

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

420



FROM: Economic Development Agency

SUBMITTAL DATE:
June 21, 2012

SUBJECT: Loan Agreement for the Use of HOME Funds for Cedar Glen Apartments in the City of Riverside

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Loan Agreement for the use of an amount up to \$550,000 HOME Funds between the County of Riverside and Riverside Cedar Glen Partners Limited Partnership;
2. Approve the attached Construction Leasehold Deed of Trust and Promissory Note;
3. Authorize the Chairman of the Board to execute the attached Loan Agreement;

(Continued)

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 550,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2012/13

COMPANION ITEM ON BOARD AGENDA: No	
SOURCE OF FUNDS: HOME Investment Partnership Act Grant Funds	Positions To Be Deleted Per A-30 <input type="checkbox"/>
	Requires 4/5 Vote <input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
BY: *Jennifer F. Sargent*
County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Benoit and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone and Benoit
Nays: None
Absent: Ashley
Date: July 3, 2012
xc: EDA, Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 DATE BY: *Samuel Wong* 6/21/12
 ANNIET T. SAHAR
 Departmental Counsel SAMUEL WONG

FORM APPROVED COUNTY COUNSEL
 BY: *Samuel Wong* 6/19/12
 DATE BY: *Samuel Wong* 6/19/12
 ANNIET T. SAHAR
 Departmental Counsel SAMUEL WONG

RECOMMENDED MOTION: (Continued)

4. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement subordinating the HOME Loan Deed of Trust to a Leasehold Deed of Trust between RCGPLP and a construction lender to be named at a later date in an amount up to \$11,000,000, subject to approval by County Counsel;
5. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement subordinating the HOME Loan Deed of Trust to a Leasehold Deed of Trust between RCGPLP and the California Housing Financing Agency in the amount up to \$1,400,000 for the Mental Health Service Act loan, subject to approval by County Counsel; and
6. Authorize the Assistant County Executive Officer/EDA, or designee, to take all necessary steps to implement the Loan Agreement, Leasehold Deeds of Trust, and Subordination Agreements, including, but not limited to, signing subsequent necessary and relevant documents subject to approval as to form by County Counsel.

BACKGROUND:

Riverside Cedar Glen Partners Limited Partners, a California limited partnership, is requesting \$550,000 in HOME funds for the phase 1 development of a 51-unit multi-family affordable housing complex located on the southeast corner of County Farm Road and Reynolds Road in the City of Riverside, Assessor Parcel Numbers 145-260-011 (portion) and 145-260-020. The overall project site is approximately 7.4 acres of which 3.6 acres will be used for the phase 1 portion. The project will consist of two phases, which will include one manager's unit for each phase. The phase 1 portion will consist of 14 one-bedroom units, 14 two-bedroom units, 17 three-bedroom units, and 6 four-bedroom units. Project amenities will include a 3,000 square foot community building, pool/splash pad, picnic areas, tot lots, low-impact cardio walking circuit, assigned carports, surveillance cameras with web access, and laundry facilities.

A total of 11 units will be designated as HOME-assisted units limited to households whose incomes do not exceed 50% of the area median income for the County of Riverside, adjusted by family size at the time of occupancy. The HOME-assisted units will be restricted for a period of at least 99 years from the issuance of Certificate of Occupancy. Also, as a requirement of the Department of Mental Health Services Act (MHSA) financing, a total of 15 floating units will be restricted for special needs persons such as individuals with illness and homelessness or at risk of homelessness that are referred by MHSA.

Under a one dollar per year Ground Lease with the county, the Lessee will be solely responsible for all aspects of the development of the overall project. The total cost of the phase 1 portion of the project is estimated to be \$15,199,025. Additional sources of funds will include a \$1,400,000 loan from MHSA, an \$837,124 loan from a private lender, a \$500,000 from the Affordable Housing Program, \$311,550 in waived Transportation Uniform Mitigation Fees, \$24,838 of Prestabilization Income, and the balance of \$11,575,513 from tax credit proceeds.

The county's HOME Loan will be in the third position behind a construction lender and a permanent first mortgage, and a permanent mortgage in favor of MHSA. Each aforementioned entity will require that the County of Riverside execute subordination agreements subordinating the HOME Loan Deed of Trust to the Leasehold Deeds of Trust at a later date to signify their senior position to the HOME loan.

(Continued)

Economic Development Agency
Loan Agreement for the Use of HOME Funds for Cedar Glen Apartments in the City of Riverside
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BACKGROUND: (Continued)

On August 31, 2010, the Board approved the Notice of Finding of No Significant Impact on the Environment, and the county has received authorization from the U.S. Department of Housing and Urban Development to incur costs. The project activity was included in the 2011/2012 One-Year Action Plan on May 1, 2012.

County Counsel has reviewed and approved the Agreement for Use of HOME Funds, Construction Leasehold Deed of Trust and Promissory Note as to form. Staff recommends that the Board approve the attached documents.

FINANCIAL DATA:

All the costs related to the development of the project will be fully funded with HOME funds. The County of Riverside has budgeted this expense in the FY 2012/13 budget.

Attachments:

- Loan Agreement
- Construction Leasehold Deed of Trust
- Promissory Note

1 NO FEE FOR RECORDING PURSUANT
2 TO GOVERNMENT CODE SECTION 6103

3 Order No.
4 Escrow No.
5 Loan No.

6 RECORDING REQUESTED BY AND
7 WHEN RECORDED MAIL TO:

8 County of Riverside
9 Economic Development Agency
10 3403 Tenth Street, Suite 500
11 Riverside, CA 92501
12 Attn. Benjamin Cendejas

13 SPACE ABOVE THIS LINE FOR RECORDERS USE

14 LOAN AGREEMENT FOR THE USE OF
15 HOME FUNDS

16 This Loan Agreement for the use of HOME funds (the "Agreement" or "HOME
17 Loan Agreement") is made and entered into as of the 3rd day of July, 2012 by
18 and between the COUNTY OF RIVERSIDE ("COUNTY"), a political subdivision of the State
19 of California, and Riverside Cedar Glen Partners LP ("BORROWER"), a California limited
20 partnership. BORROWER will develop and construct an affordable multi-family housing
21 complex identified as "Cedar Glen Apartments" in the City of Riverside in Riverside County
22 (the "Project").

23 WITNESSETH:

24 WHEREAS, the Home Investment Partnerships ("HOME") Program, which was
25 enacted under Title II of the Cranston-Gonzalez National Affordable Housing Act (the "Act"),
26 as amended (commencing at 42 U.S.C. 12701 et seq.), and implemented under 24 CFR Part 92,
27 has as its purposes to expand the supply of decent, safe, sanitary, and affordable housing with
28 primary attention to rental housing, for very low-income and low-income families; to
strengthen public-private partnerships to carry out affordable housing programs; and to provide
for coordinated assistance to participants in the development of affordable low-income
housing; and

WHEREAS, COUNTY has qualified as an "Urban County" for purposes of

1 receiving HOME funds which are to be used to assist and undertake essential housing
2 assistance activities pursuant to the Act; and

3 WHEREAS, BORROWER is eligible under the Act to apply for and receive
4 HOME funds to perform those activities described herein; and

5 WHEREAS, BORROWER has proposed to develop and construct an affordable
6 rental housing development (the "Project") for families and set aside certain units as HOME-
7 assisted units as further described in **Exhibit "A"**, which is attached hereto and by this
8 reference incorporated herein; and

9 WHEREAS, the HOME-assisted activities described herein comply with the
10 objectives as required under 24 CFR Part 92; and

11 WHEREAS, the HOME-assisted activities described herein are consistent with
12 COUNTY's "Consolidated Plan."

13 NOW, THEREFORE, COUNTY and BORROWER mutually agree as follows:

14 1. PURPOSE. COUNTY has agreed to lend up to Five Hundred Fifty
15 Thousand Dollars (\$550,000.00) of HOME funds to BORROWER upon the terms and
16 conditions set forth herein (the "HOME Loan"). Subject to **Section 52** hereof, Project
17 Financing Contingency, BORROWER promises and agrees to undertake and assist with the
18 HOME activities by utilizing such HOME funds, as specifically identified in **Exhibit "A"**.

19 2. BORROWER'S OBLIGATIONS. BORROWER hereby agrees to use its
20 best efforts to undertake and complete the following activities, subject to its receipt of the
21 HOME funds and the terms of **Section 51** hereof:

22 a. Develop the Project in accordance with the Implementation
23 Schedule set forth in **Exhibit "A"**.

24 b. Obtain a tax credit allocation from the California Tax Credit
25 Allocation Committee ("CTCAC") in accordance with the Implementation Schedule set forth in
26 **Exhibit "A"**.

27 c. Obtain Mental Health Services Act ("MHSA") financing from the
28 California Housing Finance Agency, which will be the entity making the loan to BORROWER

1 on behalf of the County of Riverside Mental Health Department in accordance with the
2 Implementation Schedule set forth in **Exhibit "A"**.

3 d. Obtain Affordable Housing Program ("AHP") financing the
4 Affordable Housing Program agency, in accordance with the Implementation Schedule.

5 e. In accordance with the Implementation Schedule set forth in
6 **Exhibit "A"**, submit to COUNTY for approval evidence that BORROWER has obtained
7 sufficient equity capital or has obtained firm and binding commitments for construction and
8 permanent financing necessary to undertake the development and completion of the Project.

9 f. Secure a leasehold interest in the property as described in **Exhibit**
10 **"A"**, hereinafter referred to as the ("Property" or "Project Site") pursuant to a ground lease
11 agreement between the County, as landlord, and Borrower, as tenant (the "Ground Lease"), and
12 by execution of any other documents necessary to secure such leasehold interest in the
13 Property.

14 g. Operate the Project in such a manner so that it will remain
15 affordable to qualified very low-income and low-income tenants for the affordability period as
16 defined in **Section 15** herein without regard to: (i) the term of the promissory note (the "HOME
17 Note"); or (ii) transfer of ownership.

18 h. Shall maintain the Project in compliance with applicable local,
19 state, federal laws, codes and regulations for the duration of the Agreement.

20 i. Shall provide the COUNTY the Data Universal Number as
21 assigned by the Data Universal Number System (DUNS) assigned to BORROWER as required
22 by the Federal Funding Accountability and Transparency Act of 2006.

23 3. COUNTY'S OBLIGATIONS. COUNTY hereby agrees to undertake and
24 complete the following activities, subject to its receipt of HOME funds from U.S. Department
25 of Housing and Urban Development ("HUD"):

26 a. Provide the HOME Loan in the amount identified in **Section 1** to
27 BORROWER for financing of HOME-eligible construction costs of the Project.

28 b. Comply with all of its obligations as participating recipient under

1 the applicable regulations set forth in 24 CFR Part 92.

2 4. HOME Loan. BORROWER shall borrow the HOME funds from
3 COUNTY for financing of the Project under the following terms and conditions:

4 a. Term. The maturity of the HOME Loan shall be ninety-nine (99)
5 years from the first certificate of occupancy for the Project "(Term)", issued by the City of
6 Riverside (the "Certificate of Occupancy").

7 b. Principal. The principal of the HOME Loan shall be the amount
8 identified in **Section 1** secured by a deed of trust (the "Construction Leasehold Deed of Trust")
9 as shown in **Exhibit "B-1"** and evidenced by the HOME Note, as specifically identified in
10 **Exhibit "B-2"**, both of which are attached hereto and by this reference incorporated herein,
11 executed by BORROWER in favor of COUNTY in a form satisfactory to COUNTY.

12 c. Interest. The interest rate shall be one percent (1.00%) per annum.

13 d. Repayment. The HOME Note shall provide the following:

14 (1) That the HOME Loan will accrue simple interest at a rate
15 of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and
16 shall be repaid on an annual basis from the Project's Residual Receipts as defined herein;

17 (2) The HOME Note shall be repaid according to the
18 following:

19 (1) Fifty percent (50%) of the Project's Residual
20 Receipts shall be used towards the payment of the Residual Receipts loans secured by the
21 Project, and the payment shall be prorated based on the percentage of each relative loan amount
22 based upon the total amount of all such loans, until the HOME Note is repaid in full; and

23 (2) The remaining Fifty percent (50%) of the Project's
24 Residual Receipts will be paid to BORROWER.

25 (3) The HOME Loan shall be subordinated to a construction
26 loan and permanent first mortgage and the MHSA Loan. Available Residual Receipts shall be
27 determined based on a review of financial statements for the project. Quarterly financial
28 statements shall be submitted within forty-five (45) days of the close of each quarter of the

1 project fiscal year. In addition, annual audited financial statements shall be submitted within
2 120 days of the close of the calendar year. All outstanding principal along with accrued interest
3 shall be payable ninety-nine (99) years from the issuance of the first Certificate of Occupancy
4 for the Project. The first payment shall be due on July 1, 2014, to the extent of available
5 Residual Receipts, as set forth above; and

6 (4) Project Residual Receipts shall be determined based on an
7 annual review of certified financial statements for the Project. Annual audited financial
8 statements shall be submitted within one hundred twenty (120) days following the close of the
9 project fiscal year. All outstanding principal along with accrued interest shall be due upon
10 ninety-nine (99) years from the issuance of the first Certificate of Occupancy for the Project.
11 The first payment shall be due on July 1st in the first full calendar year following the date of the
12 issuance of the first Certificate of Occupancy for the Project, to the extent of available Residual
13 receipts, as set forth above. Subsequent payments shall be made on July 1st thereafter to the
14 extent of available Residual receipts until sooner of full repayment of the Loan or the Loan
15 maturity date as set forth above; and

16 (5) Project Residual Receipts are defined as gross receipts, not
17 including the Monitoring Fee, as defined in **Section 30**, and not including interest on required
18 reserve accounts, less the following:

19 (1) auditing and accounting fees;
20 (2) a property management fee not to exceed \$42.50
21 per unit per month, increased annually by an amount equal to the increase in the Consumer
22 Price Index ("CPI");

23 (3) lease up fee of \$150 per unit;
24 (4) an Investor Annual Review Fee which shall be in
25 the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in CPI;

26 (5) operating expenses (any expense reasonably and
27 normally incurred in carrying out the Project's day-to-day activities, which shall include
28 administration, on-site management, utilities, on-site staff payroll, payroll taxes, and

1 maintenance);

2 (6) reserves;

3 (7) deferred developer fee;

4 (8) an Administrative General Partner monitoring fee,

5 which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent
6 to the rise in CPI;

7 (9) a Managing General Partner partnership fee which
8 shall be in the initial amount of \$15,000 and increased annually by an amount equivalent to the
9 rise in the CPI; and

10 (10) payments of principal and interest on amortized
11 loans and indebtedness senior to the HOME Loan, which have been approved by COUNTY
12 (collectively, the "Senior Debt").

13 e. Security. COUNTY hereby agrees that the HOME Deed of Trust
14 and the terms of this Agreement shall be subordinated to: 1) a construction and leasehold deed
15 of trust in connection with permanent financing from a lender to be named at a later date; 2) and
16 a leasehold deed of trust and regulatory agreement in favor of the California Financing Agency
17 for the Mental Health Services loan (collectively, the "Senior Loans"). In addition, COUNTY
18 agrees to execute any and all documents necessary to effectuate subordination of this
19 Agreement and the HOME Deed of Trust to the leasehold deeds of trust securing the Senior
20 Loans and any future refinancing upon BORROWER'S request.

21 f. Prepayment. Prepayment of principal and/or interest may occur at
22 any time without penalty. The requirements of **Section 18**, Compliance with Laws and
23 Regulations, however, shall remain in full force and effect for a term specified in **Section 6**
24 hereof.

25 5. PRIOR COUNTY APPROVAL. BORROWER shall obtain COUNTY'S
26 approval, through its Economic Development Agency ("EDA"), of all items requiring such
27 approvals as described in this Agreement.

28 6. TERM OF AGREEMENT. This Agreement shall become effective upon

1 execution and unless terminated earlier pursuant to the terms hereof, shall continue in full force
2 and effect for a period of ninety-nine (99) years from the issuance of the first Certificate of
3 Occupancy for the Project.

4 7. BORROWER'S REPRESENTATIONS. BORROWER represents and
5 warrants to COUNTY as follows:

6 a. Authority. BORROWER is a duly organized limited partnership in
7 good standing under the laws of the State of California. The copies of the documents evidencing
8 the organization of BORROWER, which have been delivered to COUNTY, are true and
9 complete copies of the originals, amended to the date of this Agreement. BORROWER has full
10 right, power and lawful authority to accept the conveyance of the Project Site, as defined in
11 **Exhibit "A"**, and undertake all obligations as provided herein and the execution, performance
12 and delivery of this Agreement by BORROWER has been fully authorized by all requisite
13 actions on the part of BORROWER.

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

18 c. No Borrower Bankruptcy. BORROWER is not the subject of a
19 bankruptcy proceeding.

20 d. Prior to Closing. BORROWER shall upon learning of any fact or
21 condition which would cause any of the warranties and representations in this **Section 7** not to
22 be true as of Closing, immediately give written notice of such fact or condition to COUNTY.
23 Such exception(s) to a representation shall not be deemed a breach by BORROWER hereunder,
24 but shall constitute an exception which COUNTY shall have the right to approve or disapprove
25 if such exception would have an effect on the value and/or operation of the Project Site.

26 8. COMPLETION SCHEDULE. BORROWER shall proceed consistent with
27 the completion schedule set forth in **Exhibit "A"**, as the same may be amended by the parties
28 from time to time, and subject to Force Majeure Delays, as defined in **Section 9**.

1 9. FORCE MAJEURE DELAYS. Delay due to Force Majeure that, in each
2 case, (i) materially adversely affects the performance by BORROWER of its obligations
3 hereunder, (ii) is not reasonably foreseeable and is beyond BORROWER's reasonable control,
4 (iii) despite the exercise of reasonable diligence, cannot be prevented, avoided or removed by
5 BORROWER and is not attributable to the negligence, willful misconduct or bad faith of
6 BORROWER, and (iv) is not the result of the failure of BORROWER to perform any of its
7 obligations under this Agreement. Notwithstanding the foregoing, a Force Majeure Delay shall
8 not be deemed to have occurred unless BORROWER has notified COUNTY of such
9 occurrence of Force Majeure within fifteen (15) days after such occurrence and has provided
10 COUNTY with the details of such event and the length of the anticipated delay within an
11 additional fifteen (15) days thereafter. BORROWER shall diligently attempt to remove,
12 resolve, or otherwise eliminate such event, keep COUNTY advised with respect thereto, and
13 shall commence performance of its obligations hereunder immediately upon such removal,
14 resolution or elimination. During the occurrence and continuance of a Force Majeure Delay,
15 BORROWER shall be excused from performance of its obligations under this Agreement to
16 the extent the Force Majeure prevents BORROWER from performing such obligations.

17 10. EXTENSION OF TIME. COUNTY may grant an extension to the
18 completion schedule for the purpose of completing BORROWER's activities which cannot be
19 completed as outlined in **Exhibit "A"**. BORROWER shall request said extension in writing,
20 stating the reasons therefore, and may be granted only by receiving written approval from
21 COUNTY. Every term, condition, covenant, and requirement of this Agreement shall continue
22 in full force and effect during the period of any such extension.

23 11. LETTER TO PROCEED. BORROWER shall not initiate nor incur
24 expenses for the HOME funded activity covered under the terms of this Agreement prior to
25 receiving written authorization to proceed.

26 12. REALLOCATION OF FUNDS. If BORROWER fails to meet the
27 deadlines set forth in the Implementation Schedule in **Exhibit "A"**, subject to the notice and
28 cure periods set forth in **Section 33** herein, the funds allocated, reserved, or placed in a HOME

1 Investment Trust Fund may be reallocated by COUNTY after at least thirty (30) days prior
2 written notice is given to BORROWER; provided that COUNTY agrees not to reallocate the
3 funds while an application for funding from another source is pending. Upon such
4 reallocation, this HOME Loan Agreement shall be terminated and be of no further force and
5 effect and BORROWER shall be released and discharged from any obligations under this
6 Agreement.

7 13. CONDITIONS FOR DISPOSITION OF FUNDS. COUNTY, through its
8 EDA, shall: (1) make payments of the HOME funds to BORROWER as designated in **Exhibit**
9 **"A"**, and (2) monitor the Project to ensure compliance with applicable federal regulations and
10 the terms of this HOME Loan Agreement. There will be no disbursement of funds until the
11 following events first occur:

12 a. BORROWER enters into the Ground Lease with the COUNTY for
13 the Project Site.

14 b. BORROWER executes and records this HOME Loan Agreement
15 against Borrower's leasehold interest in the Project Site.

16 c. BORROWER executes and delivers the HOME Note as shown in
17 **Exhibit "B-2"** to COUNTY.

18 d. BORROWER executes, records against Borrower's leasehold
19 interest in the Project Site, and delivers the Construction Leasehold Deed of Trust as shown in
20 **Exhibit "B-1"**.

21 e. BORROWER executes, records, and delivers the Request for
22 Notice as shown in **Exhibit "H"**.

23 f. BORROWER provides, at its expense, an ALTA lender's policy
24 insuring the HOME Deed of Trust upon the close of escrow.

25 g. BORROWER provides documentation showing that matching
26 funds of not less than twenty-five percent (25%) of the total HOME funds allocated under this
27 Agreement have been provided.

28 h. BORROWER provides satisfactory evidence that it has all the

1 financing documents required to cause the proceeds of the construction loan and the equity
2 investment from the investor to be committed and available, in an amount sufficient, when
3 combined with the HOME Loan and MHSA, to pay for development costs.

4 i. BORROWER provides copies of receipts, paid invoices and
5 conditional lien releases (upon receipt of payment) for construction costs.

6 j. BORROWER provides satisfactory evidence that it has secured
7 any and all land use entitlements, permits, approvals which may be required for construction of
8 the Project pursuant to the applicable rules and regulations of, COUNTY, the City of Riverside,
9 or any other governmental agency affected by such construction work. BORROWER shall,
10 without limitation, secure all entitlement, change of zone, lot line adjustment, any and all
11 necessary studies required including but not limited to archaeological, cultural, environmental,
12 traffic studies and lead-based paint surveys, as applicable, and pay all costs, charges and fees
13 associated therewith, all conditions precedent to the issuance of all permits necessary for the
14 construction of the development and all such permits are available for issuance, other than
15 payment of fees.

16 k. BORROWER provides duly executed documents and instruments
17 showing a property leasehold interest in the Property as specifically identified in **Exhibit "A"**.

18 l. COUNTY will retain ten percent (10%) of the total HOME Loan
19 amount and release final draw down of HOME funds upon receipt of all of the following:

20 (1) Conditional lien release from general contractor;
21 (2) recorded Notice of Completion;
22 (3) Certificate of Occupancy;
23 (4) architect certification identifying units that are accessible
24 to individuals with mobility impairments and units that are accessible to individuals with
25 sensory impairments in compliance with Section 504 of the Rehabilitation Act of 1973, as
26 described in **Section 18(i)**;

27 (5) final Contract and Subcontract Activity report, Minority
28 Business Enterprise/Women Business Enterprise ("MBE/WBE") report, HUD form 2516;

1 (6) submission of documentation that shows compliance with
2 the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and 24
3 CFR Part 42.

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

7 (8) Affirmative Fair Housing Marketing Plan – Multifamily
8 Housing, HUD form 935.2A, as described in **Section 18(c)**;

9 (9) Tenant Selection Policy;

10 (10) Management Plan;

11 (11) final development costs; and

12 (12) final sources and uses of funds. A final Certified Public
13 Accountant's construction cost certification must be provided within 6 months of the Certificate
14 of Occupancy (but not as a condition to release HOME Loan retention).

15 m. If Davis Bacon and/or Prevailing Wages are required to be paid,
16 BORROWER hires a qualified professional firm to review and monitor Davis Bacon prevailing
17 wage compliance for all submissions of contractors certified payrolls to COUNTY. In the event
18 that the PROJECT requires prevailing wages, BORROWER shall comply with any applicable
19 labor regulations and all other State Laws in connection with the construction of the
20 improvements which compromise the PROJECT, including if applicable, requirements relating
21 to prevailing wages. BORROWER agrees and acknowledges that it is the responsibility of
22 BORROWER to obtain legal determination, at BORROWER's sole cost and expenses as to
23 whether prevailing wages must be paid during the construction of the PROJECT. If the
24 California Department of Industrial Relations deems that the PROJECT is subject to prevailing
25 wage, then BORROWER shall be solely responsible to pay its contractors and subcontractors
26 the required prevailing wage rates. BORROWER agrees to indemnify, defend, and hold
27 COUNTY harmless from and against any and all liability arising out of and related to
28 BORROWER's failure to comply with any and all applicable prevailing wage requirements.

1 n. BORROWER provides documentation of a Payment and
2 Performance Bond or letter of credit to secure performance under the construction contract
3 issued by a bonding company or financial institution reasonably approved by COUNTY. Such
4 bond shall name COUNTY as Co-Obligee.

5 o. BORROWER provides satisfactory evidence that it has satisfied all
6 conditions precedent to the issuance of all permits necessary for the construction of the
7 development and all such permits are available for issuance, other than payment of fees.

8 p. INTENTIONALLY DELETED.

9 q. BORROWER obtains and submits at BORROWER's sole cost and
10 expense the following documents for COUNTY's review and acceptance of in its sole and
11 absolute discretion:

12 (1) Copies of Phase I Environmental audit prepared by
13 licensed entity in accordance with State of California requirements.

14 (2) Copies of soil reports.

15 (3) Any findings identified in the soil, Phase I reports shall be
16 fully remediated by BORROWER at its sole cost and expense.

17 r. Irrespective of events (a) through (e), BORROWER is allowed to
18 draw down up to a not-to-exceed amount of Five Thousand (\$5,000) Dollars for eligible soft
19 costs incurred for the Project. Should the Project be cancelled, all funds drawn down are to be
20 paid back by BORROWER within thirty (30) calendar days after receiving a request for
21 payment from the COUNTY.

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

1 single comprehensive list of Developer Associates (individuals and firms) and print and
2 maintain evidence of the search results of each Developer Associate as verification of
3 compliance with this requires as provided in **Exhibit "G"**, which is attached hereto and by this
4 reference incorporated herein.

5 14. DISTRIBUTION OF FUNDS. The HOME Investment Trust Fund account
6 established in the United States Treasury is managed through HUD, Integrated Disbursement
7 and Information System (IDIS) for the HOME Investment Partnerships Program. The IDIS
8 System is a computerized system which manages, disburses, collects, and reports information
9 on the use of HOME funds in the United States Treasury Account. Disbursement of HOME
10 funds shall occur upon the satisfactory receipt of copies of checks, invoices and conditional
11 (upon receipt of payment) lien releases for construction costs to be paid with the proceeds of
12 the HOME Loan. Any disbursement of funds is expressly conditioned upon the satisfaction of
13 conditions set forth in **Section 13**. COUNTY shall pay BORROWER the sum specified in
14 **Section 1** above on a "cost-as-incurred" basis for all eligible approved costs under itemized
15 schedule shown in **Exhibit "A"**:

16 a. Up to a not-to-exceed amount of Five Thousand Dollars
17 (\$5,000.00) may be reimbursed to the BORROWER for eligible soft costs incurred in
18 preparation of the CTCAC application.

19 b. The balance of up to thirty percent (30%) of the HOME Loan upon
20 thirty percent (30%) completion of the Project, as certified and documented by the project
21 architect.

22 c. Up to sixty percent (60%) of the HOME Loan upon sixty percent
23 (60%) completion of the Project, as certified and documented by the project architect.

24 d. Up to ninety percent (90%) of the HOME Loan upon ninety
25 percent (90%) completion of the Project, as certified and documented by the project architect.

26 e. COUNTY shall release final draw down of ten percent (10%) of
27 the HOME Loan following receipt of all of the items listed in **Section 13**.

28 15. TERMS OF AFFORDABILITY. The period of affordability shall be

1 ninety-nine (99) years from the issuance of the first Certificate of Occupancy for the Project.

2 16. INSURANCE. Without limiting or diminishing BORROWER'S obligation
3 to indemnify or hold COUNTY harmless, BORROWER shall procure and maintain or cause to
4 be maintained, at its sole cost and expense, the following insurance coverage's during the term
5 of this HOME Loan Agreement.

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

13 b. Commercial General Liability Insurance. Commercial General
14 Liability insurance coverage, including but not limited to, premises liability, contractual
15 liability, products and completed operations liability, personal and advertising injury, and cross
16 liability coverage, covering claims which may arise from or out of BORROWER'S performance
17 of its obligations hereunder. Policy shall name the County of Riverside, its Agencies, Districts,
18 Special Districts, and Departments, their respective directors, officers, Board of
19 Supervisors, employees, elected or appointed officials, agents or representatives as Additional
20 Insured. Policy's limit of liability shall not be less than \$1,000,000 per occurrence combined
21 single limit. If such insurance contains a general aggregate limit, it shall apply separately to this
22 agreement or be no less than two (2) times the occurrence limit.

23 c. Vehicle Liability Insurance. If vehicles or mobile equipment are
24 used in the performance of the obligations under this HOME Loan Agreement, then
25 BORROWER shall maintain liability insurance for all owned, non-owned or hired vehicles so
26 used in an amount not less than \$1,000,000 per occurrence combined single limit. If such
27 insurance contains a general aggregate limit, it shall apply separately to this agreement or be no
28 less than two (2) times the occurrence limit. Policy shall name the County of Riverside, its

1 Agencies, Districts, Special Districts, and Departments, their respective directors, officers,
2 Board of Supervisors, employees, elected or appointed officials, agents or representatives as
3 Additional Insured or provide similar evidence of coverage approved by COUNTY's Risk
4 Manager.

5 d. General Insurance Provisions – All Lines.

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

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

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

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

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

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

22 (6) BORROWER shall pass down the insurance obligations
23 contained herein to all tiers of subcontractors working under this HOME Loan Agreement.

24 (7) The insurance requirements contained in this HOME Loan
25 Agreement may be met with a program(s) of self-insurance acceptable to COUNTY.

26 (8) BORROWER agrees to notify COUNTY of any claim by
27 a third party or any incident or event that may give rise to a claim arising from the performance
28 of this HOME Loan Agreement.

1 17. FINANCIAL RECORDS. BORROWER shall maintain financial,
2 programmatic, statistical, and other supporting records of its operations and financial activities
3 in accordance with the requirements of the HOME Investment Partnerships Program Final
4 Rule, and the regulations as amended promulgated thereunder, which records shall be open to
5 inspection and audit by authorized representatives of COUNTY, HUD, and the Comptroller
6 General of the United States during regular working hours. COUNTY, HUD, and the
7 Comptroller General, or any of their representatives, have the right of access with at least forty-
8 eight (48) hours prior notice, to any pertinent books, documents, papers, or other records of
9 BORROWER, in order to make audits, examinations, excerpts, and transcripts. Said records
10 shall be retained for such time as may be required by the regulations of the HOME Program,
11 but in no case for less than five (5) years after the Project completion date; except that records
12 of individual tenant income verifications, project rents, and project inspections must be
13 retained for the most recent five (5) year period, until five (5) years after the affordability
14 period terminates. If any litigation, claim, negotiation, audit, or other action has been started
15 before the expiration of the regular period specified, the records must be retained until
16 completion of the action and resolution of all issues which arise from it, or until the end of the
17 regular period, whichever is later.

18 18. COMPLIANCE WITH LAWS AND REGULATIONS. By executing this
19 HOME Loan Agreement, BORROWER hereby certifies that it will adhere to and comply with
20 all federal, state and local laws, regulations and ordinances. In particular, BORROWER shall
21 comply with the following as they may be applicable to an BORROWER of funds granted
22 pursuant to the HOME Program:

23 a. The HOME Program and its implementing regulations set forth in
24 the Final Rule, as it now exists and may hereafter be amended.

25 b. Section 92.350 Other Federal requirements and non discrimination.
26 As set forth in 24 CFR part 5, sub part A, BORROWER is required to include the following
27 requirements: non discrimination and equal opportunity under Section 282 of the Act;
28 disclosure; debarred, suspended, or ineligible contractors; and drug-free workplace.

1 c. Section 92.351 Affirmative marketing and minority outreach

2 program. BORROWER must adopt affirmative marketing procedures and requirements. These
3 must include:

4 (1) Methods for informing the public, owners, and potential
5 tenants about Federal fair housing laws and the affirmative marketing policy (e.g., the use of the
6 Equal Housing Opportunity logotype or slogan in press releases and solicitations for owners,
7 and written communication to fair housing and other groups).

8 (2) Requirements and practices that BORROWER must
9 adhere to in order to carry out the affirmative marketing procedures and requirements (e.g., use
10 of commercial media, use of community contacts, use of the Equal Housing Opportunity
11 logotype or slogan, and display of fair housing poster).

12 (3) Procedures to be used by BORROWER to inform and
13 solicit applications from persons in the housing market area who are not likely to apply without
14 special outreach (e.g., use of community organizations, employment centers, fair housing
15 groups, or housing counseling agencies).

16 (4) Records that will be kept describing actions taken by
17 BORROWER to affirmatively market units and records to assess the results of these actions.

18 (5) A description of how BORROWER will annually assess
19 the success of affirmative marketing actions and what corrective actions will be taken where
20 affirmative marketing requirements are not met.

21 (6) BORROWER must prescribe procedures to establish and
22 oversee a minority outreach program to ensure the inclusion, to the maximum extent possible,
23 of minorities and women, and entities owned by minorities and women, including, without
24 limitation, real estate firms, construction firms, appraisal firms, management firms, financial
25 institutions, investment banking firms, underwriters, accountants, and providers of legal
26 services, in all contracts entered into by BORROWER with such persons or entities, public and
27 private, in order to facilitate the activities of COUNTY to provide affordable housing authorized
28 under this Act or any other Federal housing law. Section 24 CFR 85.36(e) provided affirmative

1 steps to assure that minority business enterprises and women business enterprises are used when
2 possible in the procurement of property and services. The steps include:

3 (i) Placing qualified small and minority businesses
4 and women's business enterprises on solicitation lists.

5 (ii) Assuring that small and minority businesses, and
6 women's business enterprises are solicited whenever they are potential sources.

7 (iii) Dividing total requirements, when economically
8 feasible, into smaller tasks or quantities to permit maximum participation by small and minority
9 business, and women's business enterprises.

10 (iv) Establishing delivery schedules, where the
11 requirement permits, which encourage participation by small and minority business, and
12 women's business enterprises.

13 (v) Using the services and assistance of the Small
14 Business Administration, and the Minority Business Development Agency of the Department of
15 Commerce.

16 (vi) Requiring the prime contractor, if subcontracts are
17 to be let, to take the affirmative steps listed in (i) through (v) above of this section.

18 d. Section 92.352 Environmental review. The environmental effects
19 of each activity carried out with HOME funds must be assessed in accordance with the
20 provisions of the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321) and the
21 related authorities listed in HUD's implementing regulations at 24 CFR Parts 50 and 58.

22 e. Section 92.353 Displacement, relocation, and acquisition. The
23 relocation requirements of Title II and the acquisition requirements of Title III of the Uniform
24 Relocation Assistance and Real Property Acquisition Policies Act of 1970, and the
25 implementing regulations at 24 CFR Part 42. BORROWER must ensure that it has taken all
26 reasonable steps to minimize the displacement of persons as a result of this project assisted with
27 HOME Funds.

28 f. Section 92.354 Labor. Every contract for the construction of

1 housing that includes twelve (12) or more units assisted with HOME funds must contain a
2 provision requiring the payment of not less than the wages prevailing in the locality, as
3 predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-
4 276a-5), to all laborers and mechanics employed in the development of any part of the housing.
5 Such contracts must also be subject to the overtime provisions, as applicable, of the Contract
6 Work Hours and Safety Standards Act (40 U.S.C. 327-332).

7 g. Section 92.355 Lead-based paint. Housing assisted with HOME
8 funds is subject to the lead-based paint requirements of 24 CFR Part 35 issued pursuant to the
9 Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821, et seq.). The lead-based paint
10 provisions of 24 CFR 982.401 (j), except 24 CFR 982.401 (j)(1)(i), also apply, irrespective of
11 the applicable property standard under §92.251.

12 h. Section 92.356 Conflict of Interest. In the procurement of property
13 and services by BORROWER, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR
14 85.42, respectively shall apply. Section 92.356 shall cover all cases not governed by 24 CFR
15 85.36 and 24 CFR 84.42.

16 i. Section 504 of the Rehabilitation Act of 1973. Housing
17 accessibility requirement at 24 CFR Part 8, implementing Section 504 of the Rehabilitation Act
18 of 1973 (29 U.S.C. 794). The design and construction of multi-family dwellings as defined at
19 24 CFR 100.201 must comply with the requirements set forth in 24 CFR 100.205 implementing
20 the Fair Housing Act. For new construction of multi-family projects, 5 percent (5%) of the
21 units (but not less than one unit) must be accessible to individuals with mobility impairments,
22 and an additional 2 percent (2%) of the units (but not less than one unit) must be accessible to
23 individuals with sensory impairments. Dwelling units designed and constructed in accordance
24 with the Uniform Federal Accessibility Standards (UFAS) will be deemed to comply with the
25 Section 504 regulation.

26 j. Model Energy Code. The Model Energy Code published by the
27 Council of American Building Officials.

28 k. Section 3 of the Housing and Urban Development Act of 1968. To

1 the greatest extent feasible, opportunities for training and employment arising from HOME
2 funds will be provided to low-income persons residing in the program service area. To the
3 greatest extent feasible, contracts for work to be performed in connection with HOME funds
4 will be awarded to business concerns that are located in or owned by persons residing in the
5 program service area as outlined in the Riverside County EDA Section 3 Contract Requirements
6 attached hereto as **Exhibit "C"**. Contracts funded from Section 3 covered funding sources must
7 abide by the Section 3 Clause prescribed at 24 CFR 135.38. All contracts subject to the
8 requirements of Section 3 must include the Section 3 Clause verbatim that is contained at 24
9 CFR 135.38 attached hereto as **Exhibit "D"**, which is attached hereto and by this reference
10 incorporated herein.

11 l. Section 92.358 Consultant Activities. No person providing
12 consultant services in an employer-employee type relationship shall receive more than a
13 reasonable rate of compensation for personal services paid with HOME funds.

14 BORROWER shall carry out its activity pursuant to this Agreement in
15 compliance with all federal laws and regulations described in Subpart E of Part 92 of the Code
16 of Federal Regulations, except that:

17 (1) BORROWER does not assume COUNTY'S
18 environmental responsibilities described at 24 CFR Part 92.352; and

19 (2) BORROWER does not assume COUNTY's responsibility
20 for initiating the review process under the provisions of 24 CFR Part 92.352

21 m. Uniform Administrative Requirements of 24 CFR 92.505 Part 84
22 and 85 "Common Rule", OMB Circular Nos. A-87 (for government entities), A-122 (for non-
23 profit organizations), and the following §§85.6, 85.12, 85.20, 85.22, 85.26, 85.32 through 85.34,
24 85.36, 85.44, 85.51 and 85.52 (for government entities), and the following §§84.2, 84.5, 84.13
25 through 84.16, 84.21, 84.22, 84.26 through 84.28, 84.30, 84.31, 84.34 through 84.37, 84.40
26 through 84.48, 84.51, 84.60 through 84.62, 84.72, and 84.73 (for non-profit organizations).

27 n. BORROWER shall include written agreements that include all
28 provisions of **Section 18** if BORROWER provides HOME funds to for-profit owners or

1 developers, non-profit owners or developers, sub-recipients, homeowners, homebuyers, tenants
2 receiving tenant-based rental assistance, or contractors.

3 o. BORROWER shall comply with all applicable local, state and
4 federal laws in addition to the above mentioned laws.

5 19. INCOME TARGETING REQUIREMENTS. BORROWER will set aside
6 eleven (11) units of the Project to be designated as "Floating" Low HOME rent units, as
7 defined under 24 CFR 92.252(j) (the "HOME-Assisted Units") and are separate from the
8 designated MHSA units. The eleven (11) HOME-Assisted Units (3 – 1 Bedroom, 3 – 2
9 Bedroom, 3 – 3 Bedroom, and 2 – 4 Bedroom) shall be limited to households whose incomes
10 do not exceed fifty percent (50%) of the median family income for the County of Riverside,
11 adjusted by family size at the time of occupancy. Three (3) units of the eleven (11) HOME
12 Assisted Units shall be limited to households whose incomes do not exceed thirty percent
13 (30%) of the median family income for the County of Riverside, adjusted by family size at the
14 time of occupancy. Once the HOME-Assisted Units are identified, they will remain in place
15 throughout the affordability period.

16 20. RENT LIMITATIONS. BORROWER shall comply with the rent
17 limitations set forth under 24 CFR 92.252. COUNTY shall review and approve proposed rents
18 to the extent required under this section. BORROWER shall ensure that the HOME-Assisted
19 Units are rented to qualified applicants at the Low HOME rent levels, adjusted by family size
20 at the time of occupancy, published by HUD from time to time. Repayment of HOME funds
21 would be required for any unit that is not rented to eligible tenants within eighteen (18) months
22 of BORROWER receiving the Certificate of Occupancy.

23 a. Additional Rent Limitations: The current HUD published Low
24 HOME rent effective February 2012 is: 1 bedroom at \$628, 2 bedroom at \$753, and 3 bedroom
25 at \$871, and 4 bedroom at \$972. In order to calculate net rent to be charged, an applicable utility
26 allowance must be subtracted from the gross rents listed.

27 b. Initial rent schedule and utility allowance: The maximum monthly
28 allowances for utilities and services (excluding telephone) will not exceed the utility allowance

1 set by the Housing Authority of the County of Riverside. COUNTY shall review and approve
2 rents proposed by BORROWER for HOME-Assisted Units subject to the maximum rent
3 limitations to ensure that the rents do not exceed the maximum rent minus the monthly
4 allowances for utilities and services.

5 21. TENANT PROTECTIONS. BORROWER shall provide protection to the
6 tenants of the HOME-Assisted Units in accordance to the requirements set forth at 24 CFR
7 92.253 and described as follows:

8 a. Provide written lease agreement for not less than one year, unless
9 by mutual agreement between the tenant and BORROWER. COUNTY shall review the initial
10 form of the lease agreement prior to BORROWER executing any leases and, provided that
11 BORROWER uses the approved lease form, BORROWER shall be permitted to enter into
12 residential leases without COUNTY's prior written consent.

13 b. Prohibited Lease Terms. The rental agreement/lease may not
14 contain any of the following provisions:

15 (1) Agreement to be sued. Agreement by the tenant to be
16 sued, to admit guilt or to a judgment in favor of BORROWER in a lawsuit brought in
17 connection with the lease.

18 (2) Treatment of property. Agreements by tenant that
19 BORROWER may take, hold, or sell personal property of household members without notice to
20 the tenant and a court decision on the rights of the parties. This prohibition, however, does not
21 apply to an agreement by the tenant concerning disposition of personal property remaining in
22 the housing unit after the tenant has moved out of the unit. BORROWER may dispose of this
23 personal property in accordance with State law.

24 (3) Excusing BORROWER from responsibility. Agreement
25 by the tenant not to hold BORROWER or BORROWER's agents legally responsible for any
26 action or failure to act, whether intentional or negligent.

27 (4) Waiver of notice. Agreement of the tenant that
28 BORROWER may institute a lawsuit without notice to the tenant.

1 (5) Waiver of legal proceeding. Agreement by the tenant that
2 the BORROWER may evict the tenant or household members without instituting a civil court
3 proceeding in which the tenant has the opportunity to present a defense, or before a court
4 decision on the rights of the parties.

5 (6) Waiver of a jury trial. Agreement by the tenant to waive
6 any right to a trial by jury.

7 (7) Waiver of right to appeal court decision. Agreement by the
8 tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision
9 in connection with the lease.

10 (8) Tenant chargeable with cost of legal actions regardless of
11 outcome. Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant
12 wins in a court proceeding by BORROWER against the tenant. The tenant, however, may be
13 obligated to pay costs if the tenant loses.

14 22. FEDERAL REQUIREMENTS. BORROWER shall comply with the
15 provisions of the Act and any amendments thereto and all applicable federal regulations and
16 guidelines now or hereafter enacted pursuant to the Act.

17 23. REPAYMENT INCOME. COUNTY must record the receipt and
18 expenditure of HOME repayment income in accordance with the standards specified in 24 CFR
19 92.503.

20 24. SALE OR TRANSFER OF THE PROJECT.

21 a. BORROWER hereby covenants and agrees not to sell, transfer or
22 otherwise dispose of the Project or any portion thereof, without obtaining the prior written
23 consent of COUNTY, which consent shall be conditioned solely upon receipt by COUNTY of
24 reasonable evidence satisfactory to COUNTY that transferee has assumed in writing and in full,
25 and is reasonably capable of performing and complying with BORROWER's duties and
26 obligations under this HOME Loan Agreement and where upon BORROWER shall be released
27 of all obligations hereunder which accrue from and after the date of such sale.

28 b. Upon prior written approval by COUNTY, BORROWER may

1 transfer the Project and/or accomplish any of the following: (i) the admission of limited partners
2 to BORROWER's limited partnership, or similar mechanism, and the purchase of any such
3 limited partnership interest or interests or Borrower's leasehold interest in the improvements
4 (by BORROWER's general partner; (ii) the replacement of BORROWER's general partner or
5 similar mechanism, by an affiliate of the general partner; (iii) the removal for cause of any
6 general partner by a limited partner of BORROWER's partnership, and the replacement thereof;
7 (iv) the lease for occupancy of all or any of the Units; (v) the granting of easements or permits
8 to facilitate the development of the Property in accordance with this HOME Loan Agreement;
9 and (vi) the withdrawal, removal and/or replacement of any limited partner of BORROWER.

10 COUNTY's approval of the transfers in **Section 24(b)** shall not be unreasonably
11 withheld and COUNTY's Assistant County Executive Officer/Economic Development Agency
12 or designee(s) are authorized to execute such written instrument necessary or appropriate to
13 evidence approval of the transfers in **Section 24(b)**. Notwithstanding anything to the contrary
14 herein, any transfer described in **Section 24(b)(i)(iv)** and **(vi)** above shall not require
15 COUNTY's prior approval as long as the lease complies with **Section 21** of this HOME Loan
16 Agreement.

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

21 26. NONDISCRIMINATION. BORROWER shall abide by 24 CFR 570.602
22 which requires that no person in the United States shall on the grounds of race, color, national
23 origin, religion, or sex be excluded from participation in, be denied the benefits of, or be
24 subjected to discrimination under any program or activity receiving Federal financial assistance
25 made available pursuant to the Act. Under the Act, Section 109 directs that the prohibitions
26 against discrimination on the basis of age under the Age Discrimination Act and the
27 prohibitions against discrimination on the basis of disability under Section 504 shall apply to
28 programs or activities receiving Federal financial assistance under Title I programs. The

1 policies and procedures necessary to ensure enforcement of Section 109 are codified in 24 CFR
2 Part 6.

3 27. PROHIBITION AGAINST CONFLICTS OF INTEREST:

4 a. BORROWER and its assigns, employees, agents, consultants,
5 officers and elected and appointed officials shall become familiar with and shall comply with
6 the conflict of interest provisions in OMB Circular A-110, 24 CFR 85.36, 24 CFR 84.42, 24
7 CFR 92.356 and Policy Manual #A-11, attached hereto as **Exhibit "E"** and by this reference
8 incorporated herein.

9 b. BORROWER understands and agrees that no waiver or exception
10 can be granted to the prohibition against conflict of interest except upon written approval of
11 HUD pursuant to 24 CFR 92.356(d). Any request by BORROWER for an exception shall first
12 be reviewed by COUNTY to determine whether such request is appropriate for submission to
13 HUD. In determining whether such request is appropriate for submission to HUD, COUNTY
14 will consider the factors listed in 24 CFR 92.356(e).

15 c. Prior to any funding under this HOME Loan Agreement,
16 BORROWER shall provide COUNTY with a list of all employees, agents, consultants, officers
17 and elected and appointed officials who are in a position to participate in a decision-making
18 process, exercise any functions or responsibilities, or gain inside information with respect to the
19 HOME activities funded under this HOME Loan Agreement. BORROWER shall also promptly
20 disclose to COUNTY any potential conflict, including even the appearance of conflict that may
21 arise with respect to the HOME activities funded under this HOME Loan Agreement.

22 d. Any violation of this section shall be deemed a material breach of
23 this HOME Loan Agreement, and the HOME Loan Agreement shall be immediately terminated
24 by COUNTY.

25 28. RELIGIOUS ACTIVITIES. Under federal regulations, 24 CFR 92.257
26 HOME funds may not be provided to primarily religious organizations, such as churches, for
27 any activity including secular activities. In addition, HOME funds may not be used to
28 rehabilitate or construct housing owned by primarily religious organizations or to assist

1 primarily religious organizations in acquiring housing. However, HOME funds may be used
2 by a secular entity to acquire housing from a primarily religious organization, and a primarily
3 religious entity may transfer title to property to a wholly secular entity and the entity may
4 participate in the HOME program in accordance with the requirements set forth at 24 CFR
5 92.257. The entity may be an existing or newly established entity, which may be an entity
6 established by the religious organization. The completed housing project must be used
7 exclusively by the BORROWER/participant entity for secular purposes, available to all
8 persons regardless of religion. In particular, there must be no religious or membership criteria
9 for tenants of the property.

10 29. PROJECT MONITORING AND EVALUATION. BORROWER shall
11 submit a Tenant Checklist Form to COUNTY, as shown in **Exhibit "F"** which is attached
12 hereto and by this reference is incorporated herein and may be revised by COUNTY,
13 summarizing the racial/ethnic composition, number and percentage of very low-income and
14 low-income households who are tenants of the HOME-Assisted Units. The Tenant Checklist
15 Form shall be submitted upon completion of the construction and thereafter, on a semi-annual
16 basis on or before March 31 and September 30. BORROWER shall maintain financial,
17 programmatic, statistical and other supporting records of its operations and financial activities
18 in accordance with the requirements of the HOME Program under 24 CFR 92.508, including
19 the submission of Tenant Checklist Form. Except as otherwise provided for in this HOME
20 Loan Agreement, BORROWER shall maintain and submit records to COUNTY within ten
21 business days of COUNTY's request which clearly documents BORROWER's performance
22 under each requirement of the HOME Program. A list of document submissions and
23 Implementation Schedule are shown in **Exhibit "A"** and such list may be amended from time
24 to time subject to HUD and COUNTY reporting requirements.

25 30. MONITORING FEE. BORROWER shall be responsible for paying an
26 annual Monitoring Fee for compliance to the COUNTY in the amount of \$5,100. The first
27 payment is due within one hundred eighty days (180) from the issuance of the first Certificate
28 of Occupancy for the Project and annually thereafter. This amount is to be adjusted, not to

1 exceed the CPI, every year.

2 31. ACCESS TO PROJECT SITE. COUNTY and HUD shall have the right to
3 visit the Project site at all reasonable times, and upon completion of the Project upon
4 reasonable written notice to BORROWER, to review the operation of the Project in accordance
5 with this HOME Loan Agreement.

6 32. EVENTS OF DEFAULT. The occurrence of any of the following events
7 shall constitute an "Event of Default" under this HOME Loan Agreement:

8 a. Monetary Default. (1) BORROWER's failure to pay when due any
9 sums payable under the HOME Note or any advances made by COUNTY under this HOME
10 Loan Agreement; (2) BORROWER's or any agent of BORROWER's use of HOME funds for
11 costs other than costs or for uses consistent with terms and restrictions set forth in this HOME
12 Loan Agreement; (3) BORROWER's or any agent of BORROWER's failure to make any other
13 payment of any assessment or tax due under this HOME Loan Agreement;

14 b. Non-Monetary Default - Operation. (1) Discrimination by
15 BORROWER or BORROWER's agent on the basis of characteristics prohibited by this HOME
16 Loan Agreement or applicable law; (2) the imposition of any encumbrances or liens on the
17 Project without COUNTY's prior written approval that are prohibited under this HOME Loan
18 Agreement or that have the effect of reducing the priority or invalidating the HOME Deed of
19 Trust; (3) BORROWER's failure to obtain and maintain the insurance coverage required under
20 this HOME Loan Agreement; (4) any material default under this HOME Loan Agreement;

21 c. General Performance of Loan Obligations. Any substantial or
22 continuous or repeated breach by BORROWER or BORROWER's agents of any material
23 obligations on BORROWER imposed in the HOME Loan Agreement;

24 d. General Performance of Other Obligations. Any substantial or
25 continuous or repeated breach by BORROWER or BORROWER's agents of any material
26 obligations on the Project imposed by any other agreement with respect to the financing,
27 development, or operation of the Project; whether or not COUNTY is a party to such
28 agreement; but only following any applicable notice and cure periods with respect to any such

1 obligation;

2 e. Representations and Warranties. A determination by COUNTY
3 that any of BORROWER's representations or warranties made in this HOME Loan Agreement,
4 any statements made to COUNTY by BORROWER, or any certificates, documents, or
5 schedules supplied to COUNTY by BORROWER were untrue in any material respect when
6 made, or that BORROWER concealed or failed to disclose a material fact from COUNTY.

7 f. Damage to Project. In the event that the Project is materially
8 damaged or destroyed by fire or other casualty, and BORROWER receives an award or
9 insurance proceeds sufficient for the repair or reconstruction of the Project, and BORROWER
10 does not use such award or proceeds to repair or reconstruct the Project.

11 g. Bankruptcy, Dissolution and Insolvency. BORROWER's or any
12 general partner of BORROWER's (1) filing for bankruptcy, dissolution, or reorganization, or
13 failure to obtain a full dismissal of any such involuntary filing brought by another party before
14 the earlier of final relief or sixty (60) days after such filing; (2) making a general assignment for
15 the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or
16 liquidator, or failure to obtain a full dismissal of any such involuntary application brought by
17 another party before the earlier of final relief or seventy-five (75) days after such filing; (4)
18 insolvency; or (5) failure, inability or admission in writing of its inability to pay its debts as they
19 become due.

20 33. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For monetary
21 and non-monetary Events of Default, COUNTY shall give written notice to BORROWER and
22 its investor limited partner, if any, of any Event of Default by specifying: (a) the nature of the
23 Event of Default or the deficiency giving rise to the default, (b) the action required to cure the
24 deficiency, and (c) a date, which shall not be more than thirty (30) calendar days from the
25 mailing of the notice for a monetary default, or a date, which shall not be more than forty-five
26 (45) calendar days from the mailing of the notice for a non-monetary default, by which such
27 action to cure must be taken. COUNTY agrees that BORROWER and any limited partner of
28 the Borrower shall have the right to cure any and all defaults under this Agreement and County

1 shall accept a cure by Borrower's limited partners in the same manner as if provided by
2 Borrower.

3 34. COUNTY REMEDIES. Upon the happening of an Event of Default and a
4 failure by BORROWER or other Interested Party to cure said default within the time specified
5 in the notice of default (if an action to cure is specified in said notice), COUNTY's obligation
6 to disburse HOME funds shall terminate, and COUNTY may also in addition to other rights
7 and remedies permitted by this Agreement or applicable law, proceed with any or all of the
8 following remedies in any order or combination COUNTY may choose in its sole discretion:

9 a. Terminate this HOME Loan Agreement, in which event the entire
10 amount as well as any other monies advanced to BORROWER by COUNTY under this HOME
11 Loan Agreement including administrative costs, shall immediately become due and payable at
12 the option of COUNTY.

13 b. Bring an action in equitable relief (1) seeking the specific
14 performance by BORROWER of the terms and conditions of this HOME Loan Agreement,
15 and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or
16 (3) seeking declaratory relief.

17 c. Accelerate the HOME Loan, and demand immediate full payment
18 of the principal payment outstanding and all accrued interest under the HOME Note, as well as
19 any other monies advanced to BORROWER by COUNTY under this HOME Loan Agreement.

20 d. Enter the Project and take any remedial actions necessary in its
21 judgment with respect to hazardous materials that COUNTY deems necessary to comply with
22 hazardous materials laws or to render the Project suitable for occupancy.

23 e. Enter upon, take possession of, and manage the Project, either in
24 person, by agent, or by a receiver appointed by a court, and collect rents and other amounts
25 specified in the assignment of rents in the HOME Deed of Trust and apply them to operate the
26 Project or to pay off the HOME Loan or any advances made under this HOME Loan
27 Agreement, as provided for by the HOME Deed of Trust.

28 f. Pursue any other remedy allowed at law or in equity.

1 35. BORROWER'S REMEDIES. Upon the fault or failure of COUNTY to
2 meet any of its obligations under this HOME Loan Agreement, BORROWER may:

3 a. Demand payment from COUNTY of any sums due BORROWER;
4 and/or

5 b. Bring an action in equitable relief seeking the specific performance
6 by COUNTY of the terms and conditions of this HOME Loan Agreement; and/or

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

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

19 37. BORROWER'S CERTIFICATION. BORROWER certifies, to the best
20 of its knowledge and belief, that:

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

28 b. If any funds other than federally appropriated funds have been paid

1 or will be paid to any person for influencing or attempting to influence an officer or employee
2 of any agency, a member of Congress, an officer or employee of Congress, or an employee of a
3 member of Congress in connection with this federal contract, grant, loan, or cooperative
4 agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form
5 to Report Lobbying," in accordance with its instructions.

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

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

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

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

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

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

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

13 39. TERMINATION.

14 a. BORROWER. BORROWER may terminate this HOME Loan
15 Agreement consistent with the Act, the regulations consistent implementing the Act, and 24
16 CFR 85.44. In addition, BORROWER may terminate this HOME Loan Agreement in
17 accordance with **Section 51**, **Section 52** and **Section 53** of this Agreement.

18 b. COUNTY. Notwithstanding the provisions of **Section 39(a)**,
19 COUNTY may suspend or terminate this Agreement upon written notice to BORROWER of the
20 action being taken and the reason for such action:

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

24 (2) In the event there is a conflict with any federal, state or
25 local law, ordinance, regulation or rule rendering any material provision, in the judgment of
26 COUNTY of this HOME Loan Agreement invalid or untenable; or

27 (3) In the event the funding from HUD to in **Section 1** above is
28 terminated or otherwise becomes unavailable.

1 c. This HOME Loan Agreement may be terminated or funding
2 suspended in whole or in part for cause in accordance with 24 CFR 85.43. Cause shall be based
3 on the failure of BORROWER to materially comply with either the terms or conditions of this
4 HOME Loan Agreement after the expiration of all applicable notice and cure provisions hereof.
5 Upon suspension of funding, BORROWER agrees not to incur any costs related thereto, or
6 connected with, any area of conflict from which COUNTY has determined that suspension of
7 funds is necessary. The award may be terminated for convenience in accordance with 24 CFR
8 85.44.

9 d. Upon expiration of this HOME Loan Agreement, BORROWER
10 shall transfer to COUNTY any unexpended HOME funds in its possession at the time of
11 expiration of the HOME Loan Agreement as well as any accounts receivable held by
12 BORROWER which are attributable to the use of HOME funds awarded pursuant to this
13 HOME Loan Agreement.

14 40. AFFORDABILITY RESTRICTIONS. COUNTY and BORROWER
15 hereby declare their express intent that the restrictions set forth in this HOME Loan Agreement
16 shall be affordable for a period of ninety-nine (99) years from the first Certificate of
17 Occupancy, and shall bind all successors in title to the Property until the expiration of this
18 HOME Loan Agreement. Each and every contract, deed or other instrument hereafter executed
19 covering and conveying the Property or any portion thereof shall be held conclusively to have
20 been executed, delivered and accepted subject to such restrictions, regardless whether such
21 restrictions are set forth in such contract, deed or other instrument.

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

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

5 43. AUTHORITY TO EXECUTE. The persons executing this HOME Loan
6 Agreement or exhibits attached hereto on behalf of the parties to this HOME Loan Agreement
7 hereby warrant and represent that they have the authority to execute this HOME Loan
8 Agreement and warrant and represent that they have the authority to bind the respective parties
9 to this HOME Loan Agreement to the performance of its obligations hereunder.

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

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

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

28 47. SEVERABILITY. Each paragraph and provision of this HOME Loan

1 Agreement is severable from each other provision, and if any provision or part thereof is
2 declared invalid, the remaining provisions shall nevertheless remain in full force and effect.

3 48. MINISTERIAL ACTS. COUNTY's Assistant County Executive
4 Officer/Economic Development Agency or designee(s) are authorized to take such ministerial
5 actions as may be necessary or appropriate to implement the terms, provisions, and conditions
6 of this HOME Loan Agreement as it may be amended from time to time by both parties.

7 49. MODIFICATION OF AGREEMENT. COUNTY or BORROWER may
8 consider it in its best interest to change, modify or extend a term or condition of this HOME
9 Loan Agreement. Any such change, extension or modification, which is mutually agreed upon
10 by COUNTY and BORROWER shall be incorporated in written amendments to this HOME
11 Loan Agreement. Such amendments shall not invalidate this HOME Loan Agreement, nor
12 relieve or release COUNTY or BORROWER from any obligations under this HOME Loan
13 Agreement, except for those parts thereby amended. No amendment to this HOME Loan
14 Agreement shall be effective and binding upon the parties, unless it expressly makes reference
15 to this HOME Loan Agreement, is in writing and is signed and acknowledged by duly
16 authorized representatives of all parties.

17 50. ASSIGNMENT. Except as otherwise permitted hereunder, BORROWER
18 will not make any sale, assignment, conveyance, or lease of any trust or power, or transfer in
19 any other form with respect to this HOME Loan Agreement or the Project, without prior
20 written approval of COUNTY. Any proposed transferee shall have the qualifications and
21 financial responsibility, as reasonably determined by COUNTY necessary and adequate to
22 fulfill the obligations undertaken in this Agreement by BORROWER. Any proposed
23 transferee shall, by instrument in writing, for itself and its successor and assigns, and expressly
24 for the benefit of COUNTY, assume all of the obligations of BORROWER under this HOME
25 Loan Agreement and agree to be subject to all the conditions and restrictions to which
26 BORROWER is subject.

27 51. CONDITIONAL HOME COMMITMENT. As defined under 24 CFR
28 92.2, COUNTY can reasonably expect for BORROWER to start construction within twelve

1 (12) months of the execution of this HOME Loan Agreement. Notwithstanding all other
2 sections in this HOME Loan Agreement, BORROWER must provide COUNTY with letter
3 confirmation of the **federal/state tax credit award from the CTCAC by July**
4 **1, 2013** (the "CTCAC Deadline"). COUNTY's HOME commitment is
5 expressly contingent upon the Project receiving federal/state tax credit on or
6 before the CTCAC Deadline. If BORROWER cannot provide COUNTY with
7 letter confirmation of the federal/state tax credit award from CTCAC by the CTCAC Deadline,
8 then COUNTY and BORROWER mutually agree that this HOME Loan Agreement will self-
9 terminate and any HOME Loan funds drawn to date shall be returned within thirty (30)
10 calendar days. Upon such termination, this HOME Loan Agreement shall be null and void.
11 COUNTY and BORROWER shall be released and discharged respectively from its obligations
12 under this HOME Loan Agreement.



13 52. **PROJECT FINANCING CONTINGENCY.** This HOME Loan
14 Agreement is expressly conditioned upon BORROWER's receipt, on or prior to
15 **September 30, 2013** of such binding loan commitments for new loans as may
16 be required by BORROWER, on terms and conditions acceptable to
17 BORROWER, in its sole discretion, including, without limitation: (a) MHSA; and (b) any
18 conventional construction and/or permanent financing, including without limitation, a
19 construction and permanent loan from an institutional construction lender (the "Senior Lien
20 Holder"); and (c) a binding reservation of federal low income housing tax credits pursuant to
21 **Section 42** of the Internal Revenue Code of 1986, as amended (collectively, the "Project
22 Financing") on or before the CTCAC Deadline. Either COUNTY or BORROWER may elect
23 to terminate this HOME Loan Agreement with ten (10) days written notice to the other party if
24 BORROWER fails to acquire the project financing as required by this **Section 52**.
25 Furthermore, this HOME Loan Agreement shall be self-terminating if BORROWER does not
26 receive the binding reservation of federal low income housing tax credits by the CTCAC
27 Deadline. Upon such termination, this HOME Loan Agreement shall be null and void, and:



28 a. If BORROWER elects to terminate this HOME Loan Agreement,

1 BORROWER shall be released and discharged by COUNTY from its obligations under this
2 HOME Loan Agreement; or

3 b. If COUNTY elects to terminate this HOME Loan Agreement,
4 COUNTY shall be released and discharged by BORROWER from its obligations under this
5 HOME Loan Agreement.

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

7 53. COMPLETION CONDITION. In conformance with the
8 *Consolidated and Further Continuing Appropriations Act of 2012* (P.L. 112-55)
9 and CPD notice 12-007, the Project must be completed and have received a
10 Certificate of Occupancy within four (4) years of the execution of this HOME Loan
11 Agreement. The COUNTY may request a one year extension from HUD if the BORROWER
12 can provide proof that the circumstances that led to the failure to complete the Project by the
13 deadline were beyond the BORROWER'S control. The one year extension is subject to
14 HUD's approval and not guaranteed. If BORROWER is not able to meet the condition as
15 required by this **Section 53** then COUNTY and BORROWER mutually agree that this HOME
16 Loan Agreement will self-terminate and any HOME Loan funds drawn to date shall be
17 returned within thirty (30) calendar days. Upon such termination, this HOME Loan Agreement
18 shall be null and void. COUNTY and BORROWER shall be released and discharged
19 respectively from its obligations under this HOME Loan Agreement.



20 54. NONRECOURSE OBLIGATION. BORROWER and its partners,
21 officers, directors, employees, and agents shall not have any direct or indirect personal liability
22 for payment of the principal of, or interest on, the HOME Loan or the performance of
23 BORROWER's obligations under the HOME documents. The sole recourse of COUNTY with
24 respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project.
25 No money judgment (or execution on a money judgment) entered in any action (whether legal
26 or equitable) on the HOME documents shall be enforced personally against BORROWER or
27 its partners, officers, directors, employees, and agents, but shall be enforced only against the
28 Project and such other property, if any, as may from time to time be hypothecated in

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

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

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

28 57. NOTICES. All notices, requests, demands and other communication

1 required or desired to be served by either party upon the other shall be addressed to the
2 respective parties as set forth below or the such other addresses as from time to time shall be
3 designated by the respective parties and shall be sufficient if sent by United States first class,
4 certified mail, postage prepaid, or express delivery service with a receipt showing the date of
5 delivery.

6	<u>COUNTY</u>	<u>BORROWER</u>
7	Assistant Director, Housing Riverside County	Riverside Cedar Glen Partners LP c/o Palm Communities
8		P.O. Box 3958
9	Economic Development Agency 3403 Tenth Street, Suite 500	Palm Desert, CA 92261 Attn: President

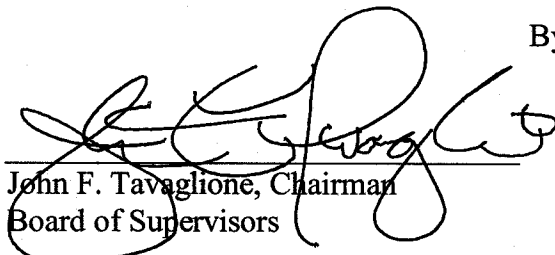
10
11 58. COUNTERPARTS. This HOME Loan Agreement may be signed by the
12 different parties hereto in counterparts, each of which shall be an original but all of which
13 together shall constitute one and the same agreement.

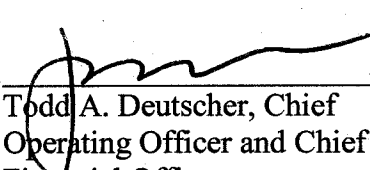
14 59. EFFECTIVE DATE. The effective date of this HOME Loan Agreement is
15 the date the parties execute the Agreement. If the parties execute the HOME Loan Agreement
16 on more than one date, then the last date the HOME Loan Agreement is executed by a party
17 shall be the effective date.

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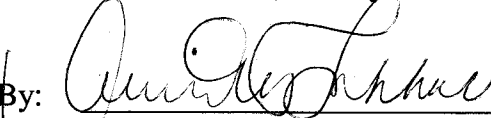
1 IN WITNESS WHEREOF, COUNTY and BORROWER have executed this HOME Loan
2 Agreement as of the date first above written.

3 COUNTY: BORROWER:
4 COUNTY OF RIVERSIDE, a political RIVERSIDE CEDAR GLEN PARTNERS LP,
5 Subdivision of the State of California a California limited partnership

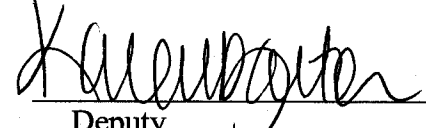
6 By:  By: PC RIVERSIDE DEVELOPERS LLC, a
7 California limited liability company, its
8 administrative general partner
9 By: PALM COMMUNITIES, a
10 California corporation, its sole
11 member/manager

12 By: 
13 Todd A. Deutscher, Chief
14 Operating Officer and Chief
15 Financial Officer

16 APPROVED AS TO FORM:
17 PAMELA J. WALLS, County Counsel

18 By: 
19 Annie Sahhar, Deputy County Counsel

20 ATTEST:
21 KECIA HARPER-IHEM, Clerk of the Board

22 By: 
23 Deputy

(Signatures on this page need to be notarized)

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

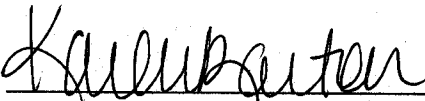
} §

On July 3, 2012, before me, Karen Barton, Board Assistant, personally appeared John Tavaglione, Chairman of the Board of Supervisors, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument; and that a copy of this paper, document or instrument has been delivered to the chairperson.

I certify under the 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

Kecia Harper-Ihem
Clerk of the Board of Supervisors

By: 
Deputy Clerk

(SEAL)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

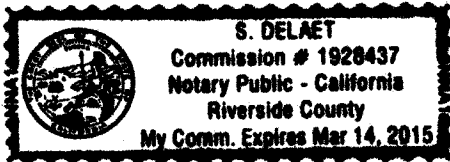
COUNTY OF Riverside }

On June 15, 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.



Place Notary Seal Above

WITNESS my hand and official seal.

Signature *S. Delaet*
Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "A"

Borrower: Riverside Cedar Glen Partners LP
Address: P.O. Box 3958
Palm Desert, CA 92261
Project Title: Cedar Glen Apartments (Phase 1)

Location: The overall site is approximately 7.388 acres for phase 1 and phase 2 of the development, of which approximately 3.62 acres will be used for the Project. The Project Site is situated on the southeast corner of County Farm Road and Reynolds Road in the City of Riverside in Riverside County, and consists of a portion of Assessor's Parcel Numbers (APNs): 145-260-011 and 145-260-020.

Description:

BORROWER will utilize \$550,000 in HOME funds for the construction of a 51-unit multi-family affordable housing complex (the "Project") located along the southeast corner of County Farm Road and Reynolds Road in the City of Riverside in the County of Riverside.

The Project will consist of 14 one-bedroom units, 14 two-bedroom units, 17 three-bedroom units, and 6 four-bedroom units, and a manager's unit. Project amenities will include a 3,000 square foot community building, pool/splash pad, picnic areas, tot lots, low-impact cardio walking circuit, assigned carports, surveillance cameras with web access, and laundry facilities.

A total of 11 units will be designated as HOME-assisted units limited to households whose incomes do not exceed 50% of the area median income for the County of Riverside, adjusted by family size at the time of occupancy. The HOME-assisted units will be restricted for a period of at least 99 years from the issuance of Certificate of Occupancy. Also, as a requirement of the Mental Health Services Act (MHSA) financing, a total of 15 floating units will be restricted for special needs persons such as individuals with illness and homelessness or at risk of homelessness that are referred by MHSA.

The Developer's Fee shall not exceed \$1,781,763.

LEGAL DESCRIPTION OF PROPERTY

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

BEGINNING at the northeast corner of said Parcel 2;

Thence South $00^{\circ}56'23''$ West 80.00 feet along the east line of said Parcel 2 to the **POINT OF BEGINNING**;

Thence South $37^{\circ}41'22''$ East 18.14 feet to the beginning of a non-tangent curve concave to the northeast and having a radius of 544.00 feet, a radial line of said curve at said point bears North $86^{\circ}14'54''$ East, said curve also being the west line of Parcel 1 of Grant Deed recorded February 1, 1991 as Instrument No. 038278 of Official Records of said County;

Thence along said curve southeasterly 238.35 feet through a central angle of $25^{\circ}06'13''$ to the most easterly corner of said Parcel 2;

Thence South $56^{\circ}23'49''$ West 398.41 feet along the south line of said Parcel 2;

Thence leaving said south line of Parcel 2, North $33^{\circ}37'46''$ West 118.47 feet;

thence North $56^{\circ}23'51''$ East 9.66 feet;

thence North $33^{\circ}36'09''$ West 66.22 feet;

thence South $56^{\circ}23'51''$ West 9.66 feet;

thence North $33^{\circ}36'09''$ West 57.83 feet to the beginning of a tangent curve concave to the northeast and having a radius of 100.00 feet;

thence along said curve northwesterly 51.84 feet through a central angle of $29^{\circ}42'12''$;

thence non-tangent from said curve North $00^{\circ}38'58''$ West 123.49 feet;

thence South $89^{\circ}15'18''$ East 15.53 feet;

thence North 00°56'25" East 94.43 feet to a line parallel with and distant 80.00 feet south of the North line of said Parcel 2;


thence South 89°03'24" East 389.49 feet along said parallel line to the **POINT OF BEGINNING**.

CONTAINING 3.62 acres, more or less.

EXHIBIT "B" attached and by this reference made a part hereof.

SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Record.

This description was prepared by
me or under my direction.



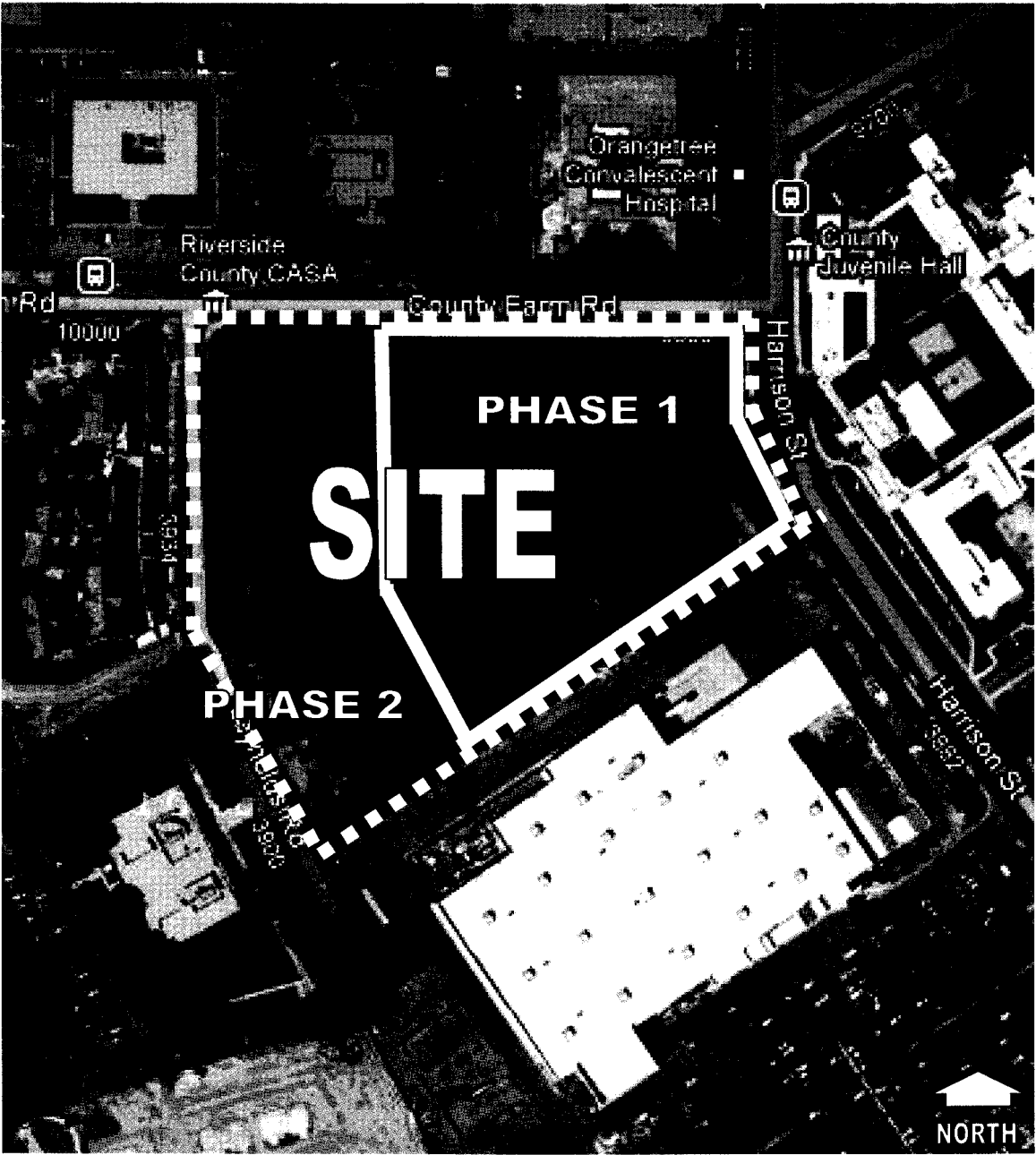
Christopher L. Alberts, P.L.S. 8508



5-3-12

Date

APN's : 145-260-011 & 145-260-020



Project Permanent Sources and Uses of Fund:

Sources:

Mental Health Service Act	\$ 1,400,000
Permanent Loan	\$ 837,124
TUMF Waiver	\$ 311,550
Affordable Housing Program	\$ 500,000
Prestabilization Income	\$ 24,838
Limited Partner Tax Credit Equity	\$ 11,575,513
County of Riverside HOME Loan 99 Yrs @ 1%	<u>\$ 550,000</u>
Total Sources	\$ 15,199,025

Uses:

New construction (includes site work, common area bldgs. and structures)	\$7,405,309
Contractor's Overhead & Profit & Gen'l Req.	\$1,088,580
General Liability Insurance	\$ 221,604
Permanent Financing costs	\$ 45,000
Construction Contingency (Hard and Soft)	\$ 870,265
Architectural & Engineering Cost	\$ 950,000
Construction Interest & Fees	\$ 864,686
Reserves	\$ 159,067
Land Development Impact and Permit Processing Fees	\$1,195,220
Other Fees, Marketing & Furnishings	\$ 299,400
TCAC Fees	\$ 120,013
Legal Fees	\$ 150,000
Developer's Fee	\$1,781,763
Land & Acquisition Cost	<u>\$ 48,118</u>
Total Uses	\$ 15,199,025

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

HOME Match:

Matching funds in a minimum amount of twenty-five percent (25%) of the total HOME allocation (\$550,000) are required. The HOME match in the amount of \$137,500 will be satisfied from the below-market interest loan from AHP and MHSA.

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

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. CTCAC Award	09/2012
2. Letter Confirmation of CTCAC award due to COUNTY	10/2012
3. MHSA Award	07/2012
4. AHP Funding	12/2012
5. Permanent Financing Commitment	02/2013
6. Building Permit	02/2013
7. Begin Construction	02/2013
8. Project Financing Contingency (Section 52)	09/2013
9. Marketing & Affirmative Action	02/2014
10. Lease Agreement, Proposed Rents, and Utilities	03/2014
11. Certificate of Occupancy	04/2014
12. Occupancy of HOME units	07/2014
13. Submission of Final actual project costs and Sources and Uses of Funds	10/2014
14. Submission of income & ethnic characteristics report	10/2014

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. Construction Activities Reporting	Monthly, due by the 5 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for RCGPLP and General Contractor (GC)	BORROWER – 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 COUNTY additionally insured.
3. Minority & Women Business Enterprise Report – HUD form 2516, and Section 3 Reporting	Semi-Annually– Sept 30th & March 31st
4. Section 504 Architect Certification	Beginning of Construction – initial letter End of Construction – final letter
5. HOME Match Contribution	Beginning of Construction
6. Project Site Photos	Bimonthly, due by the 5 th of each month
7. Notice of Completion	End of Construction
8. Certificate of Occupancy	End of Construction
9. Monitoring Fee	Within 180 days of the issuance of the Certificate of Occupancy for the Project and annually thereafter
10. Tenant Checklist Reporting	Close of Project; and Semi-Annually– Sept 30th & March 31st
11. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Project
12. Project Completion Report	Close of Project
13. Final Development Cost - Sources and Uses	Close of Project
14. Final Cost Certification by CPA	Close of Project and Audits Completed
15. Final 15/30 Year Cash Flow Projection	Close of Project
16. Affirmative Fair Housing Marketing Plan, HUD form 935.2A	Marketing Stage
17. Management Plan	Marketing Stage
18. Tenant Selection Policy	Marketing Stage
19. Copy of Lease Agreement	Marketing Stage
20. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
21. Project Operating Budget	Annual submission
22. Audited Yearly Income Expense Report for the Project	Annual submission

EXHIBIT "B-1"

CONSTRUCTION LEASEHOLD DEED OF TRUST

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

Riverside County
Economic Development Agency
3403 Tenth Street, Suite 500
Riverside, CA 92501
ATTN: Benjamin Cendejas

SPACE ABOVE THIS LINE FOR RECORDER'S USE

CONSTRUCTION LEASEHOLD DEED OF TRUST

This CONSTRUCTION LEASEHOLD DEED OF TRUST is made on this ____ day of _____, 2012. The trustor is Riverside Cedar Glen Partners LP, a California limited partnership ("Borrower" or "BORROWER"), and whose address is P.O. Box 3958, Palm Desert, CA 92261. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a political subdivision of the State of California, and whose address is 3403 Tenth Street, Suite 500, Riverside, CA 92501. Pursuant to the terms of the HOME Loan Agreement, dated _____, Borrower owes Lender the principal sum of up to Five Hundred Fifty Thousand and No/100 Dollars (U.S. \$550,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the HOME Loan Agreement.

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

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

The HOME Loan evidenced by the Note and secured by this Deed of Trust is being made pursuant to the HOME Investment Partnerships Program and the regulations issued thereunder (Title II, the Cranston-Gonzales National Affordable Housing Act, Public Law No. 101-625, 104 Stat. 4079 (1990), (24 C.F.R. Part 92) (the "HOME Program").

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be ninety-nine (99) years from the first Certificate of Occupancy.

This Deed of Trust secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under **Section 8** to protect the security of this Deed of Trust; and (c) the performance of Borrower's covenants and agreements under this Deed of Trust and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of the holder of the First Deed of Trust (the "Senior Lien Holder"), all of Borrower's right, title and interest in and to the leasehold interest in 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 Deed of Trust. All of the foregoing is referred to in this Deed of Trust as the "Property."

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the leasehold interest of the Property and, except for the Deed of Trust in favor of the Senior Lien Holder ("First Deed of Trust"), and the Deed of Trust in favor of Mental Health Services Act ("Second Deed of Trust"), and other encumbrances of record acceptable to the Senior Lien Holder, 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.

Notwithstanding anything herein to the contrary, by acceptance of this Leasehold Deed of Trust, Borrower acknowledges and agrees that the fee interest of the County in the real property described in **Exhibit "B-1"** is not liened, encumbered or otherwise affected by any of the covenants made herein.

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

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

1. Payment of Principal 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 First 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 days of the giving of notice.

5. Subordination. This Deed of Trust shall be recorded in the third position behind a first deed of trust which is anticipated to be repaid by a permanent loan from a lender to be named at later date and a deed of trust in favor of Mental Health Services Act. COUNTY 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 Lender requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the HOME Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with **Section 8**.

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

b. Unless Lender and Borrower otherwise agree in writing and subject to the rights of senior lenders, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided Borrower determines that such restoration or repair is economically feasible and there is no default continuing beyond the expiration of all applicable cure periods. If Borrower determines that such restoration or repair is not economically feasible or if a default exists after expiration of all applicable cure periods, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

c. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under **Section 23** the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to the acquisition.

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

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

a. The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting the Property's use to "low-income housing" within the meaning of the HOME Program. 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 Lender to the remedies provided in **Section 23** hereof.

8. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then, subject to any applicable grace periods or cure periods, Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Deed of Trust (including sums secured by the First Deed of Trust), appearing in court, paying reasonable attorneys' fees, and entering on the Property to make repairs. Although Lender may take action under this **Section 8**, Lender does not have to do so.

a. Any amounts disbursed by Lender under this **Section 8** shall become additional debt of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

b. Prior to taking any actions under this **Section 8**, however, Lender shall notify the Senior Lien Holder of such default in the manner provided in **Section 23** of this Deed of Trust, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Deed of Trust. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the Deed of Trust held by such Senior Lien Holder. In addition, the Lender agrees that it will not

commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Deed of Trust.

9. Not used

10. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower at least forty-eight (48) hours to an inspection specifying reasonable cause for the inspection.

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

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

b. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemner offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust, whether or not then due.

c. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in **Sections 1 and 2** or change the amount of such payments.

12. Borrower Not Released; Forbearance By Lender Not a Waiver. Except in connection with any successor in interest approved by Lender, extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise

modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Deed of Trust shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of **Section 18**. Borrower's covenants and agreements shall be joint and several.

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

15. Notices. Any notice to Borrower provided for in this Deed of Trust shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated herein or any other address Borrower designates by notice to Lender. All such notices to Borrower shall also be provided to the investment limited partner. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to the Senior Lien Holder shall be given by first class mail to such other address the Senior Lien Holder designates by notice to the Borrower. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given as provided in this Section.

16. Governing Law; Severability. This Deed of Trust 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 Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision. To this end the provisions of this Deed of Trust 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 Deed of Trust.

18. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the trustee under the First Deed of Trust or the Second Deed of Trust or this Deed of Trust or as otherwise allowed under the HOME Loan Agreement, if all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for "low-income housing" within the meaning of the

HOME Program) Lender may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Deed of Trust. Nothing in this Deed of Trust shall be deemed to require Lender's approval of a transfer of a limited partnership interest in the Borrower or of a conveyance of an easement interest in the Property for utility purposes.

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

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

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

d. Notwithstanding anything to the contrary contained herein, the transfer of the limited partner interest to the investment limited partner or the assignment of that interest to a limited liability company or limited partnership in which the investor limited partner or an affiliate is the managing member or general partner, respectively, or the transfers permitted pursuant to the HOME Loan Agreement shall not constitute a prohibited transfer under this Deed of Trust.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Deed of Trust 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 Deed of Trust; or (b) entry of a judgment enforcing this Deed of Trust. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Deed of Trust 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 Deed of Trust, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unchanged. Upon reinstatement by Borrower, this Deed of Trust 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 **Section 18**.

20. Sale of Note; Change of Loan Servicer. The Note or a partial interest in the Note (together with this Deed of Trust) 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 Deed of Trust. 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 **Section 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 loan secured by the First Deed of Trust has been satisfied in full, the Lender and the Borrower agree that the Note and the Deed of Trust will not be assigned without the Senior Lien Holder's 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 Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified in writing by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

b. As used in this **Section 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 **Section 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. Lender shall give notice to Borrower, the investor limited partner, and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, which shall not be more than sixty (60) calendar days from the mailing of the notice for a monetary default, or a date, which shall not be more than ninety (90) calendar days from the mailing of the notice for a non-monetary default, 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 Deed of Trust 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 Holder or the investor limited partner have not exercised their right to cure the default, but subject to any non-recourse provisions then in effect, then Lender at its option may require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in **Section 8** above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder and the investor limited partner at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this **Section 23**, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

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

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

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

25. Substitute Trustee. Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Deed of Trust 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 Loan Documents. The Lender consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones, extends, reduces, or modifies any provisions of the Senior Deeds 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 Lender 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 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 Lender and is selected with reasonable promptness. Any proposed general partner replacement shall have the qualifications and financial responsibility as reasonably determined by COUNTY necessary and adequate to fulfill the obligations undertaken in the HOME Loan Agreement, as amended.

29. Removal, Demolition or Alteration of Personal Property and Fixtures. Except to the extent permitted by the following sentence, no personal property or fixtures shall be removed, demolished or materially altered without the prior written consent of the Beneficiary. Trustor may remove and dispose of, free from the lien of this HOME Deed of Trust, such personal property and fixtures as from time to time become worn out or obsolete, providing that, (a) the same is done in the ordinary course of business, and (2) either (i) at the time of, or prior to, such removal, any such personal property or fixtures are replaced with other personal property or fixtures which are free from liens other than encumbrances permitted hereunder and which have a value at least equal to that of the replaced personal property and fixtures (and by such removal replacement Trustor shall be deemed to have subjected such replacement personal property and fixtures to the lien of this HOME Deed of Trust), or (ii) such personal property and fixtures may not require replacement if functionally, economically or operationally obsolete and so long as the fair market value of and operational efficiency of the Project is not reduced or adversely effected thereby.

(SIGNATURE ON NEXT PAGE)

BY SIGNING BELOW, the BORROWER accept and agree to the terms and covenants contained in this Deed of Trust.

BORROWER:

RIVERSIDE CEDAR GLEN PARTNERS LP,
a California limited partnership

By: PC RIVERSIDE DEVELOPERS LLC, a
California limited liability company, its
administrative general partner

By: PALM COMMUNITIES, a California corporation,
its sole member/manager

By: _____
Todd A. Deutscher, Chief
Operating Officer and Chief
Financial Officer

(Signature on this page needs 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.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "B-2"

PROMISSORY NOTE

PROMISSORY NOTE

\$550,000

Riverside, CA

In installments as hereafter stated, for value received, Riverside Cedar Glen Partners LP, a California limited partnership ("Borrower") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 3403 Tenth Street, Suite 500, Riverside, CA 92501, the sum of up to Five Hundred Fifty Thousand and No/100 Dollars (U.S. \$550,000.00) (the "HOME Loan") which at the time of payment is lawful for the payment of public and private debts.

This Promissory Note (the "Note") is given in accordance with that certain Loan Agreement for the Use of HOME Funds executed by COUNTY and Borrower, dated as of _____ (the "HOME Loan Agreement"). Excepting to the extent otherwise expressly defined in this Note, all capitalized terms shall have the meanings established in the HOME Loan Agreement. The rights and obligations of the Borrower and COUNTY under this Note shall be governed by the Agreement and by the additional terms of as follows:

(1) That the HOME Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) The Note shall be repaid as defined herein: i) Fifty percent (50%) of the Project's Residual Receipts shall be used towards the payment of the residual receipts loans secured by the Project, and the payment shall be prorated based on the percentage of each relative loan amount of all such loan; and ii) The remaining fifty percent (50%) of the Project's Residual Receipts will be paid to BORROWER. (3) The HOME Loan shall be subordinated to a construction loan, permanent first mortgage, and the Mental Health Services Act loan. Available residual receipts shall be determined based on a review of certified financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days following the close of each quarter of the project fiscal year. In addition, the annual audited financial statements shall be submitted within ninety (90) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due ninety-nine (99) years from the first Certificate of Occupancy (as defined in the HOME Loan Agreement). The first payment shall be due on July 1st of the year after the calendar year in which the first certificate of occupancy occurs, to the extent of available Residual Receipts, as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: (i) auditing and accounting fees; (ii) property management fee not to exceed \$42.50 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index ("CPI"); (iii) lease up fee of \$150 per unit; (iv) an Investor Annual Review Fee which shall be in the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in CPI; (v) operating expenses (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); (vi) reserves; (vii) deferred developer's fee; (viii) an Administrative General Partner monitoring fee, which shall be in the initial amount of \$50,000 and increased

annually by an amount equivalent to the rise in CPI; (ix) a Managing General Partner partnership fee which shall be in the initial amount of \$15,000 and increased annually by an amount equivalent to the rise in the CPI; and (x) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by COUNTY (collectively, the "Senior Debt").

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be ninety nine (99) years from the first Certificate of Occupancy.

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

Should default be made in payment of principal and interest when due and such default shall continue beyond the applicable notice and cure period provided in the HOME Loan Agreement, 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.

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

exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

DATE: _____

BORROWER:

RIVERSIDE CEDAR GLEN PARTNERS LP
a California limited partnership

By: PC RIVERSIDE DEVELOPERS LLC, a
California limited liability company, its
administrative general partner

By: PALM COMMUNITIES, a California corporation,
its sole member/manager

By: _____
Todd A. Deutscher, Chief
Operating Officer and Chief
Financial Officer

EXHIBIT "C"

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY CONTRACT REQUIREMENTS

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

I. Section 135.1 Purpose

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

Section 135.30 Numerical Goals for Meeting the Greatest Extent Feasible Requirement

A. GENERAL

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

B. TRAINING AND EMPLOYMENT

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

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

- (i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995 (October 1, 1994 to September 30, 1995),
- (ii) 20 percent of the aggregate number of the new hires for the one year period beginning in FY 1996 (October 1, 1995 to September 1996); and
- (iii) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997 and continuing thereafter (October 1, 1996 and thereafter).

C. CONTRACTS

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

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

D. SAFE HARBOR AND COMPLIANCE DETERMINATIONS

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

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

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

- (1) Housing and community development programs. In housing and community development programs, priority consideration shall be given, where feasible, to:
 - (i) Section 3 residents residing in the Riverside or San Bernardino County (collectively, referred to as category 1 residents); and
 - (ii) Participants in HUD Youth build programs (category 2 residents).

- (iii) Where the Section 3 project is assisted under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et seq.), homeless persons residing in the Riverside or San Bernardino County shall be given the highest priority;
- B. Eligibility for Preference: A Section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Sec. 135.5 (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)
- C. Eligibility for employment: Nothing in this part shall be construed to require the employment of a Section 3 resident who does not meet the qualifications of the position to be filled.

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

- A. Order of Providing Preference: Recipients, contractors and subcontractors shall direct their efforts to award Section 3 covered contract, to the greatest extent feasible, to Section 3 Business Concerns in the order of priority provided in this section.
 - (1) Housing and community development programs. In housing and community development programs, priority consideration shall be given, where feasible, to:
 - (i) Section 3 business concerns that provide economic opportunities for Section 3 residents in the Riverside or San Bernardino County (category 1 businesses); and
 - (ii) Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses);
 - (iii) Other Section 3 business concerns.
- B. Eligibility for Preference: A Business Concern seeking to qualify for a Section 3 contracting preference shall certify or submit evidence, if requested, that the Business Concern is a Section 3 Business Concern as defined in Section 135.5.
- C. Ability to Complete Contract: A Section 3 Business Concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if requested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract. (The ability to perform successfully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36 (b) (8)). This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

SECTION 135.38 Section 3 Clause.

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

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance of HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate actions, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 35 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

VI. SECTION 135.40 Providing Other Economic Opportunities

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

VII. SECTION 135.5 Definitions.

As used in this part:

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

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

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

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

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

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

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

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

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

HUD Youth build Programs means programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and

Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low and very low-income families.

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

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

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

Recipient means any entity which receives Section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit or local government, PHA, Indian Housing Authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, owner, PARTICIPANT, developer, limited dividend sponsor, builder, property manager, community development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee, or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which Section 3 applies and does not include contractors.

Secretary means the Secretary of Housing and Urban Development.

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

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

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

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

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

Section 3 covered assistance means:

- (1) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:
 - (i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);
 - (ii) Housing construction; or

- (iii) Other public construction project (which includes other buildings or improvements regardless of ownership).

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

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

Section 3 resident means:

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

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

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

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

CONTRACTOR CERTIFICATION

REGARDING STATUS AS A SECTION 3 BUSINESS CONCERN

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

known as _____
(print business name)

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

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

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

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

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

AND

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

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

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

Signature _____

Project _____

Date _____

Project _____

\$ _____

Effective 02/2012

Persons in Household	1	2	3	4	5	6	7	8
Low Income Family	\$37,550	\$42,650	\$48,250	\$53,600	\$57,900	\$62,200	\$66,500	\$70,800

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

EXHIBIT "D"

§ 135.38 Section 3 Clause

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

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

EXHIBIT "E"

PROHIBITION AGAINST CONFLICTS OF INTEREST

§ 92.356 Conflict of interest.

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

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

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

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

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

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

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

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

- (2) Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
- (3) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
- (4) Whether the interest or benefit was present before the affected person was in a position as described in **paragraph (c)** of this section;
- (5) Whether undue hardship will result either to COUNTY or the person affected when weighed against the public interest served by avoiding the prohibited conflict;
- (6) Any other relevant considerations.

Owners/Participants and Developers.

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

- (iv) Whether the affirmative marketing requirements of § 92.351 are being observed and followed; and
- (v) Any other factor relevant to COUNTY's determination, including the timing of the requested exception.

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

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

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

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

business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or more.



EXHIBIT "G"

Contractor Debarment Certification Form

Excluded Parties Lists System (EPLS)

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

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

Please complete the following verification process for each contractor:

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

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

X _____

EXHIBIT "H"

REQUEST FOR NOTICE

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

County of Riverside
Economic Development Agency
3403 10th St., Suite 500
Riverside, CA 92501
Attn: Benjamin Cendejas

SPACE ABOVE THIS LINE FOR RECORDERS USE

**REQUEST for NOTICE
UNDER SECTION 2924b CIVIL CODE**

In accordance with Civil Code, section 2924b, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deed of Trust recorded as Instrument No. concurrent herewith, in book _____, page _____, Official Records of RIVERSIDE County, California, and describing land therein as

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

BEGINNING at the northeast corner of said Parcel 2;

Thence South 00°56'23" West 80.00 feet along the east line of said Parcel 2 to the **POINT OF BEGINNING**;

Thence South 37°41'22" East 18.14 feet to the beginning of a non-tangent curve concave to the northeast and having a radius of 544.00 feet, a radial line of said curve at said point bears North 86°14'54" East, said curve also being the west line of Parcel 1 of Grant Deed recorded February 1, 1991 as Instrument No. 038278 of Official Records of said County;

Thence along said curve southeasterly 238.35 feet through a central angle of 25°06'13" to the most easterly corner of said Parcel 2;

Thence South 58°23'49" West 398.41 feet along the south line of said Parcel 2;

Thence leaving said south line of Parcel 2, North 33°37'46" West 118.47 feet;

thence North 56°23'51" East 9.66 feet;

thence North 33°36'09" West 66.22 feet;

thence South 56°23'51" West 9.66 feet;

thence North 33°36'09" West 57.83 feet to the beginning of a tangent curve concave to the northeast and having a radius of 100.00 feet;

thence along said curve northwesterly 51.84 feet through a central angle of 29°42'12";

thence non-tangent from said curve North 00°38'58" West 123.49 feet;

thence South 89°15'18" East 15.53 feet;

