

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

222



FROM: Economic Development Agency

SUBMITTAL DATE:
September 15, 2011

SUBJECT: First Amendment to 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 First Amendment to 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 First Amendment; and
3. Authorize the Assistant County Executive Officer/EDA, or his designee, to take all necessary steps to implement the First Amendment including, but not limited to, signing 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:	\$ 2,422,580	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/12

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 Sargent*
County Executive Office Signature Jennifer Sargent

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY: *Samuel Wong*
 DATE: 9-15-11
 ANITA C. WILLIS
 COUNTY COUNSEL
 FORM APPROVED BY: *Anita C. Willis*
 DATE: 9-15-11
 Policy Consent
 Policy Consent

Prev. Agn. Ref.: 3.18 of 5/3/11 District: ALL Agenda Number **3.9**

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

Economic Development Agency

First Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program 3 Funds with Sheffield Foreclosure Renovation, Inc.

September 15, 2011

Page 2

BACKGROUND: On May 3, 2011 the Board of Supervisors approved a Loan Agreement for the use of Neighborhood Stabilization Program 3 (NSP3) funds with Sheffield Foreclosure Renovation, Inc. (Sheffield), a Delaware for-profit corporation, in an amount of \$2,500,000 (Loan Agreement) to finance the acquisition and rehabilitation of approximately ten vacant, foreclosed and bank-owned single-family properties and resale properties to qualified low-, moderate-, and middle-income (LMMI) first-time homebuyers in the County of Riverside inside designated Neighborhood Stabilization Program (NSP) Target Areas, as defined in the County of Riverside Substantial Amendment to the 2010-2011 One-Year Action Plan (Project).

The County has a deadline to obligate and expend at least 50% of the County's NSP3 grant by 2/27/2013 and must expend 100% of the County's NSP3 grant by 2/27/2014.

On July 26, 2011, the Board approved the release of a Notice of Funding Availability (NOFA) for NSP3 activities by the Riverside County Economic Development Agency (EDA). At the close of the NOFA, EDA received applications from four developers.

Sheffield has applied for NSP3 funds to acquire, rehabilitate and resell 10 vacant, foreclosed, and bank-owned single-family homes to LMMI and very low-income (VLI) first-time homebuyers within designated Target Areas of the County of Riverside as defined in the 2010-2011 One-Year Action Plan.

EDA has reviewed the application and is recommending an additional loan of \$2,422,580 for a total loan amount of \$4,922,580 in NSP3 funds to Sheffield, and of the total loan amount, no less than \$1,000,000 will be used to acquire, rehabilitate and resell properties to VLI first-time homebuyers. The balance of the loan will be used for properties to be resold to LMMI first-time homebuyers. The properties identified are listed with purchase prices from \$99,900 to \$221,900. Rehabilitation costs range from \$16,900 to \$68,800 per property.

Amending the Loan Agreement will assist the County to fulfill its requirements under the NSP3 program.

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

FINANCIAL DATA:

All the costs related to this project will be fully funded with NSP3 funds.

Attachments:

First Amendment to Loan Agreement

**FIRST AMENDMENT TO LOAN AGREEMENT FOR THE USE OF
NEIGHBORHOOD STABILIZATION PROGRAM 3 (NSP) FUNDS**

This First Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program 3 Funds ("First Amendment") is made and entered into as of the ____ 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, COUNTY and DEVELOPER entered into a Loan Agreement for the Use of Neighborhood Stabilization Program 3 Funds ("NSP 3 Loan Agreement") on May 3, 2011; and

WHEREAS, capitalized terms not defined herein shall have the meaning ascribed to them in the NSP 3 Loan Agreement; and

WHEREAS, pursuant to the NSP 3 Loan Agreement, COUNTY agreed to lend up to Two Million Five Hundred Thousand Dollars (\$2,500,000.00) in NSP 3 funds (the "NSP 3 Loan") to DEVELOPER for individual financing to acquire and rehabilitate approximately ten (10) vacant, foreclosed and bank-owned single-family properties ("Properties") and resale homes to qualified low-, moderate-, and middle-income (LMMI) first-time homebuyers in the County of Riverside; and

WHEREAS, COUNTY has a deadline to obligate and expend the NSP3 funds; and

WHEREAS, DEVELOPER has applied for additional NSP3 funds to acquire approximately eleven (11) additional Properties to assist Very Low-Income ("VLI") and LMMI first-time homebuyers; and

WHEREAS, COUNTY and DEVELOPER desire to amend the NSP 3 Loan Agreement and increase the NSP 3 Loan from Two Million Five Hundred Thousand Dollars (\$2,500,000.00) to an amount not to exceed Four Million Nine Hundred Twenty Two Thousand Five Hundred Eighty Dollars (\$4,922,580.00);

WHEREAS, DEVELOPER will utilize a minimum of One Million Dollars

1 (\$1,000,000.00) of the NSP 3 Loan to acquire, rehabilitate and resell Properties to qualified
2 VLI first-time homebuyers; and

3 WHEREAS, amending the NSP 3 Loan Agreement will assist COUNTY in fulfilling its
4 requirements under the Neighborhood Stabilization Program 3.

5 NOW, THEREFORE, in consideration of the foregoing, and the promises and mutual
6 covenants and conditions hereinafter set forth, COUNTY and DEVELOPER do hereby agree
7 as follows:

8 1. Section 1, PURPOSE, of the NSP 3 Loan Agreement, is deleted in its entirety and
9 replaced with the following:

10 "1. PURPOSE. COUNTY agrees to lend an amount not to exceed Four Million
11 Nine Hundred Twenty Two Thousand Five Hundred Eighty Dollars
12 (\$4,922,580.00) of NSP 3 funds to DEVELOPER upon the terms and conditions
13 set forth herein. DEVELOPER will borrow the NSP 3 funds from COUNTY for
14 individual financing of acquisition, rehabilitation and disposition of each
15 Assisted Unit of the Project ("NSP 3 Loan"). DEVELOPER promises and
16 agrees to undertake and assist with the NSP 3-assisted activities by utilizing
17 such NSP 3 funds, as identified in the "**Revised Exhibit A.**" "

18 2. Subsection g, of the NSP 3 Loan Agreement is added to Section 2, DEVELOPER'S
19 OBLIGATIONS:

20 "g. DEVELOPER shall submit a budget to the COUNTY for each Assisted Unit
21 showing the costs for acquiring, rehabilitating and disposing of it and obtain
22 COUNTY's approval on the submitted budget prior to entering into a contract
23 to purchase the Assisted Unit."

24 3. Subsection d, Repayment, of Section 5 of the NSP 3 Loan Agreement is deleted in its
25 entirety and replaced with the following:

26 "d. Repayment. Each Note shall provide the following:

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

- 1 a) The date the Assisted Unit is sold; or
2 b) An Event of Default by DEVELOPER which has not been cured
3 as provided for in this Agreement.
- 4 2) Notwithstanding the above, DEVELOPER'S obligation to repay the full
5 amount of the NSP 3 Loan attributable to a particular Assisted Unit will
6 be reduced by the sum of the Development Subsidy, the Homebuyer
7 Subsidy and the Closing Costs, as defined below:
- 8 a) Development Subsidy. The Development Subsidy is the amount
9 of the NSP 3 Loan attributable to the Assisted Unit plus any
10 additional Leverage Funds, hereinafter defined as additional
11 funding secured by DEVELOPER, identified in the County
12 approved budget for the Assisted Unit, and that has been used for
13 NSP3-eligible costs by DEVELOPER, minus the Selling Price of
14 the Assisted Unit (as defined in **Section 22**).
- 15 b) Homebuyer Subsidy. The Homebuyer Subsidy is the amount of
16 the Selling Price of the Assisted Unit minus the Qualified
17 Homebuyer's home loan (the "Homebuyer Loan"). The
18 Homebuyer Subsidy is limited to thirty percent (30%) of the
19 Selling Price and capped for a maximum amount of \$75,000. The
20 Homebuyer Subsidy is an amount which will be assumed by the
21 Qualified Homebuyer, as defined in **Section 23**, in the form of
22 silent second mortgage assistance to Qualified Homebuyer, as
23 defined in **Section 23**; and
- 24 c) Closing Costs. Closing Costs include all costs payable by
25 DEVELOPER in connection with the sale of the Assisted Unit to
26 a Qualified Homebuyer as defined in **Section 23**.
- 27 3) The NSP 3 Loan less the Development Subsidy, Homebuyer Subsidy
28 and Closing Costs for such Assisted Unit shall be repaid to the

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

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

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

21 4. Section 12, DISTRIBUTION OF FUNDS, of the NSP 3 Loan Agreement, is deleted in
22 its entirety and replaced with the following:

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

1 Any disbursement of funds is expressly conditioned upon the
2 satisfaction of conditions set forth in **Section 11**. Subsequent to
3 acquisition of each Assisted Unit, COUNTY shall pay DEVELOPER for
4 rehabilitation costs on a "cost-as-incurred" basis for all NSP 3-eligible
5 approved costs on a monthly basis. All disbursements of NSP 3 funds for
6 rehabilitation will be made within thirty (30) days after DEVELOPER
7 has submitted its letter identifying payments made and requesting
8 reimbursement.

9 In the event that the DEVELOPER has used Leverage Funds for
10 NSP 3-eligible costs, COUNTY will reimburse the DEVELOPER for the
11 Leverage Funds from Selling Price of the Assisted Unit at the time of the
12 resale to a Qualified Homebuyer. DEVELOPER shall submit satisfactory
13 evidence of the use of the Leverage Funds and costs associated with the
14 use of the Leverage Funds a minimum of thirty days (30) prior to the
15 resale of the Assisted Unit to a Qualified Homebuyer and COUNTY shall
16 authorize the payment of the Leverage Funds to the DEVELOPER with
17 the sale proceeds of the Assisted Unit.

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

28 5. Section 21, INCOME TARGETING REQUIREMENTS, of the NSP 3 Loan

1 Agreement is deleted in its entirety and replaced with the following:

2 “21. INCOME TARGETING REQUIREMENTS. DEVELOPER agrees to resell
3 each Assisted Unit to VLI and LMMI households whose incomes are at or
4 below fifty percent (50%) and one-hundred twenty percent (120%) of the Area
5 Median Income (AMI), respectively, adjusted by family size at the time of
6 occupancy, for the County of Riverside. A minimum of one million dollars
7 (\$1,000,000.00) shall be used to target VLI first-time homebuyers.”

- 8 6. Subsection a, of Section 23, Income Limits, of the NSP 3 Loan Agreement is deleted in
9 its entirety and replaced with the following:

10 “a. Income Limits. In order for homebuyers to be eligible to purchase the
11 rehabilitated homes, the homebuyer’s annual income must not exceed fifty
12 percent (50%) of the AMI for the VLI Assisted Units and one-hundred twenty
13 percent (120%) of the AMI for the LMMI Assisted Units, as determined by
14 HUD, adjusted for family size. The income and assets of all persons age
15 eighteen (18) and older who will reside in the home must be included in the
16 calculation to determine income eligibility.”

- 17 7. Section 26, PERFORMANCE REQUIREMENTS, of the NSP 3 Loan Agreement is
18 deleted in its entirety and replaced with the following:

19 “26. PERFORMANCE REQUIREMENTS. DEVELOPER must complete all the
20 following activities within the time specified below and subject to the specified
21 Effective Date as defined in **Section 52**, or the COUNTY shall either reallocate
22 the Unused Balance pursuant to **Section 10** or take title of Assisted Units:

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

1 d. In the event DEVELOPER fails to comply with **Section 26(a)**,
2 COUNTY may reallocate the Unused Balance in accordance with
3 **Section 10**.

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

7
8 _____
Signature"

9 8. Section 52, EFFECTIVE DATE, of the NSP 3 Loan Agreement is deleted in its entirety
10 and replaced with the following:

11 "52. EFFECTIVE DATE. DEVELOPER's performance will be determined based
12 on two Effective Dates as follows.

13 a. The Effective Date of the initial NSP 3 Loan of Two Million Five
14 Hundred Thousand Dollars (\$2,500,000.00) is as of May 3, 2011.

15 b. The Effective Date of the additional NSP 3 Loan of Two Million Four
16 Hundred Twenty Two Thousand Five Hundred Eighty Dollars
17 (\$2,422,580.00) is as of **Section 14** of this First Amendment."

18 9. Exhibit A of the NSP 3 Loan Agreement is replaced in its entirety with "**Revised**
19 **Exhibit A**", which is attached hereto and by this reference incorporated herein.

20 10. Exhibit C of the NSP 3 Loan Agreement is replaced in its entirety with "**Revised**
21 **Exhibit C**", which is attached hereto and by this reference incorporated herein.

22 11. All other terms and conditions of the NSP 3 Loan Agreement shall remain unmodified
23 and in full force and effect.

24 12. This First Amendment and the NSP 3 Loan Agreement set forth and contain the entire
25 understanding and agreement of the parties hereto. There are no oral or written
26 representations, understandings, or ancillary covenants, undertakings or agreements,
27 which are not contained or expressly referred to within this First Amendment and NSP
28 3 Loan Agreement.

- 1 13. This First Amendment may be signed by the different parties hereto in counterparts,
2 each of which shall be an original, but all of which together shall constitute one and the
3 same agreement.
- 4 14. The effective date of this First Amendment is the date the parties fully execute this First
5 Amendment.
- 6 15. The First Amendment is not binding until approved by the Board of Supervisors.

7 End of First Amendment

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1 IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of
2 the date first written above.

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4
5 COUNTY:
6 COUNTY OF RIVERSIDE

DEVELOPER:
SHEFFIELD FORECLOSURE
RENOVATION, INC.

7
8 By: _____
9 BOB BUSTER
Chairman, Board of Supervisors

By: _____
EDWIN M. HUPP, JR.
President

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

13 By: 
14 Deputy, Anita C. Willis

15 ATTEST:
16 KECIA HARPER-IHEM
17 Clerk of the Board

18
19 By: _____
20 Deputy

Revised 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 \$4,922,580.00 in NSP 3 funds for acquisition, rehabilitation and resale of approximately twenty one (21) vacant, foreclosed and bank-owned single-family homes to very low income (“VLI”) and 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 VLI and LMMI first-time homebuyers whose incomes do not exceed 50% (for VLI) and 120% (for LMMI) 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>\$4,922,580</u>
Total Sources	<u>\$4,922,580</u>

Uses:

Acquisition	\$3,146,800.00
Appraisals	\$21,500.00
Title and Escrow	\$122,235.00
Rehabilitation Costs	\$864,630.00
Building Permits & Lead Base Paint Assessment	\$10,500.00
Interim Maintenance	\$60,287.00
Insurance	\$46,598.00
Marketing	\$47,500.00
Contingency	\$42,746.00
(Total Project Costs) Sub-Total	\$4,362,796.00
Real Estate Commission (up to 3% of resale prices)	\$123,585.00
Developer Fee (10% of Total Project Costs)	\$436,199.00
Total Uses	\$4,922,580

IMPLEMENTATION SCHEDULE

Milestone*	Completion Date
1. NSP 3 Loan Agreement	
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	

*as of the Effective Date per Section 52 of NSP 3 Loan Agreement

** 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 30 th & March 31 st 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

REVISED 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 plus any additional Leverage Funds 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