

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



403

FROM: Economic Development Agency

SUBMITTAL DATE:
April 21, 2011

SUBJECT: Loan Agreement for the Use of Neighborhood Stabilization Program 3 Funds with Sheffield Foreclosure Renovation, Inc.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Loan Agreement for the Use of Neighborhood Stabilization Program 3 funds between the County of Riverside and Sheffield Foreclosure Renovation, Inc.;
2. Authorize the Chairman of the Board to sign the attached Loan Agreement; and
3. Authorize the Assistant County Executive Officer/EDA, 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, and subsequent essential and relevant loan documents.

BACKGROUND: (Commences on Page 2)

Robert Field
Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 2,500,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/11

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: Neighborhood Stabilization Program 3 Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: *Jennifer L. Sargent*
Jennifer L. Sargent

County Executive Office Signature

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY: *Samuel Wong* 4/19/11
SAMUEL WONG
Departmental

FORM APPROVED COUNTY COUNSEL
4/14/11
ANITA C. WILLIS

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

Prev. Agn. Ref.: N/A

District: ALL

Agenda Number: 3.18

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

BACKGROUND: 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 American Recovery and Reinvestment Act of 2009 provided a second round of NSP funds, NSP2. On October 19, 2010, a third round of NSP funding, NSP3, provided an additional allocation of funds under Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The intent of NSP is to stabilize neighborhoods in areas with greatest need and stem the decline of house values of neighboring homes. On February 15, 2011, the Board of Supervisors approved the activity of acquisition, rehabilitation and resale of housing units as a component of the Neighborhood Stabilization Program 3 (NSP3). The Substantial Amendment to the 2011-2012 One Year Action Plan (Action Plan) of the 2009-2014 Five-Year Consolidated Plan calls for the County of Riverside to partner with eligible public and private non-profit organizations.

On February 15, 2011, the Board approved the release of a Notice of Funding Availability (NOFA) for NSP3 activities by the Riverside County Economic Development Agency (EDA).

Sheffield Foreclosure Renovation, Inc. (Sheffield) has applied for NSP3 funds to acquire, rehabilitate and resell ten 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 Action Plan.

EDA has reviewed the application and is recommending a loan of \$2,500,000 in NSP3 funds to Sheffield. The properties identified are listed with purchase prices from \$102,705 to \$259,000. Rehabilitation costs range from \$56,164 to \$92,372 per property.

NSP3 assisted units will be resold to qualified LMMI first-time homebuyers whose incomes do not exceed 120% of the area median income for the county. Qualified home buyers must not have had ownership interest in improved-upon residential real property for the previous three years and are required to attend a home buyer counseling session certified by the United States Department of Housing and Urban Development. Upon resale of the homes, a portion of the funds will be used as a silent second loan to assist the first-time homebuyer and the balance will be returned to the county to write down the NSP3 loan to Sheffield.

Pursuant to NSP regulations, all acquisitions must be at least 1% below the current market appraised value as determined within 60 days of the date of the final purchase price offer. The resale price of each NSP3 assisted unit shall not exceed the (a) the fair market value or (b) the total cost to acquire, rehabilitate, and dispose the NSP3 assisted unit. NSP3 assisted units will be affordable for a period of at least 15 years from the transfer of title to qualified first-time homebuyers.

County Counsel has reviewed and approved as to form the attached Loan Agreement. Staff recommends that the Board approve the attached documents.

FINANCIAL DATA:

All the costs related to this project will be fully funded with NSP 3 funds.

Attachments:
Loan Agreement

**LOAN AGREEMENT FOR THE USE OF
NEIGHBORHOOD STABILIZATION PROGRAM 3 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 SHEFFIELD FORECLOSURE RENOVATION, INC.
("DEVELOPER"), a Delaware for-profit corporation.

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 American Recovery and Reinvestment Act of 2009 provided a second
round of NSP funds, NSP2. On October 19, 2010, a third round of NSP funding, NSP3,
provided an additional allocation of funds under Section 1497 of the Wall Street Reform and
Consumer Protection Act of 2010 (Dodd-Frank Act). 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 NSP3 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, according to the Dodd Frank Act, COUNTY shall expend at least
fifty percent (50%) of allocated CDBG funds within two (2) years of the date funds become
available to the COUNTY for obligation, and one hundred percent (100%) of such funds
within three (3) years of such date ; and

WHEREAS, DEVELOPER is eligible under NSP 3 to apply and receive NSP 3

1 funds to perform those activities described herein; and

2 **WHEREAS**, DEVELOPER has proposed to utilize NSP 3 funds for the
3 acquisition, rehabilitation and resale of single-family homes to qualified low-, moderate-, and
4 middle-income (“LMMI”) first-time homebuyers in the County of Riverside (the “Project”) as
5 described in **Exhibit A** which is attached hereto and by this reference incorporated herein; and

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

7
8 **WHEREAS**, Assisted Units must reside inside areas of greatest need within the
9 designated NSP 3 Target Areas of the County of Riverside as defined in the Substantial
10 Amendment to the Substantial Agreement to the COUNTY’s 2010-2011 One Year Action Plan
11 (“Action Plan”) and its amendments; and

12 **WHEREAS**, Assisted Units must be sold to LMMI Qualified Homebuyers as
13 defined in **Section 23**; and

14 **WHEREAS**, the NSP 3-assisted activities described herein comply with the
15 objectives as required under NSP 3; and

16 **WHEREAS**, the NSP 3-assisted activities described herein are consistent with
17 the COUNTY’s Consolidated Plan and Action Plan.

18 **NOW, THEREFORE**, the COUNTY and DEVELOPER mutually agree as
19 follows:

20 1. PURPOSE. The COUNTY agrees to lend up to Two Million Five
21 Hundred Thousand Dollars (\$2,500,000.00) of NSP 3 funds to DEVELOPER upon the terms
22 and conditions set forth herein. DEVELOPER will borrow the NSP 3 funds from the
23 COUNTY for individual financing of acquisition, rehabilitation and disposition of each
24 Assisted Unit of the Project (“NSP 3 Loan”). DEVELOPER promises and agrees to undertake
25 and assist with the NSP 3-assisted activities by utilizing such NSP 3 funds, as identified in
26 **Exhibit A**.

27 2. DEVELOPER’S OBLIGATIONS. DEVELOPER hereby agrees to
28 undertake and complete the following activities, subject to its receipt of the NSP 3 funds:

- 1 a. Timeline. Carry out the Project in accordance with the timeline
2 set forth in **Exhibit A**.
- 3 b. Recordation. DEVELOPER shall, for each Assisted Unit of the
4 Project, execute and record a Deed of Trust and execute a Note
5 for that portion of the NSP 3 Loan applicable to the Assisted Unit.
- 6 c. Permits. Before commencement of rehabilitation or other works
7 of improvement upon an Assisted Unit, DEVELOPER shall, at its
8 own expense, secure or cause to be secured any and all permits
9 and approvals which may be required for rehabilitation of such
10 Assisted Unit pursuant to the applicable rules and regulations of
11 the County and any other governmental agency affected by such
12 rehabilitation of work. DEVELOPER shall, without limitation,
13 apply for and secure any and all necessary studies required for
14 environmental review, as described in **Section 19**, and pay all
15 costs, charges and fees associated therewith.
- 16 d. Performance. Acquire and complete rehabilitation of the Assisted
17 Units in accordance with the timeline set forth in **Exhibit A** and
18 **Section 26**.
- 19 e. Approval of Assisted Units. Submit each Assisted Unit for
20 COUNTY review and approval prior to acquisition of such
21 Assisted Unit.
- 22 f. Compliance. Project shall remain in compliance with all
23 applicable Federal, State and local codes, laws, regulations and
24 ordinances as described in **Section 19**.
- 25 3. COUNTY'S OBLIGATIONS. The COUNTY agrees to undertake and
26 complete the following activities, subject to its receipt of NSP 3 funds from the U.S.
27 Department of Housing and Urban Development ("HUD"):
- 28 a. Provide a total amount identified in **Section 1** in NSP 3 funds to

1 DEVELOPER for financing acquisition, rehabilitation and
2 disposal costs of each Assisted Unit of the Project.

- 3 b. Comply with all of its obligations as participating recipient under
4 the applicable regulations set forth under HUD regulations.

5 4. PRIOR COUNTY APPROVAL. DEVELOPER shall obtain COUNTY'S
6 approval, through its Economic Development Agency ("EDA"), of all items requiring such
7 approvals as described in this Agreement.

8 5. NSP 3 LOAN. DEVELOPER shall borrow the NSP 3 funds from the
9 COUNTY for individual financing of each Assisted Unit of the Project under the following
10 terms and conditions:

- 11 a. Term. This Agreement shall become effective upon the Effective
12 Date, as defined in **Section 52**, and shall continue in full force and
13 effect for a period of ten (10) months (the "Term").

- 14 b. Principal. The principal of that portion of the NSP 3 Loan
15 attributable to an Assisted Unit shall be the amount of NSP 3
16 funds provided for acquisition, rehabilitation and disposition of
17 such Assisted Unit evidenced by a promissory note ("Note"), as
18 shown in **Exhibit C**, which is attached hereto and by this
19 reference incorporated herein, executed by DEVELOPER in favor
20 of the COUNTY in a form satisfactory to the COUNTY.

- 21 c. Interest. The interest rate shall be zero percent (0%) per annum.

- 22 d. Repayment. Each Note shall provide the following:

23 1) The NSP 3 Loan attributable to an Assisted Unit shall be
24 due and payable on the earliest of:

- 25 1) The date the Assisted Unit is sold; or
26 2) An Event of Default by DEVELOPER which has
27 not been cured as provided for in this Agreement.

28 2) Notwithstanding the above, DEVELOPER's obligation to

1 repay the full amount of the NSP 3 Loan attributable to a
2 particular Assisted Unit will be reduced by the sum of the
3 Development Subsidy, the Homebuyer Subsidy, and
4 Closing Costs, as defined below:

5 1) Development Subsidy. The Development Subsidy
6 is the amount of the NSP 3 Loan attributable to the
7 Assisted Unit minus the Selling Price of the
8 Assisted Unit (as defined in **Section 22**).

9 2) Homebuyer Subsidy. The Homebuyer Subsidy is
10 the amount of the Selling Price of the Assisted
11 Unit minus the Qualified Homebuyer's home loan
12 (the "Homebuyer Loan"). The Homebuyer Subsidy
13 is limited to thirty percent (30%) of the Selling
14 Price and capped for a maximum amount of
15 \$75,000. The Homebuyer Subsidy is an amount
16 which will be assumed by the Qualified
17 Homebuyer, as defined in **Section 23**, in the form
18 of silent second mortgage assistance to Qualified
19 Homebuyer, as defined in **Section 23**; and

20 3) Closing Costs. Closing Costs include all costs
21 payable by DEVELOPER in connection with the
22 sale of the Assisted Unit to a Qualified Homebuyer
23 as defined in **Section 23**;

24 3) The NSP 3 Loan less the Development Subsidy,
25 Homebuyer Subsidy and Closing Costs for such Assisted
26 Unit shall be repaid to COUNTY upon the sale of the
27 Assisted Unit. Upon the repayment of the NSP 3 Loan,
28 DEVELOPER shall be released from its repayment

1 obligations. At the time of each sale of the Assisted Unit
2 to Qualified Homebuyer, as defined in **Section 23**,
3 COUNTY shall cause to be delivered to DEVELOPER a
4 reconveyance of the Deed of Trust from such Assisted
5 Unit and a termination of this Agreement as a lien on such
6 Assisted Unit.

7 4) Upon transfer of title to the Qualified Homebuyer as
8 defined in **Section 23**, a "Homebuyer Deed of Trust"
9 between COUNTY and Qualified Homebuyer, as defined
10 in **Section 23**, shall be recorded by DEVELOPER to
11 secure the Homebuyer Subsidy ("Second Mortgage
12 Loan"), and to require its repayment to COUNTY if the
13 Assisted Unit is no longer the principal residence or upon
14 any sale, rental, refinance, conveyance, transfer or change
15 in title of the Assisted Unit in violation of the Homebuyer
16 Deed of Trust prior to the expiration of the Affordability
17 Period, as defined in **Section 13** below.

18 5) Sale, rental, refinance, conveyance, transfer or change in
19 title of the Assisted Unit prior to the expiration of the
20 Affordability Period, as defined in **Section 13**, will cause
21 shared equity, in addition to the principal, as provided in
22 the Homebuyer Deed of Trust to COUNTY.

23 e. Security. Each NSP 3 Loan shall be secured by a "Deed of Trust"
24 as shown in **Exhibit B**, which is attached hereto and by this
25 reference incorporated herein, recorded against each Assisted
26 Unit. DEVELOPER agrees that each Deed of Trust shall be in the
27 first position until the home has been sold to the Qualified
28 Homebuyer, as defined in **Section 23**.

1 6. TERM OF AGREEMENT. This Agreement shall become effective upon
2 the Effective Date, as defined in **Section 52**, and shall continue in full force and effect for a
3 period of ten (10) months (the "Term").

4 7. DEVELOPER REPRESENTATIONS. DEVELOPER represents and
5 warrants to COUNTY as follows:

6 a. Authority. DEVELOPER is a duly organized for-profit
7 corporation under the laws of the State of California. The copies
8 of the documents evidencing the organization of DEVELOPER,
9 which have been delivered to the COUNTY, are true and
10 complete copies of the originals, amended to the date of this
11 Agreement. DEVELOPER has full right, power and lawful
12 authority to accept the conveyance of eligible properties for the
13 Project and undertake all obligations as provided herein and the
14 execution, performance and delivery of this Agreement by
15 DEVELOPER has been fully authorized by all requisite actions
16 on the part of DEVELOPER.

17 b. No Conflict. To the best of DEVELOPER's knowledge,
18 DEVELOPER's execution, delivery and performance of its
19 obligations under this Agreement will not constitute a default or a
20 breach under contract, agreement or order to which DEVELOPER
21 is a party or by which it is bound.

22 c. No Bankruptcy. DEVELOPER is not the subject of a bankruptcy
23 proceeding.

24 d. Prior to Closing. DEVELOPER shall upon learning of any fact or
25 condition which would cause any of the warranties and
26 representations in this Agreement not to be true as of Closing,
27 immediately give written notice such fact or condition to
28 COUNTY. Such exception(s) to a representation shall not be

1 deemed a breach by DEVELOPER hereunder, but shall constitute
2 an exception which COUNTY shall have the right to approve or
3 disapprove if such exception would have an effect on the value or
4 operation of the Project.

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

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

11 10. REALLOCATION OF FUNDS.

12 a. Funds shall become encumbered on the date escrow closes for the
13 Assisted Unit and results in a recorded deed of trust and
14 promissory note in the Riverside County Clerk's office. In the
15 event DEVELOPER does not close escrow on the Assisted Units
16 within four (4) months of the Effective Date, as defined in
17 **Section 52**, ("Acquisition Deadline"), the COUNTY will
18 reallocate the balance of unencumbered NSP 3 funds (the
19 "Unused Balance").

20 b. The reallocation of the Unused Balance shall be evidenced by a
21 written amendment to this Agreement agreed upon both parties,
22 which decreases the NSP 3 Loan by the Unused Balance (the
23 "Effective NSP 3 Loan"). The Assistant County Executive
24 Officer/EDA or designee is authorized to execute, subject to
25 County Counsel approval, the amendment reducing the NSP 3
26 Loan amount by the Unused Balance pursuant to **Section 10(a)**.

27 c. In the event DEVELOPER is unable to close escrow on the
28 Assisted Units, the COUNTY, in its sole and absolute discretion,

1 may extend the Acquisition Deadline up to thirty (30) days. The
2 extension on the Acquisition Deadline shall be in writing and
3 provided by the COUNTY's Assistant County Executive
4 Officer/EDA or designee. DEVELOPER hereby waives any right
5 of appeal due to denial of extension request by the COUNTY.
6 The COUNTY is not responsible for properties in escrow and will
7 bear no cost of cancellation of such escrow. All costs related to
8 the cancellation of such escrow shall be borne solely by the
9 DEVELOPER.

10 d. If COUNTY reallocates the Unused Balance pursuant to **Section**
11 **10(a)**, DEVELOPER shall remain responsible for the completion
12 of rehabilitation of DEVELOPER acquired properties under the
13 Effective NSP 3 Loan and sale of Assisted Units in accordance
14 with this Agreement.

15 e. In the event DEVELOPER has not completed the rehabilitation of
16 the Assisted Units within six (6) months of the Effective Date, as
17 defined in **Section 52**, ("Rehabilitation Deadline"), the COUNTY,
18 in its sole and absolute discretion, may extend the Rehabilitation
19 Deadline up to sixty (60) days. The extension of the
20 Rehabilitation Deadline shall be in writing and provided by the
21 COUNTY's Assistant County Executive Officer/EDA designee.
22 DEVELOPER hereby waives any right of appeal due to denial of
23 extension request by the COUNTY.

24 f. In the event DEVELOPER has not completed the resale of the
25 Assisted Units within ten (10) months of the Effective Date, as
26 defined in **Section 52**, ("Resale Deadline"), the COUNTY, in its
27 sole and absolute discretion, may extend the Resale Deadline up
28 to thirty (30) days. The extension on the Resale Deadline shall be

1 in writing and provided by the COUNTY's Assistant County
2 Executive Officer/EDA designee. DEVELOPER hereby waives
3 any right of appeal due to denial of extension request by the
4 COUNTY.

- 5 g. If COUNTY provides DEVELOPER with an extension to the
6 Rehabilitation Deadline and/or the Resale Deadline,
7 DEVELOPER agrees that said extensions will not extend beyond
8 the Resale Deadline as defined in **Section 10(f)**, unless otherwise
9 provided in writing by the COUNTY's Assistant County
10 Executive Officer/EDA designee.

11
12 _____
Signature

13 11. CONDITIONS FOR DISPOSITION OF FUNDS. COUNTY, through its
14 EDA, shall: (1) make payments of the NSP 3 Loan to DEVELOPER as specified in **Exhibit A**,
15 and (2) monitor the Project to ensure compliance with applicable federal, state and local laws,
16 regulations, ordinances and the terms of this Agreement.

17 There will be no disbursement of funds for acquisition costs into escrow for an
18 Assisted Unit until the following events first occur:

- 19 a. DEVELOPER shall execute this Loan Agreement.
20 b. DEVELOPER shall provide the Data Universal Number as
21 assigned by the Data Universal Number System (DUNS) assigned
22 to DEVELOPER as required by the Federal Funding
23 Accountability and Transparency Act of 2006.
24 c. DEVELOPER shall provide documentation to support compliance
25 with eligibility requirements for each Assisted Unit.
26 d. DEVELOPER shall provide the seller of each Assisted Unit
27 ("Seller") with a letter of "Voluntary Acquisition of Foreclosed
28 Property" as shown in **Exhibit D**, which is attached hereto and by

1 this reference incorporated herein.

2 e. DEVELOPER shall provide and cause the Seller to provide for
3 each Assisted Unit signed Initial Notice and Offer forms, as
4 shown in **Exhibit D**, or other similar forms approved by
5 COUNTY, acknowledging that both DEVELOPER and Seller
6 have read and understood:

- 7 1) The acquisition is a Voluntary Acquisition and not subject
8 to eminent domain;
- 9 2) The purchase price discount requirements of the
10 transaction;
- 11 3) The initial purchase price negotiated by DEVELOPER
12 and Seller (the "Initial Offer") is contingent and subject to
13 the discount requirement of NSP 3 and the Current Market
14 Appraised Value ("CMAV"), as defined in **Exhibit A**.
- 15 4) The Seller and or Listing Agent certifies one of the
16 following statements for such Assisted Unit: i) Property
17 was owner occupied at time of foreclosure, or ii) Property
18 was vacant at time of foreclosure, or iii) If property was,
19 occupied by a bona fide tenant without a lease, or with a
20 lease terminable at will under state law at time of
21 foreclosure, seller and or Listing Agent acknowledge and
22 certify that the tenant was given 90 days notice as required
23 by law before being asked to vacate the property, or iv) If
24 property was occupied by a bona fide tenant with a lease
25 in effect on or before the date of the foreclosure, the Seller
26 allowed the bona fide tenant to remain to the end of the
27 lease term and provided a minimum 90 days notice to
28 vacate (periods may overlap, but cannot be less than 90

- 1 days).
- 2 f. Prior to closing of escrow, DEVELOPER shall provide at its
- 3 expense, Preliminary Title Reports, signed Purchase and Sale
- 4 Agreements and estimated closing cost statements from escrow to
- 5 COUNTY.
- 6 g. DEVELOPER shall provide to COUNTY Escrow Instructions
- 7 listing each Assisted Unit in the transaction.
- 8 h. DEVELOPER shall provide and cause Seller to provide signed
- 9 Final Notice and Offer forms for each Assisted Unit, as shown in
- 10 **Exhibit D**, or other similar forms approved by COUNTY,
- 11 acknowledging that both DEVELOPER and Seller have mutually
- 12 accepted a final purchase price that is one percent (1%) or more
- 13 below the CMAV as determined within sixty (60) days of the date
- 14 of the final purchase offer.

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

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

- 17 i. DEVELOPER shall provide at its expense an updated Preliminary
- 18 Title Report for the Assisted Unit evidencing the recordation of
- 19 all documents to COUNTY.
- 20 j. If Davis Bacon wages are required to be paid, then DEVELOPER
- 21 must hire a qualified professional firm or assign experienced staff
- 22 to review and monitor Davis-Bacon prevailing wage compliance
- 23 for all submissions of contractors certified payrolls to the
- 24 COUNTY.
- 25 k. DEVELOPER must provide satisfactory evidence that it has
- 26 secured any and all permits and approvals which may be required
- 27 for rehabilitation of the Assisted Unit pursuant to the applicable
- 28 rules and regulations of the County, Cities where the properties

1 are located and any other governmental agency affected by such
2 construction of work.

3 l. DEVELOPER shall provide a detailed Rehabilitation Plan and
4 timetable to complete the acquisition, rehabilitation and resale of
5 the Assisted Unit in accordance with the completion schedule
6 shown in **Exhibit A** including a detailed line item rehabilitation
7 cost budget per unit for review and approval by COUNTY.

8 m. DEVELOPER provides duly executed documents and instruments
9 showing the ownership of the Assisted Units as specifically
10 identified in **Exhibit A**.

11 n. DEVELOPER agrees to pay all costs incurred due to the
12 ownership and development of the Assisted Unit in a timely
13 manner. DEVELOPER shall pay all incurred costs on or before
14 the date such incurred cost becomes delinquent. COUNTY shall
15 not reimburse DEVELOPER for late payments or penalties
16 incurred by DEVELOPER due to non timely payment. In the
17 event that COUNTY has inadvertently paid for a late payment
18 penalty, the amount of the penalty shall be deducted from the
19 developer's fee, unless otherwise authorized by the County.

20 o. Pursuant to 24 CFR, Part 5, DEVELOPER agrees to verify that
21 DEVELOPER, and its principals, or any/all persons, contractors,
22 consultants, businesses, etc. (Developer Associates), that
23 DEVELOPER is conducting business with, are not presently
24 debarred, proposed for debarment, suspended, declared ineligible,
25 or voluntarily excluded from participation or from receiving
26 federal contracts or federally approved subcontracts or from
27 certain types of federal financial and nonfinancial assistance and
28 benefits with the Excluded Parties Listing System at

1 www.epls.gov. DEVELOPER must provide a single
2 comprehensive list of Developer Associates (individuals and
3 firms) and print and maintain evidence of the search results of
4 each Developer Associate as verification of compliance with this
5 requirement as provided in **Exhibit G**.

6 COUNTY shall release final draw down of NSP 3 funds for rehabilitation applicable to
7 an Assisted Unit following receipt of all of the following Closing Documents from
8 DEVELOPER with respect to such Assisted Unit:

- 9 p. unconditional lien release from general contractor and any
10 subcontractors;
- 11 q. recorded Notice of Completion;
- 12 r. if applicable, all remaining Davis Bacon documentation, if any,
13 including, but not limited to, complete certified payrolls, Section
14 3 certifications, fringe benefit forms, and certificates of
15 authorization and understanding;
- 16 s. final Contract and Subcontract Activity report, Minority Business
17 Enterprise/Women Business Enterprise (MBE/WBE) report,
18 HUD form 2516;
- 19 t. final development costs and project budget; and
- 20 u. final sources and uses of funds.

21 12. **DISTRIBUTION OF FUNDS**. The Disaster Recovery Grant Reporting
22 (DRGR) system was developed by HUD's Office of Community Planning and Development
23 and will be utilized for NSP 3. The DRGR system is a computerized system which manages,
24 disburses, collects, and reports information on the use of NSP 3 funds in the United States
25 Treasury Account.

26 Any disbursement of funds is expressly conditioned upon the satisfaction
27 of conditions set forth in **Section 11**. Subsequent to acquisition of each Assisted Unit,
28 COUNTY shall pay DEVELOPER for rehabilitation costs on a "cost-as-incurred" basis for all

1 NSP 3-eligible approved costs on a monthly basis. All disbursements of NSP 3 funds for
2 rehabilitation will be made within thirty (30) days after DEVELOPER has submitted its letter
3 identifying payments made and requesting reimbursement.

4 The developer's fee will be disbursed according to the following schedule:
5 fifty percent (50%) upon sale of each Assisted Unit and fifty percent (50%) upon sale of all
6 Assisted Units. Should DEVELOPER not be successful in selling an Assisted Unit within the
7 allotted time under **Section 26**, DEVELOPER will only be entitled to 50% of the developer fee
8 for each unit not sold and the other half of the developer fee shall be forfeited. DEVELOPER
9 shall comply with timely drawdown of funds by submitting monthly requests for
10 reimbursement. COUNTY shall release final draw down of NSP 3 funds following receipt of
11 all of the items listed in **Section 11**.

12 13. TERMS OF AFFORDABILITY. The period of affordability for each
13 Assisted Unit (the "Affordability Period") shall be fifteen (15) years from the initial transfer of
14 title of such Assisted Unit to an individual Qualified Homebuyer, as defined in **Section 23**.

15 14. DEVELOPER'S FEE AND REAL ESTATE SALE COMMISSIONS.
16 The developer's fee cannot exceed 10% of total Project costs. COUNTY will allow for real
17 estate commissions up to 3% of the resale price for each Assisted Unit. Developer fee shall be
18 disbursed in accordance with **Section 12**. The Real Estate Commission fee will not be
19 calculated as part of the Project Cost in determining the developer's fee.

20 15. INSURANCE. Without limiting or diminishing DEVELOPER's
21 obligation to indemnify or hold the COUNTY harmless, DEVELOPER shall procure and
22 maintain or cause to be maintained, at its sole cost and expense, the following insurance
23 coverage's during the Term of this Agreement.

24 a. Worker's Compensation Insurance.

25 If DEVELOPER has employees as defined by the State of
26 California, DEVELOPER shall maintain statutory Workers'
27 Compensation Insurance (Coverage A) as prescribed by the laws
28 of the State of California. Policy shall include Employers'

1 Liability (Coverage B) including Occupational Disease with
2 limits not less than \$1,000,000 per person per accident. The
3 policy shall be endorsed to waive subrogation in favor of the
4 County of Riverside, and, if applicable, to provide a Borrowed
5 Servant/Alternate Employer Endorsement.

6 b. Commercial General Liability Insurance.

7 Commercial General Liability insurance coverage, including but
8 not limited to, premises liability, contractual liability, products
9 and completed operations liability, personal and advertising
10 injury, and cross liability coverage, covering claims which may
11 arise from or out of DEVELOPER'S performance of its
12 obligations hereunder. Policy shall name the County of Riverside
13 as additionally insured. Policy's limit of liability shall not be less
14 than \$1,000,000 per occurrence combined single limit. If such
15 insurance contains a general aggregate limit, it shall apply
16 separately to this Agreement or be no less than two (2) times the
17 occurrence limit.

18 c. Vehicle Liability Insurance.

19 If vehicles or mobile equipment are used in the performance of
20 the obligations under this Agreement, then DEVELOPER shall
21 maintain liability insurance for all owned, non-owned or hired
22 vehicles so used in an amount not less than \$1,000,000 per
23 occurrence combined single limit. If such insurance contains a
24 general aggregate limit, it shall apply separately to this Agreement
25 or be no less than two (2) times the occurrence limit. Policy shall
26 name the County of Riverside as Additionally Insured.

27 d. General Insurance Provisions – All Lines.

28 1) Any insurance carrier providing insurance coverage

1 hereunder shall be admitted to the State of California and
2 have an A.M. BEST rating of not less than A: VIII (A:8)
3 unless such requirements are waived, in writing, by the
4 COUNTY Risk Manager. If the COUNTY's Risk
5 Manager waives a requirement for a particular insurer
6 such waiver is only valid for that specific insurer and only
7 for one policy term.

8 2) DEVELOPER'S insurance carrier(s) must declare its
9 insurance self-insured retentions. If such self-insured
10 retentions exceed \$500,000 per occurrence such retentions
11 shall have the prior written consent of the COUNTY Risk
12 Manager before the commencement of operations under
13 this Agreement. Upon notification of self insured retention
14 unacceptable to the COUNTY, and at the election of the
15 COUNTY's Risk Manager, DEVELOPER'S carriers shall
16 either; (a) reduce or eliminate such self-insured retention
17 as respects this Agreement with the COUNTY, or (b)
18 procure a bond which guarantees payment of losses and
19 related investigations, claims administration, and defense
20 costs and expenses.

21 3) DEVELOPER shall cause DEVELOPER's insurance
22 carrier(s) to furnish the County of Riverside with either 1)
23 a properly executed original Certificate(s) of Insurance
24 and certified original copies of Endorsements effecting
25 coverage as required herein, and 2) if requested to do so
26 orally or in writing by the COUNTY Risk Manager,
27 provide original Certified copies of policies including all
28 Endorsements and all attachments thereto, showing such

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

- 24 4) It is understood and agreed to by the parties hereto that
25 DEVELOPER's insurance shall be construed as primary
26 insurance, and the COUNTY's insurance and/or
27 deductibles and/or self-insured retention's or self-insured
28 programs shall not be construed as contributory.

- 1 5) If, during the Term of this Agreement or any extension
2 thereof, there is a material change in the scope of services;
3 or, there is a material change in the equipment to be used
4 in the performance of the scope of work which will add
5 additional exposures (such as the use of aircraft,
6 watercraft, cranes, etc.); or, the Term of this Agreement,
7 including any extensions thereof, exceeds five (5) years
8 the COUNTY reserves the right to adjust the types of
9 insurance required under this Agreement and the monetary
10 limits of liability for the insurance coverage's currently
11 required herein, if; in the COUNTY Risk Manager's
12 reasonable judgment, the amount or type of insurance
13 carried by DEVELOPER has become inadequate.
- 14 6) DEVELOPER shall pass down the insurance obligations
15 contained herein to all tiers of subcontractors working
16 under this Agreement.
- 17 7) The insurance requirements contained in this Agreement
18 may be met with a program(s) of self-insurance acceptable
19 to the COUNTY.
- 20 8) DEVELOPER agrees to notify COUNTY of any claim by
21 a third party or any incident or event that may give rise to
22 a claim arising from the performance of this Agreement.

23 16. FINANCIAL RECORDS. DEVELOPER shall establish and maintain
24 financial, programmatic, statistical, and other supporting records of its operations and financial
25 activities in accordance with 24 CFR Part 84 or 85 as applicable and Part 570 and OMB
26 Circular Nos. A-102, revised, A-110, A-87, and A-122, as applicable and as they relate to the
27 acceptance and use of federal funds under this Agreement. Records shall be open to inspection
28 and audit by authorized representatives of the COUNTY, HUD, and the Comptroller General

1 of the United States or any of their authorized representatives, at any time during normal
2 business hours, as often as deemed necessary, to audit, examine, and make excerpts or
3 transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by
4 DEVELOPER within thirty (30) days after receipt by DEVELOPER. Failure of DEVELOPER
5 to comply with the above audit requirements will constitute a violation of this contract and may
6 result in the withholding of future payments. COUNTY, HUD, and the Comptroller General, or
7 any of their representatives, have the right of access to any pertinent books, documents, papers,
8 or other records of DEVELOPER, in order to make audits, examinations, excerpts, and
9 transcripts. Said records shall be retained for such time as may be required by the regulations
10 of the Neighborhood Stabilization Program, but in no case for less than five (5) years after the
11 Project completion date; except that records of individual tenant income verifications, project
12 rents, and project inspections must be retained for the most recent five (5) year period, until
13 five (5) years after the Affordability Period terminates. If any litigation, claim, negotiation,
14 audit, or other action has been started before the expiration of the regular period specified, the
15 records must be retained until completion of the action and resolution of all issues which arise
16 from it, or until the end of the regular period, whichever is later.

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

23 18. ACCESS TO PROJECT SITE. The COUNTY and HUD shall have the
24 right to visit the Project site at all reasonable times, and upon completion of the Project upon
25 reasonable written notice to DEVELOPER, to review the operation of the Project in
26 accordance with this Agreement.

27 19. COMPLIANCE WITH LAWS AND REGULATIONS. By executing this
28 Agreement, DEVELOPER hereby certifies that it will adhere to and comply with all federal,

1 state and local laws, regulations and ordinances. In particular, DEVELOPER shall comply with
2 the following as they may be applicable to DEVELOPER of funds granted pursuant to the NSP
3 Program:

4 a. NSP 3 REGULATIONS. As it now exists, and may hereafter be
5 amended, and Federal Register / Vol. 75, No. 201 / Tuesday,
6 October 19, 2010 / Docket No. FR-5447-N-01, Notice of
7 Formula Allocations and Program Requirements for
8 Neighborhood Stabilization Program Grants under Section
9 2301(b) of the Housing and Economic Recovery Act of 2008
10 (Pub. L. 110-289, approved July 30, 2008) (HERA), as amended
11 and an additional allocation of funds provided under Section 1497
12 of the Wall Street Reform and Consumer Protection Act of 2010
13 (Pub. L. 111-203, approved July 21, 2010) (Dodd-Frank Act).

14 1) Green Rehabilitation Standard. Pursuant to the NSP 3
15 regulations, the County is adopting green standard
16 elements that DEVELOPER must follow to the maximum
17 feasible applicable.

18 a) Standard Rehabilitation: Assisted Units will
19 require replacement of older obsolete products and
20 appliances (such as windows, doors, lighting, hot
21 water heaters, furnaces, boilers, air conditioning
22 units, refrigerators, clothes washers, and
23 dishwashers) with Energy Star-labeled products.
24 Water efficient toilets, showers, and faucets, such
25 as those with the WaterSense label, must be
26 installed.

27 b) Substantial or gut rehabilitation (i.e., general
28 replacement of the interior of building that may or

1 may not include changes to structural elements
2 such as flooring systems, columns, or load bearing
3 interior or exterior walls) up to three stories must
4 be designed to meet the standard for Energy Star
5 Qualified New Homes
6 ([http://www.energystar.gov/index.cfm?c=new_ho](http://www.energystar.gov/index.cfm?c=new_homes.nh_features)
7 [mes.nh_features](http://www.energystar.gov/index.cfm?c=new_homes.nh_features)). An independent inspection by a
8 certified Home Energy Rating System (HERS)
9 rater must provide a CHEERS Energy star rating
10 report, a Title 24 CF-1R, and/or an affidavit from
11 an energy consultant stating that it meets the
12 requirements.

13 2) Local Hiring Requirement. Pursuant to the NSP 3
14 regulations, DEVELOPER shall, to the maximum extent
15 feasible, provide for the hiring of employees who reside in
16 the vicinity, defined as the Target Area the DEVELOPER
17 is contracted for, or contract with small businesses that are
18 owned and operated by persons residing in the vicinity of
19 such Target Area. COUNTY has adopted the Section 3
20 applicability of thresholds for community development
21 assistance at 24 CFR 135.3(a)(3)(ii). DEVELOPER shall
22 establish a Local Hiring Schedule that establishes the
23 hiring process, workforce needs, and approximate
24 timetable to be followed by the DEVELOPER and
25 subcontractors for construction hiring to achieve the
26 overall requirements of the local hiring requirement. The
27 Local Hiring Schedule shall include an estimate of:
28 number of workers including hourly pay rate or work

1 hours required per month, per day, per trade, and total for
2 the project. Prior to commencing work, a Letter of Assent
3 must be signed by DEVELOPER and their subcontractors
4 working on projects. The Letter of Assent shall state that
5 all parties doing construction work on Project have read,
6 understand, and accept the terms of the Local Hiring
7 Requirement, and are aware that they are bound to
8 fulfilling the requirements. DEVELOPER shall provide to
9 the County of all efforts made to adhere to this
10 requirement. DEVELOPER shall provide a Local Hiring
11 Plan to address elements of the *Local Hiring Schedule* and
12 explain how the DEVELOPER has performed outreach
13 and met this requirement to the maximum extent feasible.
14 The Local Hiring Plan shall include numerical goals
15 committed to local hiring which shall be consistent with
16 Section 3 applicability of thresholds for community
17 development assistance at 24 CFR 135.3(a)(3)(ii).

- 18 b. CDBG statutory and regulatory provisions, including those at 24
19 CFR Part 570 subpart A, C, D, J, K, and O, as appropriate, shall
20 apply.
- 21 c. Other Federal requirements and non-discrimination. As set forth
22 in 24 CFR Part 5, subpart A, DEVELOPER is required to include
23 the following requirements: non-discrimination and equal
24 opportunity; disclosure; debarred, suspended, or ineligible
25 contractors; and drug-free workplace.
- 26 d. Environmental Review. Each Assisted Unit will be subject to
27 environmental review prior to acquisition, demolition,
28 rehabilitation or new construction. The environmental effects of

1 each activity carried out with NSP 3 funds must be assessed in
2 accordance with the provisions of the National Environmental
3 Policy Act of 1969 (NEPA) and related authorities listed at 24
4 CFR Part 58. The Project is required to comply with Laws and
5 Authorities of §58.5: Historic Preservation, Floodplain &
6 Wetlands, Coastal Zone, Aquifers, Endangered Species, Rivers,
7 Air, Farmlands, HUD Environmental Standards and
8 Environmental Justice.

9 e. Displacement, Relocation, and Acquisition. If Assisted Unit was
10 i) occupied by a bona fide tenant without a lease or with a lease
11 terminable at will under state law at time of foreclosure and seller
12 did not provide 90 days notice as required by law before bona fide
13 tenant was asked to vacate the property or ii) occupied by a bona
14 fide tenant with a lease in effect on or before the date of the
15 foreclosure and the Seller did not allow the bona fide tenant to
16 remain to the end of the lease term and did not provide a
17 minimum 90 days notice to vacate (periods may overlap, but
18 cannot be less than 90 days), the Project is subject to relocation
19 requirements of Title II and the acquisition requirements of Title
20 III of the Uniform Relocation Act (URA) and Real Property
21 Acquisition Policies Act of 1970, and the implementing
22 regulations at 24 CFR Part 42.

23 f. Prevailing Wages and Compliance with Davis-Bacon Act.
24 DEVELOPER shall comply with any applicable labor regulations
25 and all other State and Federal Laws in connection with the
26 construction of the improvements which comprise the Project,
27 including if applicable, requirements relating to the Davis-Bacon
28 Act (40 U.S.C. 276a--276a-5). DEVELOPER agrees and

1 acknowledges that it is the responsibility of DEVELOPER to
2 obtain a legal determination, at DEVELOPER's sole cost and
3 expenses as to whether prevailing wages must be paid during the
4 rehabilitation of the Project. DEVELOPER agrees to identify,
5 defend, and hold COUNTY harmless from and against any and all
6 liability arising out of and related to DEVELOPER's failure to
7 comply with any and all applicable prevailing wage requirements.

8 g. Lead-based Paint. Housing assisted with NSP 3 funds is subject to
9 the lead-based paint regulations of 24 CFR Part 35, subparts A, B,
10 J, K, and R, issued pursuant to the Lead-Based Paint Poisoning
11 Prevention Act (42 U.S.C. 4821, et seq.). All homes built prior to
12 1978 shall be tested for lead based paint.

13 h. Conflict of Interest. In the procurement of property and services
14 by DEVELOPER, the conflict of interest provisions at §570.611
15 shall apply.

16 i. Section 3 of the Housing and Urban Development Act of 1968.
17 To the greatest extent feasible, opportunities for training and
18 employment arising from NSP 3 funds will be provided to low-
19 income persons residing in the Target Area. To the greatest extent
20 feasible, contracts for work to be performed in connection with
21 NSP 3 funds will be awarded to business concerns that are located
22 in or owned by persons residing in the Target Area. Contracts
23 funded from Section 3 must abide by the Section 3 Clause
24 prescribed at 24 CFR 135.38, as shown in **Exhibit E** which is
25 attached hereto and by this reference incorporated herein.

26 j. Compliance with anti-discrimination laws. Conformity with title
27 VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair
28 Housing Act (42 U.S.C. 3601-3619), and implementing

1 regulations.

2 k. Affirmative marketing and minority outreach program.

3 DEVELOPER must adopt affirmative marketing procedures and
4 requirements. These should include:

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

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

9 7) Anti-lobbying. DEVELOPER must comply with
10 restrictions on lobbying required by 24 CFR Part 87.

11 l. Model Energy Code published by the Council of American
12 Building Officials.

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

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

22 o. DEVELOPER shall include written agreements that include all
23 provisions of this section if DEVELOPER provides NSP 3 funds
24 to for-profit owners or developers, non-profit owners or
25 developers, sub-recipients, homeowners, homebuyers, tenants
26 receiving tenant-based rental assistance, or contractors.

27 20. PURCHASE PRICE REQUIREMENT. Any purchase of a foreclosed
28 home shall be at a discount from the CMAV taking into account its current condition. The

1 purchase price of the home must be at least one (1%) below the CMAV of the home (the
2 “Discount”). Properties may be purchased in bulk, but the Discount applies to each property,
3 and not an overall discount. The final offer meeting the Discount must be received by EDA
4 within sixty (60) days of the completed EDA appraisal or the property will be denied.

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

9 22. RESALE REQUIREMENTS. DEVELOPER is required to sell each
10 Assisted Unit to a Qualified Homebuyer, as defined in **Section 23**, and repay COUNTY with
11 the proceeds from the sale. The Selling Price of each Assisted Unit shall not exceed (a) the fair
12 market value or (b) the total costs to acquire, rehabilitate and dispose of each Assisted Unit
13 pursuant to NSP 3. Each Qualified Homebuyer, as defined in **Section 23**, will obtain a home
14 loan from a financial institution for up to the Selling Price (the “Homebuyer Loan”). If the
15 Homebuyer Loan is less than the Selling Price, then the Qualified Homebuyer, as defined in
16 **Section 23**, will receive the difference as a “Silent Second Mortgage” or Homebuyer Subsidy
17 from the COUNTY. The Homebuyer Subsidy is limited to thirty percent (30%) of the Selling
18 Price of the Assisted Unit and capped for a maximum amount of \$75,000. Upon transfer of title
19 to the Qualified Homebuyer, as defined in **Section 23**, the amount of the Homebuyer Loan less
20 the sum of the Development Subsidy, the Homebuyer Subsidy and closing costs and Subsidy
21 Amount will be returned to the COUNTY and a Homebuyer Deed of Trust shall be recorded to
22 secure this Second Mortgage Loan, and to require its repayment if the Assisted Unit is no
23 longer the principal residence or the Assisted Unit is sold prior to the expiration of the
24 Affordability Period in violation of the Homebuyer Deed of Trust.

25 23. QUALIFIED HOMEBUYER. DEVELOPER 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 eligible to
28 purchase the rehabilitated homes, the homebuyer’s annual income

1 must not exceed one-hundred twenty percent (120%) of the AMI,
2 as 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 as defined herein. The income of all co-owners will be included in
9 determining if the household qualifies as moderate income, as
10 noted above. Co-signers are not permitted.

11 c. First-time homebuyer. In order to qualify as a first-time
12 homebuyer, the homebuyer cannot have had ownership interest in
13 improved-upon residential real property for the previous three
14 years from the date the homebuyer enters into a purchase
15 agreement. DEVELOPER shall cause the homebuyer to sign a
16 sworn application attesting that they have not owned a home, nor
17 have had ownership interest in improved-upon real property, and
18 tax returns from the last three (3) years will be reviewed to
19 ascertain that no mortgage interest or real estate tax deductions
20 have been claimed.

21 d. Principal Residence. Homebuyer must be the principal resident
22 during the Affordability Period.

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- f. Homebuyer Education. Each homebuyer must receive a certificate of completion evidencing at least eight (8) hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.
- g. Long Term Affordability. NSP 3 assisted units must meet the affordability requirements for fifteen (15) years after transfer of title to Qualified Homebuyer. Affordability requirements apply regardless of the term of any loan, mortgage or the transfer of ownership. Affordability requirements are imposed by deed restrictions, but may terminate upon foreclosure or transfer in lieu of foreclosure.
- h. Creditworthiness. Qualified Homebuyers must be creditworthy and able to undertake traditional fixed rate loan FHA, VA, CalHFA, Fannie Mae or Freddie Mac insured loan products with fully amortized loan payments with a term no less than the Affordability Period.
- i. Homebuyer's Citizenship. All applicants and household members must be either a US Citizen or a qualified alien as per Section 431 of Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and possess a valid social security number.
- j. Equity Participation. In the event a Second Mortgage Loan is required, as explained in **Section 5(d)(2)(b)**, repayment is required to COUNTY if the Assisted Unit is no longer the principal residence or upon sale, rental, refinance, conveyance, transfer or change in title of the Assisted Unit prior to the expiration of the Affordability Period in violation of the Homebuyer Deed of Trust. Sale, rental, refinance, conveyance, transfer or change in title of the Assisted Unit prior to the

1 expiration of the Affordability Period in violation of the
2 Homebuyer Deed of Trust will cause the Qualified Homebuyer to
3 be obligated to repay the COUNTY shared equity, in addition to
4 the principal amount of the Homebuyer Subsidy, as provided in
5 the Homebuyer Deed of Trust to COUNTY.

6 k. County Assistance. Only the County of Riverside's Mortgage
7 Credit Certificate program can be used to further assist a
8 Qualified Homebuyer purchase an Assisted Unit. The following
9 County of Riverside programs are not eligible: First Time Home
10 Buyer Program, Neighborhood Stabilization Homeownership
11 Program and Redevelopment Homeownership Program.

12 24. FEDERAL REQUIREMENTS. DEVELOPER shall comply with the
13 provisions of NSP 3 and any amendments thereto and all applicable federal regulations and
14 guidelines now or hereafter enacted.

15 25. INDEPENDENT CONTRACTOR. DEVELOPER and its agents,
16 servants and employees shall act at all times in an independent capacity during the Term of this
17 Agreement, and shall not act as, shall not be, nor shall they in any manner be construed to be
18 agents, officers, or employees of COUNTY.

19 26. PERFORMANCE REQUIREMENTS. DEVELOPER must complete all
20 the following activities within the time specified below or the COUNTY shall either reallocate
21 unencumbered funds pursuant to **Section 10** or take title of Assisted Units:

- 22 a. Close Escrow on the Assisted Units within four (4) months from
23 the Effective Date, as defined in **Section 52**;
- 24 b. Rehabilitate the Assisted Units within six (6) months from the
25 Effective Date, as defined in **Section 52**; and
- 26 c. Sell the Assisted Units within ten (10) months from the Effective
27 Date, as defined in **Section 52**.
- 28 d. In the event DEVELOPER fails to comply with **Section 26(a)**,

1 COUNTY may reallocate unencumbered NSP 3 funds in
2 accordance with **Section 10**.

- 3 e. In the event DEVELOPER fails to comply with **Section 26(b)** or
4 **Section 26(c)**, upon COUNTY's request, DEVELOPER shall
5 grant its ownership interest in the Assisted Units to COUNTY or
6 its designee.

7 _____
8 Signature

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

18 28. PROHIBITION AGAINST CONFLICTS OF INTEREST:

- 19 a. DEVELOPER and its assigns, employees, agents, consultants,
20 officers and elected and appointed officials shall become familiar
21 with and shall comply with the conflict of interest provisions in
22 OMB Circular A-110, 24 CFR 85.36, 24 CFR 84.42, 24 CFR
23 570.611 and Policy Manual #A-11, attached hereto as **Exhibit F**
24 which is attached hereto and by this reference incorporated herein.
- 25 b. DEVELOPER understands and agrees that no waiver or exception
26 can be granted to the prohibition against conflict of interest except
27 upon written approval of HUD pursuant to 24 CFR 92.356(d).
28 Any request by DEVELOPER for an exception shall first be
reviewed by COUNTY to determine whether such request is

1 appropriate for submission to HUD.

2 c. Prior to any funding under this Agreement, DEVELOPER shall
3 provide COUNTY with a list of all employees, agents,
4 consultants, officers and elected and appointed officials who are
5 in a position to participate in a decision-making process, exercise
6 any functions or responsibilities, or gain inside information with
7 respect to the NSP 3 activities funded under this Agreement.
8 DEVELOPER shall also promptly disclose to COUNTY any
9 potential conflict, including even the appearance of conflict that
10 may arise with respect to the NSP 3 activities funded under this
11 Agreement.

12 d. Any violation of this section shall be deemed a material breach of
13 this Agreement, and the Agreement shall be immediately
14 terminated by the COUNTY.

15 29. EVENTS OF DEFAULT. The occurrence of any of the following events
16 shall constitute an "Event of Default" under this Agreement:

17 a. Monetary Default. (1) DEVELOPER's failure to pay when due
18 any sums payable under the Note or any advances made by the
19 COUNTY under this Agreement; (2) DEVELOPER's or any
20 agent of DEVELOPER's use of NSP 3 funds for costs
21 inconsistent with terms and restrictions set forth in this
22 Agreement; (3) DEVELOPER's failure to obtain and maintain
23 the insurance coverage required under this Agreement; (4)
24 DEVELOPER's or any agent of DEVELOPER's failure to make
25 any other payment of any assessment or tax due under this
26 Agreement.

27 b. Non-Monetary Default - Operation. (1) Discrimination by
28 DEVELOPER or DEVELOPER's agent on the basis of

1 characteristics prohibited by this Agreement or applicable law; (2)
2 the imposition of any encumbrances or liens on the Project
3 without the COUNTY's prior written approval that are prohibited
4 under this Agreement or that have the effect of reducing the
5 priority or invalidating the NSP 3 Deed of Trust; (3) any material
6 adverse change in the condition of DEVELOPER or the Project or
7 permanent financing or funding for the Project that gives the
8 COUNTY reasonable cause to believe that the Project cannot be
9 operated according to the terms of this Agreement.

10 c. General Performance of Loan Obligations. Any substantial or
11 continuous or repeated breach by DEVELOPER or
12 DEVELOPER's agents of any material obligations on
13 DEVELOPER imposed in the NSP 3 Agreement.

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

22 e. Representations and Warranties. A determination by the
23 COUNTY that any of DEVELOPER's representations or
24 warranties made in this Agreement, any statements made to the
25 COUNTY by DEVELOPER, or any certificates, documents, or
26 schedules supplied to the COUNTY by DEVELOPER were
27 untrue in any material respect when made, or that DEVELOPER
28 concealed or failed to disclose a material fact from the COUNTY.

1 f. Damage to Project. In the event that the Project is materially
2 damaged or destroyed by fire or other casualty, and
3 DEVELOPER receives an award or insurance proceeds for the
4 repair or reconstruction of the Project, and DEVELOPER does
5 not use such award or proceeds to repair or reconstruct the
6 Project.

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

18 30. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. Except for
19 the performance obligations set forth in **Section 26**, for monetary and non-monetary Events of
20 Default, the COUNTY shall give written notice to DEVELOPER of any Event of Default by
21 specifying: (a) the nature of the Event of Default or the deficiency giving rise to the default, (b)
22 the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which
23 shall not be more than thirty (30) calendar days from the mailing of the notice, by which such
24 action to cure must be taken. Except for the performance obligations set forth in **Section 26**,
25 the COUNTY agrees that the DEVELOPER shall have the right to cure defaults under this
26 Agreement.

27 31. COUNTY REMEDIES. Upon the happening of an Event of Default and a
28 failure by DEVELOPER to cure said default within the time specified in the notice of default

1 (if an action to cure is specified in said notice), the COUNTY's obligation to disburse NSP 3
2 funds shall terminate, and the COUNTY may also in addition to other rights and remedies
3 permitted by this Agreement or applicable law, proceed with any or all of the following
4 remedies in any order or combination the COUNTY may choose in its sole discretion:

- 5 a. Terminate this Agreement, in which event the entire amount as
6 well as any other monies advanced to DEVELOPER by the
7 COUNTY under this Agreement including administrative costs,
8 shall immediately become due and payable at the option of the
9 COUNTY.
- 10 b. Bring an action in equitable relief (1) seeking the specific
11 performance by DEVELOPER of the terms and conditions of this
12 Agreement, and/or (2) enjoining, abating, or preventing any
13 violation of said terms and conditions, and/or (3) seeking
14 declaratory relief.
- 15 c. Accelerate the NSP 3 Loan, and demand immediate full payment
16 of the principal payment outstanding and all accrued interest
17 under the Note, as well as any other monies advanced to
18 DEVELOPER by the COUNTY under this Agreement.
- 19 d. Reallocate unencumbered funds pursuant to **Section 10**.
- 20 e. Pursue any other remedy allowed at law or in equity.

21 32. DEVELOPER'S REMEDIES. Upon the fault or failure of the COUNTY
22 to meet any of its obligations under this Agreement, DEVELOPER may:

- 23 a. Demand payment from the COUNTY of any sums due
24 DEVELOPER; and/or
- 25 b. Bring an action in equitable relief seeking the specific
26 performance by the COUNTY of the terms and conditions of this
27 Agreement; and/or
- 28 c. Pursue any other remedy allowed at law or in equity.

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

11 34. DEVELOPER'S CERTIFICATION. DEVELOPER certifies, to the best
12 of its knowledge and belief, that:

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

23 b. If any funds other than federally appropriated funds have been
24 paid or will be paid to any person for influencing or attempting to
25 influence an officer or employee of any agency, a member of
26 Congress, an officer or employee of Congress, or an employee of
27 a member of Congress in connection with this federal contract,
28 grant, loan, or cooperative agreement, the undersigned shall

1 complete and submit Standard Form-LLL, "Disclosure Form to
2 Report Lobbying," in accordance with its instructions.

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

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

25 With respect to any action or claim subject to indemnification herein by DEVELOPER,
26 DEVELOPER shall, at its sole cost, have the right to use counsel of its own choice and shall
27 have the right to adjust, settle, or compromise any such action or claim without the prior
28 consent of COUNTY; provided, however, that any such adjustment, settlement or compromise

1 in no manner whatsoever limits or circumscribes DEVELOPER'S indemnification to
2 COUNTY as set forth herein.

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

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

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

12 36. TERMINATION.

13 a. DEVELOPER. DEVELOPER may terminate this Agreement
14 consistent with the Act, the regulations implementing the Act, and
15 24 CFR 85.44.

16 b. COUNTY. Notwithstanding the above provision hereof,
17 COUNTY may suspend or terminate this Agreement upon written
18 notice to DEVELOPER of the action being taken and the reason
19 for such action:

20 1) In the event DEVELOPER fails to perform the covenants
21 herein contained at such times and in such manner as
22 provided in this Agreement after the applicable notice and
23 cure provision hereof; or

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

27 3) In the event the funding from HUD, as referred to in
28 **Section 1**, is terminated or otherwise becomes

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

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

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

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

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

28 43. JURISDICTION AND VENUE. Any action at law or in equity arising

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

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

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

12 46. ASSIGNMENT. DEVELOPER will not make any sale, assignment,
13 conveyance, or lease of any trust or power, or transfer in any other form with respect to this
14 Agreement or the Project.

15 47. EXHIBITS AND ATTACHMENTS. Each of the attachments and
16 exhibits attached hereto is incorporated herein by this reference.

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

25 49. NOTICES. All notices, requests, demands and other communication
26 required or desired to be served by either party upon the other shall be addressed to the
27 respective parties as set forth below or the such other addresses as from time to time shall be
28 designated by the respective parties and shall be sufficient if sent by U.S. first class, certified

1 mail, postage prepaid, or express delivery service with a receipt showing the date of delivery.

2 COUNTY

3 Assistant Director
4 Riverside County
5 Economic Development Agency
6 3403 Tenth Street, Suite 500
7 Riverside, CA 92501

DEVELOPER

8 President
9 Sheffield Foreclosure
10 Renovation, Inc.
11 3400 Central Avenue, Suite 325
12 Riverside, CA 92506

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

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

18 52. EFFECTIVE DATE. The effective date of this Agreement is the date the
19 parties execute the Agreement. If the parties execute the Agreement on more than one date,
20 then the date first above written shall be the effective date.

21 (Signatures On Next Page)

22 //
23 //
24 //
25 //
26 //
27 //
28 //

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

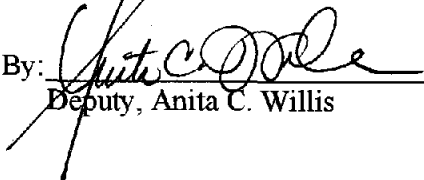
COUNTY:
COUNTY OF RIVERSIDE

DEVELOPER:
SHEFFIELD FORECLOSURE
RENOVATION, INC.

By: _____
BOB BUSTER
Chairman, Board of Supervisors

By: _____
EDWIN M. HUPP, JR
President

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

By: 
Deputy, Anita C. Willis

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

Exhibit A

DEVELOPER: SHEFFIELD FORECLOSURE RENOVATION

Address: 3400 Central Avenue, Suite 325, Riverside, CA 92506

Project Title: SHEFFIELD – NSP3-1

Project Description:

DEVELOPER will utilize up to \$2,500,000.00 in NSP 3 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 Substantial Amendment to the COUNTY’s 2010-2011 One Year Action Plan and its amendments. Target Areas inside a city’s boundary will require a letter of support from the respective city.

NSP 3 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 cannot have had ownership interest in improved-upon residential real property for the previous three 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). DEVELOPER will utilize NSP 3 funds for acquisition, rehabilitation and disposal costs of properties for the Project. NSP 3 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 occupied at the time of foreclosure by a bona fide tenant, the foreclosing entity must provide documentation showing that all tenant protection laws were adhered to. Also, If property was occupied by a bona fide tenant without a lease or with a lease terminable at will under state law at time of foreclosure, seller and or Listing Agent acknowledge and certify that the tenant was given 90 days notice as required by law before being asked to vacate the property, or if property was occupied by a bona fide tenant with a lease in effect on or before the date of the foreclosure, the Seller allowed the bona fide tenant to remain to the end of the lease term and provided a minimum 90 days notice to vacate (periods may overlap, but cannot be less than 90 days).
3. The home must be permanently fixed to a permanent foundation.
4. Homes constructed less than 50 years prior to the date of the initial offer 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 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 NSP 3 designated Target Areas of the County of Riverside as defined in the Substantial Agreement to the County’s 2010-2011 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 1% below the Current Market Appraised Value, as defined herein, 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 3.

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 D**, 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 D**, 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 3 Loan 10 months @ 0%	<u>\$2,500,000</u>
Total Sources	<u>\$2,500,000</u>

Uses:

Acquisition	\$1,527,200.00
Appraisals	\$5,000.00
Title and Escrow	\$40,000.00
Rehabilitation Costs	\$550,000.00
Building Permits	\$7,800.00
Interim Maintenance	\$20,000.00
Insurance	\$17,800.00
Marketing	\$20,000.00
Contingency	\$25,000.00
(Total Project Costs) Sub-Total	\$2,212,800.00
Real Estate Commission (up to 3% of resale prices)	\$66,000.00
Developer Fee (10% of Total Project Costs)	\$221,200.00
Total Uses	\$2,500,000

IMPLEMENTATION SCHEDULE

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

* Section 26 – Performance Requirements

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. NSP 3 Activities Reporting and Project Photos	Monthly, due by the 15 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for DEVELOPER and General Contractor	DEVELOPER – 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. Local Hiring Requirement	Quarterly, due by: April 10 th , July 10 th , October 10 th , January 10 th
5. Notice of Completion	End of Construction
6. Certificate of Occupancy	End of Construction
7. Compliance with Green Rehabilitation Standard	End of Construction
8. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Rehabilitation
9. Rehabilitation Completion Report	Close of Rehabilitation
10. Final Development Cost - Sources and Uses	Close of Rehabilitation
11. Qualified Homebuyer Selection Policy	Marketing Stage
12. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
13. 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 10th 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 SHEFFIELD FORECLOSURE RENOVATION, INC., a Delaware for profit corporation ("Borrower" or "DEVELOPER"), and whose address is 320 W. G Street, Suite 103, Ontario, CA 91762. 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 10th Street, Suite 500, Riverside, CA 92501.

Pursuant to the terms of the NSP 3 Loan Agreement, dated _____, Borrower owes Lender the sum of _____ Dollars (U.S. \$ _____) (the "NSP 3 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 3 Loan Agreement.

The NSP 3 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. The Lender hereby agrees to execute any and all documents necessary to effectuate such subordination concerning this loan, construction and permanent loans, and any future refinancing upon Borrower's request. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.
6. **Hazard or Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the NSP 3 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 with terms and amounts acceptable to Lender and shall include a standard mortgagee clause. All original policies of insurance required pursuant to the Lender Deeds of Trust shall be held by the Borrower; provided, however, Lender shall 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 and Lender. Lender may make proof of loss if not made promptly by the Borrower.
 - b) Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided Borrower determines that such restoration or repair is economically feasible and there is no default continuing beyond the expiration of all applicable cure periods. If Borrower determines that such restoration or repair is not economically feasible or if a default exists after expiration of all applicable cure periods, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to 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.

- 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 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.
- a. 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 law of the State of California. 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 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.
 - a. If Lender exercises the foregoing option, Lender shall give Borrower 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 at least 60 days' prior written notice.

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. 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:

22. 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 at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 22, 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. 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.

23. 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.

- 24. 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.
- 25. 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:

SHEFFIELD FORECLOSURE RENOVATION, INC.

By: _____
Edwin M. Hupp, Jr.
President

(SIGNATURES CONTINUE ON NEXT PAGE)

BORROWER SIGNATURE MUST BE NOTARIZED

Date: _____

LENDER:

COUNTY OF RIVERSIDE

By: _____
EMILIO RAMIREZ
Assistant Director

LENDER SIGNATURE MUST BE NOTARIZED

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 SECURED BY DEED OF TRUST \$ _____ **Riverside, CA**

In installments as hereafter stated, for value received, SHEFFIELD FORECLOSURE RENOVATION, INC., a Delaware for profit corporation, ("Borrower" or "DEVELOPER") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 3403 10th 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 3 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 3 Loan Agreement.

This Promissory Note shall provide the following:

The NSP 3 Loan will accrue interest at a rate of zero percent (0%) per annum. The NSP 3 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 3 Loan Agreement. Notwithstanding the above, it is intended that the full amount of the NSP 3 Loan for the Assisted Unit will be reduced by the following:

- (a) Development Subsidy. The Development Subsidy is the amount of the NSP 3 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 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 3 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 3 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 3 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 3 Loan Agreement, the term of the NSP 3 Loan shall be ten (10) months from the date of execution of the NSP 3 Loan Agreement.

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 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 3 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 3 documents shall be enforced personally against the Borrower, but shall be enforced only against the Property and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the NSP 3 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 of 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 Property (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Property 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 following page)

DATE: _____

BORROWER:

SHEFFIELD FORECLOSURE RENOVATION, INC.

By: _____
Edwin M. Hupp, Jr.
President

EXHIBIT D

- 1. INITIAL NOTICE AND OFFER**
- 2. FINAL NOTICE AND OFFER**



INITIAL NOTICE AND OFFER
NSP 3 form

Informational Notice To Seller
VOLUNTARY ACQUISITION OF
FORECLOSED PROPERTY

Date	
------	--

_____, (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 American Recovery and Reinvestment Act of 2009 provided a second round of NSP funds, NSP2, awarded by competition. On October 19, 2010, a third round of NSP funding, NSP3, was announced providing an additional allocation of funds under Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Buyer intends to apply and qualify for the Riverside County Economic Development Agency (EDA) NSP 3 assistance. Acquisitions financed with NSP 3 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 3 and the application for the NSP 3 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.



FINAL NOTICE AND OFFER NSP 3 form

Address _____ Date _____

FINAL NOTICE

(Section completed by EDA**)**

EDA has obtained an appraisal report of the property under consideration, dated _____.

The appraisal indicates the property's CMAV is \$ _____ .00 and the one percent (1%) discount is \$(_____ .00).

The final purchase price must be equal to or less than \$ _____ .00 and will expire on midnight of _____.

Buyer's Initial Purchase Price, dated _____, is \$ _____ .00.

Buyer's Initial Purchase Price

- is **less than or equal to** the CMAV discounted at 1%.
- is **more than** the CMAV discounted at 1%.

Principal Dev. Spec.

Date _____

FINAL OFFER

(Section completed by Buyer and Seller**)**

The Initial Offer is

- is **less than or equal to** the CMAV discounted at 1%. Buyer and Seller acknowledged that they mutually accepted the Final Purchase Price of \$ _____.
- is **more than** the CMAV discounted at 1%. The offer does not meet the discount requirement for NSP. Buyer is prepared to offer you \$ _____ to purchase Seller's property. The Final Offer/Purchase price must be received and dated within sixty (60) days of the completed EDA appraisal report, as stated above.

By signing below, Buyer and Seller acknowledged that they have mutually accepted the Final Purchase Price of \$ _____. Signature of **all parties below** must be dated before the expiration of offer to be valid.

Signature of Seller Date

Print Name

Signature of Seller Date

Print Name

Signature of Buyer Date

Print Name

Signature of Buyer Date

Print Name

EXHIBIT E

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 E

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 _____ \$ _____

Effective 05/2010

Persons in Household	1	2	3	4	5	6	7	8
Low Income Family (80% Area Median Income)	\$36,400	\$41,600	\$46,800	\$52,000	\$56,200	\$60,350	\$64,500	\$68,650

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 F

§ 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 3 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 3 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 3 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 3 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 3 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 3 assisted affordable housing unit in a project. This provision does not apply to an individual who receives NSP 3 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 3 program and the effective and efficient administration of the owner's or developer's NSP 3 assisted project. In determining whether to grant a requested exception, the COUNTY shall consider the following factors:
- (i) Whether the person receiving the benefit is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted housing, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 - (ii) Whether the person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted housing in question;
 - (iii) Whether the tenant protection requirements of § 92.253 are being observed;
 - (iv) Whether the affirmative marketing requirements of § 92.351 are being observed and followed; and
 - (v) Any other factor relevant to the COUNTY's determination, including the timing of the requested exception.

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

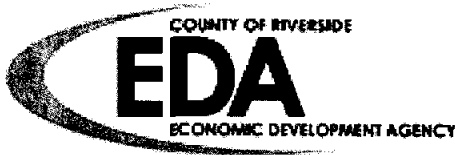
TOPIC: CONFLICT OF INTEREST CODED
RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY

DATE: MARCH 1999

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

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

Exhibit G



**Contractor Debarment
Certification Form**

Excluded Parties Lists System (EPLS)

The purpose of EPLS is to provide a single comprehensive list of individuals and firms excluded by Federal government agencies from receiving federal contracts or federally approved subcontracts and from certain types of federal financial and nonfinancial assistance and benefits.

The EPLS was established to ensure that agencies solicit offers from, award contracts, grants, or financial or non-financial assistance and benefits to, and consent to subcontracts with responsible contractors only and not allow a party to participate in any affected program if any Executive department or agency has debarred, suspended, or otherwise excluded (to the extent specified in the exclusion action) that party from participation in an affected program.

Please complete the following verification process for each contractor:

- STEP 1: Visit <https://www.epls.gov/epls/search.do>
- STEP 2: For "Name Search Type" select "Individual (Basic)". Leave field blank.
- STEP 3: For "Classification" select "ALL"
- STEP 4: For "Exclusion Type" select "ALL"
- STEP 5: For "U.S. State" select "CA – CALIFORNIA"
- STEP 6: For "Country" select "USA – UNITED STATES"
- STEP 7: Click Search.
- STEP 8: Search name of contractor (individual last name or firm).
- STEP 9: Scroll and locate the names of contractor before and after subject contractor.
- STEP 10: Print Screen and attach to this certification as supporting documentation.

By signing below Developer, _____, has verified the contractor known as, _____, was not listed in the Excluded Parties Lists System as of _____.

X _____