

**SUBMITTAL TO THE BOARD OF COMMISSIONERS OF THE
HOUSING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

717C



FROM: Housing Authority

SUBMITTAL DATE:
March 3, 2011

SUBJECT: Loan Agreement for the Use of Neighborhood Stabilization Program Income Funds with the County of Riverside

RECOMMENDED MOTION: That the Board of Commissioners:

1. Approve the attached loan agreement for the use of \$1,000,000 in Neighborhood Stabilization Program Income (Program Income) funds between the County of Riverside and the Housing Authority of the County of Riverside (HACR);
2. Authorize the Chairman of the Board of Commissioners to sign the attached loan agreement;

(Continued)

[Signature]
Robert Field
Executive Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 1,000,000	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: Yes

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

C.E.O. RECOMMENDATION:

APPROVE
[Signature]
BY: Jennifer L. Sargent

County Executive Office Signature Jennifer L. Sargent

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY: *[Signature]* 3/28/11
 SAMUEL WONG
 Departmental Concurrence
 DATE: *[Signature]*
 FORM APPROVED COUNTY COUNSEL
 BY: *[Signature]*
 ANITA C. WILLIS

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

Prev. Agn. Ref.: 3.23 of 6/16/09; 3.37 of 6/2/09, District: All, Agenda Number: **10.1**

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

RECOMMENDED MOTION: (Continued)

3. Authorize the Executive Director of the Housing Authority of the County of Riverside, or his designee, to approve and enter into amendments to the loan agreement in order to receive additional NSP Program Income funds from the County of Riverside, up to \$3,000,000, subject to availability of funds and approval by County Counsel;
4. Authorize the Executive Director of the Housing Authority of the County of Riverside, or his designee, to take all necessary steps to implement the loan agreement including, but not limited to, signing subsequent deeds of trust for each home acquired, subsequent homebuyer deeds of trust, subsequent amendments to the loan agreement to receive additional funding, and subsequent essential and relevant documents subject to approval by County Counsel.

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

On September 26, 2008, the U.S. Department of Housing and Urban Development announced that the County of Riverside would receive a grant of \$48,567,786 as part of NSP (NSP grant funds). On November 25, 2008, the County Board of Supervisors approved a Substantial Amendment to the 2008-2009 One Year Plan (Action Plan) of the 2004-2009 Five Year Consolidated Plan to include NSP.

The Housing Authority for the County of Riverside (HACR) applied for NSP funding through a Notice of Funding Availability that the county issued and was awarded \$5,400,000 in NSP funds to acquire foreclosed single-family homes, rehabilitate, and resale to moderate income first time homebuyers. HACR has obligated 100% of the \$5,400,000 NSP funds, purchased 26 homes, and has sold nine homes to first time homebuyers. The remaining homes that the HACR purchased are currently being marketed to eligible buyers. The average cost of acquisition, rehabilitation, and disposition for the HACR properties has been \$207,692.

Pursuant to NSP regulations, all homes acquired by HACR have been acquired at a minimum discount of 1% below the current market appraised value as determined within 60 days of the date of the final purchase price offer. The Housing Authority exceeded the 1% minimum and purchased 26 homes that appraised at an average of 11.25% below the acquisition price. All NSP assisted homes will be affordable for a period of at least 15 years from the transfer of title to a qualified first-time homebuyer.

HACR has applied for up to \$3,000,000 in additional NSP funds to continue to purchase foreclosed homes, rehabilitate, and resale to moderate first-time homebuyers. The county has agreed to award HACR \$1,000,000 in NSP program income funds. In order to expedite the process of receiving NSP funds, maximize the use of NSP funds, and assist county to fulfill its requirements and national objectives, staff is also recommending the Board of Commissioners to authorize the Executive Director of the Housing Authority of the County of Riverside, or designee, to approve and enter into amendments to the loan agreement in order to receive additional NSP Program Income funds from the County of Riverside, up to \$3,000,000, subject to approval by County Counsel.

County Counsel has reviewed and approved as to form the attached loan agreement. Staff recommends that the Board of Commissioners approve the attached agreement.

Housing Authority
Loan Agreement for the Use of Neighborhood Stabilization Program Income Funds with the County of
Riverside
March 3, 2011
Page 3

FINANCIAL DATA:

All the costs related to this project will be fully funded with Neighborhood Stabilization Program Funds.

Attachments:

Loan Agreement

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

This Agreement is made and entered into this _____ day of _____, 2011
by and between the COUNTY OF RIVERSIDE (“COUNTY”), a political subdivision of the
State of California and the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE
 (“SUBRECIPIENT”), a public body, corporate and politic of the State of California.

WITNESSETH:

WHEREAS, the Neighborhood Stabilization Program (“NSP”), which was
enacted under Title III of Division B of the Housing and Economic Recovery Act of 2008
 (“HERA”) and appropriated under Community Development Block Grant (CDBG), was
created under the heading of Emergency Assistance for Redevelopment of Abandoned and
Foreclosed Homes for the purpose of assisting in the redevelopment of abandoned or
foreclosed homes. The intent of NSP is to stabilize neighborhoods in areas with greatest need
and stem the decline of house values of neighboring homes; and

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

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

WHEREAS, SUBRECIPIENT has proposed to utilize NSP funds for the
acquisition, rehabilitation and resale of single-family homes to qualified low-, moderate-, and
middle-income (LMMI) first-time homebuyers in the County of Riverside (the “Project”) as
described in **Exhibit A** which is attached hereto and by this reference incorporated herein; and

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

WHEREAS, Assisted Units must reside inside areas of greatest need within the

1 designated Target Areas of the County of Riverside as defined in the COUNTY's 2008-2009
2 One Year Action Plan ("Action Plan"); and

3 WHEREAS, Assisted Units must be sold to LMMI Qualified Homebuyers as
4 defined in **Section 24**; and

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

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

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

11 1. PURPOSE. The COUNTY agrees to lend One Million Dollars
12 (\$1,000,000) of NSP funds to the SUBRECIPIENT upon the terms and conditions set forth
13 herein. SUBRECIPIENT will borrow the NSP funds from the COUNTY for individual
14 financing of acquisition, rehabilitation and disposition of each Assisted Unit of the Project
15 ("NSP Loan"). SUBRECIPIENT promises and agrees to undertake and assist with the NSP-
16 assisted activities by utilizing such NSP funds, as identified in **Exhibit A**.

17 2. SUBRECIPIENT'S OBLIGATIONS. SUBRECIPIENT hereby agrees to
18 undertake and complete the following activities, subject to its receipt of the NSP funds:

19 a. Carry out the Project in accordance with the timeline set forth in
20 **Exhibit A**.

21 b. SUBRECIPIENT shall, for each Assisted Unit of the Project,
22 execute and record the Deed of Trust and execute a Note for that
23 portion of the NSP Loan applicable to the Assisted Unit.

24 c. Permits. Before commencement of rehabilitation or other works
25 of improvement upon an Assisted Unit, SUBRECIPIENT shall, at
26 its own expense, secure or cause to be secured any and all permits
27 and approvals which may be required for rehabilitation of such
28 Assisted Units pursuant to the applicable rules and regulations of

1 the County and any other governmental agency affected by such
2 rehabilitation of work. SUBRECIPIENT shall, without limitation,
3 apply for and secure any and all necessary studies required for
4 environmental review, as described in **Section 20**, and pay all
5 costs, charges and fees associated therewith.

6 d. Performance. Acquire and complete rehabilitation of the Assisted
7 Units in accordance with the timeline set forth in **Exhibit A** and
8 **Section 27**.

9 e. Approval of Assisted Units. Submit each Assisted Unit for
10 COUNTY review and approval prior to acquisition of such
11 Assisted Unit.

12 f. Compliance. Project shall remain in compliance with all
13 applicable Federal, State and local codes, laws, regulations and
14 ordinances as described in **Section 20**.

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

18 a. Provide a total amount identified in **Section 1** in NSP funds to
19 SUBRECIPIENT for financing acquisition, rehabilitation and
20 disposal costs of all of the Assisted Units of the Project.

21 b. Comply with all of its obligations as participating recipient under
22 the applicable regulations set forth under HUD regulations.

23 4. PRIOR COUNTY APPROVAL. SUBRECIPIENT shall obtain
24 COUNTY'S approval, through its Economic Development Agency ("EDA"), of all items
25 requiring such approvals as described in this Agreement.

26 5. NSP Loan. The SUBRECIPIENT shall borrow the NSP funds from the
27 COUNTY for individual financing of each Assisted Unit of the Project under the following
28 terms and conditions:

- 1 a. Term. This Agreement shall become effective upon the Effective
2 Date, as defined in **Section 54**, and shall continue in full force and
3 effect for a period of twelve (12) months (the "Term").
- 4 b. Principal. The principal of that portion of NSP Loan attributable
5 to an Assisted Unit shall be the amount of NSP funds provided for
6 acquisition, rehabilitation and disposition of such Assisted Unit
7 evidenced by a promissory note ("Note"), as shown in **Exhibit C**,
8 which is attached hereto and by this reference incorporated herein,
9 executed by the SUBRECIPIENT in favor of the COUNTY in a
10 form satisfactory to the COUNTY.
- 11 c. Interest. The interest rate shall be zero percent (0%) per annum..
- 12 d. Repayment. Each Note shall provide the following:
- 13 1) The NSP Loan attributable to an Assisted Unit shall be
14 due and payable on the earliest of:
- 15 (a) The date the Assisted Unit is sold; or
16 (b) An Event of Default by SUBRECIPIENT which
17 has not been cured as provided for in this
18 Agreement.
- 19 2) Notwithstanding the above, that SUBRECIPIENT's
20 obligation to repay the full amount of the NSP Loan
21 attributable to a particular Assisted unit will be reduced by
22 the sum of the Development Subsidy, the Homebuyer
23 Subsidy, and Closing Costs, as defined below:
- 24 (a) Development Subsidy. The Development Subsidy
25 is the amount of the NSP Loan attributable to the
26 Assisted Unit minus the Selling Price of the
27 Assisted Unit (as defined in **Section 23**) ;
- 28 (b) Homebuyer Subsidy. The Homebuyer Subsidy is

1 the amount of the Selling Price of the Assisted
2 Unit minus the Qualified Homebuyer's home loan
3 (the "Homebuyer Loan"). The Homebuyer Subsidy
4 is limited to thirty percent (30%) of the Selling
5 Price and capped for a maximum amount of
6 \$75,000. The Homebuyer Subsidy is an amount
7 which will be assumed by the Qualified
8 Homebuyer in the form of silent second mortgage
9 assistance to Qualified Homebuyer; and

10 (c) Closing Costs. Closing Costs include all costs
11 payable by SUBRECIPIENT in connection with
12 the sale of the Assisted Unit to a Qualified
13 Homebuyer;

14 3) The NSP Loan less the Development Subsidy, Homebuyer
15 Subsidy and Closing Costs for such Assisted Unit shall be
16 repaid to COUNTY upon the sale of the Assisted Unit.
17 Upon the repayment of the NSP Loan, SUBRECIPIENT
18 shall be released from its repayment obligations. At the
19 time of the sale of each Assisted Unit to Qualified
20 Homebuyer, as defined herein, COUNTY shall cause to be
21 delivered to SUBRECIPIENT a partial reconveyance of
22 the Deed of Trust from such Assisted Unit and a
23 termination of this Agreement as a lien on such Assisted
24 Unit.

25 4) Upon transfer of title to the Qualified Homebuyer, a
26 "Homebuyer Deed of Trust" between COUNTY and
27 Qualified Homebuyer shall be recorded by
28 SUBRECIPIENT to secure the Homebuyer Subsidy

1 (“Second Mortgage Loan”), and to require its repayment
2 to COUNTY if the Assisted Unit is no longer the principal
3 residence or upon any sale, rental, refinance, conveyance,
4 transfer or change in title of the Assisted Unit in violation
5 of the Homebuyer Deed of Trust prior to the expiration of
6 the Affordability Period, as defined in **Section 14** below.

7 5) Sale, rental, refinance, conveyance, transfer or change in
8 title of the Assisted Unit prior to the expiration of the
9 affordability period will cause shared equity, in addition to
10 the principal, as provided in the Homebuyer Deed of Trust
11 to COUNTY.

12 e. Security. Each NSP Loan shall be secured by a “Deed of Trust” as
13 shown in **Exhibit B**, which is attached hereto and by this
14 reference incorporated herein, recorded against each Assisted
15 Unit. SUBRECIPIENT agrees that each Deed of Trust shall be in
16 the first position until the home has been sold to the Qualified
17 Homebuyer.

18 6. TERM OF AGREEMENT. This Agreement shall become effective upon
19 the Effective Date, as defined in **Section 54**, and shall continue in full force and effect for a
20 period of twelve (12) months (the “Term”).

21 7. SUBRECIPIENT REPRESENTATIONS. SUBRECIPIENT represents
22 and warrants to COUNTY as follows:

23 a. Authority. SUBRECIPIENT is a duly organized public body,
24 corporate and politic under the laws of the State of California. The
25 copies of the documents evidencing the organization of the
26 SUBRECIPIENT, which have been delivered to the COUNTY,
27 are true and complete copies of the originals, amended to the date
28 of this Agreement. SUBRECIPIENT has full right, power and

1 lawful authority to accept the conveyance of eligible properties
2 for the Project and undertake all obligations as provided herein
3 and the execution, performance and delivery of this Agreement by
4 SUBRECIPIENT has been fully authorized by all requisite
5 actions on the part of the SUBRECIPIENT.

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

11 c. No Bankruptcy. SUBRECIPIENT is not the subject of a
12 bankruptcy proceeding.

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

22 8. COMPLETION SCHEDULE. SUBRECIPIENT shall proceed consistent
23 with the completion schedule set forth in **Exhibit A**, as the same may be amended in writing
24 by the parties from time to time, and subject to force majeure delays.

25 9. EXTENSION OF TIME. COUNTY may grant an extension to the
26 completion schedule for the purpose of completing SUBRECIPIENT's activities which cannot
27 be completed as outlined in **Exhibit A**. SUBRECIPIENT shall request said extension in
28 writing, stating the reasons therefore, and may be granted only by receiving written approval

1 from COUNTY. Every term, condition, covenant, and requirement of this Agreement shall
2 continue in full force and effect during the period of any such extension.

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

6 11. REALLOCATION OF FUNDS.

7 a. Funds shall become encumbered on the date escrow closes for the
8 Assisted Unit and results in a recorded deed of trust and
9 promissory note in the Riverside County Clerk's office. In the
10 event SUBRECIPIENT does not close escrow on the Assisted
11 Units within four (4) months of the Effective Date, as defined in
12 **Section 54**, ("Acquisition Deadline"), the COUNTY will
13 reallocate the balance of unencumbered NSP funds (the "Unused
14 Balance").

15 b. The reallocation of the Unused Balance shall be evidenced by a
16 written amendment to this Agreement agreed upon both parties,
17 which decreases the NSP Loan by the Unused Balance (the
18 "Effective NSP Loan"). The Assistant County Executive
19 Officer/EDA or designee is authorized to execute, subject to
20 County Counsel approval, the amendment reducing the NSP Loan
21 amount by the Unused Balance pursuant to Section 11(a).

22 c. In the event SUBRECIPIENT is unable to close escrow on the
23 Assisted Units due to force majeure conditions, the COUNTY, in
24 its sole and absolute discretion, may extend the Acquisition
25 Deadline up to thirty (30) days. The extension on the Acquisition
26 Deadline shall be in writing and executed by the parties. The
27 COUNTY's Assistant County Executive Officer/EDA or designee
28 is authorized to execute the amendment to extend the Acquisition

1 transaction;

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

6 4) The Seller and or Listing Agent certifies one of the
7 following statements for such Assisted Unit: i) Property
8 was owner occupied at time of foreclosure, or ii) If
9 property was occupied by a bona fide tenant (as defined by
10 HUD) at time of foreclosure seller and or Listing Agent
11 acknowledge and certify that the tenant was given 90 days
12 notice as required by law before being asked to vacate the
13 property and that the property has been vacant for at least
14 ninety (90) days prior to the Initial Offer.

15 e. Prior to closing of escrow, SUBRECIPIENT shall provide at its
16 expense, a Preliminary Title Reports, signed Purchase and Sale
17 Agreement and an estimated closing cost statement for each
18 Assisted Unit from escrow to COUNTY.

19 f. SUBRECIPIENT shall provide to COUNTY Escrow Instructions
20 listing each Assisted Unit in the transaction.

21 g. DEVELOPER shall provide and cause Seller to provide signed
22 Final Notice and Offer forms for each Assisted Unit, as shown in
23 **Exhibit E**, or other similar forms approved by COUNTY,
24 acknowledging that both DEVELOPER and Seller have mutually
25 accepted a final purchase price that is one percent (1%) or more
26 below the CMAV as determined within sixty (60) days of the date
27 of the final purchase offer.

28 There will be no disbursement of funds for rehabilitation costs for a particular

1 Assisted Unit until the following events first occur with respect to such Assisted Unit:

- 2 h. SUBRECIPIENT shall provide at its expense an updated
3 Preliminary Title Report for the Assisted Unit evidencing the
4 recordation of all documents to COUNTY.
- 5 i. If Davis Bacon wages are required to be paid, then
6 SUBRECIPIENT must hire a qualified professional firm or assign
7 experienced staff to review and monitor Davis-Bacon prevailing
8 wage compliance for all submissions of contractors certified
9 payrolls to the COUNTY.
- 10 j. SUBRECIPIENT must provide satisfactory evidence that it has
11 secured any and all permits and approvals which may be required
12 for rehabilitation of the Assisted Unit pursuant to the applicable
13 rules and regulations of the County, Cities where the properties
14 are located and any other governmental agency affected by such
15 construction of work.
- 16 k. SUBRECIPIENT shall provide a detailed Rehabilitation Plan and
17 timetable to complete the acquisition, rehabilitation and resale of
18 the Assisted Unit in accordance with the completion schedule
19 shown in **Exhibit A** including a detailed line item rehabilitation
20 cost budget per unit for review and approval by COUNTY.
- 21 l. SUBRECIPIENT provides duly executed documents and
22 instruments showing the ownership of the Assisted Units as
23 specifically identified in **Exhibit A**.

24 COUNTY shall release final draw down of NSP funds for rehabilitation
25 applicable to an Assisted Unit following receipt of all of the following Closing Documents
26 from SUBRECIPIENT with respect to such Assisted Unit:

- 27 1) unconditional lien release from general contractor and any
28 subcontractors;

- 2) if applicable, recorded Notice of Completion;
- 3) if applicable, all remaining Davis Bacon documentation, if any, including, but not limited to, complete certified payrolls, Section 3 certifications, fringe benefit forms, and certificates of authorization and understanding;
- 4) final Contract and Subcontract Activity report, Minority Business Enterprise/Women Business Enterprise (MBE/WBE) report, HUD form 2516;
- 5) final development costs and project budget; and
- 6) final sources and uses of funds.

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

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

The administrative fee will be disbursed according to the following schedule: fifty percent (50%) upon completion of rehabilitation of Assisted Units and fifty percent (50%) upon sale of all Assisted Units. Should SUBRECIPIENT not be successful in selling an Assisted Unit within the allotted time under **Section 27**, SUBRECIPIENT will only be entitled to 50% of the administrative fee for each unit not sold and the other half of the administrative fee shall be forfeited. SUBRECIPIENT shall comply with timely drawdown of funds by submitting monthly requests for reimbursement. COUNTY shall release final draw

1 down of NSP funds following receipt of all of the items listed in **Section 12**.

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

5 15. ADMINISTRATIVE FEE AND COMMISSIONS. The administrative
6 fee cannot exceed ten percent (10%) of total Project costs. In addition the Administrative Fee,
7 COUNTY will allow for real estate commissions up to 3% of the resale price for each Assisted
8 Unit. Administrative fee shall be disbursed in accordance with Section 12. The Real Estate
9 Commission fee will not be calculated as part of the Project Cost in determining the
10 administrative fee.

11 16. INSURANCE. Without limiting or diminishing the SUBRECIPIENT's
12 obligation to indemnify or hold the COUNTY harmless, SUBRECIPIENT shall procure and
13 maintain or cause to be maintained, at its sole cost and expense, the following insurance
14 coverage's during the Term of this Agreement.

15 a. Worker's Compensation Insurance.

16 If the SUBRECIPIENT has employees as defined by the State of
17 California, the SUBRECIPIENT shall maintain statutory Workers'
18 Compensation Insurance (Coverage A) as prescribed by the
19 laws of the State of California. Policy shall include Employers'
20 Liability (Coverage B) including Occupational Disease with
21 limits not less than \$1,000,000 per person per accident. The
22 policy shall be endorsed to waive subrogation in favor of the
23 County of Riverside, and, if applicable, to provide a Borrowed
24 Servant/Alternate Employer Endorsement.

25 b. Commercial General Liability Insurance.

26 Commercial General Liability insurance coverage, including but
27 not limited to, premises liability, contractual liability, products
28 and completed operations liability, personal and advertising

1 injury, and cross liability coverage, covering claims which may
2 arise from or out of SUBRECIPIENT'S performance of its
3 obligations hereunder. Policy shall name the County of Riverside
4 as additionally insured. Policy's limit of liability shall not be less
5 than \$1,000,000 per occurrence combined single limit. If such
6 insurance contains a general aggregate limit, it shall apply
7 separately to this Agreement or be no less than two (2) times the
8 occurrence limit.

9 c. Vehicle Liability Insurance.

10 If vehicles or mobile equipment are used in the performance of
11 the obligations under this Agreement, then SUBRECIPIENT shall
12 maintain liability insurance for all owned, non-owned or hired
13 vehicles so used in an amount not less than \$1,000,000 per
14 occurrence combined single limit. If such insurance contains a
15 general aggregate limit, it shall apply separately to this Agreement
16 or be no less than two (2) times the occurrence limit. Policy shall
17 name the County of Riverside as Additionally Insured.

18 d. General Insurance Provisions – All Lines.

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

26 2) The SUBRECIPIENT'S insurance carrier(s) must
27 declare its insurance self-insured retentions. If such self-insured
28 retentions exceed \$500,000 per occurrence such retentions shall

1 have the prior written consent of the COUNTY Risk Manager
2 before the commencement of operations under this Agreement.
3 Upon notification of self insured retention unacceptable to the
4 COUNTY, and at the election of the COUNTY's Risk Manager,
5 SUBRECIPIENT'S carriers shall either; (a) reduce or eliminate
6 such self-insured retention as respects this Agreement with the
7 COUNTY, or (b) procure a bond which guarantees payment of
8 losses and related investigations, claims administration, and
9 defense costs and expenses.

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

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

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

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

27 6) SUBRECIPIENT shall pass down the insurance
28 obligations contained herein to all tiers of subcontractors working

1 under this Agreement.

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

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

8 17. FINANCIAL RECORDS. The SUBRECIPIENT shall establish and
9 maintain financial, programmatic, statistical, and other supporting records of its operations and
10 financial activities in accordance with 24 CFR Part 84 or 85 as applicable and Part 570 and
11 OMB Circular Nos. A-102, revised, A-110, A-87, and A-122, as applicable and as they relate
12 to the acceptance and use of federal funds under this Agreement. Records shall be open to
13 inspection and audit by authorized representatives of the COUNTY, HUD, and the Comptroller
14 General of the United States or any of their authorized representatives, at any time during
15 normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or
16 transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by
17 the SUBRECIPIENT within thirty (30) days after receipt by the SUBRECIPIENT. Failure of
18 the SUBRECIPIENT to comply with the above audit requirements will constitute a violation of
19 this contract and may result in the withholding of future payments. COUNTY, HUD, and the
20 Comptroller General, or any of their representatives, have the right of access to any pertinent
21 books, documents, papers, or other records of the SUBRECIPIENT, in order to make audits,
22 examinations, excerpts, and transcripts. Said records shall be retained for such time as may be
23 required by the regulations of the Neighborhood Stabilization Program, but in no case for less
24 than five (5) years after the Project completion date; except that records of individual tenant
25 income verifications, project rents, and project inspections must be retained for the most recent
26 five (5) year period, until five (5) years after the affordability period terminates. If any
27 litigation, claim, negotiation, audit, or other action has been started before the expiration of the
28 regular period specified, the records must be retained until completion of the action and

1 resolution of all issues which arise from it, or until the end of the regular period, whichever is
2 later.

3 18. PROJECT MONITORING AND EVALUATION. Except as otherwise
4 provided for in this Agreement, SUBRECIPIENT shall maintain and submit records to the
5 COUNTY within ten (10) business days of the COUNTY's request which clearly documents
6 the SUBRECIPIENT's performance under each requirement of NSP. A list of document
7 submissions and timeline are shown in **Exhibit A** and such list may be amended from time to
8 time subject to HUD and COUNTY reporting requirements.

9 19. ACCESS TO PROJECT SITE. The COUNTY and HUD shall have the
10 right to visit the Project site at all reasonable times, and upon completion of the Project upon
11 reasonable written notice to SUBRECIPIENT, to review the operation of the Project in
12 accordance with this Agreement.

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

- 18 a. NSP regulations as set forth under HERA, as it now exists and
19 may hereafter be amended, and Federal Register / Vol. 73, No.
20 194 / Monday, October 6, 2008 / Docket No. FR-5255-N-01,
21 Notice of Allocations, Application Procedures, Regulatory
22 Waivers Granted to and Alternative Requirements for Emergency
23 Assistance for Redevelopment of Abandoned and Foreclosed
24 Homes Grantees Under the Housing and Economic Recovery Act,
25 2008.
- 26 b. CDBG statutory and regulatory provisions, including those at 24
27 CFR Part 570 subpart A, C, D, J, K, and O, as appropriate, shall
28 apply.

- 1 c. Other Federal requirements and non-discrimination. As set forth
2 in 24 CFR Part 5, subpart A, SUBRECIPIENT is required to
3 include the following requirements: non-discrimination and equal
4 opportunity; disclosure; debarred, suspended, or ineligible
5 contractors; and drug-free workplace.
- 6 d. Environmental Review. Each Assisted Unit will be subject to
7 environmental review prior to acquisition, demolition,
8 rehabilitation or new construction. The environmental effects of
9 each activity carried out with NSP funds must be assessed in
10 accordance with the provisions of the National Environmental
11 Policy Act of 1969 (NEPA) and related authorities listed at 24
12 CFR Part 58. The Project is required to comply with Laws and
13 Authorities of §58.5: Historic Preservation, Floodplain &
14 Wetlands, Coastal Zone, Aquifers, Endangered Species, Rivers,
15 Air, Farmlands, HUD Environmental Standards and
16 Environmental Justice.
- 17 e. Displacement, Relocation, and Acquisition. Each Assisted Unit
18 must be vacant for a minimum period of ninety (90) days prior to
19 the Initial Offer. The Project is subject to relocation requirements
20 of Title II and the acquisition requirements of Title III of the
21 Uniform Relocation Act (URA) and Real Property Acquisition
22 Policies Act of 1970, and the implementing regulations at 24 CFR
23 Part 42.
- 24 1) Prevailing Wages and Compliance with Davis-Bacon Act.
25 SUBRECIPIENT shall comply with any applicable labor
26 regulations and all other State and Federal Laws in
27 connection with the construction of the improvements which
28 comprise the Project, including if applicable, requirements

1 relating to the Davis-Bacon Act (40 U.S.C. 276a--276a-5).
2 SUBRECIPIENT agrees and acknowledges that it is the
3 responsibility of SUBRECIPIENT to obtain a legal
4 determination, at SUBRECIPIENT's sole cost and expenses
5 as to whether prevailing wages must be paid during the
6 rehabilitation of the Project. SUBRECIPIENT agrees to
7 identify, defend, and hold COUNTY harmless from and
8 against any and all liability arising out of and related to
9 SUBRECIPIENT's failure to comply with any and all
10 applicable prevailing wage requirements.

- 11 f. Lead-based Paint. Housing assisted with NSP funds is subject to
12 the lead-based paint regulations of 24 CFR Part 35, subparts A, B,
13 J, K, and R, issued pursuant to the Lead-Based Paint Poisoning
14 Prevention Act (42 U.S.C. 4821, et seq.).
- 15 g. Conflict of Interest. In the procurement of property and services
16 by SUBRECIPIENT, the conflict of interest provisions at
17 §570.611 shall apply.
- 18 h. Section 3 of the Housing and Urban Development Act of 1968.
19 To the greatest extent feasible, opportunities for training and
20 employment arising from NSP funds will be provided to low-
21 income persons residing in the Target Area. To the greatest extent
22 feasible, contracts for work to be performed in connection with
23 NSP funds will be awarded to business concerns that are located
24 in or owned by persons residing in the Target Area. Contracts
25 funded from Section 3 must abide by the Section 3 Clause
26 prescribed at 24 CFR 135.38.
- 27 i. Compliance with anti-discrimination laws. Conformity with title
28 VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair

1 Housing Act (42 U.S.C. 3601-3619), and implementing
2 regulations.

3 j. Affirmative marketing and minority outreach program.

4 SUBRECIPIENT must adopt affirmative marketing procedures
5 and requirements. These should include:

- 6 1) Methods for informing the public, owners, and potential
7 tenants about Federal fair housing laws and the affirmative
8 marketing policy.
- 9 2) Requirements and practices that SUBRECIPIENT must
10 adhere to in order to carry out the affirmative marketing
11 procedures and requirements.
- 12 3) Procedures to be used by SUBRECIPIENT to inform and
13 solicit applications from persons in the housing market
14 areas that are not likely to apply without special outreach.
- 15 4) Records will be kept describing actions taken by
16 SUBRECIPIENT to affirmatively market units and to
17 assess the results of these actions.
- 18 5) A description of how the SUBRECIPIENT will annually
19 assess the success of affirmative marketing actions and
20 what corrective actions will be taken where affirmative
21 marketing requirements are not met.
- 22 6) SUBRECIPIENT should prescribe procedures to establish
23 and oversee a minority outreach program to ensure the
24 inclusion, to the maximum extent possible, of minorities
25 and women, and entities owned by minorities and women,
26 including, without limitation, real estate firms,
27 construction firms, appraisal firms, management firms,
28 financial institutions, investment banking firms,

1 underwriters, accountants, and providers of legal services,
2 in all contracts entered into by SUBRECIPIENT with such
3 persons or entities, public and private, in order to facilitate
4 the activities of the County to provide affordable housing
5 authorized under this Act or any other Federal housing
6 law. Affirmative steps to assure that minority business
7 enterprises and women business enterprises are used when
8 possible in the procurement of property and services are at
9 24 CFR 85.36(e).

10 7) Anti-lobbying. The SUBRECIPIENT must comply with
11 restrictions on lobbying required by 24 CFR Part 87.

12 k. Model Energy Code published by the Council of American
13 Building Officials.

14 l. Consultant Activities. Pursuant to 24 CFR 570.200(d), no person
15 providing consultant services in an employer-employee type of
16 relationship shall receive more than a reasonable rate of
17 compensation for personal services paid with CDBG funds.

18 m. Uniform Administrative Requirements of 24 CFR Part 84 or 85 as
19 applicable, Part 570 and OMB Circular Nos. A-102, revised, A-
20 110 (implemented at 24 CFR Part 84), A-87, and A-122, as
21 applicable and as they relate to the acceptance and use of federal
22 funds under this Agreement.

23 n. The SUBRECIPIENT shall include written agreements that
24 include all provisions of this section if SUBRECIPIENT provides
25 NSP funds to for-profit owners or developers, non-profit owners
26 or developers, sub-recipients, homeowners, homebuyers, tenants
27 receiving tenant-based rental assistance, or contractors.

28 21. PURCHASE PRICE REQUIREMENT. Any purchase of a foreclosed

1 home shall be at a discount from the CMAV taking into account its current condition. The
2 purchase price of the home must be at least one percent (1%) below the CMAV of the home
3 (the "Discount"). Properties may be purchased in bulk, but the Discount applies to each
4 property, and not an overall discount. The final offer meeting the Discount must be received by
5 EDA within sixty (60) days of the completed EDA appraisal or the property will be denied.

6 22. INCOME TARGETING REQUIREMENTS. SUBRECIPIENT shall
7 resale each Assisted Unit limited to LMMI households whose incomes are at or below one-
8 hundred twenty percent (120%) of the Area Median Income (AMI), adjusted by family size at
9 the time of occupancy, for the County of Riverside.

10 23. RESALE REQUIREMENTS. SUBRECIPIENT is required to sell each
11 Assisted Unit to a Qualified Homebuyer and repay COUNTY with the proceeds from the sale.
12 The Selling Price of each Assisted Unit shall not exceed (a) the fair market value or (b) the
13 total costs to acquire, rehabilitate and dispose of each Assisted Unit pursuant to NSP. Each
14 Qualified Homebuyer, as defined herein, will obtain a home loan from a financial institution
15 for up to the Selling Price (the "Homebuyer Loan"). If the Homebuyer Loan is less than the
16 Selling Price, then the Qualified Homebuyer will receive the difference as a "Silent Second
17 Mortgage" or Homebuyer Subsidy from the COUNTY. The Homebuyer Subsidy is limited to
18 thirty percent (30%) of the Selling Price of the Assisted Unit and capped for a maximum
19 amount of \$75,000. Upon transfer of title to the Qualified Homebuyer, the amount of the
20 Homebuyer Loan less the sum of the Development Subsidy, the Homebuyer Subsidy and
21 closing costs and Subsidy Amount will be returned to the COUNTY and a Homebuyer Deed of
22 Trust shall be recorded to secure this second mortgage loan, and to require its repayment if the
23 Assisted Unit is no longer the principal residence or the Assisted Unit is sold prior to the
24 expiration of the Affordability Period in violation of the Homebuyer Deed of Trust.

25 24. QUALIFIED HOMEBUYER. SUBRECIPIENT shall provide to EDA
26 evidence to support the following listed information for EDA's review and approval:

- 27 a. Income Limits. In order for homebuyers to be a Qualified
28 Homebuyer, the homebuyer's household annual income must not

1 exceed one-hundred twenty percent (120%) of the AMI, as
2 determined by HUD, adjusted for family size. The income and
3 assets of all persons age eighteen (18) and older who will reside in
4 the home must be included in the calculation to determine income
5 eligibility.

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

11 c. First-time homebuyer. In order to qualify as a first-time
12 homebuyer, the homebuyer cannot have owned a home for the
13 previous three years from the date the homebuyer enters into a
14 purchase agreement. SUBRECIPIENT shall cause the homebuyer
15 to sign a sworn application attesting that they have not owned a
16 home during such period and tax returns from the last three (3)
17 years will be reviewed to ascertain that no mortgage interest or
18 real estate tax deductions have been claimed.

19 d. Principal Residence. Homebuyer must occupy the Assisted Unit
20 as its primary residence during the Affordability Period.

21 e. Occupancy Standard. All homebuyers must meet the occupancy
22 standard as defined in the Housing Quality Act under 982.401 that
23 states, "The dwelling unit must have at least one bedroom or
24 living/sleeping room for each two persons." Children of opposite
25 sex, other than very young children, may not be required to
26 occupy the same bedroom or living/sleeping room.

27 f. Homebuyer Education. Each homebuyer must receive a certificate
28 of completion evidencing at least eight (8) hours of homebuyer

1 counseling from a HUD-approved housing counseling agency
2 before obtaining a mortgage loan.

3 g. Long Term Affordability. NSP assisted units must meet the
4 affordability requirements for Affordability Period. Affordability
5 requirements apply regardless of the term of any loan, mortgage
6 or the transfer of ownership. Affordability requirements are
7 imposed by deed restrictions, but may terminate upon foreclosure
8 or transfer in lieu of foreclosure.

9 h. Creditworthiness. Qualified Homebuyers must be creditworthy
10 and able to undertake traditional 30-year fixed rate loan FHA,
11 VA, CalHFA, Fannie Mae or Freddie Mac insured loan products
12 with fully amortized loan payments.

13 i. Equity Participation. In the event a Second Mortgage Loan is
14 required, as explained in **Section 4(d)**, repayment is required to
15 COUNTY if the Assisted Unit is no longer the principal residence
16 or upon sale, rental, refinance, conveyance, transfer or change in
17 title of the Assisted Unit prior to the expiration of the
18 Affordability Period in violation of the Homebuyer Deed of Trust.
19 Sale, rental, refinance, conveyance, transfer or change in title of
20 the Assisted Unit prior to the expiration of the Affordability
21 Period in violation of the Homebuyer Deed of Trust will cause the
22 Qualified Homebuyer to be obligated to repay the COUNTY
23 shared equity, in addition to the principal amount of the
24 Homebuyer Subsidy, as provided in the Homebuyer Deed of Trust
25 to COUNTY.

26 j. County Assistance. The following County of Riverside programs
27 are NOT available to further assist first-time homebuyers
28 purchase a home: First Time Homebuyer Program (FTHB),

1 Neighborhood Stabilization Homeownership Program and
2 Redevelopment Homeownership Program.

3 k. Citizenship Status: Qualified Homebuyer, including all persons
4 who will reside in the Assisted Unit, must provide proof of legal
5 citizenship in the U.S.

6 25. FEDERAL REQUIREMENTS. SUBRECIPIENT shall comply with the
7 provisions of NSP and any amendments thereto and all applicable federal regulations and
8 guidelines now or hereafter enacted.

9 26. INDEPENDENT CONTRACTOR. SUBRECIPIENT and its agents,
10 servants and employees shall act at all times in an independent capacity during the Term of this
11 Agreement, and shall not act as, shall not be, nor shall they in any manner be construed to be
12 agents, officers, or employees of COUNTY.

13 27. PERFORMANCE REQUIREMENTS. SUBRECIPIENT must complete
14 all the following activities within the time specified below or the COUNTY shall either
15 reallocate unencumbered funds pursuant to Section 10 or take title of Assisted Units:

- 16 a. Close Escrow on the Assisted Units within four (4) months from the
17 Effective Date;
- 18 b. Rehabilitate the Assisted Units within seven (7) months from the
19 Effective Date; and
- 20 c. Sell the Assisted Units within ten (10) months from the Effective Date.
- 21 d. In the event SUBRECIPIENT fails to comply with **Section 27(a)**,
22 COUNTY may reallocate unencumbered NSP funds in accordance
23 with **Section 11**.
- 24 e. In the event SUBRECIPIENT fails to comply with **Section 27(b)** or
25 **Section 27(c)**, upon COUNTY's request, SUBRECIPIENT shall grant
26 its ownership interest in the Assisted Units to COUNTY.

27
28 _____

Signature

1
2 28. NONDISCRIMINATION. SUBRECIPIENT shall abide by 24 CFR
3 570.602 which requires that no person in the United States shall on the grounds of race, color,
4 national origin, religion, or sex be excluded from participation in, be denied the benefits of, or
5 be subjected to discrimination under any program or activity receiving Federal financial
6 assistance including NSP. Under the Act, Section 109 directs that the prohibitions against
7 discrimination on the basis of age under the Age Discrimination Act and the prohibitions
8 against discrimination on the basis of disability under Section 504 shall apply to programs or
9 activities receiving Federal financial assistance under Title I programs. The policies and
10 procedures necessary to ensure enforcement of section 109 are codified in 24 CFR Part 6.

11 29. PROHIBITION AGAINST CONFLICTS OF INTEREST:

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

1 respect to the NSP activities funded under this Agreement.
2 SUBRECIPIENT shall also promptly disclose to COUNTY any
3 potential conflict, including even the appearance of conflict that
4 may arise with respect to the NSP activities funded under this
5 Agreement.

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

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

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

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

1 Project or permanent financing or funding for the Project that
2 gives the COUNTY reasonable cause to believe that the Project
3 cannot be operated according to the terms of this Agreement;

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

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

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

24 f. Damage to Project. In the event that the Project is materially
25 damaged or destroyed by fire or other casualty, and the
26 SUBRECIPIENT receives an award or insurance proceeds for the
27 repair or reconstruction of the Project, and the SUBRECIPIENT
28 does not use such award or proceeds to repair or reconstruct the

1 Project.

2 g. Bankruptcy, Dissolution and Insolvency. The SUBRECIPIENT
3 (1) filing for bankruptcy, dissolution, or reorganization, or failure
4 to obtain a full dismissal of any such involuntary filing brought by
5 another party before the earlier of final relief or thirty (30) days
6 after such filing; (2) making a general assignment for the benefit
7 of creditors; (3) applying for the appointment of a receiver,
8 trustee, custodian, or liquidator, or failure to obtain a full
9 dismissal of any such involuntary application brought by another
10 party before the earlier of final relief or forty-five (45) days after
11 such filing; (4) insolvency; or (5) failure, inability or admission in
12 writing of its inability to pay its debts as they become due.

13 31. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. Except for
14 the performance obligations set forth in Section 27, for monetary and non-monetary Events of
15 Default, the COUNTY shall give written notice to SUBRECIPIENT of any Event of Default
16 by specifying: (a) the nature of the Event of Default or the deficiency giving rise to the default,
17 (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date,
18 which shall not be more than thirty (30) calendar days from the mailing of the notice, by which
19 such action to cure must be taken. Except for the performance obligations set forth in Section
20 27, the COUNTY agrees that the SUBRECIPIENT shall have the right to cure defaults under
21 this Agreement.

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

28 a. Terminate this Agreement, in which event the entire amount

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

- 4 b. Bring an action in equitable relief (1) seeking the specific
5 performance by SUBRECIPIENT of the terms and conditions of
6 this Agreement, and/or (2) enjoining, abating, or preventing any
7 violation of said terms and conditions, and/or (3) seeking
8 declaratory relief.
- 9 c. Accelerate the NSP Loan, and demand immediate full payment of
10 the principal payment outstanding and all accrued interest under
11 the Note, as well as any other monies advanced to the
12 SUBRECIPIENT by the COUNTY under this Agreement.
- 13 d. Pursue any other remedy allowed at law or in equity.

14 33. SUBRECIPIENT'S REMEDIES. Upon the fault or failure of the
15 COUNTY to meet any of its obligations under this Agreement, the SUBRECIPIENT may:

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

22 34. SUBRECIPIENT'S WARRANTIES. SUBRECIPIENT represents and
23 warrants (1) that it has access to professional advice and support to the extent necessary to
24 enable SUBRECIPIENT to fully comply with the terms of this Agreement, and to otherwise
25 carry out the Project, (2) that it is duly organized, validly existing and in good standing under
26 the laws of the State of California, (3) that it has the full power and authority to undertake the
27 Project and to execute this Agreement, (4) that the persons executing and delivering this
28 Agreement are authorized to execute and deliver such documents on behalf of

1 SUBRECIPIENT and (5) that neither SUBRECIPIENT nor any of its principals is presently
2 debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from
3 participation in connection with the transaction contemplated by this Agreement.

4 35. SUBRECIPIENT'S CERTIFICATION. The SUBRECIPIENT certifies,
5 to the best of its knowledge and belief, that:

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

1 representation of fact upon which reliance was placed when this
2 transaction was made or entered into.

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

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

23 SUBRECIPIENT'S obligation hereunder shall be satisfied when SUBRECIPIENT has
24 provided to COUNTY the appropriate form of dismissal relieving COUNTY from any liability
25 for the action or claim involved.

26 The specified insurance limits required in this Agreement shall in no way limit or
27 circumscribe SUBRECIPIENT'S obligations to indemnify and hold harmless the COUNTY
28 herein from third party claims.

1 In the event there is conflict between this clause and California Civil Code Section 2782,
2 this clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not
3 relieve SUBRECIPIENT from indemnifying the COUNTY to the fullest extent allowed by
4 law.

5 37. TERMINATION.

6 a. SUBRECIPIENT. SUBRECIPIENT may terminate this Agreement
7 consistent with the Act, the regulations implementing the Act, and
8 24 CFR 85.44.

9 b. COUNTY. Notwithstanding the above provision hereof, COUNTY
10 may suspend or terminate this Agreement upon written notice to
11 SUBRECIPIENT of the action being taken and the reason for such
12 action:

13 (a) In the event SUBRECIPIENT fails to perform the
14 covenants herein contained at such times and in such
15 manner as provided in this Agreement after the applicable
16 notice and cure provision hereof; or

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

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

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

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

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

10 38. AFFORDABILITY RESTRICTIONS. The COUNTY and
11 SUBRECIPIENT hereby declare their express intent that the restrictions set forth in this
12 Agreement for each Assisted Unit of the Project shall be affordable for a period of fifteen (15)
13 years from the transfer of title to Qualified Homebuyer, and shall bind all successors in title to
14 the Assisted Unit until the expiration of this Agreement. Each and every contract, deed or other
15 instrument hereafter executed covering and conveying the Assisted Unit or any portion thereof
16 shall be held conclusively to have been executed, delivered and accepted subject to such
17 restrictions, regardless whether such restrictions are set forth in such contract, deed or other
18 instrument.

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

26 40. ENTIRE AGREEMENT. It is expressly agreed that this Agreement
27 embodies the entire agreement of the parties in relation to the subject matter hereof, and that no
28 other agreement or understanding, verbal or otherwise, relative to this subject matter, exists

1 between the parties at the time of execution.

2 41. AUTHORITY TO EXECUTE. The persons executing this Agreement or
3 exhibits attached hereto on behalf of the parties to this Agreement hereby warrant and
4 represent that they have the authority to execute this Agreement and warrant and represent that
5 they have the authority to bind the respective parties to this Agreement to the performance of
6 its obligations hereunder.

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

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

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

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

27 46. MINISTERIAL ACTS. The COUNTY's Assistant County Executive
28 Officer/EDA or designee(s) are authorized to take such ministerial actions as may be necessary

1 or appropriate to implement the terms, provisions, and conditions of this Agreement as it may
2 be amended from time to time by both parties.

3 47. MODIFICATION OF AGREEMENT. The COUNTY or
4 SUBRECIPIENT may consider it in its best interest to change, modify or extend a term or
5 condition of this Agreement. Any such change, extension or modification, which is mutually
6 agreed upon by the COUNTY and SUBRECIPIENT shall be incorporated in written
7 amendments to this Agreement as shown in **Exhibit D**, which is attached hereto and by this
8 reference incorporated herein. The Assistant County Executive Officer/EDA or designee is
9 authorized to execute, subject to County Counsel approval, the amendment to change, modify
10 or extend a term or condition of this Agreement. Such amendments shall not invalidate this
11 Agreement, nor relieve or release the COUNTY or SUBRECIPIENT from any obligations
12 under this Agreement, except for those parts thereby amended. No amendment to this
13 Agreement shall be effective and binding upon the parties, unless it expressly makes reference
14 to this Agreement, is in writing and is signed and acknowledged by duly authorized
15 representatives of all parties.

16 48. ASSIGNMENT. The SUBRECIPIENT will not make any sale,
17 assignment, conveyance, or lease of any trust or power, or transfer in any other form with
18 respect to this Agreement or the Project, other than the sale of Assisted Units to Qualified
19 Homebuyers.

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

22 50. MEDIA RELEASES. SUBRECIPIENT agrees to allow COUNTY to
23 coordinate all media releases regarding the Project, with prior approval of SUBRECIPIENT.
24 Any publicity generated by SUBRECIPIENT for the Project must make reference to the
25 contribution of COUNTY in making the Project possible. COUNTY's name shall be
26 prominently displayed in all pieces of publicity generated by SUBRECIPIENT, including
27 flyers, press releases, posters, signs, brochures, and public service announcements.
28 SUBRECIPIENT agrees to cooperate with COUNTY in any COUNTY-generated publicity or

1 promotional activities with respect to the Project.

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

<u>COUNTY</u>	<u>SUBRECIPIENT</u>
Director of Housing Development Riverside County Economic Development Agency 34003 Tenth Street, Suite 500 Riverside, CA 92501	Executive Director Housing Authority of the County of Riverside 5555 Arlington Avenue Riverside, CA 92504

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

15 53. TIME OF THE ESSENCE. Time is of the essence with respect to all
16 provisions of this Agreement that specify a time for performance

17 54. EFFECTIVE DATE. The effective date of this Agreement is the date the
18 parties execute the Agreement. If the parties execute the Agreement on more than one date,
19 then the last date the Agreement is executed by a party shall be the effective date.

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

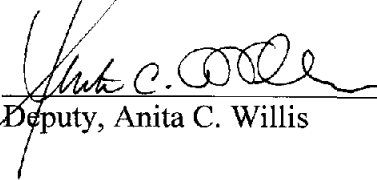
COUNTY:
COUNTY OF RIVERSIDE

SUBRECIPIENT:
HOUSING AUTHORITY OF THE
COUNTY OF RIVERSIDE

By: _____
BOB BUSTER
Chairman, Board of Supervisors

By: _____
BOB BUSTER
Chairman, Board of Commissioners

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

By:  _____
Deputy, Anita C. Willis

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

(All signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

Exhibit A

Applicant: Housing Authority of the County of Riverside
Address: 5555 Arlington Avenue, Riverside, CA 92504
Project Title: NSP-1 SUBRECIPIENT

Project Description:

SUBRECIPIENT will utilize up to \$1,000,000 in NSP funds for acquisition, rehabilitation and resale of vacant, foreclosed and bank-owned single-family homes to low-, moderate- and middle-income ("LMMI") first-time homebuyers within designated Target Areas of the County of Riverside as defined in the COUNTY's 2008-2009 One Year Action Plan and its amendments. Target Areas inside a city's boundary will require a letter of support from the respective city. DEVELOPER has identified working with city support in the following NSP Target Areas: Cities of Lake Elsinore, Canyon Lake, Temecula, Beaumont, Murrieta, San Jacinto, and unincorporated areas of the County of Riverside.

NSP Assisted Units will be sold to qualified LMMI first-time homebuyers whose incomes do not exceed 120% of the area median income for the County. Qualified homebuyers must not have owned a home within the past 3 years and are required to attend an eight (8) hour home buyer counseling session certified by the United States Department of Housing and Urban Development (HUD). SUBRECIPIENT will utilize NSP funds for acquisition, rehabilitation and disposal costs of properties for the Project. NSP Assisted Units shall be affordable for a period of at least 15 years from the transfer of title to qualified first-time homebuyers.

Eligible Properties ("Assisted Units")

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

1. The home must be foreclosed or abandoned and bank-owned or real estate owned.
2. If the home was tenant occupied at the time of foreclosure the foreclosing entity must provide documentation showing that all tenant protection laws were adhered to. Also, prior to entering into an agreement the home must have been vacant for a period of at least 90 days prior to the Initial Notice and Offer form (Exhibit E).
3. The home must be permanently fixed to a permanent foundation.
4. Homes constructed after January 1, 2000 are preferred. Older dwellings are eligible if they are suitable for renovation and if rehabilitation costs are reasonable. However, all properties older than 50 years and must not be listed on, or eligible for listing on, the National Register of Historic Places and are subject to review by the California State Historic Preservation Office. Homes built prior to 1978 will require to be tested for lead.
5. The home must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and comply with Laws and Authorities of §58.5: Historic Preservation, Floodplain & Wetlands, Coastal Zone, Aquifers, Endangered Species, Rivers, Air, Farmlands, HUD Environmental Standards and Environmental Justice.

6. Single-Family homes with in-ground pools or spas are eligible for acquisition.

Target Areas

Assisted Units must reside inside areas of greatest need within the designated Target Areas of the County of Riverside as defined in the County's 2008-2009 One Year Action Plan and its amendments. Target Areas inside a city's boundary will require a letter of support from the respective city.

Maximum Purchase Price

The maximum purchase price shall not exceed the actual 95 percent of the area median sales price, or the FHA 203(b) limit, as updated and published regularly by HUD. In addition, the purchase price of property shall not exceed the appraised value of the property.

Resale Price Limitation

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

Acquisition

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

Notice and Offer form, as provided in **Exhibit E**, or other similar forms approved by COUNTY. The Final Notice and Offer form must be received and dated within sixty (60) days of the completed EDA appraisal report. Failure to submit this in a timely manner will result in denial of the property.

- b) If the Initial Offer does not meet the minimum one percent (1%) discount below CMAV, then the Buyer will be required to re-negotiate to meet the minimum one percent (1%) discount. If the Seller and Buyer could not reach an amicable agreement for the purchase price of the property, then the property by the Buyer will be denied and the cost of the appraisal will be paid for by EDA.

Project Sources and Uses of Funds:

Sources:

County of Riverside NSP Loan 12 months @ 0%	<u>\$ 1,000,000</u>
Total Sources	<u>\$ 1,000,000</u>

Uses:

Acquisition	\$660,000.00
Appraisals	\$1,000.00
Title and Escrow	\$8,000.00
Rehabilitation Costs	\$180,000.00
Building Permits	\$4,000.00
Interim Maintenance	\$8,400.00
Insurance	\$2,800.00
Marketing	\$4,000.00
Contingency	\$10,000.00
(Total Project Costs) Sub-Total	\$878,400.00
Real Estate Commission (up to 3% of resale prices)	\$33,760.00
Administrative Fee (10% of Total Project Costs)	\$86,962.00
Total Uses	\$1,000,000

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. NSP Loan Agreement executed	
2. Acquisition of Assisted Units completed*	(4 th month)
3. Marketing Plan Status and Outreach	
4. Rehabilitation of Assisted Units complete*	(7 th month)
5. Transfer of title to Qualified Homebuyer*	(10 th month)
6. Submission of Closing Documents	

* Section 27 – Performance Requirements

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. NSP Activities Reporting and Project Photos	Monthly, due by the 15 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for SUBRECIPIENT and General Contractor	SUBRECIPIENT – At the execution of this Agreement. GC – Before start of construction. Copies of Certificates must be filed and up-to-date throughout the course of the Project with the COUNTY additionally insured.
3. Minority & Women Business Enterprise Report – HUD form 2516, and Section 3 Reporting	Semi-Annually-- Sept 30th & March 31st Completion of Project
4. Notice of Completion	End of Construction
5. Certificate of Occupancy	End of Construction
6. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Rehabilitation
7. Rehabilitation Completion Report	Close of Rehabilitation
8. Final Development Cost - Sources and Uses	Close of Rehabilitation
9. Qualified Homebuyer Selection Policy	Marketing Stage
10. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
11. Updated Preliminary Title Report showing Transfer of title to Qualified Homebuyer	Close of Escrow

EXHIBIT B

Deed of Trust

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

Riverside County
Economic Development 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 trustor is HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public body, corporate and politic ("Borrower" or "HACR"), and whose address is 5555 Arlington Avenue, Riverside, 92504. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a public agency, organized and existing under the laws of the State of California, and whose address is 3403 Tenth Street, Suite 500, Riverside, CA 92501.

Pursuant to the terms of the NSP Loan Agreement, dated _____, Borrower owes Lender the sum of _____ Dollars (U.S. \$) (the "NSP Loan") for acquisition, rehabilitation and disposition of the "Assisted Unit" at with Assessor Parcel Number _____, as legally described as follows:

<LEGAL DESCRIPTION>

This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the NSP Loan Agreement.

The Note provides the following:

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

- (a) Development Subsidy. The Development Subsidy is the amount of the NSP Loan minus the "Selling Price" of the Assisted Unit which is limited to (i) the fair market value or (ii) the total costs to acquire, rehabilitate and dispose of the Assisted Unit;
- (b) Homebuyer Subsidy. The Homebuyer Subsidy is the amount of the Selling Price minus the Qualified Homebuyer's home loan (the "Homebuyer Loan"). The Homebuyer Subsidy is limited to thirty percent (30%) of the Selling Price and capped for a maximum amount of

\$75,000. The Homebuyer Subsidy is an amount assumed in the form of silent second mortgage assistance to Qualified Homebuyer; and

(c) Closing Costs. Closing Costs for the sale of the Assisted Unit to Qualified Homebuyer;

The NSP Loan less Development Subsidy, Homebuyer Subsidy and Closing Costs shall be repaid to COUNTY upon the sale of the Assisted Unit. Upon the repayment of the NSP Loan, Borrower shall be released from its repayment obligations. At the time of the sale of the Assisted Unit to Qualified Homebuyer, COUNTY shall cause to be delivered to Borrower a partial reconveyance of the Deed of Trust from such Assisted Unit.

Upon transfer of title to the Qualified Homebuyer, a "Homebuyer Deed of Trust" shall be recorded to secure the Homebuyer Subsidy ("Second Mortgage Loan"), and to require its repayment if the Assisted Unit is no longer the principal residence and upon sale, rental, refinance, conveyance, transfer or change in title of the Assisted Unit prior to the expiration of the affordability period.

Sale, rental, refinance, conveyance, transfer or change in title of the Assisted Unit prior to the expiration of the affordability period will cause the shared equity in addition to the principal as provided in the Homebuyer Deed of Trust.

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

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

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

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

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

1. **Payment of Principal; Late Charges.** Borrower shall promptly pay when due the principal of on the debt evidenced by the Note and any late charges due under the Note.
2. **Taxes and Insurance.** Borrower shall pay at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.
 - a. Should Borrower fail to make any payment or to do any act herein provided, then Lender or Trustee, but without obligation so to do and upon written notice to or demand upon Borrower and without releasing Borrower from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Lender or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.
3. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to amounts payable under paragraph 2; second, to interest due; third, to principal due; and last, to any late charges due under the Note.
4. **Prior Deeds of Trust; Charge; Liens.** The Borrower shall perform all of the Borrower's obligations under this Deed of Trust, including Borrower's covenants to make payments when due, subject to applicable cure periods. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any, subject to applicable cure periods. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.
 - a) Except for the liens permitted by the Lender, Borrower shall promptly discharge any other lien which shall have attained priority over this Security Instrument unless Borrower: (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (2) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; (3) bond around the lien; or (4) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a

lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within thirty (30) days of the giving of notice.

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

proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

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

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

- a) The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting the Property's use to qualified low-, moderate-, and middle-income (LMMI) households earning no more than 120% of the median income within Riverside County. The use and occupancy restrictions may limit the Borrower's ability to sell the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the Lender to the remedies provided in Section 23 hereof.

8. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal

proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then, subject to any applicable grace periods or cure periods, Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument (including sums secured by the Senior Deeds of Trust), appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 8, Lender does not have to do so. Any amounts disbursed by Lender under this paragraph 8 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

9. Mortgage Insurance. (Not used)

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

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

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

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

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

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

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

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

for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

- 16. Governing Law; Severability.** This Security Instrument shall be governed by state law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.
- 17. Borrower's Copy.** Borrower shall be given one conformed copy of the Note and of this Security Instrument.
- 18. Transfer of the Property or a Beneficial Interest in Borrower.** Except for a conveyance to the trustee(s) under the Senior Deeds of Trust and the sale of Assisted Units in the Project, if all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for low-, moderate-, and middle-income (LMMI) households, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument. Nothing in this Security Instrument shall be deemed to require Lender's approval of a transfer of limited partnership interests in the Borrower.
- a. If Lender exercises the foregoing option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.
 - b. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders at least 60 days' prior written notice. The Borrower's limited partners shall have the same right to cure as Senior Lien Holders.
 - c. The Borrower and the Lender agree that whenever the Note or this Security Instrument gives the Lender the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to

the Senior Lien Holders pursuant to the Senior Deeds of Trust, the Senior Lien Holders' approval or consent or failure to approve or consent, as the case may be, shall be binding on the Borrower and the Lender.

- 19. Borrower's Right to Reinstate.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 18.
- 20. Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 15 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.
- 21. No Assignment.** Lender and the Borrower agree that the Note and the Security Instrument will not be assigned without notice to Borrower.
- 22. Hazardous Substances.** Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses, construction, and to maintenance of the Property.
- a. Borrower shall promptly given Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower

learns, or is notified in writing by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Borrower shall notify the Senior Lien Holders that such remedial action is necessary and shall obtain the Senior Lien Holders' prior written consent for such remedial action.

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

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

23. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holders or the Investment Limited Partner have not exercised their right to cure the default, then Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders, the Special Limited Partner and the Investment Limited Partner at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

- a If Lender invokes the power of sale, Lender or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the Investment Limited Partner, the Senior Lien Holders and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public

advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

- b. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

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

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

26. Modification of Senior Deeds of Trust Loan Documents. (Not used)

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

(SIGNATURES 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:

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

By: _____
ROBERT FIELD
Executive Director

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

LENDER:

COUNTY OF RIVERSIDE

By: _____
ROBERT FIELD
Assistant County Executive Officer/EDA

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

By: _____
Deputy, Anita C. Willis

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

REQUEST FOR RECONVEYANCE

TO TRUSTEE:

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

Dated: _____

EXHIBIT C
Promissory Note

PROMISSORY NOTE

§ _____ **Riverside, CA**

In installments as hereafter stated, for value received, HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public body, corporate and politic ("Borrower" or "SUBRECIPIENT") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 3403 Tenth Street, Suite 500, Riverside, CA 92501, the sum of _____ Dollars (U.S. \$ _____) (the "Property Loan"), at the rate of zero percent (0%) per annum, pursuant to the terms of the NSP Loan Agreement, dated _____, for acquisition, rehabilitation and disposition of the "Assisted Unit" at _____. Capitalized terms not defined herein shall have the meaning ascribed to them in the NSP Loan Agreement.

This Promissory Note provides the following:

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

- (a) Development Subsidy. The Development Subsidy is the amount of the NSP Loan minus the "Selling Price" of the Assisted Unit which is limited to the lesser of (i) the fair market value or (ii) the total costs to acquire, rehabilitate and dispose of the Assisted Unit;*
- (b) Homebuyer Subsidy. The Homebuyer Subsidy is the amount of the Selling Price minus the principal balance of the Qualified Homebuyer's home loan (the "Homebuyer Loan"). The Homebuyer Subsidy is limited to thirty percent (30%) of the Selling Price and capped for a maximum amount of \$75,000. The Homebuyer Subsidy is an amount assumed in the form of silent second mortgage assistance to Qualified Homebuyer; and*
- (c) Closing Costs. Closing Costs for the sale of the Assisted Unit to Qualified Homebuyer;*

The NSP Loan less the sum of the Development Subsidy, Homebuyer Subsidy and Closing Costs shall be repaid to COUNTY upon the sale of the Assisted Unit. Upon the repayment of the NSP Loan, Borrower shall be released from its repayment obligations. At the time of the sale of the Assisted Unit to Qualified Homebuyer, COUNTY shall cause to be delivered to Borrower a partial reconveyance of the Deed of Trust from such Assisted Unit and a termination of the NSP Loan Agreement as a lien on such Assisted Unit.

Upon transfer of title to the Qualified Homebuyer, a "Homebuyer Deed of Trust" shall be recorded to secure the Homebuyer Subsidy ("Second Mortgage Loan"), and to require its repayment if the Assisted Unit is no longer the principal residence and upon sale, rental, refinance, conveyance, transfer or change in title of the Assisted Unit prior to the expiration of the affordability period.

Sale, rental, refinance, conveyance, transfer or change in title of the Assisted Unit prior to the expiration of the affordability period will cause the shared equity in addition to the principal as provided in the Homebuyer Deed of Trust.

Pursuant to the NSP Loan Agreement, the term of the NSP Loan shall be twelve months (12) from the Effective Date.

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

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

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

(SIGNATURE ON NEXT PAGE)

DATE: _____

BORROWER:

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

By: _____
ROBERT FIELD
Executive Director

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

By: _____
Deputy, Anita C. Willis

EXHIBIT D
Template Amendment

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1. The amount of the NSP Loan shall be modified and increased from \$ _____ to \$ _____ in NSP funds.
2. All other terms and conditions of the NSP Loan Agreement shall remain unmodified and in full force and effect.
3. This First Amendment 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.
4. The effective date of this First Amendment is the date the parties execute this First Amendment. If the parties execute the First Amendment on more than one date, then the last date the First Amendment is executed by a party shall be the Effective Date.
5. The First Amendment is not binding until approved by the Assistant County Executive Officer/EDA or designee subject to approval by County Counsel.

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1 **IN WITNESS WHEREOF**, the COUNTY and SUBRECIPIENT have executed this
2 Amendment as of the date first above written.

3
4 COUNTY: SUBRECIPIENT:
5 COUNTY OF RIVERSIDE <SUBRECIPIENT NAME>,
6 a California

7
8 By: _____ By: _____
9 EMILIO RAMIREZ
Assistant Director/Housing

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

14 By: _____
15 ANITA WILLIS
16 Deputy

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21 **(Signatures on this page need to be notarized)**
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CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____

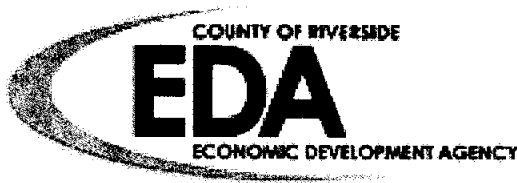
Place Notary Seal Above

Signature of Notary Public

EXHIBIT E

1. INITIAL NOTICE AND OFFER

2. FINAL NOTICE AND OFFER



INITIAL NOTICE AND OFFER NSP form

Informational Notice To Seller VOLUNTARY ACQUISITION OF FORECLOSED PROPERTY

Date	
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_____, (hereinafter referred to as "Buyer")

is interested in acquiring the property you own at:

_____ (Address)

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

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

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

EXHIBIT F

RIVERSIDE COUNTY

ECONOMIC DEVELOPMENT AGENCY

SECTION 3

24 CFR PART 135

ECONOMIC OPPORTUNITIES FOR

LOW-AND VERY LOW-INCOME PERSONS

CONTRACT REQUIREMENTS

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

I. Section 135.1 Purpose

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

Section 135.30 Numerical Goals for Meeting the Greatest Extent Feasible Requirement

A. GENERAL

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

B. TRAINING AND EMPLOYMENT

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

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

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

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

C. CONTRACTS

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

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

D. SAFE HARBOR AND COMPLIANCE DETERMINATIONS

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

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

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

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

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

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

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

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

- A. Order of Providing Preference: Recipients, contractors and subcontractors shall direct their efforts to award Section 3 covered contract, to the greatest extent feasible, to Section 3 Business Concerns in the order of priority provided in this section.

(1) Housing and community development programs. In housing and community development programs, priority consideration shall be given, where feasible, to:

- (i) Section 3 business concerns that provide economic opportunities for section 3 residents in the Riverside or San Bernardino County (category 1 businesses); and
- (ii) Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses);
- (iii) Other section 3 business concerns.

- B. Eligibility for Preference: A Business Concern seeking to qualify for a Section 3 contracting preference shall certify or submit evidence, if requested, that the Business Concern is a Section 3 Business Concern as defined in Section 135.5.

- C. Ability to Complete Contract: A Section 3 Business Concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if requested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract. (The ability to perform successfully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36 (b) (8)). This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

SECTION 135.38 Section 3 Clause.

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

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

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

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

VI. SECTION 135.40 Providing Other Economic Opportunities

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

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

VII. SECTION 135.5 Definitions.

As used in this part:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Secretary means the Secretary of Housing and Urban Development.

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

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

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

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

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

Section 3 covered assistance means:

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

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

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

Section 3 resident means:

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

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

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

Exhibit G

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

CONTRACTOR CERTIFICATION

REGARDING STATUS AS A SECTION 3 BUSINESS CONCERN

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

known as _____
(print business name)

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

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

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

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

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

AND

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

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

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

Signature _____

Project _____

Date _____

Project _____

\$ _____

Effective 02/2009

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

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

Prohibition Against Conflicts of Interest

EXHIBIT H

§ 92.356 Conflict of interest.

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

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

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

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

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

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

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

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

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

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

Owners/Participants and Developers.

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

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

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

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

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