

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

854



FROM: Redevelopment Agency

SUBMITTAL DATE:

May 25, 2011

SUBJECT: Exclusive Negotiation Agreement and Pre-Development Loan with Palm Desert Development Company for Rubidoux Vista Rio Apartments in the Community of Rubidoux

RECOMMENDED MOTION: That the Board of Directors:

1. Approve the attached Exclusive Negotiation Agreement and Pre-Development Loan with Palm Desert Development Company (Agreement);
2. Authorize the Chairman of the Board of Directors to execute said attached Agreement; and
3. Authorize the Executive Director, or designee, to take all necessary steps to implement Agreement including, but not limited to, signing subsequent necessary and relevant documents subject to approval by Agency Counsel.

BACKGROUND: (Commences on Page 2)

Robert Field
Executive Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 618,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/11

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: No

SOURCE OF FUNDS: Redevelopment Low- and Moderate-Income Housing Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature Jennifer L. Sargent

MINUTES OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY

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

Ayes: Buster, Stone, Benoit and Ashley
Nays: None
Absent: Tavaglione
Date: June 7, 2011
xc: RDA, Auditor

Kecia Harper-Ihem
Clerk of the Board
By: Deputy

Prev. Agn. Ref.: N/A

District: 2

Agenda Number:

4.1

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

FISCAL PROCEDURES APPROVED
 FORM APPROVED COUNTY COUNSEL
 BY: ANITA C. WILLIS
 DATE: 5-19-11
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 DATE: 5/24/11
 DEPARTMENT: SAMUEL WONG

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

BACKGROUND:

The Redevelopment Agency for the County of Riverside (Agency) is the current owner of approximately 11.04 acres of land located south of Mission Boulevard, east of Riverview Drive, west of Briggs Street, and north of Tilton Avenue in the unincorporated area of the County of Riverside in the community of Rubidoux. The Assessor Parcel Numbers include 181-030-002, 181-041-001, 181-041-002, 181-041-004, 181-041-007, 181-041-008 and portions of 181-020-023, 181-020-027, and 181-020-028 (collectively, the Property). It is anticipated that the agency will acquire an additional parcel in order to increase the size of the Property for a more suitable site for residential development.

Palm Desert Development Company (Developer), a California corporation, is proposing to build an affordable housing project for persons and families of low- and moderate-income households on the Property identified as Rubidoux Vista Rio Apartments (the Project).

It is important to note that on July 1, 2011 the unincorporated community of Rubidoux will incorporate as the City of Jurupa Valley. The Developer and the agency will continue to work with the City of Jurupa Valley in order to obtain entitlements, improvement plan approvals, and permits to ultimately construct the Project.

Developer has requested funding assistance in an amount up to \$618,000 in Redevelopment Low- and Moderate-Income Housing funds for expenses that will be incurred in the entitlement process through the Transportation and Land Management Agency. Agency and Developer agree to explore and negotiate in good faith a possible Disposition and Development Agreement (DDA) or other agreement satisfactory to agency pursuant to the terms of the Exclusive Negotiation Agreement and Pre-Development Loan. The agreement does not constitute a commitment for conveyance or development of the Property nor promise to enter into a DDA. Developer will process the entitlements and seek other leveraging sources for the development and construction of the Project.

Agency counsel has reviewed and approved to form the attached agreement. Staff recommends that the Board of Directors approve the attached agreement.

Attachment: Exclusive Negotiation Agreement

EXCLUSIVE NEGOTIATION AGREEMENT
AND
PRE-DEVELOPMENT LOAN

THIS AGREEMENT TO NEGOTIATE EXCLUSIVELY (the "Agreement") is entered into as of June 7, 2011 ("Effective Date") by and between the Redevelopment Agency for the County of Riverside, a public body, corporate and politic (the "Agency"), and Palm Desert Development Company, a California corporation (the "Developer"), on the basis of the following purposes, intentions, and facts:

RECITALS

- A. The Agency is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the provisions of the California Community Redevelopment Law ("CRL"), which is Part 1 of Division 24 of the California Health and Safety Code (commencing with Section 33000 et seq.); and
- B. The Developer is a California corporation whose purpose is to acquire, and construct residential properties and is an experienced affordable housing developer; and
- C. The Agency desires to encourage and effectuate the redevelopment of that certain real property designated as Assessor Parcel Numbers 181-030-002, 181-041-001, 181-041-002, 181-041-004, 181-041-007, 181-041-008; portions of 181-020-023, 181-020-027, 181-020-028; and an additional parcel to be acquired by the Agency at a later date, and is generally depicted on the map attached hereto and incorporated herein by reference as **Exhibit "A"** (the "Site"); and
- D. The Agency will assist in the creation of a parcel or parcels suitable for development of the aforementioned project; and
- E. The Agency has selected the Developer as its collaborative developer partner due to, among other things, Developer's extensive experience in the development of affordable housing, sustained history of leveraging multiple funding sources, excellent references, and its distinguished asset management experience; and
- F. The Agency, pursuant to Section 33334.2 of the California Health and Safety Code, wishes to utilize its Low- and Moderate-Income Housing Set-Aside Funds to improve and increase the supply of affordable housing in the unincorporated County of Riverside (hereinafter referred to as "County"); and
- G. The Agency endeavors to preserve, protect, improve and increase the affordable housing stock and eliminate blight; and
- H. The Agency currently owns the Site; and

I. The Developer desires the Agency to convey the Site to the Developer for the construction of an affordable workforce housing development, which may be developed in several phases (the "Project"); and

J. The parties desire to enter into this Agreement in order to permit the parties to negotiate the terms and conditions of a Disposition and Development Agreement or such other type of agreement as the parties may deem appropriate to specify the rights and obligations of the parties with respect to the disposition and development of the Project (herein referred to as a "DDA") and to provide the Developer a predevelopment loan for expenses that will be incurred in analyzing and investigating the development of the Project.

NOW, THEREFORE, the Agency and the Developer hereby mutually agreed as follows:

I. Negotiation

A. Good Faith Negotiations

The Agency and the Developer agree for the Negotiation Period (as hereinafter defined) to negotiate diligently and in good faith to prepare a DDA to be entered into between the Agency and the Developer with respect to the sale and development of the Site. The Agency agrees for the Negotiation Period, as it may be extended, not to negotiate with any other person or entity to enter into any agreement regarding the acquisition, disposition or development of the Site. "Good faith negotiations" shall mean that the Developer and the Agency shall use their best efforts to communicate frequently and follow reasonable negotiation procedures to develop a DDA mutually acceptable to the Developer and the Agency.

Each of the parties will bear its own costs and expenses, including, but not limited to, attorneys' fees, incurred or to be incurred in connection with negotiating and preparing this Agreement and the DDA and in carrying out the obligations under this Agreement (the "Direct Costs").

B. Period of Negotiations

The Negotiation Period shall be three hundred sixty (360) days, commencing on the Effective Date, subject to extension as provided below. The Negotiation Period may be extended by the Executive Director for an additional period not to exceed one hundred eighty (180)-day period by the written mutual agreement by the Agency and the Developer. The Executive Director of the Agency has the authority to agree to an extension on behalf of the Agency, if in the Executive Director's judgment sufficient progress in accomplishing the tasks set forth in **Exhibit "B"**, which set forth a projected timeline for the first phase of the Project, and working toward a mutually acceptable DDA has been made during the initial three hundred sixty (360)-day period to merit such extension. Notwithstanding the length of the Negotiation Period, as it may be extended, the parties agree to negotiate in good faith and to execute a DDA for the entire Project as quickly as reasonably possible.

Developer to Agency shall be without further payment therefore by Agency.

Disbursements made pursuant to an invoice received by Agency from Developer shall be made promptly within twenty (20) business days after receipt provided that the invoice otherwise conforms to the terms and conditions of this Agreement. Developer shall not submit an invoice requesting the payment of Pre-development Loan proceeds more frequently than once a month. All predevelopment services shall be rendered by Developer in a timely and diligent manner and within the time set forth on the Schedule of Performance attached to this Agreement as shown in **Exhibit "B,"** which is attached hereto and by this reference incorporated herein.

C. Assignment of Contracts

In addition to the assignment obligation set forth in Section II(B), if applicable provisions hereof excuse the repayment of the Loan, at the time the loan repayment is forgiven, Developer's assignable interest and rights to the following: 1) all construction contracts and subcontracts now or hereafter entered into for the Project, 2) all supply contracts and subcontracts now or hereafter entered into for the Project, 3) all contracts with architects, landscape architects, environmental consultants, geologists, surveyors, engineers, or other development consultants now or hereafter entered into for the Project, 4) all plans, specifications, drawings, data, and studies produced by these architects and development consultants for development of the Project, now or hereafter shall upon Agency's request, be assigned to Agency by an assignment agreement in a form mutually acceptable to Agency and Developer. Developer shall use its best efforts to cause that the third parties to the contracts referenced above for Project work consent to the assignment of these contracts to Agency.

D. Developer's Findings, Determinations, Studies, and Reports

Developer agrees to make monthly written progress reports, advising the Agency on all matters related to the development, including financial feasibility analyses, construction cost estimates, marketing studies, and similar due diligence matters. Should negotiations not result in a DDA between the Agency and the Developer, the Agency may use the information provided by the Developer in any way deemed by the Agency to be of benefit to the Agency.

III. Environmental Requirements

Certain State and local environmental requirements under CEQA may be applicable to the proposed Project. The Agency Board of Directors will consider the DDA upon submission of Agency's successful negotiations with Developer on the term and conditions of DDA. The Agency will act as the "lead agency" under CEQA. Accordingly, the Developer agrees to supply information and otherwise cooperate with the Agency, as requested by the Agency to determine the environmental impact of the proposed Project, and to allow the Agency to prepare such environmental documents as the Agency may determine to be necessary pursuant to CEQA and the Agency's guidelines and procedures.

D. Agency's Obligations

The Agency shall within the Negotiation Period (and any mutually agreed upon extensions):

1. Negotiate exclusively with the Developer for the development of the Project;
2. Determine and process, any California Environmental Quality Act ("CEQA") documentation required in connection with the sale of the Site to the Developer and the Agency's approval of a DDA, including the fees and expenses of any consultants to the Agency employed in connection with the preparation of the requisite environmental documentation for the proposed Project under CEQA;
3. Deliver to Developer not later than ten (10) days as of the Effective Date of this Agreement any of the following documents related to the Site which are in possession of the Agency:
 - a. Any existing surveys.
 - b. Any government permits, licenses and approvals.
 - c. Any contracts or leases or other agreements relating to the Site or any operations thereon.
 - d. Other written reports, studies, analyses and similar documents in the Agency's possession regarding physical condition of the Site, including the presence or possible presence of any hazardous materials on the Site, or the improvements thereof or the use or development of the Site.
4. Review site plans and use its best efforts through the fast track process to assist the Developer in securing any and all Project Entitlements (as hereinafter defined), which may be required by the County or any other Governmental Authorities (as hereinafter defined);
5. Review the Developer's proposal;
6. Cooperate fully in providing the Developer with appropriate information and assistance, including information regarding any mitigation measures and off-site impacts which may affect the Project;
7. Prepare a summary report, at the Agency's expense, in accordance with Section 33433 of the Health and Safety Code, including the fees and expenses of any consultants to the Agency employed in connection with the preparation of said summary report;
8. Arrange for and obtain, at the Agency's expense, publication of notices of the

public hearing for consideration of the DDA; and

9. Provide a Pre-development loan to Developer in accordance with Section II (B) of this Agreement.

II. Proposed Development

A. Development Concept and Essential Terms and Conditions

The proposed development to be negotiated hereunder shall be for the development of an affordable housing project.

The essential terms and conditions of any such DDA entered into with the Developer shall be in conformance with the following requirements:

1. The Developer shall purchase the Site from the Agency in accordance with the Schedule of Performance to be negotiated as part of the DDA.
2. The Developer shall design and construct the development on the Site, in accordance with a Schedule of Performance to be negotiated as part of the DDA and in accordance with plans and specifications prepared by the Developer and approved by the Agency.
3. The Developer shall secure in accordance with the Schedule of Performance to be negotiated as part of the DDA, an amendment to the County's General Plan, a change of zone for the Site and any and all entitlements (other than grading or building permits or approvals which are simply ministerial and nondiscretionary in nature) (the "Entitlements"), which may be required by the County or any other governmental agency affected by construction and development of the Project (the "Governmental Authorities") to allow development of the Project;
4. Other terms and conditions applicable to the DDA are as follows:
 - a. It is understood by the Developer that design and architectural approval by the Agency will be required for the development and that sketches, plans, working drawings, specifications and similar documents will be required to be submitted for approval pursuant to the terms and provisions in the DDA.
 - b. It is understood that in developing the Site the Developer will coordinate with the Agency the design and architectural theme of the Project to be compatible with other developments in the area.

B. Predevelopment Loan

In order to permit Developer to make a full analysis and investigation of possible acquisition, financing and development of the Site and in furtherance of its goal to provide safe

and affordable housing within the County, effective as of the Effective Date, Agency has agreed to make a pre-development loan to Developer (the "Predevelopment Loan") to facilitate Developer's work relating to the Site and Project, including initiating and completing the process for the necessary entitlements required for the Project. The principal amount of the Predevelopment Loan shall not exceed **Six Hundred Eighteen Thousand Dollars (\$618,000)**. Subject to prior approval of Agency, distributions of funds from the Predevelopment Loan shall only be used by Developer to pay for predevelopment activities listed in **Exhibit "C,"** which is attached hereto and by this reference incorporated herein, provided that the Developer may use any or all of the dollar amount depicted as "Contingency" for any development activity line item that exceeds the amount depicted on **Exhibit "C"**. Prior to Developer incurring any cost not listed in **Exhibit "C"**, Developer shall obtain Agency's written approval. In no event shall Agency be obligated to distribute more than the above referenced Predevelopment Loan amount.

Agency specifically prohibits Developer from using Predevelopment Loan funds to reimburse any legal expenses incurred by Developer and any of Developer's staffing, administration, and general expenses incurred by Developer.

Any month in which Developer wishes to receive a disbursement, Developer shall submit to Agency an invoice for a portion of the Predevelopment Loan. Such invoice shall (i) describe in detail the predevelopment activities by Developer, including time, materials and amount sought and (ii) include a copy of the any billing and/or advance payment by Developer for any such predevelopment expenses. The invoice shall include copies of all supporting documentation (i.e., invoices, cancelled checks, etc.) to support the request. The invoice shall contain a certification by an authorized representative of Developer specifying that the reimbursement in question is for the work performed in accordance with the terms of the Agreement.

In the event that the Agency and Developer agree to and execute a DDA, and if the provisions of the DDA further obligate the Agency to make a loan to the Developer for the purpose of development and, construction of the Site ("Development Loan"), upon execution of the DDA the amount of the then outstanding balance of the Predevelopment Loan shall be credited against any amount which Agency is required to lend Developer pursuant to the Development Loan. Until such time, the Predevelopment Loan shall bear no interest. Upon execution of a DDA, all Predevelopment Loan proceeds then advanced shall bear interest at the rate provided in the DDA for the Development Loan as of the effective date of the Development Loan.

If for any reason, other than a default of Developer, a DDA is not executed between Agency and Developer, the Developer shall not be obligated to repay the Predevelopment Loan to Agency. In the case of Developer's default, however, Developer shall be obligated to repay the amount of the Predevelopment Loan to Agency. If applicable provisions hereof excuse the repayment of the Predevelopment Loan, at the time the loan repayment is forgiven Developer's interest and right to use all drawings, specifications, reports, records, surveys, documents, plans, entitlements and other materials prepared by or for Developer in the performance of predevelopment activities pursuant to this Agreement shall be assigned by Developer to Agency, pursuant to an assignment agreement in a form mutually acceptable to Agency and Developer. Developer shall concurrently deliver to Agency all such materials. Such assignment by

Developer to Agency shall be without further payment therefore by Agency.

Disbursements made pursuant to an invoice received by Agency from Developer shall be made promptly within twenty (20) business days after receipt provided that the invoice otherwise conforms to the terms and conditions of this Agreement. Developer shall not submit an invoice requesting the payment of Pre-development Loan proceeds more frequently than once a month. All predevelopment services shall be rendered by Developer in a timely and diligent manner and within the time set forth on the Schedule of Performance attached to this Agreement as shown in **Exhibit "B,"** which is attached hereto and by this reference incorporated herein.

C. Assignment of Contracts

In addition to the assignment obligation set forth in Section II(B), if applicable provisions hereof excuse the repayment of the Loan, at the time the loan repayment is forgiven, Developer's assignable interest and rights to the following: 1) all construction contracts and subcontracts now or hereafter entered into for the Project, 2) all supply contracts and subcontracts now or hereafter entered into for the Project, 3) all contracts with architects, landscape architects, environmental consultants, geologists, surveyors, engineers, or other development consultants now or hereafter entered into for the Project, 4) all plans, specifications, drawings, data, and studies produced by these architects and development consultants for development of the Project, now or hereafter shall upon Agency's request, be assigned to Agency by an assignment agreement in a form mutually acceptable to Agency and Developer. Developer shall use its best efforts to cause that the third parties to the contracts referenced above for Project work consent to the assignment of these contracts to Agency.

D. Developer's Findings, Determinations, Studies, and Reports

Developer agrees to make monthly written progress reports, advising the Agency on all matters related to the development, including financial feasibility analyses, construction cost estimates, marketing studies, and similar due diligence matters. Should negotiations not result in a DDA between the Agency and the Developer, the Agency may use the information provided by the Developer in any way deemed by the Agency to be of benefit to the Agency.

III. Environmental Requirements

Certain State and local environmental requirements under CEQA may be applicable to the proposed Project. The Agency Board of Directors will consider the DDA upon submission of Agency's successful negotiations with Developer on the term and conditions of DDA. The Agency will act as the "lead agency" under CEQA. Accordingly, the Developer agrees to supply information and otherwise cooperate with the Agency, as requested by the Agency to determine the environmental impact of the proposed Project, and to allow the Agency to prepare such environmental documents as the Agency may determine to be necessary pursuant to CEQA and the Agency's guidelines and procedures.

IV. Assignment

Developer shall not assign all or any part of this Agreement without the prior written approval of the Agency. The Agency agrees to reasonably give such approval if: (1) the change is to a limited partnership, limited liability company or other entity formed for financing, in which the original Developer or an affiliate of the Developer is a co-general partner (if a limited partnership) or a managing member (if a limited liability company), and, in any case, possesses not less than a 50% interest in the entity; and (2) if, in the reasonable determination of the Agency, the proposed reconstituted Developer is comparable in all material respects (including experience, character and financial capability) to the Developer. Any such change (or assignment of this Agreement in connection therewith) shall be by instruments satisfactory to the Agency's Executive Director, and be subject to the approval by the Agency's Board of Directors of evidence of the proposed assignee's qualifications to meet the obligations of the Developer under this Agreement. Developer shall promptly notify the Agency of any and all changes whatsoever in the identity of the parties in control of the Developer or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information.

V. Condition of Site

The Developer shall assume the full and complete responsibility to make all investigations of surface and subsurface conditions as may be necessary or appropriate to evaluate the suitability of the Site for the proposed Project. Neither the Agency nor the County shall make any representations or warranties concerning the Site, its suitability for the use intended by the Developer, or the surface or subsurface conditions of the Site.

The Site shall be conveyed to the Developer "AS IS", meaning that Developer will be accepting the Site in its present condition, including, but not limited to, the physical condition of the Site and all laws, rules and regulations, whether federal, state or local, having or potentially having any impact on ownership, use, subdivision, improvement or other aspects of the Site. If a DDA is executed and approved by the Agency Board, the Developer shall be responsible, at its own sole cost and expense, for the demolition of all buildings, structures and improvements on the Site required by Developer in connection with the construction of the Project, and will do all things necessary to prepare the Site for the construction and development of the Project in accordance with the Entitlements therefore.

VI. Right of Entry

The Agency hereby grants to Developer and its employees, agents and contractors (herein referred to collectively as the "Developer's Designees") the nonexclusive right to enter upon the Site at any time during the Negotiation Period to perform a survey and certain work, consisting of geotechnical investigation, a Phase I Environmental Assessment prepared in compliance with the most recent published American Society for Testing and Materials Phase I Environmental Property Assessment Standard, a Phase II Environmental Investigation and Report, if required, and other due diligence related activities (collectively, the "Work"), to fence, perform weed abatement and other land management responsibilities at the Site, and for no other purposes without the prior written approval of the Agency's Executive Director, or his or her designee.

Prior to each entry onto the Site, the Developer (i) shall provide twenty-four (24) hours notice to the Agency, (ii) arrange for access, and, (iii) if requested by the Agency, will allow oversight of all on-site activities.

Prior to any entry onto the Site for the taking of environmental samples or testing, the Developer shall provide the Agency with a work plan for on-site activity, including but not limited to a copy of its sampling and testing procedures. Such work plan shall be provided not less than forty-eight (48) hours in advance of any activity contemplated under this Agreement.

The Developer shall provide to the Agency a copy of all results generated by the sampling and testing performed pursuant to this Agreement. The Developer agrees for itself and on the behalf of the Developer's Designees as follows:

- A. That Developer will not permit any dangerous condition to be created on the Site as a result of the activities of Developer or the Developer's Designees; and,
- B. That all acts and things done by the Developer on the Site will be done in a careful and reasonable manner, in accordance with all federal, state and local laws; and,
- C. That Developer will enter the Site entirely at its own cost, risk and expense; and,
- D. That prior to the Developer's entry upon the Site and during the term of this Agreement, the Developer shall require each and all of Developer's contractors/consultants responsible for the work under this Agreement with whom Developer enters into a written contract for such work to maintain, in full force and effect, statutory workers' compensation insurance coverage and a commercial general liability policy in the amount of at least One Million Dollars (\$1,000,000) combined single limit policy. Prior to entry on the Site, the Developer shall cause Developer's contractors/consultants with whom Developer enters into a written contract for such work to provide certificates evidencing such coverage and naming the Agency as an additionally insured, as its interests may appear; and,
- E. That Developer shall not have any interest in the Site or be entitled to any reimbursement or repayment for any Work performed upon the Site pursuant to this Agreement, other than as set forth in "**Exhibit C**" attached hereto; and,
- F. The Developer shall not be responsible for clean-up or remediation of hazardous materials, if any, existing on the Site prior to the Effective Date ("Pre-Existing Conditions"). The Developer shall take all necessary precautions to prevent the import and/or release into the environment of any hazardous materials which are imported to, in, on or under the Site during the performance of the Work. If hazardous materials are imported onto the Site as a result of the performance of the Work, the Developer shall be solely responsible for removing such imported hazardous materials in conformance with all governmental requirements. The

Developer shall report to the Agency, as soon as possible after each incident, any unusual or potentially important incidents with respect to the environmental condition of the Site; and,

- G. Other than CEQA approval, the Developer shall obtain and maintain all governmental permits and approvals required for the Work conducted under this Agreement and shall comply with all statutes, ordinances, rules, regulations, orders and requirements now in effect or that become effective during the term of this Agreement applicable to its sampling and other activities pursuant to the access granted by this Agreement.
- H. The Developer shall initiate and complete the process for the necessary entitlements required for the Project. This includes performing any necessary studies and or plans required for the entitlement process.

VII. Indemnity

Developer shall indemnify and hold harmless the Agency and County of Riverside ("County"), their elected and appointed officials, employees, agents and representatives from any liability whatsoever, based or asserted upon any services of Developer, its officers, employees, subcontractors, agents or representatives arising out of or in any way relating to this Agreement, including but not limited to property damage, bodily injury, or death or any other element of any kind or nature whatsoever arising from the performance of Developer, its officers, agents, employees, subcontractors, agents or representatives from this Agreement. Developer shall defend, at its sole expense, all costs and fees including, but not limited, to attorney fees, cost of investigation, defense and settlements or awards, the Agency and/or County of Riverside, its elected and appointed officials, employees, agents and representatives in any claim or action based upon such alleged acts or omissions.

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

Developer's obligation hereunder shall be satisfied when Developer has provided to Agency the appropriate form of dismissal relieving Agency from any liability for the action or claim involved.

The specified insurance limits required in this Agreement shall in no way limit or circumscribe Developer's obligations to indemnify and hold harmless the Agency herein from third party claims.

In the event there is conflict between this clause and California Civil Code Section 2782, this clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not relieve the Developer from indemnifying the Agency and/or County of Riverside to the fullest

extent allowed by law.

VIII. Default and Remedies

(a) Failure to perform under the terms and condition set forth in this Agreement by either party to negotiate in good faith as provided in this Agreement shall constitute an event of default under this Agreement. The non-defaulting party shall give written notice of a default to the defaulting party, specifying the nature of the default and the required action to cure the default. If a default remains uncured fifteen (15) days after receipt by the defaulting party of such notice, the non-defaulting Party may exercise the remedies set forth in subsection (b).

(b) Remedies.

(1) Agency Default. In the event of an uncured default by the Agency under this Agreement, the Developer may elect the following remedies: (i) terminate this Agreement in which case following such termination, neither party shall have any further right, remedy or obligation under this Agreement; or (ii) seek specific performance of the exclusive negotiating obligations of the Agency under this Agreement. Developer's remedy of specific performance shall mean only that if the Agency breaches its duty of negotiating in good faith or negotiating exclusively with Developer, that Developer may seek appropriate order requiring the Agency to cease or refrain from negotiating with any such third party until the end of the Negotiation Period.

(2) Developer Default. In the event of an uncured default by the Developer under this Agreement, the Agency shall be entitled to terminate this Agreement. Following such termination, neither Party shall have any right, remedy or obligation under this Agreement; provided, however, that the indemnification obligations pursuant to Section VII shall survive such termination.

IX. Developer Employees and Liabilities

It is understood that persons engaged or employed by Developer as employees, agents, or independent contractors shall be engaged or employed by Developer and not by the Agency. Developer alone is responsible for their work, direction, compensation and personal conduct. Nothing included in any provision of this Agreement shall impose any liability or duty upon the Agency to persons, firms, or corporations employed or engaged by Developer in any capacity whatsoever, or make the Agency liable to any such persons, firms, or corporations, or to any government, for the acts, omissions, liabilities, obligations, and taxes, of whatsoever nature, of Developer or of its employees, agents, or independent contractors.

X. Non-Recourse to Agents

No member, official, employee, agent, or consultant of any Party to this Agreement shall be personally liable to any other Party, or any successor in interest or person claiming by, through or under any Party, in the event of any default or breach, or for or on account of any

amount which may be or become due, or in any claim, cause or obligation whatsoever under the terms of this Agreement.

XI. Actions By the Agency

The Executive Director of the Agency or his or her designee(s) are authorized to take such ministerial actions as may be necessary or appropriate to implement the terms, provisions, and conditions of this Agreement as it may be amended from time to time by Agency.

XII. Real Estate Commissions

The Agency shall not be liable for any real estate commissions or brokerage fees which may arise herefrom. The Agency and Developer each represents that it has engaged no broker, agent or finder in connection with this transaction, and each party agrees to hold the other party harmless from any claim by any broker, agent or finder which it has retained.

XIII. Limits of this Agreement

If the negotiations hereunder culminate in a DDA, such DDA will become effective only after and if it has been considered and approved by the Agency Board of Directors and the County Board of Supervisors after public hearing, as required by law.

By its execution of this Agreement, the Agency is not committing itself to or agreeing to undertake: (i) disposition of the Site (or any portion thereof) to the Developer; or (ii) any other acts or activities requiring the subsequent independent exercise of discretion by the Agency, the County or any agency or department thereof. The parties recognize that one or more of the conditions to the Developer's proposal set forth herein may fail to be met as a result of subsequent studies, reviews and proceedings involving the exercise of discretion by the Agency, the County or any agency or department thereof.

This Agreement does not constitute a disposition of property or exercise of control over property by the Agency or the County and does not require a public hearing. Execution of this Agreement by the Agency is merely an agreement to enter into a period of exclusive negotiations according to the terms hereof, reserving final discretion and approval by the Agency Board of Directors and the County Board of Supervisors as to the Entitlements and any DDA and all proceedings and decisions in connection therewith. By executing this Agreement, Developer acknowledges that the Agency and the County have no obligation to approve the Entitlements or a DDA or to take any other discretionary action relating to the Developer's proposal.

The Developer shall not be entitled to reimbursement of legal expenses incurred or any direct costs (or any portion thereof) other than those costs outlined in **Exhibit "C"**.

XIV. Need for DDA

The parties acknowledge and agree that this Agreement is for the sole purpose of stating the intention of the parties to negotiate and enter into a DDA. The parties have not reached

agreement on the matters related to the redevelopment of the Site, and do not intend to be bound until a final written DDA is executed by both parties. In the event the final, written DDA is not executed by both parties within the time provided in Section I, this Agreement shall automatically terminate, and be of no further force or effect, unless extended by action of the Agency and Developer.

The Agency's acknowledgment of this Agreement is merely an agreement to enter into a period of negotiations according to the concepts presented herein, reserving final discretion and approval by the Board of Directors of the Agency.

XV. Insurance

Coincident with the execution of this Agreement by Developer, Developer shall procure and keep in full force and effect during the continuance of this Agreement, the following insurance policies:

- a) Comprehensive General Liability. General public liability and property damage insurance issued by a reliable insurance company authorized to do business in the State of California. Such policy of public liability and property damage insurance shall be in an amount of not less than One Million Dollars (\$1,000,000) per person for liability insurance and Five Hundred Thousand Dollars (\$500,000) for property damage. A combined single limit policy with aggregate limits in of One Million Dollars (\$1,000,000) will be considered equivalent to the required minimum limits. The insurance coverage contemplated by the provisions of this section not intended to include that coverage which is contained in an error and omissions policy. Agency shall be named additionally insured.
- b) Worker's Compensation Insurance. Worker's Compensation Insurance to the established California legal limits. Developer shall, deliver a copy of said policies to the Executive Director with an endorsement or attached rider whereby it is provided that, in the event of expiration or proposed cancellation of such policy for any reason whatsoever, Agency shall be notified by registered mail or certified mail, postage prepaid, return receipt requested, not less than thirty (30) days before expiration or cancellation is effective.

XVI. Authority to Execute

The persons executing this Agreement or exhibits attached hereto on behalf of the parties to this Agreement hereby warrant and represent that they have the authority to execute this Agreement and warrant and represent that they have the authority to bind the respective parties to this Agreement to the performance of its obligations hereunder.

XVII. Notices

Any notice to any of the parties required or permitted under this Agreement shall be delivered by facsimile transmission together with delivery by a nationally recognized "overnight" delivery service, addressed to the other party as follows:

AGENCY: Redevelopment Agency for the
 County of Riverside
 Attention: Emilio Ramirez
 3403 10th Street, Suite 500
 Riverside, CA 92501
 Telephone: (951) 955-3410
 Facsimile: (951) 955-3426

DEVELOPER: Palm Desert Development Company
 Attention: William Crowel Jr.
 44139 Monterey Avenue, Suite A
 Palm Desert, CA 92260
 Telephone: (760) 469-4775
 Facsimile: (760) 568-9761

XVIII. Entire Agreement

This Agreement constitutes the entire agreement of the parties regarding the subject matter of this Agreement.

XIX. Severability

In the event that any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby.

XX. Jurisdiction and Venue

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

XXI. Interpretation and Governing Law

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

XXII. Counterparts

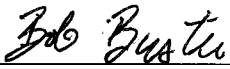
This Agreement may be signed by the different parties hereto in counterparts, each of which shall be an original but all of which together shall constitute one and the same agreement.

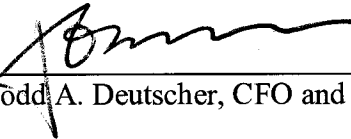
[SIGNATURES ARE ON THE FOLLOWING PAGE]

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

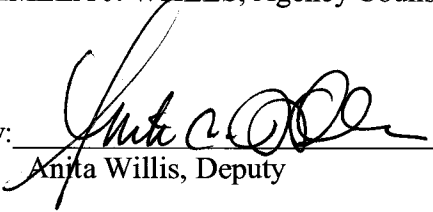
AGENCY
REDEVELOPMENT AGENCY FOR THE
COUNTY OF RIVERSIDE

DEVELOPER
Palm Desert Development Company
a California corporation

By: 
Bob Buster, Chairman
Board of Directors

By: 
Todd A. Deutscher, CFO and Secretary

APPROVED AS TO FORM:
PAMELA J. WALLS, Agency Counsel

By: 
Anita Willis, Deputy

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board


By: 
Deputy

Exhibit "A"

Site Location

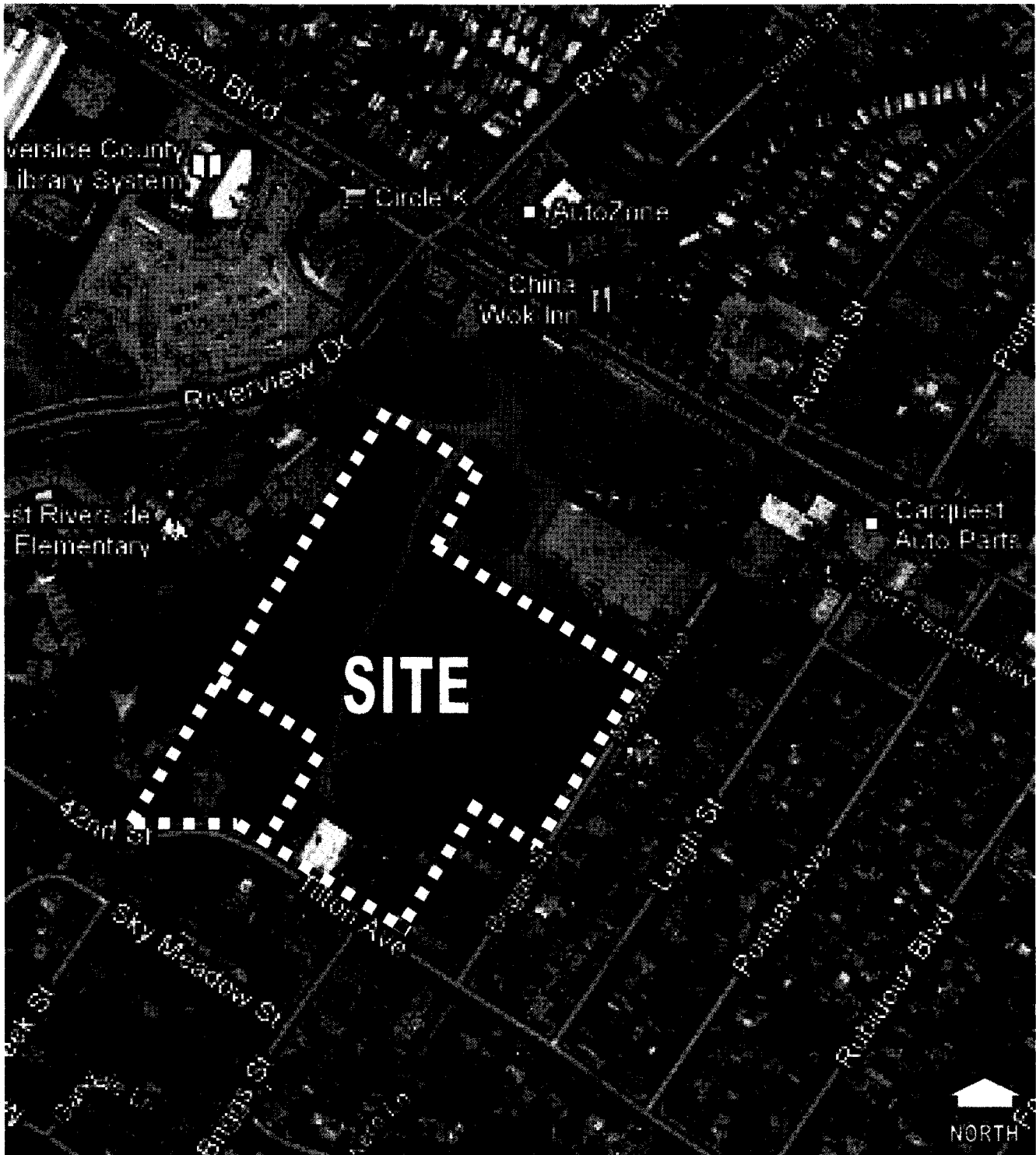


Exhibit "B"
Schedule of Performance

VISTA RIO

	Start	Finish	
Entitlement and Preliminary Design	4/7/11	9/23/11	
Prepare Entitlement Submittal	4/7/11	5/25/11	
Architectural Plans	4/7/11	5/25/11	
Engineering Plans and Reports	4/7/11	5/25/11	
Entitlement Review	5/31/11	9/7/11	
Submit	5/31/11	5/31/11	
Agency Review	6/1/11	7/12/11	
Respond to Corrections	7/12/11	8/9/11	
Resubmit	8/10/11	8/10/11	
Obtain Clearances/Conditions	8/11/11	8/31/11	
Public Notice	9/1/11	9/29/11	
Community Outreach	5/16/11	10/20/11	
Contact New City Council	5/16/11	6/29/11	
Submit to City Planning	8/10/11	10/5/11	
Agency Approvals	10/20/11	10/20/11	
<hr/>			
Financing	CTCAC	R1	R2
CTCAC Application		3/15/12	7/15/12
CTCAC Award		6/15/12	9/15/12
Bank Loan Commitments		3/15/12	7/15/12
Syndication of Tax Credits		12/15/12	3/15/13
<i>* Financing dates are subject to change based on funding source</i>			
<hr/>			
Construction Documents	180 days	R1	R2
	Start	6/15/12	9/15/12
	Finish	12/15/12	3/15/13
<hr/>			
Construction	365 days	R1	R2
	Start	12/15/12	3/15/13
	Finish	12/15/13	3/15/14

Exhibit "C"
Pre-development Budget

VISTA RIO

Architectural	150,000
Archeological	6,000
Biological	15,000
Civil Engineering	140,000
Environmental	25,000
Geotechnical/Soils	25,000
Landscape Architect	30,000
Market Study	15,000
Acoustical Study	10,000
Traffic Study	10,000
Utility Consultant	12,000
Entitlement Review Fees	70,000
Fencing and Weed Abatement (4-years)	60,000
Contingency	50,000
<hr/> Total	<hr/> 618,000