

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



FROM: Housing Authority

SUBMITTAL DATE:
July 5, 2012

SUBJECT: Loan Agreement for Tres Lagos Senior Apartments in the City of Wildomar

RECOMMENDED MOTION: That the Board of Commissioners:

1. Approve the attached Loan Agreement for Tres Lagos Senior Apartments in the City of Wildomar;
2. Approve the attached deed of trust and promissory note;
3. Approve the attached covenant agreement;
4. Authorize the Chairman of the Board to execute the attached loan agreement and covenant agreement upon transfer of funds from the Successor Agency to the Redevelopment Agency of the County of Riverside to the Housing Authority of the County of Riverside; and

(Continued)


Robert Field
Executive Director

**FINANCIAL
DATA**

Current F.Y. Total Cost:	\$ 10,500,000
Current F.Y. Net County Cost:	\$ 0
Annual Net County Cost:	\$ 0

In Current Year Budget:	Yes
Budget Adjustment:	No
For Fiscal Year:	2012/13

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: No

SOURCE OF FUNDS: Housing Authority Low & Moderate Income Housing
Funds 86%, Housing Authority Bond Proceeds 14%

Positions To Be
Deleted Per A-30

☐

Requires 4/5 Vote

☐

C.E.O. RECOMMENDATION:

APPROVE

BY: 
Serena Chow

County Executive Office Signature

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

Prev. Agn. Ref.: 4.3 of 6/5/07; 4.2 of
1/29/08; 4.6 of 6/24/08; and 4.2 of 12/9/08

District: 1/1

Agenda Number:

10.2

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

RECOMMENDED MOTION: (Continued)

5. Authorize the Executive Director or designee to take all necessary steps to implement the loan agreement, deed of trust, promissory note and covenant agreement including, but not limited to, signing subsequent necessary and relevant documents.

BACKGROUND: On June 5, 2007, the Redevelopment Agency for the County of Riverside approved \$4,365,000 in Redevelopment Low- and Moderate-Income Housing Set-Aside Funds to Palm Desert Development Company to acquire 10.16 acres of land for the eventual development and construction of a 204-unit apartment complex for low-income senior households located in the former unincorporated area of the County of Riverside in the community of Wildomar, east of Arnett Road, west of Fox Ridge Lane and south of Catt Road.

On June 24, 2008, the Redevelopment Agency approved the First Amendment to Loan Agreement for Tres Lagos Senior Apartments to convert the acquisition loan to a grant. On July 1, 2008, the community of Wildomar incorporated into a city and was no longer in the territorial jurisdiction of the Redevelopment Agency. Future funding from the Redevelopment Agency to construct the project was halted. On December 9, 2008, the Redevelopment Agency approved the assignment of Wildomar Tres Lagos Limited Partnership to construct and operate the project. On September 27, 2010, Senate Bill Number 977 was passed allowing the Redevelopment Agency the ability to provide future funding to the project upon Board approval.

Pursuant to Assembly Bill x1 26, the redevelopment dissolution bill, the Riverside County Board of Supervisors adopted Resolution No. 2012-035 on January 10, 2012, which designated the Housing Authority of the County of Riverside as the successor agency for the redevelopment housing function. On the same date, the Housing Authority of the County of Riverside Board of Commissioners accepted, via adoption of Resolution No. 2012-001, the responsibility for performing all activities as the successor to the redevelopment housing function. On February 1, 2012, all California redevelopment agencies were eliminated and the Housing Authority of the County of Riverside assumed the redevelopment housing functions of the successor agency.

In order to continue development, the partnership requested \$10,500,000 in funding to build the first phase of development on the west side of the project site. The Recognized Obligation Payment Schedule identifies \$9,000,000 for the project from Successor Agency Low & Moderate Income Housing Funds and \$1,500,000 for the project from Successor Agency Housing Bond Proceeds. Additional funding sources for the project include \$7,528,488 in tax credit equity; \$2,191,749 in tax exempt bond proceeds; and a deferred developer fee of \$543,317. The total development cost for the project is estimated at \$20,763,554. The proposed project consists of a total of 80 units and one onsite manager's unit of which 64 are one-bedroom units and 16 are two-bedroom units. The units in phase one will be located in four buildings. The residents will have access to a 3,018 square foot community building that will include a community meeting room, kitchen, laundry room, and manager's office. The partnership will reserve all 80 units for extremely low- to low-income senior households for an affordability period of at least 55 years.

The County of Riverside Planning Department was the lead entity to prepare the Initial Study (EA 41648) to assess the potential environmental effect of the project. Upon completion of the environmental assessment, the project was not found to have a significant effect on the environment. Notice of the Study and Mitigated Negative Declaration was published in accordance with the California Environmental Quality Act. The Mitigated Negative Declaration was approved on May 5, 2008.

(Continued)

BACKGROUND: (Continued)

The loan agreement will be conditioned upon approval by the State of California Department of Finance, the Oversight Board of the Successor Agency to the Redevelopment Agency for the County of Riverside and the Successor Agency to the Redevelopment Agency for the County of Riverside. County Counsel has reviewed and approved the attached loan agreement, deed of trust, promissory note and covenant agreement as to form. Staff recommends that the Board approve the attached loan agreement, deed of trust, promissory note and covenant agreement.

FINANCIAL DATA: On April 19, 2012, the Oversight Board approved a total of \$10,500,000 for the project which is listed on the Recognized Obligation Payment Schedule. The amount of \$1,000,000 was approved and scheduled for payment in June, but the amount was to be carried over into the following period in addition to the \$9,500,000. As of July 17, 2012, the amount of \$1,500,000 from Successor Agency Housing Bond Proceeds and \$9,000,000 from Successor Agency Low & Moderate Income Housing Funds was transferred to the Housing Authority of the County of Riverside. The Housing Authority has budgeted this expense in the FY 2012/13 budget.

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Housing Authority of the County of Riverside,
successor in interest to the
Redevelopment Agency
for the County of Riverside
3403 10th Street, Suite 500
Riverside, CA 92501
Attn. Mervyn Manalo

SPACE ABOVE THIS LINE FOR RECORDERS USE

LOAN AGREEMENT FOR
TRES LAGOS SENIOR APARTMENTS IN WILDOMAR

This Agreement is made and entered into this ____ day of _____, 2012
by and between the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE
("AUTHORITY"), a public body, corporate and politic of the State of California and successor
in interest to the Redevelopment Agency for the County of Riverside ("RDA"), and Wildomar
Tres Lagos Limited Partnership ("OWNER"), a California limited partnership, whose
Administrative General Partner is PC Wildomar Developers I LLC, a California limited
liability company, and whose lead developer is Palm Communities, Inc. (formerly Palm Desert
Development Company), a California corporation. AUTHORITY and OWNER are
collectively referred to hereafter as the "Parties".

WITNESSETH:

WHEREAS, on June 5, 2007, RDA approved \$4,365,000 in Redevelopment
Low- and Moderate-Income Housing Set-Aside Funds for Palm Desert Development Company
to acquire approximately 10.16 acres of land for the development and construction of a 204-
unit apartment complex for low-income senior households in the unincorporated area of the
County in the community of Wildomar known as "Tres Lagos Senior Apartments"; and

WHEREAS, on June 24, 2008, RDA approved the First Amendment to Loan

1 Agreement for Tres Lagos Senior Apartments converting the loan to a grant of \$4,365,000; and

2 WHEREAS, on July 1, 2008, the community of Wildomar incorporated into a
3 city and Wildomar was no longer in the territorial jurisdiction of RDA, which prevented further
4 RDA funding for development and construction; and

5 WHEREAS, on December 9, 2008, RDA approved an Assignment and
6 Contribution Agreement with Palm Desert Development Company to assign Wildomar Tres
7 Lagos Limited Partnership to construct and operate the project; and

8 WHEREAS, on September 27, 2010, Senate Bill No. 977 was passed which
9 allowed for the RDA to fund further development and construction of the project; and

10 WHEREAS, on June 28, 2011, Governor Brown signed ABX1 26, the bill to
11 dissolve redevelopment agencies throughout the State of California, and ABX1 27, the
12 companion bill to allow redevelopment agencies to continue activities after making payment to
13 the State; and

14 WHEREAS, on December 29, 2011, the California Supreme Court announced its
15 decision to uphold ABX1 26 and strike down ABX1 27, thus eliminating redevelopment
16 agencies; and

17 WHEREAS, ABX1 26 is codified in the California Health and Safety Code; and

18 WHEREAS, Resolution No. 2012-035, adopted by the County of Riverside
19 Board of Supervisors on January 10, 2012 and Resolution No. 2012-001, adopted by the
20 County of Riverside Board of Commissioners on January 10, 2012, provides that
21 AUTHORITY has the responsibility of performing housing functions previously performed by
22 RDA including all rights, powers, assets, liabilities, duties and obligations associated with the
23 housing activities of the RDA; and

24 WHEREAS, on February 1, 2012, California redevelopment agencies were
25 dissolved including RDA; and

26 WHEREAS, AUTHORITY has resumed the housing activities of RDA; and

27 WHEREAS, AB 1484, an act amending ABx1 26, was enacted by the legislature
28 and signed by the governor on June 27, 2012; and

1 WHEREAS, the Successor Agency is in the process of transferring the funding
2 for this loan agreement to the AUTHORITY for the implementation of this loan agreement;
3 and

4 WHEREAS, the Parties agree and understand that the implementation of AB
5 1484 may impact the funding of this loan agreement; and

6 WHEREAS, the loan agreement is contingent upon approval of funding for this
7 loan agreement pursuant to ABx1 26 and AB 1484 and the transfer of funds from the Successor
8 Agency and received by the AUTHORITY; and

9 WHEREAS, the first phase of the development (the "Project") is located on a
10 portion of the 10.16 acres, approximately 4.3 acres, situated to the east of Arnett Road, to the
11 west of Fox Ridge Lane, and to the south of Catt Road in the city of Wildomar ("Project Site")
12 as fully described in **Exhibit A**, which is attached hereto and by this reference incorporated
13 herein; and

14 WHEREAS, the Project will include approximately 80 units for rent to qualified
15 low- to extremely low-income senior households and one (1) on-site manager's unit; and

16 WHEREAS, OWNER has represented that it has the necessary expertise, skill,
17 and ability to carry out the commitments contained in this agreement; and

18 WHEREAS, AUTHORITY agrees to loan OWNER funds for the development
19 and construction of the Project Site and maximize the affordability of units to qualified low-
20 income senior households ("Assisted Units"); and

21 WHEREAS, concurrent with this Agreement, a promissory note will be executed
22 by OWNER evidencing this loan, and a deed of trust and a covenant restriction will be
23 recorded.

24 NOW, THEREFORE, the Parties mutually agree as follows:

25 1. PURPOSE. AUTHORITY has agreed to lend Ten Million Five Hundred
26 Thousand Dollars (\$10,500,000) in AUTHORITY funds to OWNER upon the terms and
27 conditions set forth herein (the "Development Loan"). Subject to **Section 45** hereof,
28 Conditional Loan Commitment, OWNER promises and agrees to undertake and assist in

1 affordable housing activities by utilizing such funds, as specifically identified in **Exhibit A**.

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

- 4 a. Before commencement of construction or other works of
5 improvement upon the Project Site, OWNER shall, at its own
6 expense, secure or cause to be secured any and all land use
7 entitlements, permits and approvals which may be required for
8 construction of the Project pursuant to the applicable rules and
9 regulations of, the County, the City of Wildomar and any other
10 governmental agency affected by such construction of work.
11 OWNER shall, without limitation, apply for and secure all
12 necessary entitlement, change of zone, lot line adjustment, any
13 and all necessary studies required including but not limited to
14 environmental and traffic, and pay all costs, charges and fees
15 associated therewith.
- 16 b. Obtain a reservation of Federal and, if applicable, State Tax
17 Credits from the California Tax Credit Allocation Committee
18 ("TCAC").
- 19 c. In accordance with the timeline set forth in **Exhibit A**, submit to
20 AUTHORITY for approval evidence that OWNER has obtained
21 sufficient equity capital or has obtained firm and binding
22 commitments for construction and permanent financing necessary
23 to undertake the development and completion of the Project.
- 24 d. Develop the Project in accordance with the timeline set forth in
25 **Exhibit A**.
- 26 e. Operate the Project, in such a manner so that it will remain
27 affordable to qualified low-income senior households for a period,
28 beginning after the issuance of the first Certificate of Occupancy

for the Project for at least 55 years (without regard to (i) the term of the promissory note or (ii) transfer of ownership).

- f. Project shall remain in compliance with all applicable Federal, State and local codes, laws, regulations and ordinances for the duration of the Agreement.

3. AUTHORITY'S OBLIGATIONS. AUTHORITY hereby agrees to undertake and complete the following activities:

- a. Subject to **Section 45**, Conditional Loan Commitment, AUTHORITY will loan the funds in the amount identified in **Section 1** to OWNER for financing of construction costs of the Project.

4. DEVELOPMENT LOAN. OWNER shall borrow the funds from AUTHORITY for financing of the Project under the following terms:

- a. Term. This Agreement shall become effective upon execution (the "Effective Date"), as defined in **Section 50**, and the maturity of the Development Loan shall be the first to occur of (i) December 30, 2073 or (ii) fifty-five (55) years from the issuance of the first certificate of occupancy for the Project.
- b. Principal. The principal of the Development Loan shall be the amount identified in **Section 1** and evidenced by a promissory note (the "Note"), as specifically identified in **Exhibit C**, which is attached hereto and by this reference incorporated herein, executed by OWNER in favor of AUTHORITY in a form satisfactory to AUTHORITY.
- c. Interest. The interest rate shall be 1.00% per annum.
- d. Repayment. The Note shall provide the following:
1. That the Development Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of

1 default as hereinafter provided in Section 27, and shall be
2 repaid on an annual basis from the Project's Residual Receipts
3 as defined herein;

4 2. Amounts due pursuant to the Note shall be repaid according to
5 the following:

6 (i) Fifty percent (50%) of the Project's Residual
7 Receipts towards the payment of the Development
8 Loan; and

9 (ii) The remaining fifty percent (50%) of the Project's
10 Residual Receipts will be paid to OWNER.

11 3. Project Residual Receipts shall be determined based on an
12 annual review of certified financial statements for the Project.
13 Annual audited financial statements shall be submitted within
14 one hundred twenty (120) days following the close of the
15 project fiscal year. All outstanding principal along with
16 accrued interest shall be due upon the first to occur of (i)
17 December 30, 2073 or (ii) fifty-five (55) years from the
18 issuance of the first certificate of occupancy for the Project.
19 The first payment shall be due on July 1st in the first full
20 calendar year following the date of the issuance of the first
21 certificate of occupancy for the Project, to the extent of
22 available Project Residual Receipts, as set forth herein.
23 Subsequent payments shall be made on July 1st thereafter to
24 the extent of available Residual receipts until sooner of full
25 repayment of the Development Loan or the Development
26 Loan maturity date as set forth above; and

27 4. Project Residual Receipts are defined as gross receipts, not
28 including interest on required reserve accounts, less the

following:

- a) auditing and accounting fees;
- b) a property management fee not to exceed \$42.50 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index (CPI);
- c) lease up fee of \$150 per unit;
- d) an Investor Annual Review Fee which shall be in the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in the CPI;
- e) operating expenses which are defined as any expense reasonably and normally incurred in carrying out the Project's day-to-day activities, which shall include administration, on-site management, utilities, on-site staff payroll, payroll taxes, and maintenance;
- f) required deposits to reserves;
- g) deferred developer fee;
- h) an Administrative General Partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in the CPI; and
- i) a Managing General Partner partnership management fee which shall be in the initial amount of \$15,000 and increased annually by an amount equivalent to the rise in the CPI;
- j) payments of principal and interest on amortized loans and indebtedness senior to the Development

Loan, which have been approved by AUTHORITY (collectively, the “Senior Debt”); and

- k) Payment of annual Compliance Monitoring Fee to AUTHORITY in the amount of \$8,100 and increased annually by an amount equivalent to the increase in the CPI, as further set forth in Section 25 herein.

- e. Security. The Development Loan shall be secured by a deed of trust recorded against the Project (the “AUTHORITY Deed of Trust”). The form of the AUTHORITY Deed of Trust to be recorded is shown in **Exhibit B**, which is attached hereto and by this reference incorporated herein. The AUTHORITY hereby agrees that the AUTHORITY Deed of Trust and the terms of this Agreement shall be subordinated to: 1) a construction deed of trust in connection with a construction loan in the amount not to exceed \$14,000,000; 2) a permanent financing deed of trust in the amount not to exceed \$4,000,000 (collectively, the “Senior Loans”), and a declaration of restrictive covenants in connection with the issuance of tax-exempt bonds.

In addition, AUTHORITY agrees to execute any and all documents necessary to effectuate subordination concerning this loan, and construction loans as set forth herei. Subordination of any future refinancing shall be considered upon OWNER’s reasonable request. AUTHORITY consent shall not be unreasonably withheld or delayed.

- f. Prepayment. Prepayment of principal and/or interest may occur at any time without penalty. The requirements of **Section 18**,

Compliance with Laws and Regulations, however, shall remain in full force and effect for a term specified in **Section 6** hereof.

g. Savings. The Development Loan amount specified in **Section 1** shall be adjusted lower, at the time of construction loan closing, in an amount equal to the increase, if any, in the amount of tax credit equity raised by the OWNER, as provided in its partnership agreement. More specifically, the maximum Development Loan amount at the time of the construction loan closing shall be the lesser of (a) \$10,500,000, or (b) the amount of total project costs, less the sum of the projected permanent loan amount, tax credit equity as provided in the OWNER's partnership agreement, and deferred developer fee in the amount of \$500,000.

5. PRIOR AUTHORITY APPROVAL. OWNER shall obtain AUTHORITY's approval of all items requiring such approvals as described in this Agreement. AUTHORITY shall not unreasonably withhold or delay any such approval.

6. TERM OF AGREEMENT. This Agreement shall become effective upon execution (the "Effective Date"), as defined in **Section 50**, and the maturity of the Development Loan shall be the first to occur of (i) December 30, 2073 or (ii) fifty-five (55) years from the issuance of the first certificate of occupancy for the Project.

7. COMPLETION SCHEDULE. OWNER shall proceed consistent with the completion schedule set forth in **Exhibit A**, as the same is subject to Force Majeure Delays, as defined in **Section 8**, and may be amended in writing by the Parties.

8. FORCE MAJEURE DELAYS. Delay due to Force Majeure that, in each case, (i) materially adversely affects the performance by OWNER of its obligations hereunder, (ii) is not reasonably foreseeable and is beyond OWNER's reasonable control, (iii) despite the exercise of reasonable diligence, cannot be prevented, avoided or removed by OWNER and is not attributable to the negligence, willful misconduct or bad faith of OWNER, and (iv) is not the result of the failure of OWNER to perform any of its obligations under this Agreement.

1 Notwithstanding the foregoing, a Force Majeure Delay shall not be deemed to have occurred
2 unless OWNER has notified AUTHORITY of such occurrence of Force Majeure within fifteen
3 (15) days after such occurrence and has provided AUTHORITY with the details of such event
4 and the length of the anticipated delay within an additional fifteen (15) days thereafter.
5 OWNER shall diligently attempt to remove, resolve, or otherwise eliminate such event, keep
6 the AUTHORITY advised with respect thereto, and shall commence performance of its
7 obligations hereunder immediately upon such removal, resolution or elimination. During the
8 occurrence and continuance of a Force Majeure Delay, OWNER shall be excused from
9 performance of its obligations under this Agreement to the extent the Force Majeure prevents
10 OWNER from performing such obligations.

11 9. OWNER'S REPRESENTATIONS. OWNER represents and warrants to
12 AUTHORITY as follows:

- 13 a. Authority. OWNER is a duly organized limited partnership in
14 good standing under the laws of the State of California. The
15 copies of the documents evidencing the organization of the
16 OWNER, which have been delivered to AUTHORITY, are true
17 and complete copies of the originals, amended to the date of this
18 Agreement. OWNER has full right, power and lawful authority to
19 accept the conveyance of the Project Site and undertake all
20 obligations as provided herein and the execution, performance
21 and delivery of this Agreement by OWNER has been fully
22 authorized by all requisite actions on the part of OWNER.
- 23 b. No Conflict. To the best of OWNER'S knowledge, OWNER'S
24 execution, delivery and performance of its obligations under this
25 Agreement will not constitute a default or a breach under contract,
26 agreement or order to which the OWNER is a party or by which it
27 is bound.
- 28 c. No Owner Bankruptcy. OWNER is not the subject of a

1 bankruptcy proceeding.

2 d. Prior to Closing. Until Closing, OWNER shall upon learning of
3 any fact or condition which would cause any of the warranties and
4 representations in this **Section 9** not to be true as of Closing,
5 immediately give written notice of such fact or condition to
6 AUTHORITY. Such exception(s) to a representation shall not be
7 deemed a breach by OWNER hereunder, but shall constitute an
8 exception which AUTHORITY shall have the right to approve or
9 disapprove if such exception would have an effect on the value
10 and/or operation of the Project Site.

11 10. EXTENSION OF TIME. AUTHORITY may grant an extension to the
12 completion schedule for the purpose of completing OWNER'S activities which cannot be
13 completed as outlined in **Exhibit A**. OWNER shall request said extension in writing, stating
14 the reasons therefore, and may be granted only by receiving written approval from
15 AUTHORITY, which approval shall not be unreasonably withheld. Every term, condition,
16 covenant, and requirement of this Agreement shall continue in full force and effect during the
17 period of any such extension.

18 11. LETTER TO PROCEED. OWNER shall not initiate nor incur expenses
19 for AUTHORITY funded activity covered under the terms of this Agreement prior to receiving
20 written authorization to proceed.

21 12. REALLOCATION OF FUNDS. If conditions under **Section 45**,
22 Conditional Loan Commitment, are not satisfied or if OWNER fails to meet the deadlines set
23 forth in **Exhibit A**, Implementation Schedule, subject to the notice and cure periods set forth in
24 **Section 28** herein, the funds allocated or reserved may be reallocated by AUTHORITY after
25 thirty (30) days' prior written notice is given and an opportunity to cure is given to OWNER
26 for a period of sixty (60) days.

27 13. CONDITIONS FOR DISBURSEMENT OF FUNDS. The Project is
28 subject to the conditions set forth in **Section 45**, Conditional Loan Commitment, and upon

1 AUTHORITY's determination to proceed with, modify, or cancel the Project based on the
2 results of Environmental Review as required under **Section 18**, Compliance with Laws and
3 Regulations.

4 AUTHORITY shall: (1) make payments of AUTHORITY funds to OWNER as
5 specified in **Exhibit A**, pursuant to the Disbursement Schedule in **Section 14**, and (2) monitor
6 the Project to ensure compliance with all applicable state regulations and the terms of this
7 Agreement.

8 There shall be no disbursement of funds until the following events first occur:

- 9 a. The project is approved by from the Department of Finance, State
10 Controller, Oversight Board and Successor Agency
- 11 b. OWNER executes and records this Agreement.
- 12 c. OWNER executes and records the AUTHORITY Deed of Trust
13 as shown in **Exhibit B**.
- 14 d. OWNER executes and delivers the Note to AUTHORITY as
15 shown in **Exhibit C**.
- 16 e. OWNER provides to AUTHORITY, at its expense, an ALTA
17 lender's policy insuring the AUTHORITY Deed of Trust upon the
18 close of escrow.
- 19 f. OWNER provides satisfactory evidence that it has all the
20 financing documents required to cause the proceeds of the
21 construction loan and the equity investment from the investor to
22 be committed and available, in an amount sufficient, when
23 combined with the Development Loan to pay for all development
24 costs.
- 25 g. OWNER provides documentation of a Payment and Performance
26 Bond issued by a bonding company reasonably approved by the
27 AUTHORITY. AUTHORITY must be named as additional
28 obligee.

- 1 h. OWNER provides satisfactory evidence that it has secured any
2 and all land use entitlements, permits and approvals which may be
3 required for construction of the Project pursuant to the applicable
4 rules and regulations of, the County, and any other governmental
5 agency affected by such construction of work. OWNER shall,
6 without limitation, secure all necessary entitlement, change of
7 zone, lot line adjustment, any and all necessary studies required
8 including but not limited to archaeological, cultural,
9 environmental, traffic and lead based paint, and pay all costs,
10 charges and fees associated therewith, all conditions precedent to
11 the issuance of all permits necessary for the construction of the
12 development and all such permits are available for issuance, other
13 than payment of fees.
- 14 i. Subject to applicable law, owner shall comply with State labor
15 code and relevant statutes which require payment of prevailing
16 wages. OWNER shall hire a qualified and experienced consultant
17 or professional firm, approved by AUTHORITY, to review and
18 monitor prevailing wage compliance and submission of contractor
19 and subcontractor certified payrolls to AUTHORITY. The firm
20 should be approved by AUTHORITY prior to start of
21 construction, such approval not to be unreasonably withheld,
22 conditioned or delayed.
- 23 j. OWNER provides duly executed documents and instruments
24 showing the ownership of the property as specifically identified in
25 **Exhibit A**, hereinafter referred to as the "Property".
- 26 k. OWNER must provide up-to-date pro forma, as outlined in the
27 Disbursement Schedule in **Section 14**, for review against the
28 baseline pro forma that certifies and ensures the satisfaction of the

50% test as mandated by bond requirements.

1. AUTHORITY will retain ten percent (10%) of the Development Loan. AUTHORITY shall release final draw down of AUTHORITY funds following receipt of all the following documents ("Closing Documents"):

- 1) unconditional lien release from general contractor;
- 2) recorded Notice of Completion;
- 3) all remaining prevailing wage documentation, if any, including, but not limited to, complete certified payrolls, fringe benefit forms, and certificates of authorization and understanding;
- 4) submission of a Project completion report including Tenant Checklist as shown in Exhibit G which is attached hereto and by this reference incorporated herein;
- 5) Tenant Selection Policy;
- 6) Management Plan;
- 7) final development costs;
- 8) final sources and uses of funds; and
- 9) a final Certified Public Accountant's construction cost certification.

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

- (a) Upon thirty percent (30%) completion of the Project, as certified and documented by the Project's architect, OWNER must provide an up-to-date pro forma for review against the baseline pro forma that certifies and ensures the satisfaction of the 50% test as

mandated by bond requirements. The total disbursements must not exceed thirty percent (30%) of the Development Loan.

(b) Upon sixty percent (60%) completion of the Project, as certified and documented by the Project's architect, OWNER must provide an up-to-date pro forma for review against the baseline pro forma that certifies and ensures the satisfaction of the 50% test as mandated by bond requirements. The total disbursements must not exceed sixty percent (60%) of the Development Loan.

(c) Upon ninety percent (90%) completion of Project, as certified and documented by the Project's architect, OWNER must provide an up-to-date pro forma for review against the baseline pro forma that certifies and ensures the satisfaction of the 50% test as mandated by bond requirements. The total disbursements must not exceed ninety percent (90%) of the Development Loan.

(d) AUTHORITY shall release the final draw down of ten percent (10%) of the Development Loan following receipt of all of the closing items listed in **Section 13(I)**.

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

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

a. Worker's Compensation Insurance. If OWNER has employees as

defined by the State of California, OWNER shall maintain statutory Workers' Compensation Insurance (Coverage A) as prescribed by the laws of the State of California. Policy shall include Employers' Liability (Coverage B) including Occupational Disease with limits not less than \$1,000,000 per person per accident. The policy shall be endorsed to waive subrogation in favor of the **Housing Authority of the County of Riverside**, and, if applicable, to provide a Borrowed Servant/Alternate Employer Endorsement.

b. Comprehensive Broad Form General Liability Insurance.

Commercial General Liability insurance coverage, including but not limited to, premises liability, contractual liability, products and completed operations liability, personal and advertising injury, and cross liability coverage, covering claims which may arise from or out of OWNER'S performance of its obligations hereunder. Policy shall name the **Housing Authority of the County of Riverside**, and its directors, officers, agents or representatives, as Additional Insured. Policy's limit of liability shall not be less than \$1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this agreement or be no less than two (2) times the occurrence limit.

c. Automobile Liability Insurance. If vehicles or mobile equipment

are used in the performance of the obligations under this Agreement, then OWNER shall maintain liability insurance for all owned, non-owned or hired vehicles so used in an amount not less than \$1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply

1 separately to this agreement or be no less than two (2) times the
2 occurrence limit. Policy shall name the **Housing Authority of the**
3 **County of Riverside**, and its directors, officers, agents or
4 representatives, as Additional Insured or provide similar evidence
5 of coverage approved by the County's Risk Manager.

6 d. General Insurance Provisions – All Lines.

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

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

26 3) OWNER shall cause OWNER'S insurance carrier(s) to
27 furnish AUTHORITY with copies of the Certificate(s) of
28 Insurance and Endorsements effecting coverage as required

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

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

28 5) If, during the term of this Agreement or any extension

1 thereof, there is a material change in the scope of services; or,
2 there is a material change in the equipment to be used in the
3 performance of the scope of work which will add additional
4 exposures (such as the use of aircraft, watercraft, cranes, etc.); or,
5 the term of this Agreement, including any extensions thereof,
6 exceeds five (5) years AUTHORITY reserves the right to adjust
7 the types of insurance required under this Agreement and the
8 monetary limits of liability for the insurance coverage's currently
9 required herein, if; in the County Risk Manager's reasonable
10 judgment, the amount or type of insurance carried by the
11 OWNER has become inadequate.

12 6) OWNER shall pass down the insurance obligations
13 contained herein to all tiers of subcontractors working under this
14 Agreement.

15 7) The insurance requirements contained in this
16 Agreement may be met with a program(s) of self-insurance
17 acceptable to AUTHORITY.

18 8) OWNER agrees to notify AUTHORITY of any claim
19 by a third party or any incident or event that may give rise to a
20 claim arising from the performance of this Agreement.

21 17. FINANCIAL RECORDS. OWNER shall maintain financial,
22 programmatic, statistical, and other supporting records of its operations and financial activities.
23 Said records shall be retained for no less than five (5) years after the Project completion date.
24 Records of individual tenant income verifications, project rents, and project inspections must
25 be retained for the most recent five (5) year period, until five (5) years after the affordability
26 period terminates. If any litigation, claim, negotiation, audit, or other action has been started
27 before the expiration of the regular period specified, the records must be retained until
28 completion of the action and resolution of all issues which arise from it, or until the end of the

regular period, whichever is later.

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

- a. Obligation to Refrain from Discrimination. OWNER covenants and agrees there shall be no unlawful discrimination against or segregation of any person, or group of persons, on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, medical condition, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project Site nor shall AUTHORITY or any person claiming under or through OWNER establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sub-lessees, or vendees of the Project Site.
- b. Environmental Review. OWNER must comply with the California Environmental Quality Act (CEQA) and its implementation regulations.
- c. Prevailing Wages and Compliance with State Laws. OWNER shall comply with any applicable labor regulations and all other State Laws in connection with the construction of the improvements which comprise the Project, including if applicable, requirements relating to prevailing wages. OWNER agrees and acknowledges that it is the responsibility of OWNER to obtain a legal determination, at OWNER'S sole cost and expenses as to whether prevailing wages must be paid for during

1 the construction of the Project. OWNER agrees to indemnify,
2 defend, and hold AUTHORITY harmless from and against any
3 and all liability arising out of and related to OWNER'S failure to
4 comply with any and all applicable prevailing wage requirements.

- 5 d. All construction contracts and professional services for the Project
6 must be performed by persons or entities licensed or otherwise
7 authorized to perform the applicable construction work or service
8 in the State of California.

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

11 20. ASSISTED UNIT REQUIREMENTS. OWNER shall reserve a total of
12 eighty (80) Assisted Units (64 1-bedroom and 16 2-bedroom) for low- to extremely low-
13 income senior households.

14 A total of sixty four (64) units shall be limited to low-income households
15 whose incomes do not exceed sixty percent (60%) of area median income for the County,
16 adjusted by family size at the time of occupancy, as defined by California Health and Safety
17 Code Sections 50079.5 and 50105, shown in **Exhibit F**, which is attached hereto and
18 incorporated herein by this reference.

19 A total of eight (8) units shall be reserved for very low-income
20 households whose incomes do not exceed fifty percent (50%) of area median income for the
21 County, adjusted by family size at the time of initial occupancy.

22 Eight (8) units shall be reserved for extremely low-income households
23 whose incomes do not exceed thirty percent (30%) of area median income for the County,
24 adjusted by family size at the time of initial occupancy.

25 21. RENT LIMITATIONS. OWNER agrees that eighty (80) Assisted Units
26 shall remain affordable in accordance with the rent limitations set forth in California Health
27 and Safety Code Section 50053, as shown in **Exhibit F**, and as restricted in the Covenant
28 Agreement, as shown in **Exhibit D** for a period not less than fifty-five (55) years. OWNER

1 shall ensure that all units are rented to qualified applicants at the rent levels not exceeding the
2 affordable housing cost as defined in Section 50053.

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

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

17 24. INDEPENDENT CONTRACTOR. OWNER and its agents, servants and
18 employees shall act at all times in an independent capacity during the term of this Agreement,
19 and shall not act as, shall not be, nor shall they in any manner be construed to be agents,
20 officers, or employees of AUTHORITY.

21 25. MONITORING FEE AND PROJECT MONITORING. OWNER shall
22 be responsible for paying a Compliance Monitoring Fee to AUTHORITY in an amount not to
23 exceed \$8,100 annually. The first payment is due on July 1st of the following year from the
24 issuance of the first Certificate of Occupancy for the Project and annually on July 1st thereafter.
25 This amount is to be adjusted in the amount of the increase, if any, of the Consumer Price
26 Index ("CPI"), each year thereafter.

27 OWNER shall submit a Tenant Checklist Form, as specifically identified in
28 **Exhibit G**, which is attached hereto and by this reference incorporated herein, to

1 AUTHORITY, upon completion of the construction, summarizing the number and percentage
2 of very low- and low-income households who are tenants. OWNER shall maintain financial,
3 programmatic, statistical and other supporting records of its operations and financial activities,
4 including the submission of the form on a semi-annual basis on or before September 30th and
5 March 31st. Except as otherwise provided for in this Agreement, OWNER shall maintain and
6 submit records to AUTHORITY within ten (10) business days of AUTHORITY's request. A
7 list of document submissions and timeline are shown in **Exhibit A**.

8 26. ACCESS TO PROJECT SITE. AUTHORITY shall have the right to visit
9 the Project site, at all reasonable times, to review the operation of the Project in accordance
10 with this Agreement.

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

- 13 a. Monetary Default. (1) OWNER's or any agent of OWNER's use
14 of AUTHORITY funds for costs disallowed under the California
15 Redevelopment Law or for uses inconsistent with terms and
16 restrictions set forth in this Agreement; (2) OWNER's or any
17 agent of the OWNER's failure to make any payment of any
18 assessment, tax or any other amount due under this Agreement;
- 19 b. Non-Monetary Default - Operation. (1) Discrimination by
20 OWNER or OWNER's agent on the basis of characteristics
21 prohibited by this Agreement or applicable law; (2) the imposition
22 of any encumbrances or liens on the Project (other than the
23 Permitted Liens) without AUTHORITY's prior written approval
24 that are prohibited under this Agreement or that have the effect of
25 reducing the priority or invalidating the AUTHORITY Deed of
26 Trust; (3) any material adverse change in the condition of
27 OWNER or the Project or permanent financing or funding for the
28 Project that gives AUTHORITY reasonable cause to believe that

1 the Project cannot be operated according to the terms of this
2 Agreement; (4) the OWNER's or any agent of the OWNER's use
3 of the AUTHORITY funds for costs or for uses inconsistent with
4 terms and restrictions set forth in this Agreement; or (5)
5 OWNER's failure to obtain and maintain the insurance coverage
6 required under this Agreement;

7 c. General Performance of Loan Obligations. Any continuous or
8 repeated breach by OWNER or OWNER's agents of any material
9 obligations on OWNER imposed in the Agreement;

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

17 e. General Performance of Affordability Requirements. Any breach
18 by OWNER or OWNER's agents of any housing affordability
19 requirements imposed in this Agreement;

20 f. Representations and Warranties. A determination by
21 AUTHORITY that any of OWNER's representations or
22 warranties made in this Agreement, any statements made to
23 AUTHORITY by OWNER, or any certificates, documents, or
24 schedules supplied to AUTHORITY by OWNER were untrue in
25 any material respect when made, or that OWNER concealed or
26 failed to disclose a material fact from AUTHORITY;

27 g. Damage to Project. In the event that the Project is materially
28 damaged or destroyed by fire or other casualty, and OWNER

1 receives an award or insurance proceeds sufficient for the repair
2 or reconstruction of the Project and fails to make such repair or
3 reconstruction within a reasonable time.

- 4 h. Bankruptcy, Dissolution and Insolvency. OWNER's or any
5 general partner of the OWNER's (1) filing for bankruptcy,
6 dissolution, or reorganization, or failure to obtain a full dismissal
7 of any such involuntary filing brought by another party before the
8 earlier of final relief or thirty (30) days after such filing; (2)
9 making a general assignment for the benefit of creditors; (3)
10 applying for the appointment of a receiver, trustee, custodian, or
11 liquidator, or failure to obtain a full dismissal of any such
12 involuntary application brought by another party before the earlier
13 of final relief or sixty (60) days after such filing; (4) insolvency;
14 or (5) failure, inability or admission in writing of its inability to
15 pay its debts as they become due.

16 28. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For
17 monetary and non-monetary Events of Default, AUTHORITY shall give a thirty (30) day
18 written notice to OWNER and its investment limited partner, of any Event of Default by
19 specifying: (a) the nature of the Event of Default or the deficiency giving rise to the default, (b)
20 the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which
21 shall not be less than sixty (60) calendar days from the mailing of the notice, by which such
22 action to cure must be taken. AUTHORITY agrees that OWNER and any beneficiary under a
23 deed of trust permitted by this Agreement and the investor limited partner of OWNER
24 (collectively, the "Interested Parties") shall have the right to cure any and all defaults under this
25 Agreement. AUTHORITY notice to the investment limited partner shall only be required
26 when AUTHORITY has been provided notice of the identity and contact information for the
27 investment limited partner in the manner set forth in Section 48 of this Agreement.

28 29. RIGHT TO CURE DEFAULTS. If a limited partnership is formed, the

Investor Limited Partner shall have the right to cure any Event of Default existing under the Agreement which right must be exercised by the later of (a) the cure period provided in the Agreement, or (b) fifteen (15) days after receipt of written notice of default by the Investor Limited Partner. For the Investor Limited Partner to exercise effectively its cure rights, the Investor Limited Partner must fully pay the amount past due or perform the defaulted obligations, including the payment of any amounts due for legal expenses incurred in connection with the default. Notwithstanding anything to the contrary in the Agreement, upon the occurrence of an Event of Default arising out of: (i) the bankruptcy, insolvency or assignment of assets for the benefit of creditors by the General Partner of Owner or by any Guarantor, or (ii) the withdrawal from Owner of the Owner's General Partner, or the death or incapacity of a General Partner or Guarantor, or (iii) a breach of the representations concerning such General Partner or any Guarantor, the Investor Limited Partner shall have the option, but not the obligation, within forty-five (45) days of receipt of written notice of such Event of Default from AUTHORITY, to cure any such default by appointing a substitute or additional General Partner or Guarantor that is an affiliate of the Investor Limited Partner to act as such General Partner or Guarantor.

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

- a. Terminate this Agreement, in which event the entire amount as well as any other monies advanced to OWNER by AUTHORITY under this Agreement including administrative costs, shall become immediately due and payable;
- b. Bring an action for equitable relief (1) seeking the specific

performance by OWNER of the terms and conditions of this Agreement, and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief;

- c. Accelerate the Development Loan, and demand immediate full payment of the principal payment outstanding and all accrued interest under the Note, as well as any other monies advanced to OWNER by AUTHORITY under this Agreement;
- d. Enter the Project and take any remedial actions necessary in its judgment with respect to hazardous materials that AUTHORITY deems necessary to comply with hazardous materials laws or to render the Project suitable for occupancy;
- e. Enter upon, take possession of, and manage the Project, either in person, by agent, or by a receiver appointed by a court; and
- f. Pursue any other remedy available at law or in equity.

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

- a. Demand payment from the AUTHORITY of any sums due to OWNER; and/or
- b. Bring an action in equitable relief seeking the specific performance by AUTHORITY of the terms and conditions of this Agreement; and/or
- c. Pursue any other remedy allowed at law or in equity.

32. OWNER'S WARRANTIES. OWNER represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable OWNER to fully comply with the terms of this Agreement, and to otherwise carry out the Project, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the Project and to execute

1 this Agreement, (4) that the persons executing and delivering this Agreement are authorized to
2 execute and deliver such documents on behalf of OWNER and (5) that neither OWNER nor
3 any of its principals is presently debarred, suspended, proposed for debarment, declared
4 ineligible, or voluntarily excluded from participation in connection with the transaction
5 contemplated by this Agreement.

6 33. HOLD HARMLESS AND INDEMNIFICATION. OWNER shall
7 indemnify and hold harmless the AUTHORITY, County of Riverside, its Agencies, Districts,
8 Special Districts and Departments, their respective directors, officers, Board of Directors,
9 elected and appointed officials, employees, agents and representatives from any liability
10 whatsoever, based or asserted upon any claim based upon failure to obtain the Approvals as set
11 forth in Section 45(a) and upon any services of OWNER, its officers, employees,
12 subcontractors, agents or representatives arising out of or in any way relating to this Agreement,
13 including but not limited to property damage, bodily injury, or death or any other element of
14 any kind or nature whatsoever arising from the performance of OWNER, its officers, agents,
15 employees, subcontractors, agents or representatives from this Agreement. OWNER shall
16 defend, at its sole expense, all costs and fees including, but not limited, to attorney fees, cost of
17 investigation, defense and settlements or awards, the AUTHORITY, County of Riverside, its
18 Agencies, Districts, Special Districts and Departments, their respective directors, officers,
19 Board of Directors, elected and appointed officials, employees, agents and representatives in
20 any claim or action based upon such alleged acts or omissions.

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

27 OWNER's obligation hereunder shall be satisfied when OWNER has provided to
28 AUTHORITY the appropriate form of dismissal relieving AUTHORITY from any liability for

1 the action or claim involved.

2 The specified insurance limits required in this Agreement shall in no way limit or
3 circumscribe OWNER's obligations to indemnify and hold harmless AUTHORITY herein from
4 third party claims.

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

8 34. GENERAL CONTRACTOR DISCLOSURE. The Parties hereby
9 acknowledge that the general contractor for the Project is affiliated with Palm Communities,
10 which is the lead developer and the sole member of the Administrative General Partner of
11 OWNER of the Project.

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

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

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

28 38. WAIVER. Failure by a party to insist upon the strict performance of any

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

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

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

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

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

24 43. MODIFICATION OF AGREEMENT. The Parties may consider it in its
25 best interest to change, modify or extend a term or condition of this Agreement. Any such
26 change, extension or modification, which is mutually agreed upon by the Parties shall be
27 incorporated in written amendments to this Agreement. Such amendments shall not invalidate
28 this Agreement, nor relieve or release AUTHORITY or OWNER from any obligations under

1 this Agreement, except for those parts thereby amended. No amendment to this Agreement
2 shall be effective and binding upon the parties, unless it expressly makes reference to this
3 Agreement, is in writing and is signed and acknowledged by duly authorized representatives of
4 all parties. Any amendment or modification to this Agreement requires the prior approval of
5 the Board of Commissioners of AUTHORITY.

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

15 45. CONDITIONAL LOAN COMMITMENT. This Agreement is expressly
16 subject to and conditioned upon the following:

- 17 a. Approval from the State of California Department of Finance, the
18 Oversight Board of the Successor Agency to the Redevelopment
19 Agency for the County of Riverside and the Successor Agency to the
20 Redevelopment Agency for the County of Riverside (collectively, the
21 "Approvals").
- 22 b. Receipt of Project financing commitments. OWNER must receive, on
23 or prior to June 1, 2013, binding loan commitments for new loans as
24 may be required by OWNER, on terms and conditions acceptable to
25 OWNER, in its sole discretion, including, without limitation, (a) any
26 construction and/or permanent financing, including without
27 limitation, a construction and/or permanent loan from an institutional
28 construction lender (the "Senior Lien Holder"), and (b) a binding

1 reservation of federal low income housing tax credits pursuant to
2 Section 42 of the Internal Revenue Code of 1986, as amended
3 (collectively, the "Project Financing").

4 c. Construction must to start within twelve (12) months of the date of
5 this Agreement.

6 Either AUTHORITY or OWNER may elect to terminate this Agreement with ten (10) days
7 written notice to the other party if OWNER fails to receive the Approvals, the Project
8 Financing or start construction as required by this **Section 45**. Upon such termination, this
9 Agreement shall be null and void, and: (i) if OWNER elects to terminate this Agreement,
10 OWNER shall be released and discharged by AUTHORITY from its obligations under this
11 Agreement; or (ii) if AUTHORITY elects to terminate this Agreement, AUTHORITY shall be
12 released and discharged by OWNER from its obligations under this Agreement. At that time
13 all costs incurred by each party on the Project will be assumed respectively.

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

16 47. MEDIA RELEASES. OWNER agrees to allow AUTHORITY to
17 coordinate all media releases regarding the Project, with prior approval of OWNER. Any
18 publicity generated by OWNER for the Project must make reference to the contribution of
19 AUTHORITY in making the Project possible. AUTHORITY's name shall be prominently
20 displayed in all pieces of publicity generated by OWNER, including, but not limited to, flyers,
21 press releases, posters, signs, brochures, and public service announcements. OWNER agrees to
22 cooperate with AUTHORITY in any AUTHORITY-generated publicity or promotional
23 activities with respect to the Project.

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

delivery:

AUTHORITY

Assistant Director
Housing Authority of the County of Riverside
3403 10th St., Suite 500
Riverside, CA 92501

OWNER

President
Palm Communities
44-139 Monterey Ave., Suite A
Palm Desert, CA 92260

with copy to:
County Counsel
3960 Orange Street, 5th Floor
Riverside, CA 92501

with a copy to:
Goldfarb & Lipman, LLP
1300 Clay Street, 11th Floor
Oakland, CA 94612

49. 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.

50. EFFECTIVE DATE. The effective date of this Agreement is the date the parties execute the Agreement. If the parties execute the Agreement on more than one date, then the last date the Agreement is executed by a party shall be the effective date. Notwithstanding the foregoing, this Agreement shall be null and void, and shall not be effective in the event that Approvals set forth in Section 45 herein are not received within three hundred sixty-five (365) days of approval by AUTHORITY.

51. NONRECOURSE OBLIGATION. Members and principals of OWNER and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the Development Loan or the performance of OWNER's obligations under AUTHORITY documents. The sole recourse of the AUTHORITY with respect to payment of the principal of, or interest on, the Development Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on AUTHORITY documents shall be enforced personally against members and principals of OWNER or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with OWNER's obligations under AUTHORITY documents. This nonrecourse provision does not limit or impair the

1 enforcement against all such security for the Development Loan of all the rights and remedies
2 of AUTHORITY, nor does it impair the right of AUTHORITY to assert the unpaid principal
3 amount of the Development Loan as a demand for money within the meaning of California
4 Code of Civil Procedure Section 431.70 or any successor provision. In addition, this
5 nonrecourse provision does not relieve OWNER of personal liability for damage to or loss
6 suffered by AUTHORITY as a result of any of the following: (i) fraud or willful
7 misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay
8 taxes, assessments, or other charges that could create statutory liens on the Project and that are
9 payable or applicable prior to any foreclosure under the AUTHORITY Deed of Trust; (iii) the
10 fair market value of any personal property or fixtures removed or disposed of by OWNER
11 other than in accordance with the AUTHORITY Deed of Trust; (iv) the misapplication of any
12 proceeds under any insurance policies or awards resulting from condemnation or the exercise
13 of the power of eminent domain or by reason of damage, loss, or destruction to any portion of
14 the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or
15 other income arising with respect to the Project received by OWNER after AUTHORITY has
16 properly exercised its rights under the AUTHORITY Deed of Trust to receive such income
17 upon an Event of Default as defined in this Agreement.

18 //

19 //

20 //

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

AUTHORITY:

HOUSING AUTHORITY
OF THE COUNTY OF RIVERSIDE

OWNER:

Wildomar Tres Lagos Limited Partnership,
a California limited partnership

By: PC Wildomar Developers I, LLC,
a California limited liability company
Its Administrative General Partner

By: Palm Communities,
a California corporation
Its sole member/manager

By: _____
John Tavaglione, Chairman
Board of Commissioners

By: _____
Todd A. Deutscher, Secretary

APPROVED AS TO FORM:

PAMELA J. WALLS
COUNTY COUNSEL

By: _____
Anita C. Willis, Deputy

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

(Signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

Place Notary Seal Above

EXHIBIT A

OWNER: Wildomar Tres Lagos Limited Partnership
Address: 44139 Monterey Ave, Suite A, Palm Desert, CA 92261
Project Title: Tres Lagos Senior Apartments
Location: The Project Site is approximately 4.0 acres and situated to the east of Arnett Road, to the west of Fox Ridge Lane, and to the south of Catt Road in the City of Wildomar in Riverside County as described herein in the Legal Description included herein.

Scope of Development:

OWNER will utilize \$10,500,000 in AUTHORITY funds to develop and construct the first phase of a rental housing apartment complex for low- to extremely low-income senior households in the city of Wildomar.

The project consists of a total 80 rental units and one onsite resident manager's unit. There are 64 one-bedroom units and 16 two-bedroom units. The one-bedroom units are approximately 625 square feet and the two-bedroom units are approximately 780 square feet. The units in phase one will be located in four buildings. All units will be equipped with full kitchens, including a frost-free refrigerator, dishwasher, combination range/oven, microwave, garbage disposal, and central heating and cooling. Each unit will also include an outdoor area in the form of either a balcony or patio. Elevators will be provided to the second floor for all four residential buildings. The residents of the project will have access to a 3,018 square foot community building that will include a community meeting room, kitchen, laundry room, and manager's office. Additional on-site amenities include a pool, and leisure areas for seniors to use.

OWNER agrees to reserve a total of eighty (80) Assisted Units (64 1-bedroom and 16 2-bedroom) for low- to extremely low-income senior households.

- A total of sixty four (64) units shall be limited to low-income households whose incomes do not exceed sixty percent (60%) of area median income for the County, adjusted by family size at the time of occupancy, as defined by California Health and Safety Code Sections 50079.5 and 50105, shown in Exhibit F, which is attached hereto and incorporated herein by this reference.
- A total of eight (8) units shall be reserved for very low-income households whose incomes do not exceed fifty percent (50%) of area median income for the County, adjusted by family size at the time of initial occupancy.
- Eight (8) units will be reserved for extremely low-income households whose incomes do not exceed thirty percent (30%) of area median income for the County, adjusted by family size at the time of initial occupancy.

LEGAL DESCRIPTION OF PROPERTY

All of Parcel 1 and Lot "B" (Arnett Road, 30.00 feet in easterly half width) of Parcel Map 9084, as shown by map on file in Book 40 of Parcel Maps at page 25 thereof, together with a portion of Parcel 1 of Parcel Map 8617, as shown by map on file in Book 35 of Parcel Maps at page 32 thereof, both Records of Riverside County, California, lying within Section 1, Township 7 South, Range 4 West, San Bernardino Meridian, said portions being described as follows:

BEGINNING at the northwest corner of said Lot "B", said corner being on the centerline of said Arnett Road;

Thence South $00^{\circ}51'29''$ West along the west line of said Lot "B" and along said centerline of Arnett Road, a distance of 300.00 feet to the southwest corner of said Lot "B";

Thence South $89^{\circ}08'31''$ East along the south line of said Lot "B" and along the south line of said Parcel 1 of Parcel Map 9084, a distance of 550.00 feet to the southeast corner thereof, said corner being on the west line of said Parcel 1 of Parcel Map 8617;

Thence North $00^{\circ}51'29''$ East along the east line of said Parcel 1 of Parcel Map 9084 and along said west line of Parcel 1 of Parcel Map 8617, a distance of 23.97 feet to a point on a line parallel with and distant northerly 23.97 feet, measured at a right angle, from said south line of Parcel 1 of Parcel Map 9084;

Thence South $89^{\circ}08'31''$ East along said parallel line, a distance of 77.67 feet to a point on a line parallel with and distant easterly 77.67 feet, measured at a right angle, from said east and west lines;

Thence North $00^{\circ}51'29''$ East along said parallel line, a distance of 144.19 feet to a point on a line parallel with and distant southerly 131.84 feet, measured at a right angle, from the north line of said Parcel 1 of Parcel Map 8617;

Thence South $89^{\circ}08'31''$ East along said parallel line, a distance of 11.59 feet to a point on a line parallel with and distant easterly 89.26 feet, measured at a right angle, from said east and west lines;

Thence North $00^{\circ}51'29''$ East along said parallel line, a distance of 131.84 feet to a point on said north line of Parcel 1 of Parcel Map 8617, said north line also being the south right of way line of Catt Road (60.00 feet in full width) of said parcel map;

Thence North $89^{\circ}08'31''$ West long said north line and along the north line of said Parcel 1 of Parcel Map 9084 and along said south right of way line, a distance of 639.26 feet to the POINT OF BEGINNING.

Containing 4.32 acres, more or less.

Project Permanent Sources and Uses of Fund:

Sources:

Tax Exempt Bond Proceeds	\$ 2,413,028
4% Tax Credit Proceeds	\$ 7,660,417
Development Loan	\$ 10,500,000
Deferred Developer Fee	<u>\$ 552,393</u>
Total Sources	\$ 21,125,838

Uses:

Insurance	\$ 309,307
Architecture and Engineering	\$ 1,150,000
Permits and Impact Fees	\$ 1,670,000
Furniture, Fixtures, and Equipment	\$ 150,000
Construction Contract	\$ 12,372,284
Soft Costs	\$ 685,720
Loan Fees and Interest	\$ 1,342,389
Operating Reserves	\$ 146,138
Developer Fee	\$ 2,500,000
Project Contingency	<u>\$ 800,000</u>
Total Uses	\$ 21,125,838

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

OWNER shall submit to AUTHORITY copies of the final funding commitments, copies of all executed agreements, final Certified Public Accountant's construction cost certification, and proof that the funds were disbursed for this project.

\$4,365,000 in redevelopment Housing Set-Aside funds was contributed for the acquisition of land.

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. Architectural, Engineering & Construction Drawings	10/31/2012
2. TCAC Award preliminary reservation)	9/26/2012
3. Permanent Financing Commitment	7/15/2012
4. Building Permit	12/31/2012
5. Begin Construction	1/1/2013
6. Marketing & Affirmative Action	10/31/2013
7. Lease Agreement, Proposed Rents, and Utilities	10/31/2013
8. Certificate of Occupancy	2/1/2014
9. Occupancy of Assisted Units	4/1/2014
10. Submission of Final actual project costs and Sources and Uses of Funds	4/1/2014
11. Submission of income & ethnic characteristics report	6/1/2014

DOCUMENT SUBMISSION SCHEDULE

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

EXHIBIT B

Deed of Trust with Assignment of Rents

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

Order No.
Escrow No.
Loan No.

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:
Riverside County Redevelopment Agency
3403 10th Street, Suite 500
Riverside, CA 92501
ATTN: Mervyn Manalo

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 _____, 2012. The trustor is Wildomar Tres Lagos Limited Partnership, a California limited partnership ("Borrower"), and whose address is 44139 Monterey Ave., Suite A, Palm Desert, CA 92261. The trustee is HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE ("Trustee"). The lender is the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE ("AUTHORITY"), a public body, corporate and politic whose address is 3403 10th Street, Suite 500, Riverside, CA 92501.

Pursuant to the terms of that certain loan Development Loan agreement dated, _____, Borrower owes AUTHORITY the principal sum of Ten Million Five Hundred Thousand and No/100 Dollars (U.S. \$10,500,000.00) ("Development Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note").

The loan evidenced by the Loan Agreement and Note, and secured by this Security Instrument (the "Loan").

The Security Instrument secures to AUTHORITY: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under the terms of the Note to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of any holder of any Senior Debt (collectively, the "Senior Lien Holders") under any deed of trust securing any Senior Debt (collectively, the "Senior Deeds of Trust"), all of Borrower's right, title and interest in and to the property located in Riverside County, California. The legal description of the property is further described in **Exhibit B-1** attached hereto;

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

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

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

UNIFORM COVENANTS Borrower and AUTHORITY covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any late charges due under the Note.

2. Taxes and Insurance. Borrower shall pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

a. Should Borrower fail to make any payment or to do any act herein provided, then Lender or Trustee, but without obligation so to do and upon written notice to or demand upon Borrower and without releasing Borrower from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Lender or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under Sections 1 and 2 shall be applied: first, to amounts payable under Section 2; second, to interest due; third, to principal due; and last, to any late charges due under the Note.

4. Prior Deeds of Trust; Charge; Liens. The Borrower shall perform all of the Borrower's obligations under the Senior Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any, subject to applicable cure periods. Borrower shall pay these obligations in the manner provided in Section 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of

amounts to be paid under this Section. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

a. Except for the liens permitted by the Lender, Borrower shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Borrower: (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (2) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (3) bond around the lien (4) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. Except for the liens approved herein, if Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within 30 day of the giving of notice.

5. Subordination. This Deed of Trust shall be in second, subordinate to construction loan during the construction phase; and to a permanent first mortgage; after permanent closing. AUTHORITY hereby agrees to execute any and all documents necessary to effectuate such subordination. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.

6. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which AUTHORITY requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to AUTHORITY's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, AUTHORITY may, at AUTHORITY's option, obtain coverage to protect AUTHORITY's rights in the Property in accordance with paragraph 8.

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

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

c. Unless AUTHORITY and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under paragraph 24 the Property is acquired by AUTHORITY, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to AUTHORITY to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

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

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. AUTHORITY agrees that Borrower may demolish or move the existing improvements on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in AUTHORITY's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or AUTHORITY'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 AUTHORITY'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 AUTHORITY'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 AUTHORITY (or failed to provide AUTHORITY with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrowers use of Property for affordable housing. If this Security Instrument is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless AUTHORITY agrees to the merger in writing.

a. The Borrower acknowledges that this Property will be subject to certain use and occupancy restrictions which will be further evidenced by a covenant agreement recorded in the land records where the Property is located, limiting 80 units of the Project to low- to extremely low-income senior households. The use and occupancy restrictions may limit the Borrower's ability to rent the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the AUTHORITY to the remedies provided in Section 23 hereof.

8. Protection of AUTHORITY'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 AUTHORITY'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, AUTHORITY may do and pay for whatever is necessary to protect the value of the Property and AUTHORITY's rights in the Property. AUTHORITY's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees

and entering on the Property to make repairs. Although AUTHORITY may take action under this Section 8, AUTHORITY does not have to do so.

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

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

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

9. Mortgage Insurance. (Not used)

10. Inspection. AUTHORITY or its agent may make reasonable entries upon and inspections of the Property. AUTHORITY 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 AUTHORITY, subject to the terms of the Senior Deed of Trust.

a. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and AUTHORITY 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 AUTHORITY 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 AUTHORITY'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 AUTHORITY to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to AUTHORITY within 30 days after the date the notice is given, AUTHORITY 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 AUTHORITY and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in paragraphs 1 and 2 or change the amount of such payments.

12. Borrower Not Released; Forbearance By AUTHORITY Not a Waiver. Except in connection with any successor in interest approved by AUTHORITY, extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by AUTHORITY to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. AUTHORITY 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 AUTHORITY 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 AUTHORITY 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. AUTHORITY may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

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

paragraph. Notices provided to Borrower will also be provided to the Borrower's limited partner by mailing to the address in the Loan Agreement.

16. Governing Law; Severability. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

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

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

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

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

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

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 AUTHORITY 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 AUTHORITY may reasonably require to assure that the lien of this Security Instrument, AUTHORITY'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 23.

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

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

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

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

b. As used in this paragraph 22, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this

paragraph 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

23. Acceleration; Remedies. AUTHORITY shall give notice to Borrower, Borrower's investment limited partner (the "Investment Limited Partner") and the Senior Lien Holders prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 60 days from the date the notice is given to Borrower and the Investment Limited Partner (and with respect to a Senior Lien Holder, 60 days from the date the notice is given to such Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holders or the Investment Limited Partner have not exercised their right to cure the default, then AUTHORITY 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 AUTHORITY's right to invoke any remedies hereunder, as provided in Section 8 above, the AUTHORITY agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holders, the Limited Partner and the Investment Limited Partner at least 60 days' prior written notice. AUTHORITY shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

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

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

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

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

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

27. Prohibition against tenancy under foreclosure. Notwithstanding anything to the contrary set forth in this Deed of Trust or in any documents secured by this Deed of Trust or contained in any subordination agreement, the Beneficiary acknowledges and agrees that, in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

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

29. Nonrecourse. OWNER and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the Development Loan or the performance of OWNER's obligations under AUTHORITY documents. The sole recourse of AUTHORITY with respect to payment of the principal of, or interest on, the Development Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on AUTHORITY documents shall be enforced personally against OWNER or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with OWNER's obligations under the AUTHORITY documents. This nonrecourse provision does not limit or impair the enforcement against all such security for the Development Loan of all the rights and remedies of AUTHORITY, nor does it impair the right of AUTHORITY to assert the unpaid principal amount of the Development Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this nonrecourse provision does not relieve OWNER of personal liability for damage to or loss suffered by AUTHORITY 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 this Deed of Trust; (iii) the fair market value of any personal property or fixtures removed or disposed of by OWNER other than in accordance with this Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from

condemnation or the exercise of the power of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by OWNER after AUTHORITY has properly exercised its rights under this Deed of Trust to receive such income upon an Event of Default as defined in the Development Loan 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:

Wildomar Tres Lagos Limited Partnership,
a California limited partnership

By: PC Wildomar Developers I, LLC,
a California limited liability company,
Its Administrative General Partner

By: Palm Communities,
a California Corporation,
Its sole member/manager

By: _____
Todd A. Deutscher, Secretary

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }
COUNTY OF Riverside }
On July 9, 2012, before me, S. Delaet, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared Todd A Deutscher
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.



Place Notary Seal Above

Signature

S. Delaet

Signature of Notary Public

EXHIBIT B-1

LEGAL DESCRIPTION OF PROPERTY

All of Parcel 1 and Lot "B" (Arnett Road, 30.00 feet in easterly half width) of Parcel Map 9084, as shown by map on file in Book 40 of Parcel Maps at page 25 thereof, together with a portion of Parcel 1 of Parcel Map 8617, as shown by map on file in Book 35 of Parcel Maps at page 32 thereof, both Records of Riverside County, California, lying within Section 1, Township 7 South, Range 4 West, San Bernardino Meridian, said portions being described as follows:

BEGINNING at the northwest corner of said Lot "B", said corner being on the centerline of said Arnett Road;

Thence South 00°51'29" West along the west line of said Lot "B" and along said centerline of Arnett Road, a distance of 300.00 feet to the southwest corner of said Lot "B";

Thence South 89°08'31" East along the south line of said Lot "B" and along the south line of said Parcel 1 of Parcel Map 9084, a distance of 550.00 feet to the southeast corner thereof, said corner being on the west line of said Parcel 1 of Parcel Map 8617;

Thence North 00°51'29" East along the east line of said Parcel 1 of Parcel Map 9084 and along said west line of Parcel 1 of Parcel Map 8617, a distance of 23.97 feet to a point on a line parallel with and distant northerly 23.97 feet, measured at a right angle, from said south line of Parcel 1 of Parcel Map 9084;

Thence South 89°08'31" East along said parallel line, a distance of 77.67 feet to a point on a line parallel with and distant easterly 77.67 feet, measured at a right angle, from said east and west lines;

Thence North 00°51'29" East along said parallel line, a distance of 144.19 feet to a point on a line parallel with and distant southerly 131.84 feet, measured at a right angle, from the north line of said Parcel 1 of Parcel Map 8617;

Thence South 89°08'31" East along said parallel line, a distance of 11.59 feet to a point on a line parallel with and distant easterly 89.26 feet, measured at a right angle, from said east and west lines;

Thence North 00°51'29" East along said parallel line, a distance of 131.84 feet to a point on said north line of Parcel 1 of Parcel Map 8617, said north line also being the south right of way line of Catt Road (60.00 feet in full width) of said parcel map;

Thence North 89°08'31" West long said north line and along the north line of said Parcel 1 of Parcel Map 9084 and along said south right of way line, a distance of 639.26 feet to the POINT OF BEGINNING.

Containing 4.32 acres, more or less.

Exhibit C

Promissory Note

PROMISSORY NOTE SECURED BY DEED OF TRUST
\$10,500,000 **Riverside, CA**

In installments as hereafter stated, for value received, Wildomar Tres Lagos Limited Partnership, a California limited partnership ("Borrower" or "OWNER") promises to pay the Housing Authority of the County of Riverside, a public body, corporate and politic ("AUTHORITY"), or order, at 3403 10th Street, Suite 500, Riverside, CA 92501, the sum of Ten Million Five Hundred Thousand and No/100 Dollars \$10,500,000 ("Development Loan") with simple interest on the unpaid principal amount, at the rate of one percent (1%) per annum, interest and principal payable on the terms and conditions set forth below, and as may be further set forth in the Loan Agreement executed by Borrower and Authority concurrently herewith.

This Promissory Note ("Note") provides: (1) That the Development Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) The amounts due pursuant to this Note shall be repaid as defined herein following payment of the Compliance Monitoring Fee to the AUTHORITY: i) Fifty percent (50%) of the Project's Residual Receipts towards the payment of the Development Loan; and the remaining fifty percent (50%) of the Project's Residual Receipts will be paid to OWNER. (3) The Development Loan shall be subordinated to a tax-exempt bond construction loan and permanent first mortgage. Available residual receipts shall be determined based on a review of certified financial statements for the project. Annual audited financial statements shall be submitted within sixty (60) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) December 30, 2073 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the issuance of the first Certificate of Occupancy for the Project, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on each July 1st thereafter to the extent of available Residual Receipts until the Loan maturity date as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: a) auditing and accounting fees; b) a property management fee not to exceed \$42.50 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index (CPI); c) lease up fee of \$150 per unit; d) an Investor Annual Review Fee which shall be in the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in the CPI; e) operating expenses which are defined as any expense reasonably and normally incurred in carrying out the Project's day-to-day activities, which shall include administration, on-site management, utilities, on-site staff payroll, payroll taxes, and maintenance; f) required deposits to reserves; g) deferred developer fee; h) an Administrative General Partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in the CPI; i) a Managing General Partner partnership management fee which shall be in the initial amount of \$15,000 and increased annually by an amount equivalent to the rise in the CPI; j) payments of principal and interest on amortized loans and indebtedness senior to the Development Loan, which have been approved by AUTHORITY (collectively, the "Senior Debt"); and k) Payment of annual Compliance Monitoring Fee to AUTHORITY in the amount of \$8,100 and increased annually by an amount equivalent to the increase in the CPI, as further set forth in Section 25 of the Loan Agreement..

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

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

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

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

(SIGNATURES ON NEXT PAGE)

DATE: _____

BORROWER:

Wildomar Tres Lagos Limited Partnership,
a California limited partnership,

By: PC Wildomar Developers I, LLC,
a California limited liability company,
Its Administrative General Partner

By: Palm Communities,
a California Corporation
Its sole member/manager

By: _____
Todd A. Deutscher, Secretary

Exhibit D

Covenant Agreement

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

Housing Authority of the County of Riverside,
successor in interest to the
Redevelopment Agency
for the County of Riverside
3403 10th Street, Suite 500
Riverside, CA 92501
Attn. Mervyn Manalo

SPACE ABOVE THIS LINE FOR RECORDERS USE

COVENANT AGREEMENT

THIS COVENANT is made this _____ day of _____ 2012, by and between the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public body, corporate and politic ("AUTHORITY") and Wildomar Tres Lagos Limited Partnership, a California limited partnership ("OWNER"), with respect to the following recitals:

RECITALS

- i. On _____, AUTHORITY and OWNER entered into that certain Loan Agreement (the "Agreement") for the first phase of development of certain real property.
- ii. Pursuant to the Agreement, OWNER has agreed to construct 80 units of affordable rental housing units reserved for low- to extremely low-income households ("Assisted Units") and one on-site manager's unit on the property described in Section 1, Restrictions, below.
- iii. The property subject to this Covenant Agreement is legally described in Exhibit D-1, Legal Description of Property, which is attached hereto and by this reference incorporated herein (the "Property").
- iv. Pursuant to the Agreement, OWNER has agreed to restrict the use of the Property.

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

1) RESTRICTIONS. For a period of fifty-five (55) years from the date of issuance of the first certificate of occupancy permits on the Property, the restrictions are as follows:

Rent Restrictions

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

established at a level not to exceed 30 percent of gross income of the household.

- b) **Income Restrictions:** OWNER agrees to reserve a total of eighty (80) Assisted Units (64 1-bedroom and 16 2-bedroom) for low- to extremely low-income senior households.
 - i) A total of sixty four (64) units shall be limited to low-income households whose incomes do not exceed sixty percent (60%) of area median income for the County, adjusted by family size at the time of occupancy, as defined by California Health and Safety Code Sections 50079.5 and 50105, shown in **Exhibit F**, which is attached hereto and incorporated herein by this reference.
 - ii) A total of eight (8) units shall be reserved for very low-income households whose incomes do not exceed fifty percent (50%) of area median income for the County, adjusted by family size at the time of initial occupancy.
 - iii) Eight (8) units will be reserved for extremely low-income households whose incomes do not exceed thirty percent (30%) of area median income for the County, adjusted by family size at the time of initial occupancy.
- c) **Affordability Period:** OWNER agrees that all Assisted Units in the Project will remain affordable, as defined in California Redevelopment Law for a period of not less than fifty-five (55) years. The fifty-five (55) year period shall commence upon the issuance of the first certificate of occupancy permits for the Project.

2) MAINTENANCE OF THE IMPROVEMENTS. OWNER, on behalf of itself and its successors, assigns, and each successor in interest to the Property or any part thereof

hereby covenants to and shall protect, maintain, and preserve the improvements located on the Property in compliance with all applicable federal and state law and regulations and local ordinances.

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

- a. **In deeds:** "The Grantee herein covenants by and for himself for herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, medical condition, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself nor any person claiming under or through him or her establish or permit any such practice or practices of

discrimination or segregation with reference to the selection, location, numbers use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

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

to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the premises.”

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

5) NOTICES. All Notices provided for in this Agreement shall be deemed when personally delivered, or two (2) days following mailing by certified mail, return receipt requested. All mailing shall be addressed to the respective parties at their addresses set forth below, or at such other address as each party may designate in writing and give to the other party:

AUTHORITY

Assistant Director of Housing
Housing Authority
of the County of Riverside
3403 10th St., Suite 500
Riverside, CA 92501

OWNER

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

6) BINDING EFFECT. The rights and obligations of this Agreement shall

bind and inure to the benefit of the respective heirs, successors and assigns of the parties.

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

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

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

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

11) AUTHORITY TO EXECUTE. The persons executing this Agreement on behalf of the parties to this Agreement hereby warrant and represent that they have the authority to execute this Agreement and warrant and represent that they have the authority to bind the respective parties to this Agreement to the performance of its obligations hereunder.

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

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

END OF AGREEMENT

(SIGNATURES ON NEXT PAGE)

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

AUTHORITY:

HOUSING AUTHORITY
OF THE COUNTY OF RIVERSIDE

OWNER:

Wildomar Tres Lagos Limited Partnership,
a California limited partnership

By: PC Wildomar Developers I, LLC,
a California limited liability company
Its Administrative General Partner

By: Palm Communities,
a California corporation
Its sole member/manager

By: _____
John Tavaglione, Chairman
Board of Commissioners

By: _____
Todd A. Deutscher, Secretary

APPROVED AS TO FORM:

PAMELA J. WALLS
COUNTY COUNSEL

By: _____
Anita C. Willis, Deputy

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

(Signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF Riverside }

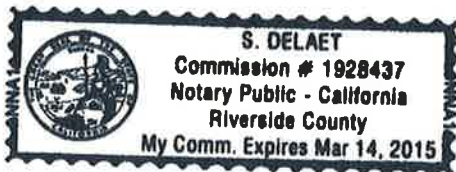
On July 9, 2012, before me, S. DeLaet Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Todd A Deutscher
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.



Place Notary Seal Above

Signature [Signature]
Signature of Notary Public

Exhibit D-1

All of Parcel 1 and Lot "B" (Arnett Road, 30.00 feet in easterly half width) of Parcel Map 9084, as shown by map on file in Book 40 of Parcel Maps at page 25 thereof, together with a portion of Parcel 1 of Parcel Map 8617, as shown by map on file in Book 35 of Parcel Maps at page 32 thereof, both Records of Riverside County, California, lying within Section 1, Township 7 South, Range 4 West, San Bernardino Meridian, said portions being described as follows:

BEGINNING at the northwest corner of said Lot "B", said corner being on the centerline of said Arnett Road;

Thence South 00°51'29" West along the west line of said Lot "B" and along said centerline of Arnett Road, a distance of 300.00 feet to the southwest corner of said Lot "B";

Thence South 89°08'31" East along the south line of said Lot "B" and along the south line of said Parcel 1 of Parcel Map 9084, a distance of 550.00 feet to the southeast corner thereof, said corner being on the west line of said Parcel 1 of Parcel Map 8617;

Thence North 00°51'29" East along the east line of said Parcel 1 of Parcel Map 9084 and along said west line of Parcel 1 of Parcel Map 8617, a distance of 23.97 feet to a point on a line parallel with and distant northerly 23.97 feet, measured at a right angle, from said south line of Parcel 1 of Parcel Map 9084;

Thence South 89°08'31" East along said parallel line, a distance of 77.67 feet to a point on a line parallel with and distant easterly 77.67 feet, measured at a right angle, from said east and west lines;

Thence North 00°51'29" East along said parallel line, a distance of 144.19 feet to a point on a line parallel with and distant southerly 131.84 feet, measured at a right angle, from the north line of said Parcel 1 of Parcel Map 8617;

Thence South 89°08'31" East along said parallel line, a distance of 11.59 feet to a point on a line parallel with and distant easterly 89.26 feet, measured at a right angle, from said east and west lines;

Thence North 00°51'29" East along said parallel line, a distance of 131.84 feet to a point on said north line of Parcel 1 of Parcel Map 8617, said north line also being the south right of way line of Catt Road (60.00 feet in full width) of said parcel map;

Thence North 89°08'31" West long said north line and along the north line of said Parcel 1 of Parcel Map 9084 and along said south right of way line, a distance of 639.26 feet to the POINT OF BEGINNING.

Containing 4.32 acres, more or less.

Exhibit E

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

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

HOUSING AUTHORITY OF THE
COUNTY OF RIVERSIDE

AND WHEN RECORDED MAIL TO:

HOUSING AUTHORITY OF THE
COUNTY OF RIVERSIDE
3403 10th St. Suite 500
RIVERSIDE, CA 92501
ATTN: Mervyn Manalo

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

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

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

A Covenant and Restriction with an expiration date of not less than fifty-five (55) years from the date of the first Certificate of Occupancy is recorded concurrently, herewith in the Official Records of Riverside County, California, on the property as legally described in Exhibit E-1, which is attached hereto and by this reference incorporated herein.

HOUSING AUTHORITY OF
THE COUNTY OF RIVERSIDE

Dated _____

Tom Fan, Principal Development Specialist

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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

On _____ before me,
 Date

_____, personally appeared
Name and Title of the Officer

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

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

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

WITNESS my hand and official seal.

Signature of Notary Public

(This area for official notarial seal)

Exhibit E-1

LEGAL DESCRIPTION OF PROPERTY

All of Parcel 1 and Lot "B" (Arnett Road, 30.00 feet in easterly half width) of Parcel Map 9084, as shown by map on file in Book 40 of Parcel Maps at page 25 thereof, together with a portion of Parcel 1 of Parcel Map 8617, as shown by map on file in Book 35 of Parcel Maps at page 32 thereof, both Records of Riverside County, California, lying within Section 1, Township 7 South, Range 4 West, San Bernardino Meridian, said portions being described as follows:

BEGINNING at the northwest corner of said Lot "B", said corner being on the centerline of said Arnett Road;

Thence South $00^{\circ}51'29''$ West along the west line of said Lot "B" and along said centerline of Arnett Road, a distance of 300.00 feet to the southwest corner of said Lot "B";

Thence South $89^{\circ}08'31''$ East along the south line of said Lot "B" and along the south line of said Parcel 1 of Parcel Map 9084, a distance of 550.00 feet to the southeast corner thereof, said corner being on the west line of said Parcel 1 of Parcel Map 8617;

Thence North $00^{\circ}51'29''$ East along the east line of said Parcel 1 of Parcel Map 9084 and along said west line of Parcel 1 of Parcel Map 8617, a distance of 23.97 feet to a point on a line parallel with and distant northerly 23.97 feet, measured at a right angle, from said south line of Parcel 1 of Parcel Map 9084;

Thence South $89^{\circ}08'31''$ East along said parallel line, a distance of 77.67 feet to a point on a line parallel with and distant easterly 77.67 feet, measured at a right angle, from said east and west lines;

Thence North $00^{\circ}51'29''$ East along said parallel line, a distance of 144.19 feet to a point on a line parallel with and distant southerly 131.84 feet, measured at a right angle, from the north line of said Parcel 1 of Parcel Map 8617;

Thence South $89^{\circ}08'31''$ East along said parallel line, a distance of 11.59 feet to a point on a line parallel with and distant easterly 89.26 feet, measured at a right angle, from said east and west lines;

Thence North $00^{\circ}51'29''$ East along said parallel line, a distance of 131.84 feet to a point on said north line of Parcel 1 of Parcel Map 8617, said north line also being the south right of way line of Catt Road (60.00 feet in full with) of said parcel map;

Thence North $89^{\circ}08'31''$ West long said north line and along the north line of said Parcel 1 of Parcel Map 9084 and along said south right of way line, a distance of 639.26 feet to the POINT OF BEGINNING.

Containing 4.32 acres, more or less.

Exhibit “F”

California Health and Safety Codes

50053, 50079.5, 50105

Affordability Requirements

California Health and Safety Codes 50053, 50079.5 and 50105

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

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

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

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

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

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

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

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

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

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

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

in, but is declaratory of, existing law.

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

