 origin, ancestry, familial status, source of income, physical or
25 mental disability in the sale, lease, sublease, transfer, use,
26 occupancy, tenure or enjoyment of the Site nor shall AGENCY or
27 any person claiming under or through OWNER establish or
28 permit any such practice or practices of discrimination or

1 segregation with reference to the selection, location, number, use
2 or occupancy of tenants, lessees, subtenants, sublessees, or
3 vendees of the Site.

4 b. Environmental Review. OWNER must comply with the
5 California Environmental Quality Act (CEQA) and its
6 implementation regulations.

7 c. Prevailing Wages and Compliance with State Laws. OWNER
8 shall comply with any applicable labor regulations and all other
9 State Laws in connection with the construction of the
10 improvements which comprise the Project, including if
11 applicable, requirements relating to prevailing wages. OWNER
12 agrees and acknowledges that it is the responsibility of OWNER
13 to obtain a legal determination, at OWNER'S sole cost and
14 expenses as to whether prevailing wages must be paid for during
15 the construction of the Project. OWNER agrees to indemnify,
16 defend, and hold AGENCY harmless from and against any and all
17 liability arising out of and related to OWNER'S failure to comply
18 with any and all applicable prevailing wage requirements.

19 d. All construction contract and professional services for the Project
20 must be performed by persons or entities licensed or otherwise
21 authorized to perform the applicable construction work or service
22 in the State of California.

23 19. TERMS OF AFFORDABILITY. The period of affordability for the
24 Project shall be fifty-five (55) years from the issuance of the first Certificate of Occupancy.

25 20. ASSISTED UNIT REQUIREMENTS. OWNER agrees to reserve thirty
26 nine (39) of the units (31-1bedroom, and 8-2bedroom) for low-income households. Such units
27 ("Assisted Units") shall be limited to households whose incomes do not exceed sixty percent
28 (60%) of area median income for the County, adjusted by family size at the time of occupancy,

1 as defined by California Health and Safety Code Sections 50079.5 and 50105, shown in
2 Exhibit "F", which is attached hereto and incorporated herein by this reference. Not less than
3 twenty (20) of the total Assisted Units shall be reserved for very low income households whose
4 incomes do not exceed fifty percent (50%) of area median income for the County, adjusted by
5 family size at the time of initial occupancy.

6 21. RENT LIMITATIONS. OWNER agrees that 39 Assisted Units shall
7 remain affordable in accordance with the rent limitations set forth in California Health and
8 Safety Code Section 50053, as per attached Exhibit "F", and as restricted in the Covenant
9 Agreement for a period not less than fifty-five (55) years. OWNER shall ensure that all units
10 are rented to qualified applicants at the rent levels not exceeding the affordable housing cost as
11 defined in Section 50053.

12 22. NOTICE OF AFFORDABILITY RESTRICTIONS. In accordance with
13 Health and Safety Code, section 33334.3, a Notice of Affordability Restrictions on Transfer of
14 Property, as shown in Exhibit "E" which is attached hereto and by this reference incorporated
15 herein, must be recorded with the County Recorder on any new and substantially rehabilitated
16 housing developed.

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

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

1 officers, or employees of AGENCY.

2 25. PROJECT MONITORING AND EVALUATION. OWNER shall submit
3 a Tenant Checklist Form, as specifically identified in Exhibit "G", which is attached hereto and
4 by this reference incorporated herein, to the AGENCY, upon completion of the construction,
5 summarizing the number and percentage of very low- and low-income households who are
6 tenants. The OWNER shall maintain financial, programmatic, statistical and other supporting
7 records of its operations and financial activities, including the submission of the form on a
8 semi-annual basis on or before September 30th and March 31st. Except as otherwise provided
9 for in this Agreement, the OWNER shall maintain and submit records to the AGENCY within
10 ten (10) business days of the AGENCY'S request. Records must clearly document the
11 OWNER'S performance under each requirement of the AGENCY documents. A list of
12 document submissions and timeline are shown in Exhibit "A" and such list may be amended
13 from time to time, by written agreement of the parties hereto.

14 26. ACCESS TO PROJECT SITE. The AGENCY shall have the right to visit
15 the Project site, at all reasonable times, to review the operation of the Project in accordance
16 with this Agreement.

17 27. EVENTS OF DEFAULT. The occurrence of any of the following events
18 shall constitute an "Event of Default" under this Agreement:

19 a. Monetary Default. (1) The OWNER'S or any agent of the
20 OWNER'S use of AGENCY funds for costs disallowed under the
21 California Redevelopment Law or for uses inconsistent with terms
22 and restrictions set forth in this Agreement; (2) the OWNER'S or
23 any agent of the OWNER'S failure to make any payment of any
24 assessment or tax due under this Agreement;

25 b. Non-Monetary Default - Operation. (1) Discrimination by the
26 OWNER or the OWNER'S agent on the basis of characteristics
27 prohibited by this Agreement or applicable law; (2) the imposition
28 of any encumbrances or liens on the Project (other than the

1 Permitted Liens) without the AGENCY'S prior written approval
2 that are prohibited under this Agreement or that have the effect of
3 reducing the priority or invalidating the Deed of Trust; (3) any
4 material adverse change in the condition of the OWNER or the
5 Project or permanent financing or funding for the Project that
6 gives the AGENCY reasonable cause to believe that the Project
7 cannot be operated according to the terms of this Agreement; (4)
8 the OWNER's or any agent of the OWNER's use of AGENCY
9 funds for costs other than costs or for uses inconsistent with terms
10 and restrictions set forth in this Agreement; or (5) the OWNER's
11 failure to obtain and maintain the insurance coverage required
12 under this Agreement;

13 c. General Performance of Loan Obligations. Any continuous or
14 repeated breach by the OWNER or OWNER'S agents of any
15 material obligations on the OWNER imposed in the Agreement;

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

23 e. General Performance of Affordability Requirements. Any breach
24 by the OWNER or OWNER'S agents of any housing affordability
25 requirements imposed in the AGENCY Agreement;

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

1 the OWNER, or any certificates, documents, or schedules
2 supplied to the AGENCY 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 AGENCY;

5 g. 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 DEVELOPER does not
9 use such award or proceeds to repair or reconstruct the PROJECT;

10 h. 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 thirty (30) 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 sixty (60) days after such filing; (4) insolvency;
20 or (5) failure, inability or admission in writing of its inability to
21 pay its debts as they become due.

22 28. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For
23 monetary and non-monetary Events of Default, the AGENCY shall give written notice to
24 OWNER and its investment limited partner, of any Event of Default by specifying: (a) the
25 nature of the Event of Default or the deficiency giving rise to the default, (b) the action
26 required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not
27 be less than sixty (60) calendar days from the mailing of the notice, by which such action to
28 cure must be taken. The AGENCY agrees that the OWNER and any beneficiary under a deed

1 of trust permitted by this Agreement and the investor limited partner of the OWNER
2 (collectively, the "Interested Parties") shall have the right to cure any and all defaults under this
3 Agreement.

4 29. RIGHT TO CURE DEFAULTS. If a limited partnership is formed, the
5 Investor Limited Partner (as specified in Section 48) shall have the right to cure any Event of
6 Default existing under the Agreement which right must be exercised by the later of (a) the cure
7 period provided in the Agreement, or (b) 15 days after receipt of written notice of default by
8 the Investor Limited Partner. For the Investor Limited Partner to exercise effectively its cure
9 rights, the Investor Limited Partner must fully pay the amount past due or perform the
10 defaulted obligations, including the payment of any amounts due for legal expenses incurred in
11 connection with the default. Notwithstanding anything to the contrary in the Agreement, upon
12 the occurrence of an Event of Default arising out of: (i) the bankruptcy, insolvency or
13 assignment of assets for the benefit of creditors by the General Partner of Owner or by any
14 Guarantor, or (ii) the withdrawal from Owner of the Owner's General Partner, or the death or
15 incapacity of a General Partner or Guarantor, or (iii) a breach of the representations concerning
16 such General Partner or any Guarantor, the Investor Limited Partner shall have the option, but
17 not the obligation, within 45 days of receipt of written notice of such Event of Default from
18 AGENCY, to cure any such default by appointing a substitute or additional General Partner or
19 Guarantor that is an affiliate of the Investor Limited Partner to act as such General Partner or
20 Guarantor.

21 30. AGENCY REMEDIES. Upon the happening of an Event of Default and a
22 failure by OWNER to cure said default within the time specified in the notice of default (if an
23 action to cure is specified in said notice), the AGENCY'S obligation to disburse AGENCY
24 funds shall terminate, and the AGENCY may also in addition to other rights and remedies
25 permitted by this Agreement or applicable law, proceed with any or all of the following
26 remedies in any order or combination the AGENCY may choose in its sole 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 AGENCY under this Agreement including administrative costs,
2 shall become immediately due and payable;

3 b. Bring an action in equitable relief (1) seeking the specific
4 performance by OWNER of the terms and conditions of this
5 Agreement, and/or (2) enjoining, abating, or preventing any
6 violation of said terms and conditions, and/or (3) seeking
7 declaratory relief;

8 c. Accelerate the AGENCY Loan, and demand immediate full
9 payment of the principal payment outstanding and all accrued
10 interest under the Note, as well as any other monies advanced to
11 the OWNER by the AGENCY under this Agreement;

12 d. Enter the Project and take any remedial actions necessary in its
13 judgment with respect to hazardous materials that the AGENCY
14 deems necessary to comply with hazardous materials laws or to
15 render the Project suitable for occupancy;

16 e. Enter upon, take possession of, and manage the Project, either in
17 person, by agent, or by a receiver appointed by a court; and

18 f. Pursue any other remedy available at law or in equity.

19 31. OWNER'S REMEDIES. Upon the fault or failure of the AGENCY to
20 meet any of its obligations under this Agreement, the OWNER may:

21 a. Demand payment from the AGENCY of any sums due OWNER;
22 and/or

23 b. Bring an action in equitable relief seeking the specific performance
24 by the AGENCY of the terms and conditions of this Agreement;
25 and/or

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

27 32. OWNER'S WARRANTIES. OWNER represents and warrants (1) that it
28 has access to professional advice and support to the extent necessary to enable OWNER to

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

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

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

1 OWNER'S obligation hereunder shall be satisfied when OWNER has provided to
2 AGENCY the appropriate form of dismissal relieving AGENCY from any liability for the action
3 or claim involved.

4 The specified insurance limits required in this Agreement shall in no way limit or
5 circumscribe OWNER'S obligations to indemnify and hold harmless the AGENCY herein from
6 third party claims.

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

10 34. GENERAL CONTRACTOR DISCLOSURE. AGENCY and OWNER
11 hereby acknowledge the general contractor for the Project is affiliated with the lead developer
12 for the project, Palm Desert Development Company.

13 35. RESTRICTIONS TO RUN WITH THE LAND. The AGENCY and
14 OWNER hereby declare their express intent that the restrictions set forth in this Agreement
15 shall run with the land, and shall bind all successors in title to the Property until the expiration
16 of this Agreement. Each and every contract, deed or other instrument hereafter executed
17 covering and conveying the Property or any portion thereof shall be held conclusively to have
18 been executed, delivered and accepted subject to the restrictions, regardless whether such
19 restrictions are set forth in such contract, deed or trust instrument.

20 36. ENTIRE AGREEMENT. It is expressly agreed that this Agreement
21 embodies the entire agreement of the parties in relation to the subject matter hereof, and that no
22 other agreement or understanding, verbal or otherwise, relative to this subject matter, exists
23 between the parties at the time of execution.

24 37. AUTHORITY TO EXECUTE. The persons executing this Agreement or
25 exhibits attached hereto on behalf of the parties to this Agreement hereby warrant and
26 represent that they have the authority to execute this Agreement and warrant and represent that
27 they have the authority to bind the respective parties to this Agreement to the performance of
28 its obligations hereunder.

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

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

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

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

21 42. MINISTERIAL ACTS. The Executive Director of the AGENCY or
22 designee(s) are authorized to take such ministerial actions as may be necessary or appropriate
23 to implement the terms, provisions, and conditions of this Agreement as it may be amended
24 from time to time by AGENCY.

25 43. MODIFICATION OF AGREEMENT. The AGENCY or OWNER may
26 consider it in its best interest to change, modify or extend a term or condition of this
27 Agreement. Any such change, extension or modification, which is mutually agreed upon by the
28 AGENCY and OWNER shall be incorporated in written amendments to this Agreement. Such

1 amendments shall not invalidate this Agreement, nor relieve or release the AGENCY or
2 OWNER from any obligations under this Agreement, except for those parts thereby amended.
3 No amendment to this Agreement shall be effective and binding upon the parties, unless it
4 expressly makes reference to this Agreement, is in writing and is signed and acknowledged by
5 duly authorized representatives of all parties.

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

15 45. PROJECT FINANCING CONTINGENCY. This Agreement is expressly
16 conditioned upon OWNER's receipt, on or prior to April 30, 2011 of (i) such binding loan
17 commitments for new loans as may be required by OWNER, on terms and conditions
18 acceptable to OWNER, in its sole discretion, including, without limitation, (a) MHSA
19 financing, and (b) any conventional construction and/or permanent financing, including
20 without limitation, a construction and/or permanent loan from an institutional construction
21 lender (the "Senior Lien Holder"), and (c) a binding reservation of federal low income housing
22 tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended
23 (collectively, the "Project Financing"). Either the AGENCY or the OWNER may elect to
24 terminate this Agreement with 10 days written notice to the other party if the OWNER fails to
25 acquire the project financing as required by this Section 45. Upon such termination, this
26 Agreement shall be null and void, and:

- 27 a. If OWNER elects to terminate this Agreement, OWNER shall
28 be released and discharged by AGENCY from its obligations

1 under this Agreement; or

- 2 b. If AGENCY elects to terminate this Agreement, AGENCY shall
3 be released and discharged by OWNER from its obligations
4 under this Agreement.

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

7 46. EXHIBITS AND ATTACHMENTS. Each of the attachments and
8 exhibits attached hereto is incorporated herein by this reference.

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

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

22 AGENCY
23 Assistant Director of Housing
24 Redevelopment Agency
25 for the County of Riverside
3403 Tenth St., Suite 500
Riverside, CA 92501

OWNER
President
Palm Desert Development Company
44-139 Monterey Ave, Ste. A
Palm Desert, CA 92260

26
27 Investor Limited Partner
28 WNC Housing, L.P.
17782 Sky Park Circle
Irvine, CA 92614

1 Attn: Michael J. Gaben

2
3 49. COUNTERPARTS. This Agreement may be signed by the different
4 parties hereto in counterparts, each of which shall be an original but all of which together shall
5 constitute one and the same agreement.

6 50. EFFECTIVE DATE. The effective date of this Agreement is the date the
7 parties execute the Agreement. If the parties execute the Agreement on more than one date,
8 then the last date the Agreement is executed by a party shall be the effective date.

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

1 than in accordance with the AGENCY Deed of Trust; (iv) the misapplication of any proceeds
2 under any insurance policies or awards resulting from condemnation or the exercise of the
3 power of eminent domain or by reason of damage, loss, or destruction to any portion of the
4 Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other
5 income arising with respect to the Project received by OWNER after COUNTY has properly
6 exercised its rights under the AGENCY Deed of Trust to receive such income upon an Event
7 of Default (as defined under the AGENCY Deed of Trust).

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

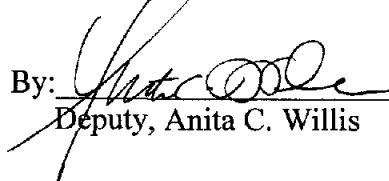
3
4 AGENCY:
5 REDEVELOPMENT AGENCY
6 FOR THE COUNTY OF RIVERSIDE

OWNER:
Meniffee Vineyards Limited Partnership,
a California limited partnership,
By: Palm Desert Development Company,
a California corporation
Its Administrative General Partner

7
8
9
10 By: _____
11 Bob Buster
12 Chairman, Board of Directors

By: _____
Danavon L. Horn, President

13 APPROVED AS TO FORM:
14 PAMELA J. WALLS
15 AGENCY COUNSEL

16 By: 
17 Deputy, Anita C. Willis

18
19
20 ATTEST:
21 KECIA HARPER-IHEM
22 Clerk of the Board

23
24 By: _____
Deputy

25
26
27
28 (All signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "A"

OWNER: Meniffee Vineyards Limited Partnership
Address: 44139 Monterey Ave, Palm Desert, CA 92261
Project Title: The Vineyards at Meniffee
Location: The project site is approximately 4.8 acres and situated in the northeast corner of Newport Road and Winter Hawk Road in the city of Meniffee. The Assessor Parcel Number is 338-170-025.

Scope of Development:

OWNER will utilize \$3,600,000 in AGENCY funds for the development and construction of a 81-unit affordable housing complex for low-income and independent living seniors in the City of Meniffee in Riverside County. The project consists of 64 one-bedroom units, and 16 two-bedroom units. One additional three-bedroom unit will be set-aside for an onsite manager's unit. The units will be located in 4 two-story, wood frame, stucco buildings. The one-bedroom units are approximately 625 square feet, and the two-bedroom units are approximately 780 square feet. All units will be equipped with a refrigerator, dishwasher, combination range/oven, garbage disposal, and central heating/cooling. The residents of Vineyards at Meniffee will have access to a swimming pool, BBQ picnic area, putting green, community gardens, and leisure areas for seniors to use.

The Project will include a community building of approximately 3,051 square feet with a full kitchen, restrooms, laundry facilities, a computer lab room, a walking circuit with low impact aerobic workout stations, and a manager's office. The community building will also include a separate office that will be used by staff from Riverside County Mental Health Department to provide services to its clients living in the Project.

OWNER agrees to reserve a total of thirty nine (39) units (31-1bedroom, and 8-2bedroom) for low-income households. Such units ("Assisted Units") shall be limited to households whose incomes do not exceed sixty percent (60%) area median income for the County, adjusted by family size at the time of occupancy, as defined by California Health and Safety Code Sections 50079.5 and 50105. Not less than twenty (20) of the total Assisted Units shall be reserved for very low income households whose incomes do not exceed fifty percent (50%) of area median income for the County, adjusted by family size at the time of initial occupancy.

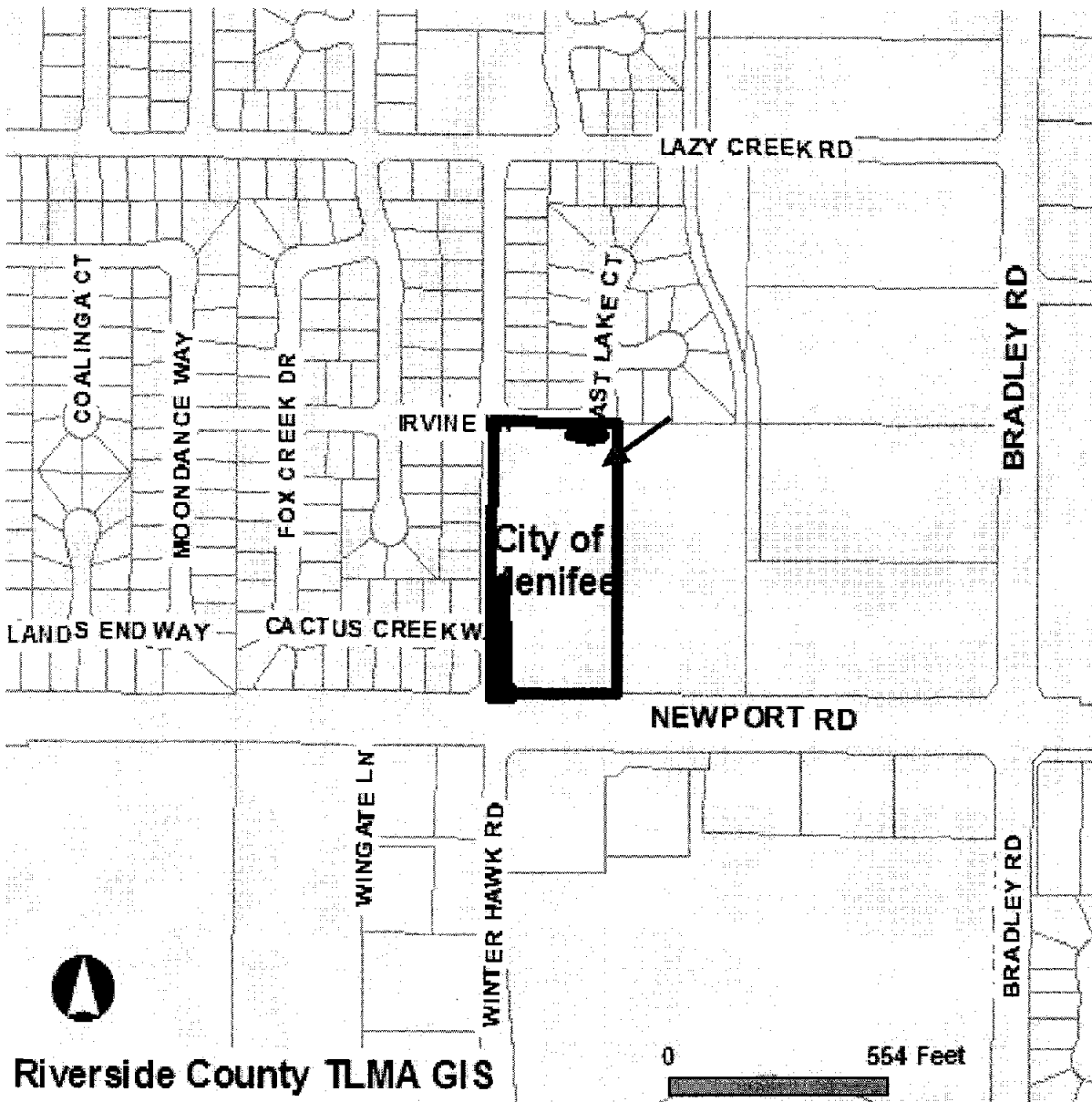
LEGAL DESCRIPTION OF PROPERTY

THE SOUTH ½ OF THE WEST ½ OF PARCEL 10 OF PARCEL MAP 6252, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 17, PAGE 3 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION CONVEYED TO THE COUNTY OF RIVERSIDE IN DEED RECORDED NOVEMBER 14, 2006 AS INSTRUMENT NO. 2006-0841465 OF OFFICIAL RECORDS.

APN: 338-170-025

APN 338-170-025



Project Permanent Sources and Uses of Fund:

Sources:

MHSA – Riverside County Mental Health (via CalHFA) 55 Yrs @1%	\$ 1,500,000
Deferred Developer Fee	\$ 265,957
Permanent Conventional Loan	\$ 1,050,004
Limited Partner Tax Credit Equity	\$ 12,331,494
Agency Grant	\$ 2,000,000
Agency Loan 55 Yrs @ 1%	<u>\$ 3,600,000</u>
Total Sources	\$ 20,747,455

Uses:

Site Improvement (off site)	\$ 373,544
New construction (includes site work, common area bldgs and structures)	\$ 10,185,183
Contractor's Overhead&Profit&Gen'l Req.	\$ 1,552,132
General Liability Insurance	\$ 252,776
Permanent Financing costs	\$ 60,000
Construction Contingency	\$ 1,027,936
Architectural & Engineering Cost	\$ 950,000
Construction Interest & Fees	\$ 630,469
Reserves	\$ 140,243
Land Development Impact and Permit Processing Fees	\$ 948,882
Other Fees, Marketing & Furnishings	\$ 345,000
TCAC Fees	\$ 161,290
Legal Fees	\$ 100,000
Developer's Overhead & Profit	\$ 2,000,000
Land & Acquisition Cost	<u>\$ 2,020,000</u>
Total Uses	\$ 20,747,455

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

OWNER shall submit to the AGENCY 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. Architectural, Engineering & Construction Drawings	January 15, 2011
2. MHSA Fund Application	Completed
3. MHSA Fund Loan Commitment	Completed
4. TCAC Award (preliminary reservation)	Completed
5. Permanent Financing Commitment	January 15, 2011
6. Building Permit	February 15, 2011
7. Begin Construction	March 15, 2011
8. Marketing & Affirmative Action	April 15, 2012
9. Lease Agreement, Proposed Rents, and Utilities	April 15, 2012
10. Certificate of Occupancy	April 15, 2012
11. Occupancy of Assisted Units	May 15, 2012
12. Submission of Final actual project costs and Sources and Uses of Funds	July 15, 2012
13. Submission of income & ethnic characteristics report	September 15, 2012

DOCUMENT SUBMISSION SCHEDULE

1. Construction Activities Reporting	Monthly, due by the 5 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for OWNER 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 Agency additionally insured. The Property Management must submit once on-site.
3. Payment and Performance Bond naming County as obligee	Before construction
4. Project Site Photos	Bimonthly, due by the 15 th of each month
5. Notice of Completion	End of Construction
6. Certificate of Occupancy	End of Construction
7. ALTA Lender's Policy	Close of Escrow
8. Recorded Title Report showing the lien or grant, and Title Insurance	Close of Escrow
9. Tenant Checklist Reporting	Close of Project; and Semi-Annually–Sept 30th & March 31st
10. Project Completion Report	Close of Project
11. Final Development Cost - Sources and Uses	Close of Project
12. Final Cost Certification by CPA	Close of Project and Audits Completed
13. Final 15/30 Year Cash Flow Projection	Close of Project
14. Final TCAC Reservation Letter	Close of Project
15. Management Plan	Marketing Stage
16. Copy of Lease Agreement	Marketing Stage
17. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
18. Replacement Reserve Account Info	90 days after Close of Project

EXHIBIT "B"

Deed of Trust with Assignment of Rents

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103
Order No.
Escrow No.
Loan No.

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:
Riverside County Redevelopment Agency
3403 Tenth Street, Suite 500
Riverside, CA 92501
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 _____, 2011. The grantor is Menifee Vineyards Limited Partnership, a California limited partnership ("Borrower"), and whose address is 44139 Monterey Ave., Palm Desert, CA 92261. The trustee is REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE ("Trustee"). The lender is the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE ("AGENCY"), a public agency, organized and existing under the laws of the State of California, and whose address is 3403 Tenth Street, Suite 500, Riverside, CA 92501. Pursuant to the terms of the Loan Agreement, Borrower owes AGENCY the principal sum of Three Million Six Hundred Thousand and No/100 Dollars (U.S. \$3,600,000.00). This debt is evidenced by Borrower's Note dated _____ ("Note").

The Note provides the following: (1) The AGENCY 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) Twenty-two and six hundredths percent (22.06%) of the Project's Residual Receipts towards the payment of the loan from the California Housing Finance Agency in connection with the Mental Health Services Act financing ("MHSA Loan"); ii) Fifty-two and ninety-four hundredths percent (52.94%) of the Project's Residual Receipts towards the payment of the AGENCY Loan; and iii) The remaining twenty-five percent (25%) of the Project's Residual Receipts will be paid to OWNER. (3) The AGENCY Loan shall be subordinated to a construction loan and permanent first mortgage. Available residual receipts shall be determined based on a review of certified financial statements for the project. Annual audited financial statements shall be submitted within sixty (60) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) December 30, 2068 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the issuance of the first Certificate of Occupancy

for the Project, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on each July 1st thereafter to the extent of available Residual Receipts until the Loan maturity date as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) property management fee, which shall be in the initial amount of \$42.50 per unit per month and increased annually by an amount equal to the increase in the Consumer Price Index (CPI); iii) lease up fee of \$150 per unit; iv) an Investor Annual Review Fee, which shall be in the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in the Consumer Price Index; v) operating expenses; vi) reserves; vii) deferred developer's fee; viii) an administrative general partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in the Consumer Price Index; ix) a managing general partner fee, which shall be in the initial amount of \$17,500 and increased annually by an amount equivalent to the rise in the Consumer Price Index; and x) payments of principal and interest on amortized loans and indebtedness senior to the AGENCY Loan, which have been approved by the AGENCY (collectively, the "Senior Debt").

The loan evidenced by the Note and secured by this Security Instrument (the "Loan") is being made pursuant to California Community Redevelopment Law, California Health and Safety Code Section 33000 et seq.

The Security Instrument secures to AGENCY: (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 the terms of the Note to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of any holder of any Senior Debt (collectively, the "Senior Lien Holders") under any deed of trust securing any Senior Debt (collectively, the "Senior Deeds 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 Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property".

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

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

UNIFORM COVENANTS Borrower and AGENCY 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 Senior 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 in second, subordinate to a construction loan during the construction phase; and to a permanent first mortgage; after permanent closing. AGENCY 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 AGENCY requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to AGENCY'S approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, AGENCY may, at AGENCY'S option, obtain coverage to protect AGENCY'S rights in the Property in accordance with paragraph 8.

a. All insurance policies and renewals shall be acceptable to AGENCY and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if the Borrower complies with the insurance requirements under the Senior Deeds of Trust. All original policies of insurance required pursuant to the Senior Deeds of Trust shall be held by the Senior Lien Holders; provided, however, AGENCY 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 AGENCY certificates of insurance showing the coverage is in full force and effect and that AGENCY is named as additional insured. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holders and AGENCY. AGENCY may make proof of loss if not made promptly by the Senior Lien Holders or the Borrower.

b. Unless AGENCY and Borrower otherwise agree in writing, 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 AGENCY within 30 days from the date notice is mailed by AGENCY to Borrower that the insurance carrier offers to settle a claim for insurance benefits, AGENCY is authorized to collect and apply the insurance proceeds at AGENCY'S option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

c. Unless AGENCY and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under paragraph 24 the Property is acquired by AGENCY, Borrower's right to any insurance policies and proceeds resulting from

damage to the Property prior to the acquisition shall pass to AGENCY to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

d. Notwithstanding the above, the AGENCY'S rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holders to collect and apply such proceeds in accordance with the Senior Deeds Trust.

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. AGENCY agrees that Borrower may demolish or move the existing improvements on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in AGENCY'S good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or AGENCY'S security interest. Borrower may cure such a default and reinstate, as provided in paragraph 19, by causing the action or proceeding to be dismissed with a ruling that, in AGENCY'S good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or AGENCY'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 AGENCY (or failed to provide AGENCY 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 Security Instrument is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless AGENCY agrees to the merger in writing.

a. The Borrower acknowledges that this Property will be 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 39 units of the Project to "low income housing" (within the meaning of California Community Redevelopment Law) for households earning no more than sixty percent (60%) of the median income within Riverside County. 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 AGENCY to the remedies provided in Section 23 hereof.

8. Protection of AGENCY'S Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect AGENCY'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, AGENCY may do and pay for whatever is necessary to protect the value of the Property and AGENCY'S rights in the Property. AGENCY'S actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although AGENCY may take action under this Section 8, AGENCY does not have to do so.

a. Any amounts disbursed by AGENCY under this paragraph 8 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and AGENCY 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 AGENCY to Borrower requesting payment.

b. Prior to taking any actions under this Section 8, however, AGENCY shall notify the Senior Lien Holder's, identified in the Loan Agreement, of such default in the manner provided in Section 23 of this Security Instrument, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Security Instrument. All amounts advanced by a Senior Lien Holder to cure a default hereunder shall be deemed advanced by such Senior Lien Holder and shall be secured by the applicable Senior Deed of Trust. In addition, the AGENCY agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders at least 60 days' prior written notice. Any action by AGENCY hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the Senior Deeds of Trust.

c. AGENCY and Borrower further agree that a default hereunder shall constitute a default under the Senior Deed of Trust. In the event of a default hereunder, the Senior Lien Holder shall have the right to exercise all rights and remedies under the Senior Deed of Trust.

9. Mortgage Insurance. (Not used)

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

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

a. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and AGENCY otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and AGENCY otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

Notwithstanding the foregoing, so long as the value of AGENCY'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 AGENCY to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to AGENCY within 30 days after the date the notice is given, AGENCY is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

c. Unless AGENCY 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 paragraphs 1 and 2 or change the amount of such payments.

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

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

14. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be promptly refunded to Borrower. AGENCY may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

15. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated in the Loan Agreement or any other address Borrower designates by notice to AGENCY. Any notice to AGENCY shall be given by first class mail to AGENCY'S address stated herein or any other address AGENCY designates by notice to Borrower. Any notice required to be given to a Senior Lien Holder shall be given by first class mail at such address Senior Lien Holder designates by

notice to the Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or AGENCY when given as provided in this paragraph. Notices provided to Borrower will also be provided to the Borrower's limited partner by mailing to the address in the Loan Agreement.

16. Governing Law; Severability. This Security Instrument 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 Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

17. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

18. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the trustee under the Senior Deeds of Trust, if all or any part of the Property or any interest in it is sold or transferred (or subject to Section 28, below, if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without AGENCY'S prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for "low-income housing" within the meaning of California Community Redevelopment Law) AGENCY may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by AGENCY if exercise is prohibited by federal law as of the date of this Security Instrument. Nothing in this Security Instrument shall be deemed to require AGENCY'S approval of a transfer of limited partnership interests in the Borrower.

a. If AGENCY exercises the foregoing option, AGENCY shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, AGENCY may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

b. Notwithstanding AGENCY'S right to invoke any remedies hereunder, as provided in Section 8 above, AGENCY agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders at least 60 days' prior written notice. The Borrower's limited partners shall have the same right to cure as Senior Lien Holders.

c. The Borrower and the AGENCY agree that whenever the Note or this Security Instrument gives the AGENCY the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holders pursuant to the Senior Deeds of Trust, the Senior Lien Holders' approval or consent or failure to approve or consent,

as the case may be, shall be binding on the Borrower and the AGENCY.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays AGENCY all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as AGENCY may reasonably require to assure that the lien of this Security Instrument, AGENCY'S rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 24.

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

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

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

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

notify the Senior Lien Holders that such remedial action is necessary and shall obtain the Senior Lien Holders' prior written consent for such remedial action.

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

23. Acceleration; Remedies. AGENCY shall give notice to Borrower, Borrower's investment limited partner (the "Investment Limited Partner") and the Senior Lien Holders prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 60 days from the date the notice is given to Borrower and the Investment Limited Partner (and with respect to a Senior Lien Holder, 60 days from the date the notice is given to such Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holders or the Investment Limited Partner have not exercised their right to cure the default, then AGENCY at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding AGENCY'S right to invoke any remedies hereunder, as provided in Section 8 above, the AGENCY agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders, the Limited Partner and the Investment Limited Partner at least 60 days' prior written notice. AGENCY shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 24, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

a. If AGENCY invokes the power of sale, AGENCY or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the Investment Limited Partner, the Senior Lien Holders and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. AGENCY or its designee may purchase the Property at any sale.

b. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima

facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

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

25. Substitute Trustee. AGENCY, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Security Instrument is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

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

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

29. Nonrecourse. OWNER 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 AGENCY Loan or the performance of OWNER's obligations under AGENCY documents. The sole recourse of COUNTY with respect to payment of the principal of, or interest on, the AGENCY Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on AGENCY documents shall be enforced personally against OWNER 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 OWNER's obligations under the AGENCY documents. This

nonrecourse provision does not limit or impair the enforcement against all such security for the AGENCY Loan of all the rights and remedies of COUNTY, nor does it impair the right of COUNTY to assert the unpaid principal amount of the AGENCY 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 nonrecourse provision does not relieve OWNER 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 AGENCY Deed of Trust; (iii) the fair market value of any personal property or fixtures removed or disposed of by OWNER other than in accordance with the AGENCY 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 OWNER after COUNTY has properly exercised its rights under the AGENCY Deed of Trust to receive such income upon an Event of Default (as defined under the AGENCY Deed of Trust).

(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:

Menifee Vineyards Limited Partnership,
a California limited partnership,
By: Palm Desert Development Company,
a California Corporation
Its Administrative General Partner

By: _____
Danavon L. Horn, President

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

LENDER:

REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE

By: _____
Bob Buster
Chairman, Board of Directors

APPROVED AS TO FORM:

PAMELA J. WALLS
Agency Counsel

By:  _____
Deputy, Anita C. Willis

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "B-1"

LEGAL DESCRIPTION OF PROPERTY

THE SOUTH ½ OF THE WEST ½ OF PARCEL 10 OF PARCEL MAP 6252, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 17, PAGE 3 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION CONVEYED TO THE COUNTY OF RIVERSIDE IN DEED RECORDED NOVEMBER 14, 2006 AS INSTRUMENT NO. 2006-0841465 OF OFFICIAL RECORDS.

APN: 338-170-025

Exhibit "C"

Promissory Note

PROMISSORY NOTE**\$3,600,000****Riverside, CA**

In installments as hereafter stated, for value received, Menifee Vineyards Limited Partnership, a California limited partnership ("Borrower" or "OWNER") promises to pay the Redevelopment Agency for the County of Riverside, a political subdivision of the State of California, (hereinafter referred to as "AGENCY"), or order, at 3403 Tenth Street, Suite 500, Riverside, CA 92501, the sum of Three Million Six Hundred Thousand and No/100 Dollars \$3,600,000 with simple interest on the unpaid principal amount, at the rate of one percent (1%) per annum, interest and principal payable as follows:

This Promissory Note (the "Note") shall provide the following: (1) The AGENCY 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) Twenty-two and six hundredths percent (22.06%) of the Project's Residual Receipts towards the payment of the loan from the California Housing Finance Agency in connection with the Mental Health Services Act financing ("MHSA Loan"); ii) Fifty-two and ninety-four hundredths percent (52.94%) of the Project's Residual Receipts towards the payment of the AGENCY Loan; and iii) The remaining twenty-five percent (25%) of the Project's Residual Receipts will be paid to OWNER. (3) The AGENCY Loan shall be subordinated to a construction loan and permanent first mortgage. Available residual receipts shall be determined based on a review of certified financial statements for the project. Annual audited financial statements shall be submitted within sixty (60) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) December 30, 2068 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the issuance of the first Certificate of Occupancy for the Project, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on each July 1st thereafter to the extent of available Residual Receipts until the Loan maturity date as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) property management fee, which shall be in the initial amount of \$42.50 per unit per month and increased annually by an amount equal to the increase in the Consumer Price Index; iii) lease up fee of \$150 per unit; iv) an Investor Annual Review Fee, which shall be in the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in the Consumer Price Index; v) operating expenses; vi) reserves; vii) deferred developer's fee; viii) an administrative general partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in the Consumer Price Index; ix) a managing general partner fee, which shall be in the initial amount of \$17,500 and increased annually by an amount equivalent to the rise in the Consumer Price Index; and x) payments of principal and interest on amortized loans and indebtedness senior to the AGENCY Loan, which have been approved by the AGENCY (collectively, the "Senior Debt").

Prepayment. Prepayment of principal or interest may occur at any time without penalty. However, the affordability requirements outlined in Section 20, Assisted Unit Requirements, of the AGENCY Loan Agreement shall remain in full force and effect for fifty-five (55) years after the issuance of the Certificate of Occupancy for the Project.

In any action commenced to enforce the obligation of the Borrower, and any partner, trustee, or beneficiary of the Borrower to pay principal and interest under this Note, the judgment shall not be enforceable personally against the Borrower or the Borrower's assets, and the recourse of the AGENCY 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 this 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.

OWNER 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 AGENCY Loan or the performance of OWNER's obligations under AGENCY documents. The sole recourse of COUNTY with respect to payment of the principal of, or interest on, the AGENCY Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on AGENCY documents shall be enforced personally against OWNER 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 OWNER's obligations under the AGENCY documents. This nonrecourse provision does not limit or impair the enforcement against all such security for the AGENCY Loan of all the rights and remedies of COUNTY, nor does it impair the right of COUNTY to assert the unpaid principal amount of the AGENCY 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 nonrecourse provision does not relieve OWNER 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 AGENCY Deed of Trust; (iii) the fair market value of any personal property or fixtures removed or disposed of by OWNER other than in accordance with the AGENCY 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 OWNER after COUNTY has properly exercised its rights under the AGENCY Deed of Trust to receive such income upon an Event of Default (as defined under the AGENCY Deed of Trust).

(SIGNATURES ON NEXT PAGE)

DATE: _____

BORROWER:

Menifee Vineyards Limited Partnership,
a California limited partnership,
By: Palm Desert Development Company,
a California Corporation
Its Administrative General Partner

By: _____
Danavon L. Horn, President

Exhibit “D”

Covenant Agreement

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103
Order No.
Escrow No.
Loan No.

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:
Redevelopment Agency
for the County of Riverside
3403 Tenth Street, Suite 500
Riverside, CA 92501
Attn. Juan Garcia

SPACE ABOVE THIS LINE FOR RECORDERS USE

COVENANT AGREEMENT

THIS AGREEMENT is made this _____ day of _____ 2011, by and between the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE, a public body, corporate and politic (hereinafter referred to as "AGENCY") and Menifee Vineyards Limited Partnership, a California limited partnership, (hereinafter referred to as "OWNER"), with respect to the following recitals:

RECITALS

- i. On _____, AGENCY and OWNER entered into that certain Loan Agreement (the "Agreement") for the development of certain real property.
- ii. Pursuant to the Agreement, OWNER has agreed to construct 81 units of affordable rental housing, in which 39 units will be reserved for lower income households ("Assisted Units") and one on-site manager's unit on the property described in Section (1) Restrictions, below.
- iii. The property/parcel subject to this Covenant Agreement is generally located on the northeast corner of Newport Road and Winter Hawk Road in the city of Menifee. This property address is identified Assessor Parcel Number 338-170-025 ("Property"), and will include all construction and improvements to be included in the project known as The Vineyards at Menifee Apartments ("Project"). The subject Property is described in Exhibit "D-1" and is attached hereto and by this

reference incorporated herein as "Legal Description of Property".

- iv. Pursuant to the Agreement, OWNER has agreed to restrict the use of the property.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, OWNER hereby declares as follows with regard to the Project, which declaration shall run with the land for the benefit of the AGENCY as follows:

1) RESTRICTIONS. For a period of fifty-five (55) years from the date of the first certificate of occupancy permits, for itself and on behalf of its successors and assigns with regard to the Property, the following:

Rent Restrictions

- a) **Affordability Definitions:** Affordable housing cost as defined in Section 50053 of the California Health and Safety Code, which dictates that the rent or cost for housing (including a utility allowance) shall not exceed:
- i) For extremely low income households the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate for the unit.
 - ii) For very low income households, the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit.
 - iii) For lower income households whose gross incomes exceed the maximum income for very low income households, the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those lower income households with gross incomes that exceed 60 percent of the area median income adjusted for family size, it shall be optional for any state or

local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

iv) For moderate-income households, the product of 30 percent times 110 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those moderate-income households whose gross incomes exceed 110 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

b) **Income Restrictions:** OWNER agrees to reserve a total of thirty nine (39) units (31-1bedroom, and 8-2bedroom) for lower-income households. Such units ("Assisted Units") shall reserved for sixty percent (60%) income households and /or households with income less than that of sixty percent (60%) income household. Sixty percent (60%) income households shall be defined as those households earning a maximum of sixty percent (60%) of median income in Riverside County. Not less than twenty (20) of the total Assisted Units shall be reserved for very low income households whose incomes do not exceed fifty percent (50%) of area median income for the County, adjusted by family size at the time occupancy.

c) **Age Restrictions:** OWNER has agreed to design this project to meet the specific needs of senior households and restrict the use and operation of the project site. As such, all units constructed on the Property will be affordable to seniors 55 years of age and older,

in conformance with the Agreement and all State and Federal Fair Housing Regulations that pertain to the development of such projects.

- d) **Affordability Period:** OWNER agrees that all rental units in the Project will remain affordable, as defined in California Redevelopment Law for a period of not less than fifty-five (55) years. The fifty-five (55) year period shall commence upon the issuance of the first certificate of occupancy permits for the Project.

2) MAINTENANCE OF THE IMPROVEMENTS. OWNER, on behalf of itself and its successors, assigns, and each successor in interest to the Property or any part thereof hereby covenants to and shall protect, maintain, and preserve the improvements located on the Property in compliance with all applicable federal and state law and regulations and local ordinances.

3) NONDISCRIMINATION. OWNER covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Real Property, nor shall OWNER itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the election, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the real property. The foregoing covenants shall run with the land. OWNER shall refrain from restricting the sale of the Real Property on the basis of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or no segregation clauses:

- a. **In deeds:** “The Grantee herein covenants by and for himself for herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself nor any person claiming under or through him or her establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, numbers use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”
- b. **In leases:** “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:
- i) There shall be no discrimination against or segregation of any person or group of persons on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased.”

c. **In contracts:** "There shall be no discrimination against or segregation of any person or group of persons on account race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the premises."

4) MONITORING. Upon the Agency's review of the project's annual compliance report, should there be any areas of non compliance, the project owner or his representative shall be notified in writing. The finding notification letter shall specify a 30 day grace period during which areas of non compliance must be addressed and corrected. Should the owner fail to respond by the deadline specified in the initial finding letter, a second finding letter shall be issued by the Agency. Failure to resolve all non compliance issues within the required timeframe may result in the following actions: (1) the owner, or his representative, will be required to submit quarterly compliance reports; (2) the property shall undergo additional site inspections, or (3) the owner or his representative shall be required to attend a Monitoring Technical Assistance Workshop. Should the owner fail to resolve all areas of non compliance within the timeframe specified in the second finding letter, a monitoring fee shall be assessed. Additional sanctions may include: (1) an extension of the project's affordability period, or (2) requiring that the property owner to utilize the services of an Agency approved certified property management company.

5) NOTICES. All Notices provided for in this Agreement shall be deemed when personally delivered, or two (2) days following mailing by certified mail, return receipt requested. All mailing shall be addressed to the respective parties at their addresses set forth

below, or at such other address as each party may designate in writing and give to the other party:

AGENCY

Assistant Director of Housing
Redevelopment Agency
for the County of Riverside
3403 Tenth St., Suite 500
Riverside, CA 92501

OWNER

President
Palm Desert Development Company
44-139 Monterey Ave, Ste. A
Palm Desert, CA 92260

6) BINDING EFFECT. The rights and obligations of this Agreement shall bind and inure to the benefit of the respective heirs, successors and assigns of the parties.

7) ATTORNEY'S FEES. If any party hereto brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the losing party as fixed by the Court.

8) SEVERABILITY. In the event that any provision, whether constituting a separate paragraph or whether contained in a paragraph with other provisions, is hereafter determined to be void and unenforceable, it shall be deemed separated and deleted from the agreement and the remaining provisions of this Agreement shall remain in full force and effect.

9) 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.

10) 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.

11) AUTHORITY TO EXECUTE. The persons executing this Agreement 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.

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

13) 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.

END OF AGREEMENT

(SIGNATURES ON NEXT PAGE)

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

AGENCY

REDEVELOPMENT AGENCY FOR
THE COUNTY OF RIVERSIDE

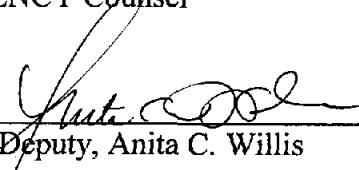
By: _____
Bob Buster
Chairman, Board of Directors

OWNER

Menifee Vineyards Limited Partnership,
a California limited partnership,
By: Palm Desert Development Company,
a California Corporation
Its Administrative General Partner

By: _____
Danavon L. Horn, President

APPROVED AS TO FORM:
PAMELA J. WALLS
AGENCY Counsel

By:  _____
Deputy, Anita C. Willis

(All signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

Covenant Exhibit "D-1"

LEGAL DESCRIPTION OF PROPERTY

THE SOUTH ½ OF THE WEST ½ OF PARCEL 10 OF PARCEL MAP 6252, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 17, PAGE 3 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION CONVEYED TO THE COUNTY OF RIVERSIDE IN DEED RECORDED NOVEMBER 14, 2006 AS INSTRUMENT NO. 2006-0841465 OF OFFICIAL RECORDS.

APN: 338-170-025

Exhibit “E”

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

No Fee for Recording Pursuant to Government Code 6103
Recording Requested By:

Redevelopment Agency for
COUNTY OF RIVERSIDE

AND WHEN RECORDED MAIL TO:
REDEVELOPMENT AGENCY FOR THE
COUNTY OF RIVERSIDE
3403 Tenth St. Suite 500
RIVERSIDE, CA 92501
ATTN: Juan Garcia

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

This Notice is to be recorded concurrently with recordation of affordability restriction or within thirty (30) days of recording such document.

In accordance with the California Health and Safety Code Section 33334.3, all new or substantially rehabilitated housing units developed or otherwise assisted, with moneys from the Low and Moderate Income Housing Fund, shall remain available at affordable housing cost to, and occupied by, persons and families of low or moderate income and very low income and extremely low income households for the longest feasible time, but not less than fifty-five (55) years for units that are occupied by and affordable to [very low- and low-]income households.

A Covenant and Restriction with an expiration date of [not less than forty-five (55) years from the date of Certificate of Occupancy or date] is recorded [concurrently, or date with under Recording No. instrument number] herewith in the Official Records of Riverside County, California, on the property located at: with assessor parcel number of and more fully described as:

REDEVELOPMENT AGENCY
FOR THE COUNTY OF RIVERSIDE

Dated _____

Tom Fan, Principal Development Specialist

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA }
COUNTY OF RIVERSIDE } S.S.

On _____ before me,
Date

_____, personally appeared
Name and Title of the Officer

_____, who proved to me on the basis
Name(s) of signer(s)

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 of Notary Public

(This area for official notarial seal)

Exhibit “F”

California Health and Safety Codes

50053, 50079.5, 50105

Affordability Requirements

California Health and Safety Codes 50053, 50079.5 and 50105

50053. (a) For any rental housing development that receives assistance prior to January 1, 1991, and a condition of that assistance is compliance with this section, "affordable rent" with respect to lower income households shall not exceed the percentage of the gross income of the occupant person or household established by regulation of the department that shall not be less than 15 percent of gross income nor exceed 25 percent of gross income.

(b) For any rental housing development that receives assistance on or after January 1, 1991, and a condition of that assistance is compliance with this section, "affordable rent," including a reasonable utility allowance, shall not exceed:

- (1) For extremely low income households the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate for the unit.
- (2) For very low income households, the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit.
- (3) For lower income households whose gross incomes exceed the maximum income for very low income households, the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those lower income households with gross incomes that exceed 60 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.
- (4) For moderate-income households, the product of 30 percent times 110 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those moderate-income households whose gross incomes exceed 110 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

(c) The department's regulation shall permit alternative percentages of income for agency-assisted rental and cooperative housing developments pursuant to regulations adopted under subdivision (f) of Section 50462. The department shall, by regulation, adopt criteria defining and providing for determination of gross income, adjustments for family

size appropriate to the unit, and rent for purposes of this section. These regulations may provide alternative criteria, where necessary, to be consistent with pertinent federal statutes and regulations governing federally assisted rental and cooperative housing. The agency may, by regulation, adopt alternative criteria, and pursuant to subdivision (f) of Section 50462, alternative percentages of income may be adopted for agency-assisted housing developments.

For purposes of this section, "area median income," "adjustments for family size appropriate to the unit," and "moderate-income household" shall have the same meaning as provided in Section 50052.5.

50079.5. (a) "Lower income households" means persons and families whose income does not exceed the qualifying limits for lower income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937. The limits shall be published by the department in the California Code of Regulations as soon as possible after adoption by the Secretary of Housing and Urban Development. In the event the federal standards are discontinued, the department shall, by regulation, establish income limits for lower income households for all geographic areas of the state at 80 percent of area median income, adjusted for family size and revised annually.

(b) "Lower income households" includes very low income households, as defined in Section 50105, and extremely low income households, as defined in Section 50106. The addition of this subdivision does not constitute a change in, but is declaratory of, existing law.

(c) As used in this section, "area median income" means the median family income of a geographic area of the state.

50105. (a) "Very low income households" means persons and families whose incomes do not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937. These qualifying limits shall be published by the department in the California Code of Regulations as soon as possible after adoption by the Secretary of Housing and Urban Development. In the event the federal standards are discontinued, the department shall, by regulation, establish income limits for very low income households for all geographic areas of the state at 50 percent of area median income, adjusted for family size and revised annually.

(b) "Very low income households" includes extremely low income households, as defined in Section 50106. The addition of this subdivision does not constitute a change

in, but is declaratory of, existing law.

(c) As used in this section, "area median income" means the median family income of a geographic area of the state.

