

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



**ITEM
3.7**

MEETING DATE:

FROM : ECONOMIC DEVELOPMENT AGENCY (EDA):

Tuesday, November 8, 2016

SUBJECT: ECONOMIC DEVELOPMENT AGENCY (EDA): Amendment to the HOME Agreement between the County of Riverside and Hemet Vistas 1&2R LP, relating to Hemet Vistas Apartments, Located in the City of Hemet, District 3, [\$0], Project is Exempt Under CEQA

RECOMMENDED MOTION: That the Board of Supervisors:

1. Find that the project is exempt from California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15301 and Section 15061 (b)(3);
2. Approve as to form the attached Assignment and Assumption Agreement, assigning the obligations of Hemet Vistas, L.P., under the HOME Agreement between the County of Riverside (County) and Hemet Vistas, L.P., to Hemet Vistas 1&2R, LP, a California Limited Partnership;
3. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a consent to the Assignment and Assumption Agreement, subject to County Counsel approval;

Consent

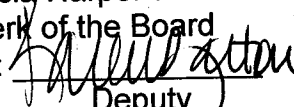
FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: HOME Investment Partnership Act funds			Budget Adjustment:	No
			For Fiscal Year:	2016/17

C.E.O. RECOMMENDATION: Approved

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays: None
Absent: None
Date: November 8, 2016
xc: EDA

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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RECOMMENDED MOTION: Continued

4. Approve as to form the attached Second Amendment to HOME Agreement for the use of HOME funds, including all attachments thereto, between the County and Hemet Vistas 1&2R LP;
5. Authorize the Assistant County Executive Officer/EDA, or designee, to take all necessary steps to implement the Second Amendment to HOME Agreement, including all attachments thereto, and the subordination agreements, including but not limited to, signing subsequent necessary and relevant documents, subject to approval by County Counsel; and
6. Direct Economic Development Agency staff to file the Notice of Exemption within five working days.
7. Approve as to form the attached Second Amendment to HOME Loan Deed of Trust, Second Amendment to HOME Loan Promissory Note, and Covenant Agreement;
8. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Second Amendment to HOME Agreement, Second Amendment to HOME Loan Deed of Trust, Second Amendment to HOME Loan Promissory Note, and Covenant Agreement, substantially conforming in form and substance to the attached documents, subject to County Counsel approval;
9. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement subordinating the HOME Loan Deed of Trust to the Deed of Trust securing the construction loan in an amount up to \$11,500,000, subject to County Counsel approval;
10. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement subordinating the HOME Loan Deed of Trust to a Deed of Trust securing the permanent loan in an amount up to \$7,500,000, subject to County Counsel approval;

BACKGROUND:

Summary

On February 4, 1997, the County of Riverside (County) and Hemet Vistas, L.P., entered into a HOME Agreement (Loan Agreement) to provide a loan in the amount of \$1,200,000 (HOME Loan) to pay a portion of the costs to develop the first phase of Hemet Vistas Apartments consisting of 72 units. The HOME Loan was evidenced by a Promissory Note and secured by a Deed of Trust. Hemet Vistas, LP owned 9.65 acres of land located at 225 W. Fruitvale, Hemet, CA 92543 ("Property"). Since the project was developed in two-phases, two separate partnerships were formed, Hemet Vistas I, L.P. and Hemet Vistas II, L.P (Previous

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Partnerships). Phase I was developed on 4.65 acres of the Property. The 72 units of phase I were completed as memorialized in the Loan Agreement and have been occupied for 15 years. Immediately following the completion of phase I, phase II was developed consisting of an additional 72 units, which was developed on the remaining 4 acres of the Property. Both phases combined consist of a total of 144 affordable housing rental units on 9.65 acres of land (Project).

In addition to the HOME funds, both phase I and phase II were funded with Low-Income Housing Tax Credits (Tax Credits) and former Redevelopment Agency (RDA) funds which has a companion item on this same day with the Board of Commissioners. The Tax Credits on both phases have since expired, allowing for a new allocation of Tax Credits to be utilized to rehabilitate the Project. The Previous Partnerships will dissolve and a single new partnership has been formed, Hemet Vistas 1&2R Partners LP (Partnership). The Partnership will combine both phases into one project, for purposes of obtaining necessary financing for rehabilitation, and owning and operating the Project.

In order to make the rehabilitation of the Project financially feasible, the Partnership has requested that the terms of the HOME Loan which would be due and payable April 1, 2027, be modified to allow an extended 55-year amortization period. The extension of the loan will also guarantee that affordability covenants will be recorded on the Project for the 55-year term of the loan. Eleven HOME units will remain affordable, consisting of 6 two-bedroom units and 5 three-bedroom units. All units will be occupied by very low-income households whose incomes do not exceed 50% Area Median Income for the County of Riverside. The proposed Second Amended HOME Agreement (Amended HOME Agreement) memorializing the amendment to the HOME Loan terms is attached. The proposed Second Amended Promissory Note, Second Amended Deed of Trust and Covenant Agreement are also attached.

The proposed scope of rehabilitation will consist of cosmetic repairs to the exterior of the units, energy efficient upgrades on all appliances including HVAC systems, replacing of cabinets, flooring and carpets, extensive ADA compliant improvements, painting of interior and exterior of units and improvements to on-site amenities. A breakdown of rehabilitated items is attached to the Amended HOME Agreement as Exhibit B. Sources of financing include: \$5,921,103 in Tax Credit Equity, \$10,882,161 construction loan of which \$6,727,300 will be converted to a permanent loan, \$2,650,000 in general partnership equity and a \$399,725 deferred developer fee. In addition to the sources of financing for rehabilitation, a \$1,200,000 loan from the former Redevelopment Agency of the County of Riverside (RDA) (including accrued interest), plus the HOME loan (including accrued interest), will remain as debt encumbering the Project.

The construction lender and permanent lender (collectively "Senior Lenders") will require, as a condition precedent to the funding of their respective loans, that the Loan Agreement and Home Loan are subordinated to their respective liens. Subordination of the Loan Agreement and HOME Loan are necessary since an economically feasible alternative method of financing the Project on comparable terms is not available without subordination. As a result of such

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subordinations, the Loan Agreement and Home Loan will be in a 3rd priority lien position junior to the loans from the Senior Lenders. All subordination agreements shall be approved as to form by County Counsel.

Pursuant to the California Environmental Quality Act (CEQA), the Second Amendment to HOME Agreement, including all attachments, was reviewed and determined to be categorically exempt from CEQA under state CEQA Guidelines 15301, Class 1-Existing Facilities and State CEQA Guidelines 15061(b)(3), General Rule or "Common Sense" Exemption. The proposed rehabilitation of the 144 units involves cosmetic exterior repairs and interior rehabilitation work of an existing facility and no expansion of an existing use will occur. In addition, there is no possibility that the proposed rehabilitation of the 144 units will have a significant effect on the environment and will not lead to any direct or reasonably indirect physical environment impacts since the existing use will be maintained.

Impact on Residents and Businesses

The modification of the Home Loan terms and rehabilitation of the 144 units will have a positive impact on the areas surrounding the Project, create jobs and enhance the quality of living for current residents residing at Project.

Attachments:

Assignment and Assumption Agreement

Second Amendment to HOME Agreement for the Use of HOME Funds (with attachments)

- Second Amendment to Promissory Note
- Second Amendment to Deed of Trust with Assignment of Rents
- Covenant Agreement

Notice of Exemption

Impact on Residents and Businesses

The Rehabilitation of the 144 units will have a positive impact on the areas surrounding the Project, create jobs and enhance the quality of living for current residents residing at Project.

RF:JVW:HM:JG:SA

EDA Tracking # 13389; MinuteTraq #2504

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

County of Riverside
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504
Attention: Stephanie Adams

**No fee for recording pursuant to
Government Code Section 27383**

**ASSIGNMENT AND ASSUMPTION AGREEMENT
(RIVERSIDE COUNTY HOME LOAN FOR
HEMET VISTAS 1&2 APARTMENTS – PHASE I)**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is made and entered into on this 1st day of September, 2016 by and between Hemet Vistas I, Limited Partnership, a California limited partnership ("Assignor"), and Hemet Vistas 1&2R Partners LP, a California limited partnership ("Assignee"). The Assignor and Assignee are collectively referred to herein as the "Parties."

RECITALS

A. The County of Riverside, a political subdivision of the State of California (the "County") and the Assignor entered into that certain HOME Agreement, dated as of February 4, 1997 (the "County HOME Agreement") relating to, among other things, the acquisition of that certain real property described in the legal description attached hereto as **Exhibit A** and incorporated herein by this reference ("Phase I Property"), and the predevelopment, construction and operation thereon of the phase I portion of a project originally developed in two phases, each comprised of a 72 unit affordable housing complex for low-income families containing 71 units and 1 manager's unit, to be rented and occupied by households whose incomes do not exceed fifty percent (50%) of the area median income for the County of Riverside ("Phase I Project"), and the County's provision of a portion of the financial assistance necessary to construct the Phase I Project in the form of a \$1,200,000 loan evidenced by that certain Promissory Note dated March 10, 1997 and that certain Deed of Trust with Assignment of Rents dated April 1, 1997 and recorded in the Official Records of the County of Riverside on April 1, 1997 as Instrument No. 108877 (collectively, the "County HOME Loan Documents");

B. Assignee was formed in order to own and operate the Phase I Project;

C. Assignor hereby desires to assign its rights and obligations and delegate all of its duties under the County HOME Agreement and the County HOME Loan Documents and any and all related agreements and documents (collectively, the "Related Agreements"), and for Assignee to accept such assignment and assume all rights, interest and obligations thereunder; and

D. The County desires to consent to such assignment as evidenced by its signature hereto.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns to Assignee all of its right, title, obligations and interest in and to the County HOME Agreement, the County HOME Loan Documents and any and all Related Agreements, and Assignee hereby accepts such assignment, and assumes all of the obligations of the Assignor under the County HOME Agreement, the County HOME Loan Documents and any and all Related Agreements, and agrees to be bound thereby in accordance with the terms thereof.
2. Assignee shall assume and perform all executory obligations of Assignor pursuant to the County HOME Agreement, the County HOME Loan Documents and any and all Related Agreements, without exception.
3. Assignor and Assignee acknowledge that such assignment and acceptance shall not relieve Assignor of its duty to comply with the obligations under the County HOME Agreement, the County HOME Loan Documents and the Related Agreements. Assignee agrees to perform all of the obligations in accordance with the County HOME, the County HOME Loan Documents and the Related Agreements.
4. The principal address of Assignee for purposes of the County HOME Agreement, the County HOME Loan Documents and Related Agreements is as follows:

Hemet Vistas 1&2R Partners LP
c/o Palm Communities
100 Pacifica, Suite 205
Irvine, CA 92618
Attn: President
5. This Assignment, together with the agreements, covenants and warranties contained herein, is made for the sole protection and the benefits of the parties hereto, and their successors and assigns, and no other person or persons shall have a right of action or right to rely hereon. As this Assignment contains all the terms and conditions agreed upon between the parties, no other agreement regarding the subject matter thereof, shall be deemed to exist or bind any party unless in writing and signed by the party to be charged.
6. This Assignment has been entered into, is to be performed entirely within, and shall be governed by and construed in accordance with the laws of the State of California.
7. If any term or provision of this Assignment, the deletion of which would not adversely affect the receipt of any material benefit by any party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the

remainder of this Assignment shall not be affected thereby and each other term and provision of this Assignment shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Assignment that is illegal, invalid or unenforceable, there be added as part of this Assignment and enforceable clause or provision similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible.

8. Time is expressly declared to be of essence in this Assignment.
9. Each party hereto covenants and agrees to perform all acts and obligations, and to prepare, execute, and deliver such written agreements, documents, and instruments as may be reasonably necessary to carry out the terms and provisions of this Assignment.
10. No provision in this Assignment is to be interpreted for or against either party because that party or its legal representatives drafted such provision.
11. This Assignment may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. The signature pages of one or more counterpart copies may be removed from such counterpart copies and all attached to the same copy of this Assignment, which, with all attached signature pages, shall be deemed to be an original Assignment.
12. The parties hereto further represent and declare that they carefully read this Assignment and know the contents thereof, and that they sign the same freely and voluntarily.
13. Each party represents that the person executing this Assignment on behalf of said party has the full authority to do so to bind the party to perform pursuant to the terms and conditions of this Assignment.

[Remainder of Page Intentionally Blank]

[Signatures on the Following Page]

IN WITNESS WHEREOF, the Parties have executed this Assignment as of the date set forth opposite their signatures below.

ASSIGNOR:

HEMET VISTAS I, LIMITED
PARTNERSHIP, a California limited
partnership

By: Palm Communities, a California
corporation, its administrative general
partner

By: _____
Danavon L. Horn, President

Date: _____

By: Housing Corporation of America, a Utah
nonprofit corporation, its managing
general partner

By: _____
Ronald H. Olson, President

Date: _____

ASSIGNEE:

HEMET VISTAS 1&2R PARTNERS LP, a
California limited partnership

By: PC Hemet Vistas 1&2R Developers LLC,
a California limited liability company,
its administrative general partner

By: Palm Communities, a California
corporation, its sole member and
manager

By: _____
Danavon L. Horn, President

Date: _____

By: Las Palmas Foundation, a California
nonprofit public benefit corporation, its
managing general partner

By: _____
Name: _____
Title: _____

Date: _____

[ASSIGNOR AND ASSIGNEE SIGNATURES MUST BE NOTARIZED]

CONSENT TO ASSIGNMENT AND ASSUMPTION AGREEMENT

In reliance upon the assumption by HEMET VISTAS 1&2R PARTNERS LP, a California limited partnership, as Assignee, of all rights and obligations pursuant to the foregoing Assignment and Assumption Agreement (Riverside County HOME Loan For Hemet Vistas 1&2 Apartments – Phase I) (the "Assignment"), the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), does hereby consent to and approve of the assignment of all right, title, obligations and interest in and to the County HOME Agreement, County HOME Loan Documents and any and all Related Agreements (as defined in the Assignment) by HEMET VISTAS I, LIMITED PARTNERSHIP, a California limited partnership ("Assignor"), to Assignee.

Approval hereof by the County shall not be construed to relieve or release Assignor from its duty to comply with any of its obligations under the County HOME Agreement, County HOME Loan Documents or any Related Agreements.

"COUNTY"

COUNTY OF RIVERSIDE, a political
subdivision of the State of California

By: _____
Name: _____
Title: _____

Date: _____

APPROVED AS TO FORM:
Gregory P. Priamos
County Counsel

By: _____
Jhaila R. Brown, Deputy

[AUTHORITY SIGNATURE MUST BE NOTARIZED]

EXHIBIT A

LEGAL DESCRIPTION OF PHASE I PROPERTY

Real property in the City of Hemet, County of Riverside, State of California, described as follows:

PARCEL 1 AS SHOWN BY PARCEL MAP NO. 28501, ON FILE IN BOOK 194 PAGE(S) 5, 6 AND 7 OF
PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 439-060-036-5

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, 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.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, 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.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, 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.

Name: _____
Notary Public

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

Escrow No.

Loan No.

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

County of Riverside
Economic Development Agency
5555 Arlington Ave
Riverside, CA 92504
Attn: Stephanie Adams

SPACE ABOVE THIS LINE FOR RECORDERS USE

**SECOND AMENDMENT TO LOAN AGREEMENT
FOR THE USE OF HOME FUNDS**

This Second Amendment to Loan Agreement for the Use of HOME Funds ("Amendment") is made and entered into as of this _____ day of _____, 2016 by and between the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("County"), and HEMET VISTAS 1&2R PARTNERS LP, a California limited partnership ("Partnership"), which assumed the HOME Agreement, dated February 4, 1997, from Hemet Vistas I Limited Partnership, a California Limited Partnership ("Previous Partnership").

RECITALS

A. The County and Previous Partnership entered into that certain HOME Agreement, dated February 4, 1997, attached hereto as Exhibit "B", as amended by that certain First Amendment to HOME Agreement, dated October 6, 2009 and recorded in the Official Records of the County of Riverside ("Official Records") as Document Number 2009-0668262 (collectively "Loan Agreement"), relating to, among other things, the County's loan of a portion of the financing to develop 72 units of a first phase of a 144 unit multi-family housing complex on that certain real property described in the legal description attached hereto as **Exhibit "A"** and incorporated herein by this reference, located more specifically at 225 W. Fruitvale, Hemet, CA, Assessor Parcel Number: 439-060-036-5 ("Phase It");

B. Pursuant to the Loan Agreement, County provided a loan to Previous Partnership in the amount of \$1,200,000 ("County Loan");

C. The County Loan is evidenced by that certain Promissory Note dated March 10, 1997 executed by Previous Partnership in favor of County, as amended by that certain Amendment to Promissory Note, dated October 6, 2009 and recorded in the Official Records as document number 2009-0668262 (collectively "County Promissory Note"). The County Promissory Note is secured by that certain Deed of Trust With Assignment of Rents executed by Previous Partnership for the benefit of County, dated April 1, 1997 and recorded in the Official Records on April 1, 1997 as Document No. 108877, as amended by that certain Deed of Trust with Assignment of Rents, dated October 6, 2009 and recorded in the Official Records as Document No. 2009-0668262 (collectively "County Deed of Trust");

D. On _____, 2016 Previous Partnership and Partnership executed that certain Assignment and Assumption Agreement wherein Previous Partnership assigned its rights, duties and obligations under the Loan Agreement and any and all documents including, but not limited to the County Promissory Note and County Deed of Trust to Partnership.

E. On _____, 2016, Hemet Vistas II Limited Partnership, a California Limited Partnership, which developed the second phase of the 144 unit multi-family housing complex on that certain real property described in the legal description attached hereto as **Exhibit "A"** and incorporated herein by this reference, located more specifically at 225 W. Fruitvale, Hemet, CA, Assessor Parcel Number: 439-060-037-6 ("Phase II")(Phase I and Phase II hereinafter shall be referred to as the "Project");

F. On _____, 2016 a Certificate of Limited Partnership was filed with the California Secretary of State's Office creating Hemet Vistas 1&2R Partners LP, a California limited Partnership, (ii) PC Hemet Vistas 1&2R Developers LLC as its administrative general partner and (iii) Las Palmas Foundation as its managing general partner.

G. Partnership will acquire the entire Project, as such term is defined above, and will secure necessary financing and rehabilitate Project in accordance with Scope of Development attached here to as Exhibit "C" within the timeline attached hereto as Exhibit "D".

H. Eleven HOME assisted units will remain affordable to qualified low-income 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 ("HOME Assisted Units"), as more specifically described in the attached Covenant Agreement, attached hereto as Attachment "5".

I. The purpose of this Amendment by and between County and Partnership (collectively "Parties") is to effectuate and amend the Loan Agreement by providing for (i) assignment of Previous Partnership's rights and obligations under the Loan Agreement, County Promissory Note, County Deed of Trust and other related documents, to Partnership, (ii) Amend the loan terms of the County Loan, (iii) Amend the County Deed of Trust to reflect the Partnership as the trustor, (iv) Amend the County Promissory Note to reflect the Partnership as Borrower, and (iv) modifications to certain other obligations of the parties, all on the terms and conditions as set forth below; and

H. The amendments contemplated by the Parties herein are actions necessary and appropriate to implement the terms, provisions, and conditions of the Loan Agreement and to ensure the viability of the Project.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the Parties do hereby agree as follows:

1. **Recitals.** The Recitals and attachments referenced above are incorporated herein by this reference and adopted by the Parties to be true and correct.
2. **Assignment and Assumption.** The County hereby approves and consents to the assignment of Previous Partnership's rights, title, obligations and interest in and to the Loan Agreement, County Promissory Note, County Deed of Trust and all other documents executed in connection with the Loan Agreement, to the Partnership, as stated in the terms of the Assignment and Assumption Agreement attached hereto as Attachment No. "1".
3. **Amendments to the Loan Agreement.** The County Loan Agreement is hereby amended as follows:
 - a. **Partnership.** The Loan Agreement, including all exhibits and amendments thereto, is hereby amended to delete all reference to "HEMET VISTS I LIMITED PARTNERSHIP, a California Limited Partnership" is hereby replaced with "HEMET VISTAS 1&2R PARTNERS LP, a California limited partnership", whose

administrative general partner is PC Hemet Vistas 1&2R Developers LLC, a California limited liability company, and whose managing general partner is Las Palmas Foundation, a California non-profit public benefit corporation.

b. **Term.** Section 4.a Term of the Loan Agreement is hereby deleted in its entirety and replaced with the following: The maturity of the County Loan shall be the first to occur of (i) July 1, 2075 or (ii) fifty-five (55) years from the recordation in the official records of the Notice of Completion for the last building for which construction is completed for the Project ("HOME Loan Term")

c. **Repayment.** Section 4.d of the Loan Agreement is hereby deleted in its entirety and replaced with the following. The County Promissory Note shall provide the following:

1. That the County 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 County Promissory Note shall be repaid according to the following:

(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 ("Public Agency Portion of Residual Receipts"), and the payment shall be prorated based on the percentage of each respective loan amount based upon the total amount of such loans, until the County Loan is repaid in full. The Residual Receipts payment split calculation is as follows: 50% of the Public Agency Portion of Residual Receipts shall be allocated to the County of Riverside's HOME Loan, and 50% of the Public Agency Portion of Residual Receipts shall be allocated to the Housing Authority of the County of Riverside loan; and

(ii) The remaining fifty percent (50%) of the Project's Residual Receipts will be retained by Partnership.

3. Project Residual Receipts are defined as gross rental receipts, security deposits until applied, casualty insurance proceeds, equity contributions and loan proceeds received, not including interest on required reserve accounts, less the following operating expenses:

- i) auditing and accounting fees;
- ii) a reasonable property management fee not to exceed \$55 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area;
- iii) 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);
- iv) replacement reserves, established in a separate account from operating reserves in an annual amount up to \$43,200;
- v) deferred developer fee;
- vii) Managing General Partner and Administrative General Partner partnership management fees which shall collectively be in the initial amount of \$20,000 and increased annually by an amount equivalent to the rise in the CPI, for the Los Angeles-Riverside-Orange County, CA Area;
- viii) a limited partner asset management fee not to exceed \$4,000 per year increased annually by an amount equivalent to the rise in CPI; and
- ix) payments of principal and interest on amortized loans and indebtedness senior to the County Loan, which have been approved by County (collectively, the "Senior Debt"); and
- x) The County's annual monitoring fee in the amount of \$14,300, increased annually by an amount equal to the increase of the Consumer Price Index (CPI), for the Los Angeles-Orange County-Riverside, CA Area. provided, however, that in the event of a decrease in the CPI, the

County's annual monitoring fee shall remain the same as the immediate preceding year.

Residual Receipts shall be determined based on a review of certified financial statements for the Project. Annual audited financial statements shall be submitted within one hundred and twenty (120) days following the close of the project fiscal year commencing on April 1 of the first full calendar year following the recordation of the Notice of Completion. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) July 1, 2075 or (ii) fifty-five (55) years from the recordation of the last Notice of Completions for the Project. The first payment shall be due on the first July 1st in the first full calendar year following the date of the recordation of the Notice of Completion, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on July 1st thereafter to the extent of available Residual Receipts until the earlier of full repayment of the County Loan or the County Loan maturity date as set forth above;

Prepayment of County Loan principal and/or interest may occur at any time without penalty, provided however, such prepayment shall not release Partnership from complying with the affordability and use restrictions set forth in the Covenants until the term of the Covenants has expired, and/or Partnership's obligations to comply with all laws and regulations relating to the operation of the Affordable Units.

d. Security. Section 4.e Security of the Loan Agreement is hereby deleted in its entirety and replaced with the following: County Deed of Trust and the terms of this Agreement shall be junior to: 1) a Deed of Trust executed by Partnership for the benefit of securing a construction loan in a principal amount up to \$_____ and (2) a Deed of Trust executed by Partnership for the benefit of a permanent loan in an amount up to \$_____, and a related bond regulatory agreement, (collectively, the "Senior Loans"). County agrees to execute documents necessary to effectuate subordination of this Agreement and the County Deed of Trust to the deed(s) of trust securing the Senior Loan upon Partnership's request, provided such subordination agreements are in a form and substance first approved in writing by the County.

e. Insurance. Section 5.i Insurance of the Loan Agreement is hereby deleted in its entirety and replaced with the following: Without limiting or diminishing Partnership

obligation to indemnify or hold County harmless, Partnership shall procure and maintain or cause to be maintained, at its sole cost and expense, the following insurance coverage's during the term of this Agreement.

1. Worker's Compensation Insurance.

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

2. Commercial General Liability Insurance.

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

3. Vehicle Liability Insurance.

If vehicles or mobile equipment are used in the performance of

the obligations under this Agreement, then Partnership shall maintain liability insurance for all owned, non-owned or hired vehicles so used in an amount not less than \$1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, shall apply separately to this agreement or be no less than two (2) times the occurrence limit. Policy shall name the County, its agencies, Boards, Districts, Special Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives as Additional Insured or provide similar evidence of coverage approved by County's Risk Manager.

4. General Insurance Provisions – All Lines.

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

2) Partnership's insurance carrier(s) must declare its insurance self-insured retentions. If such self-insured retentions exceed \$500,000 per occurrence such retentions shall have the prior written consent of County Risk Manager before the commencement of operations under this Agreement. Upon notification of self-insured retention unacceptable to County, and at the election of County's Risk Manager, Partnership's carriers shall either: (a) reduce or eliminate such self-insured retention as respects this Agreement with County, or (b) procure a bond which

guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

3) Partnership shall cause Partnership's insurance carrier(s) to furnish the County with copies of the Certificate(s) of Insurance and Endorsements effecting coverage as required herein, and 2) if requested to do so orally or in writing by County Risk Manager, provide copies of policies including all Endorsements and all attachments thereto, showing such insurance is in full force and effect. Further, said Certificate(s) and policies of insurance shall contain the covenant of the insurance carrier(s) that thirty (30) days written notice shall be given to the County prior to any material modification, cancellation, expiration or reduction in coverage of such insurance. In the event of a material modification, cancellation, expiration, or reduction in coverage, this Agreement shall terminate forthwith, unless the County receives, prior to such effective date, another Certificate of Insurance and copies of endorsements, including all endorsements and attachments thereto evidencing coverage's set forth herein and the insurance required herein is in full force and effect. Partnership shall not commence operations until County has been furnished Certificate(s) of Insurance and copies of endorsements and if requested, copies of policies of insurance including all endorsements and any and all other attachments as required in this Section. An individual authorized by the insurance carrier to do so on its behalf shall sign the original endorsements for each policy and the Certificate of Insurance.

4) It is understood and agreed to by the parties hereto that Partnership's insurance shall be construed as primary insurance, and County's insurance and/or deductibles and/or self-insured retention's or self-insured programs shall not be construed as contributory.

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

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

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

8) Partnership agrees to notify County of any claim by a third party or any incident or event that may give rise to a claim arising from the performance of this Agreement.

f. Project Monitoring. Section 12 Project Monitoring of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

a. Tenant Checklist. Partnership shall submit a Tenant Checklist

Form to County, as shown in Exhibit "E" which is attached hereto and by this reference is incorporated herein and may be revised by County, summarizing the racial/ethnic composition, number and percentage of very low-income and low-income households who are tenants of the COUNTY HOME-Assisted Units. The Tenant Checklist Form shall be submitted upon completion of the construction and thereafter, on a semi-annual basis on or before March 31 and September 30. Partnership shall maintain financial, programmatic, statistical and other supporting records of its operations and financial activities in accordance with the requirements of the HOME Program under 24 CFR 92.508, including the submission of Tenant Checklist Form. Except as otherwise provided for in this Agreement, Partnership shall maintain and submit records to County within ten business days of County's request which clearly documents Partnership's performance under each requirement of the HOME Program..

b. Inspections. Pursuant to 24 CFR 92.504(d)(ii), during the period of affordability, County must perform on-site inspections of COUNTY HOME-assisted rental housing to determine compliance with the property standards of §92.251 and to verify the information submitted by the owners in accordance with the requirements of §92.252. The inspections must be in accordance with the inspection procedures that the participating jurisdiction establishes to meet the inspection requirements of §92.251. The on-site inspections must occur within 12 months after Notice of Completion and at least once every 3 years thereafter during the period of affordability. If there are observed deficiencies for any of the inspectable items in the property standards established by County, in accordance with the inspection requirements of §92.251, a follow-up on-site inspection to verify that deficiencies are corrected must occur within 12 months. County may establish a list of non-hazardous deficiencies for

which correction can be verified by third party documentation (e.g., paid invoice for work order) rather than re-inspection. Health and safety deficiencies must be corrected immediately, in accordance with §92.251. County must adopt a more frequent inspection schedule for properties that have been found to have health and safety deficiencies. The property owner must annually certify to the County that each building and all HOME- assisted units in the project are suitable for occupancy, taking into account State and local health, safety, and other applicable codes, ordinances, and requirements, and the ongoing property standards established by the participating jurisdiction to meet the requirements of §92.251. Inspections must be based on a statistically valid sample of units appropriate for the size of the COUNTY HOME-Assisted project, as set forth by HUD through notice. For projects with one-to-four COUNTY HOME-Assisted Units, County must inspect 100 percent of the COUNTY HOME-Assisted Units and the inspectable items (site, building exterior, building systems, and common areas) for each building housing COUNTY HOME-assisted units.

c) Partnership shall be responsible for paying an annual compliance monitoring fee in the annual amount of \$7200 increased annually by an amount equal to the increase of the Consumer Price Index (CPI), for the Los Angeles-Orange County-Riverside, CA Area; provided, however, that in the event of a decrease in the CPI, the County's annual monitoring fee shall remain the same as the immediate preceding year. The first Monitoring Fee payment is due on July 1st of each year for the monitoring period of July 1st to June 30th commencing July 1, 2018. The Monitoring Fee will be due on July 1st thereafter and will continue through the affordability period of the project.

4. **The following sections shall be added to the HOME agreement and incorporated herein.**

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

- a. Monetary Default. (1) Partnership's failure to pay when due any sums payable under the County Promissory Note or any advances made by County under this Agreement; (2) Partnership's or any agent of Partnership's failure to make any other payment of any assessment or tax due under this Agreement, and /or (3) default under the terms of any Senior Loan documents or any other instrument or document secured against the Property;
- b. Non-Monetary Default - Operation. (1) Discrimination by Partnership or Partnership's agent on the basis of characteristics prohibited by this Agreement or applicable law; (2) the imposition of any encumbrances or liens on the Project without County's prior written approval that are prohibited under this Agreement or that have the effect of reducing the priority or invalidating the County Deed of Trust unless Partnership (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to County; (2) contests in good faith the lien by, or defends against enforcement of the lien in legal proceedings which in the County'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 the Deed of Trust, Except for the liens approved herein, if County determines that any part of the property is subject to a lien which may attain priority over this Deed of Trust, County may give Partnership a notice identifying the lien. Partnership shall satisfy such lien or take one or more of the actions set forth above within 30 days of delivery of written notice; (3) Partnership's failure to obtain and maintain the insurance coverage required

under this Agreement; (4) any material default under this Agreement the County Loan Deed of Trust, Covenant Agreement, County Loan Note or any document executed by the County in connection with this Agreement, and /or (5) default under the terms of any Senior Loan documents or any other instrument or document secured against the Property;

- c. General Performance of Loan Obligations. Any substantial or continuous or repeated breach by Partnership or Partnership's agents of any material obligations on Partnership imposed in this Agreement;
- d. General Performance of Other Obligations. Any substantial or continuous or repeated breach by Partnership or Partnership's agents of any material obligations on the Project imposed by any other agreement with respect to the financing, development, or operation of the Project; whether or not County is a party to such agreement; but only following any applicable notice and cure periods with respect to any such obligation;
- e. Representations and Warranties. A determination by County that any of Partnership's representations or warranties made in this Agreement, any statements made to County by Partnership, or any certificates, documents, or schedules supplied to County by Partnership were untrue in any material respect when made, or that Partnership concealed or failed to disclose a material fact from County.
- f. Damage to Project. In the event that the Project is materially damaged or destroyed by fire or other casualty, and Partnership receives an award or insurance proceeds sufficient for the repair or reconstruction of the Project, and Partnership does not use such award or proceeds to repair or reconstruct the Project.

- g. Bankruptcy, Dissolution and Insolvency. Partnership's or general partner and co-general partner of Partnership's (1) filing for bankruptcy, dissolution, or reorganization, or failure to obtain a full dismissal of any such involuntary filing brought by another party before the earlier of final relief or ninety (90) days after such filing; (2) making a general assignment for the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or liquidator, or failure to obtain a full dismissal of any such involuntary application brought by another party before the earlier of final relief or ninety (90) days after such filing; (4) insolvency; or (5) failure, inability or admission in writing of its inability to pay its debts as they become due.

2. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE

For monetary and non-monetary Events of Default, County shall give written notice to Partnership and its investor limited partner, if any, at the addresses listed in **Section 3** below, of any Event of Default by specifying: (a) the nature of the Event of Default or the deficiency giving rise to the default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be more than sixty (60) calendar days from the date of the mailing of the notice, by which such action to cure must be taken. County agrees that any limited partner of Partnership shall have the right to cure any and all defaults under this Agreement no later than sixty (60) calendar days from the date of the mailing of the notice of default to the investor limited partner. County shall accept a cure by Partnership's limited partners in the same manner as of provided by Partnership.

3. NOTICES

All notices, requests, demands and other communication required or desired to be served by either party upon the other shall be

addressed to the respective parties as set forth below or to such other address or such other person as either party may from time to time hereafter specify to the other in writing delivered in the manner provided herein. Any notice, request, demand or other communication to be given or made hereunder may (except to the extent otherwise required by law) be given or made by registered or certified U.S. mail, return receipt requested with postage prepaid, or by personal service (including service by a reputable overnight courier service, such as FedEx, DHL or other comparable courier). Unless otherwise expressly stipulated in this Agreement, notices shall be deemed to have been given or made on the documented date of receipt, in the case of notice by certified mail on the date reflected on the return receipt, or in the case of delivery by courier, on the date signed received by the addressee of the courier's delivery receipt.

COUNTY

Assistant Director, Housing
Riverside County
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504

BORROWER

Hemet Vistas 1&2R Partners LP
Attn: Danavon Horn, President
100 Pacifica, Suite 205
Irvine, CA 92618

Administrative General Partner

c/o Palm Communities
Attn: Danavon Horn, President
100 Pacifica, Suite 205
Irvine, CA 92618

5. Miscellaneous.

a. **Further Cooperation.** The Parties agree to execute such other instruments, agreements and amendments to documents as may be necessary or appropriate to effectuate the Loan Agreement as amended by this Second Amendment.

b. **Interpretation.** This Second Amendment, when combined with the Loan Agreement, sets forth and contains the entire understanding and agreement of the Parties hereto and correctly sets forth the rights, duties and obligations of each to the other as of this date.

c. **Waivers; Amendments.** All waivers of the provisions of this Second Amendment and all amendments hereto must be in writing and signed by the appropriate authorities of County and Partnership.

d. **Attachments.** Each of the attachments and exhibits attached hereto are incorporated herein by this reference.

e. **Effectiveness of Loan Agreement.** Except as modified and amended by this Second Amendment all other terms and conditions of the Loan Agreement remain unmodified and in full force and effect.

f. **Counterparts.** This Second Amendment 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.

g. **Effective Date.** The effective date of this Second Amendment is the date the Parties execute this Second Amendment. If the Parties execute this Second Amendment on more than one date, then the last date this Second Amendment is executed by a party shall be the Effective Date.

[Remainder of Page Intentionally Blank]

[Signatures on the Following Page]

IN WITNESS WHEREOF, the Parties have executed this Second Amendment as
of the dates written below.

County:
County of Riverside, a political subdivision of
the State of California

Partnership:
Hemet Vistas 1&2R Partners LP,
a California limited partnership

By: _____
Heidi Marshall
Assistant Director

By: PC Hemet Vistas 1&2R Developers LLC,
a California limited liability company,
its Administrative General Partner

Date: _____

By: _____
Danavon L. Horn

APPROVED AS TO FORM:
GREGORY P. PRIAMOS, County Counsel

Date: _____

By: _____
Jhaila Brown
Deputy County Counsel

By: Las Palmas Foundation,
a California non-profit public benefit corporation,
its Managing General Partner

By: _____
Joseph M. Michaels, President

Date: _____

(County and Partnership Signatures need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
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"

LEGAL DESCRIPTION OF PROPERTY

The land referred to in this Commitment is situated in the City of Hemet, County of Riverside, State of California, and is described as follows:

PARCELS 1 AND 2 AS SHOWN BY PARCEL MAP NO. 28501, ON FILE IN BOOK 194
PAGE(S) 5, 6 AND 7 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY,
CALIFORNIA.

APN: 439-060-036-5(Affects Parcel 1)

439-060-037-6(Affects Parcel 2)

Exhibit "B"

HOME Agreement, dated February 4, 1997

COPY

File: H-022

HOME AGREEMENT

THIS HOME AGREEMENT (the "Agreement"), made as of the 21st day of February, 1997 by and between the COUNTY OF RIVERSIDE, CALIFORNIA a political subdivision of the State of California having its address at 3525 14th Street, Riverside, CA 92501-3813, (the "County") and HEMET VISTAS L.P., a California limited partnership having its address at P.O. Box 3958, Palm Desert, California 92260 (the "Developer").

RECITALS

A. The County is a Participating Jurisdiction which has prepared a Consolidated Plan for providing housing for low income families residing in the County of Riverside. The Consolidated Plan includes a strategy to use funds from the United States Department of Housing and Urban Development ("HUD"), pursuant to the HOME Investment Partnership Program (24 C.F.R. Part 92). The County has agreed to lend One Million Two Hundred Thousand Dollars (\$1,200,000) of such HOME funds to Developer upon the terms and conditions set forth herein (the "HOME Loan"); and

B. The Developer has acquired an approximately 4.65 acre parcel of land located in the City of Hemet, County of Riverside, State of California, located west of State Street, south of the proposed extension of Fruitvale and north of Menlo Avenue, more specifically described in the attached Exhibit A (the "Project Site"). The Project Site, together with the improvements located thereon are referred to herein as the "Project".) The Project consists of the construction of 72 units on the Project Site, including 11 HOME-Assisted units; and

C. The County and the Developer desire to enter into this HOME Agreement, setting

forth the obligations of the Developer and the County with reference to the development of the Project and the terms and conditions upon which the County will disburse the HOME Loan.

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the mutual obligations of the parties hereto as set forth herein, the parties hereto agree as follows:

1. Recitals. The Recitals form a part of this HOME Agreement.
2. Developer's Obligations. The Developer hereby agrees to undertake and complete the following activities, subject to its receipt of the HOME Loan:
 - a. Develop the Project on the Project Site in accordance with the time line set forth in Exhibit B;
 - b. Provide equity financing in a sufficient amount to complete the Project;
 - c. Operate the Project, and cause any subsequent purchaser to operate the Project, in such a manner so that it will remain affordable to qualified low-income tenants for a period, beginning after Project completion (without regard to (i) the term of the promissory note or (ii) transfer of ownership) for at least 20 years, which is the appropriate period under 24 C.F.R. §92.252 given the amount of HOME assistance per HOME-assisted unit;
 - d. Comply with the applicable requirements under subpart F of 24 C.F.R. Part 92, in accordance with the type of project assisted with HOME financing; and
 - e. Maintain the Project in compliance with applicable local housing code requirements for the duration of this Agreement.
3. County's Obligations. The County hereby agrees to undertake and complete the

following activities, subject to its receipt of HOME funds from HUD:

- a. Make the HOME Loan in the amount of \$1,200,000 to the Developer for financing of HOME-eligible costs of the Project.
- b. Comply with all of its obligations as a participating recipient under the applicable regulations set forth at 24 C.F.R. Part 92.201.

4. HOME Loan. The Developer shall borrow the HOME Loan funds from the County for financing of the Project under the following terms:

- a. Term. The term of the HOME Loan shall be Thirty (30) years and the loan shall be due in full on April 1, 2027. The Developer shall execute a Promissory Note and Deed of Trust evidencing and securing the HOME Loan, in a form satisfactory to the County.
- b. Principal. The principal amount of the HOME Loan shall be the amount of HOME funds disbursed under this HOME Agreement.
- c. Interest. The interest rate shall be 1.00% per annum.
- d. Repayment. The principal of the loan is to be amortized over fifty-five years at one percent (1%) per annum. All outstanding principal along with accrued interest shall be due and payable on March 31, 2027. The first payment shall be due on March 31, 1998. Twenty-nine (29) equal payments of \$28,471.65 shall be due each and every year thereafter, until March 31, 2027, at which time all outstanding principal along with accrued interest shall be due and payable. Annual payments are to be paid from available cash flow. Should there be insufficient cash flow within a given annual period, said annual payment is to be deferred and added to the principal balance where it will

accrue interest at one percent (1%) per annum. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves and debt service, but prior to disbursements to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days of the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within 60 days of the close of the project fiscal year.

- e. Security. The HOME Loan shall be secured by a deed of trust recorded against the Project (the "HOME Deed of Trust"). County hereby agrees that the HOME Deed of Trust shall be subordinated to interim construction financing and to the following permanent financing: a permanent first mortgage in the approximate amount of \$2,000,000 from a lender to be determined, and the existing \$265,000 RDA loan. In addition, the County agrees that the HOME Deed of Trust shall be subordinated to a future refinancing whereby the Developer may withdraw up to approximately \$400,000 plus accrued interest at the applicable federal rate in equity in order to repay the balance of the Developer's deferred developer fee. The County acknowledges that Developer is subject to the terms and conditions of an Agreement of Limited Partnership which includes provisions concerning future refinancings which may require a subordination of the HOME Deed of Trust. County hereby agrees to execute any and all documents necessary to effectuate such subordination. Developer

shall request County approval of any additional subordination and County consent shall not be unreasonably withheld.

f. Prepayment. Prepayment of principal and/or interest may occur at any time without penalty. The requirements of Section 5, however, shall remain in full force and effect for 30 years after the issuance of the final certificate of occupancy for the Project.

g. Disbursement. County shall pay Developer the sum specified in this Agreement on a "cost-as-incurred" basis for all approved costs, subject to a ten percent (10%) holdback; provided, however there will be no disbursement of loan funds until the following events first occur:

- 1). Developer executes promissory note and deed of trust;
- 2). Developer provides at their expense an ALTA policy insuring the deed of trust;
- 3). Developer provides a Certificate of Insurance listing the County as additional insured as detailed in Section 5. i. of this Agreement.
- 4). Developer provides documentation showing that matching funds of not less than twenty-five percent of the total HOME funds allocated under this Agreement have been provided pursuant to 24 CFR 92.218, 92.219, 92.220 and 92.221; and
- 5). Developer shall provide documentation showing that the following environmental review conditions of approval have been satisfied:
 - (a). In order to address concerns relating to ground shaking, the project shall be designed and constructed to meet the

Earthquake Design Requirements of the 1994 Uniform Building Code. The project architect shall provide proof in the form of a letter(s) certifying that the condition has been met at the completion of the design phase of the project. The letter(s) shall be signed by the architect and be stamped with his or her seal. This measure shall be implemented by the applicant prior to the draw-down of HOME Program funds.

- (b) The applicant shall hire a state licenced consultant to complete a Phase I Environmental Assessment on the project site including any contiguous acreage on which future phases of the applicant's development are planned. The study will be used to ascertain the presence or absence of toxic materials on the site, with particular attention given to the use of agricultural chemicals. The study shall be submitted to the Riverside County Economic Development Agency (EDA), or other county agency deemed appropriate by EDA. Any required mitigation affecting this 4.65 acre portion of the project site, including but not limited to a Phase II Study or other measures, shall be implemented by the applicant prior to the draw-down of HOME Program funds. In addition, any environmental concerns identified on the adjacent 4.65 acre site which will affect the health or safety of potential residents

of this 4.65 acre portion of the project shall be fully mitigated as recommended in the Phase I Study.

The ten percent (10%) holdback shall not be required if the Developer posts a completion bond which provides for completion of the entire project. In the absence of said completion bond, the ten percent (10%) holdback shall not be released until construction of the project is complete and a Notice of Completion has been recorded and filed with the County.

5. HOME Program Regulatory Requirements. To the extent the regulations require compliance by the parties, the parties hereto agree to comply with, and be bound by, the following provisions of the HOME Investment Partnership Program as enacted under Title II of the Cranston Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 *et. seq.* and its implementing regulations, 24 CFR Part 92, as the same shall be amended from time to time (the "HOME Regulations"), which include the following:

- a. Conflicts of Interest. The County and Developer shall comply with the conflict of interest provisions set forth in the HOME Regulations at 24 C.F.R. §92.356.
- b. Flood Insurance. The Developer shall comply with any applicable flood insurance requirements set forth at 24 C.F.R. §92.358.
- c. Lease Provisions. The leases and tenant selection policies between the Developer and the tenants in the Project will comply with the lease requirements set forth at 24 C.F.R. §92.253.
- d. Rent Limitations/Income Targeting Requirements. The Developer shall comply with the rent limitation and income targeting requirements set forth at

24 C.F.R. §92.252. The County shall review and approve proposed rents to the extent required under 24 C.F.R. §92.252(b). The Developer shall ensure that eleven (11) units of the Project will be set aside to be rented to qualified applicants at the HOME rent levels which are published by HUD from time to time in accordance with the requirements set forth at 24 C.F.R. §§92.252, 92.255, and 92.256.

e. Equal Opportunity and Fair Housing.

- 1). No person in the United States shall on the grounds of race, color, national origin, religion or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination in connection with the transaction contemplated by this HOME Agreement. In addition, the specific equal opportunity and fair housing requirements set forth at 24 C.F.R. §92.350, to the extent applicable, shall be followed in connection with the transaction contemplated by this HOME Agreement.
- 2). In accordance with the United States Constitution and all federal legislation and regulations governing fair employment practices and equal employment opportunity, and including, but not limited to the Civil Rights Act of 1964, Executive Order 11246, Executive Order 11375 and 41 C.F.R. Part 60, and in accordance with the California Constitution and all State laws and regulations governing fair employment practices and equal employment opportunity, including

but not limited to the California Civil Rights Act and the California Handicapped Civil Rights Act, Developer agrees that it will not discriminate against any person, employee, consultant or application for employment with respect to his or her hire, tenure, terms, conditions or privileges of employment in relation to this contract because of his or her religion, race, color, national origin, age, sex, height, weight, marital status or handicap that is unrelated to the individual's ability to perform the duties or a particular job or position.

- 3). Developer shall require Contractor to: (a) notify any subcontractor of its obligations relative to nondiscrimination under this HOME Agreement when soliciting same, (b) include the applicable provisions of this Subparagraph (g) in any subcontract, and (c) take such reasonable action with respect to any subcontract or procurement as the County may reasonably direct as a means of enforcing such provisions including sanctions for noncompliance.

- f. Affirmative Marketing. The County shall adopt affirmative marketing procedures and requirements for the Project consistent with the applicable sections of 24 C.F.R. §92.351. The Developer will take responsibility with respect to affirmative marketing pursuant to 24 C.F.R §§92.351 and 92.504(8).
- g. Environmental Review. The County shall comply with the environmental review requirements set forth in 24 C.F.R. §92.352, and shall obtain approval of its request for release of funds.

-
- h. Affirmative Action. Developer shall take affirmative action to achieve reasonable representative of minority groups and women on its work force. Such affirmative action shall include, but not be limited to, the following areas: employment promotion, demotion or transfer, recruiting or recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training or education, including apprenticeships.
- i. INSURANCE. Developer and its Subcontractors shall procure and maintain during the entire period of this Agreement, at its sole expense, the following minimum insurance:
- 1). Procure and maintain Worker's Compensation Insurance as prescribed by the laws of the State of California. Such insurance shall provide for Employers Liability including Occupational Disease with limits of not less than \$1,000,000 per occurrence (\$500,000 per occurrence for Subcontractors). Policy shall be endorsed to provide a Borrowed Servant Endorsement, Alternate Employee Endorsement or Additional Insured Endorsement naming the County of Riverside, its Director's Officers, Special Districts, Board of Supervisors, employees, agents or representatives as additional insureds. Policy shall provide a Waiver of Subrogation on behalf of the County of Riverside.
 - 2) Procure and maintain Comprehensive Broad Form General Liability insurance coverage including but not limited to damages for premises

liability, contractual liability, products/completed operations, personal and advertising injury (broad form) which may arise from or out of Developer's operations, or the performance of its obligations hereunder, whether such operations, use or performance be by Developer, by any subcontractor, vendor, or anyone employed directly or indirectly by either of them or volunteers serving either of them. Such insurance shall name County of Riverside, its Director's Officers, Special Districts, Board of Supervisors, employees, agents or representatives as additional insureds with respect to this loan and the obligations hereunder with limits of not less than \$1,000,000 per occurrence, \$2,000,000 in the aggregate (\$1,000,000 per occurrence for Subcontractors) combined single limit.

- 3) If Developer's and Subcontractor's vehicles or licensed mobile equipment will be on County property or used in any manner on behalf of the County, then Developer/Subcontractors shall also maintain vehicle liability insurance for all owned, non-owned or hired automobiles in an amount not less than \$1,000,000 per occurrence (\$500,000 per occurrence for Subcontractors) combined single limit. Policy shall name the County of Riverside, its Director's Officers, Special Districts, Board of Supervisors, employees, agents or representatives as additional insureds and provide a Waiver of Subrogation in favor of the County of Riverside.
- 4) Procure and maintain All Risk Real and Personal Property insurance

coverage including earthquake if available, and if applicable, flood insurance in an amount equal to the replacement cost value of the building, improvements/alterations and fixtures constructed upon the project site. Policy shall also provide for Extra Expense coverage. Policy shall name the County of Riverside as loss payee with respect to this agreement and the obligations of Developer hereunder.

- 5) NOTICES: Any insurance carrier providing insurance coverage hereunder shall be admitted to the State of California unless waived, in writing, by County Risk Manager, and such carrier(s) shall have an A.M. BEST rating of no less than an A:V. In addition, any deductibles or self-insured retentions must be declared by such carrier(s) and such deductibles and retentions shall have the prior consent, in writing, from the County Risk Manager and, at the election of the County Risk Manager, such carriers shall be notified in writing and shall either: (1) reduce or eliminate such deductibles or self-insured retentions relating to the County of Riverside, its officers, employees or agents, or (2) procure a bond which guarantees payment of losses and related investigations, claim(s) administration and defense expenses and costs. If no written notice is received from County Risk Manager within ten (10) days of the acceptance of agreement then such deductibles or self-insured retentions shall be deemed acceptable.

voluntarily excluded from participation in connection with the transaction contemplated by this Agreement.

12. Project Monitoring and Evaluation. The Developer shall submit annually a performance report to the County summarizing the racial/ethnic composition, number and percentage of low-and moderate-income households who are tenants, and completion of an Annual Performance Report on the form shown in Exhibit C, as may be revised by County. In addition, the Developer shall maintain financial, programmatic, statistical and other supporting records of its operations and financial activities in accordance with the requirements of the HOME Program. Such records shall be open to inspection and audit by the authorized representatives of the County, and the Comptroller General of the United States during regular working hours. The County, HUD and the Comptroller General, and any of their representatives have the right of access to any pertinent books, documents, papers or other records of the Developer, in order to make audits, examinations, excerpts, and transcripts. Said records shall be retained for such time as may be required by the regulations of the HOME Program, but in no case for less than three years. If any litigation, claim, negotiation, audit, or other action has been started before the expiration of three years, the records must be retained until completion of the action and resolution of all issues which arise from it. Except as otherwise provided for in this Agreement, the Developer shall maintain and submit records to the County within ten business days of the County's request which clearly documents the Developer's performance under each requirement of the HOME Documents.

13. Entire Agreement. This instrument, including exhibits attached hereto, which are made a part of this HOME Agreement, contains the entire agreement between the parties and all prior negotiations and agreements are merged herein. Neither the County nor the County's agents have

made any representations except those expressly set forth herein, and no rights or remedies are or shall be acquired by the Developer by implication or otherwise unless expressly set forth herein.

14. Force Majeure. In the event that either party shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or any other reason of a similar or dissimilar nature, which is not the fault of the party delayed in performing work or doing acts required under the terms of this HOME Agreement, the performance of such act shall be suspended for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. In the event the parties hereto are unable to agree whether a particular event, act or transaction is a proper reason for a delay and extension of time for performance hereunder, the decision of the County shall control.

Unless otherwise terminated by the County or by mutual consent of the parties hereto or by default, this HOME Agreement shall remain in full force and effect throughout the term of the Loan. The Requirements of Section 5, however, shall remain in effect 20 years after issuance of the final certificate of occupancy for the project.

15. Amendment. The County or the Developer may consider it in its best interest to change, modify or extend a term or condition of this HOME Agreement. Any such change, extension or modification, which is mutually agreed upon by the County and the Developer shall be incorporated in written amendments (the "Amendments") to this HOME Agreement. Such Amendments shall not invalidate this HOME Agreement, nor relieve or release the County or the Developer from any of its obligations under this HOME Agreement, except for those parts thereby amended. No Amendment to this HOME Agreement shall be effective and binding upon the parties,

unless it expressly makes reference to this HOME Agreement, is in writing and is signed and acknowledged by duly authorized representatives of all parties.

16. Disclaimer of Relationship. Nothing contained in this HOME Agreement or in any other contract involving as a party the County or the Developer, nor any act of the County, or the Developer shall be deemed or construed by any of the parties, or by a third person, to create any relationship of a third party beneficiary, or of principal and agent, or of limited or general partnership, or of joint venture. The relationship of the Developer to the County is and shall continue to be that of an independent contractor. No liability of benefits, such as workers' compensation, pension rights or liabilities, insurance rights or liabilities, or other provisions or liabilities arising out of or relating to a contract for hire or employer/employee relationship shall arise or accrue to either party or either party's agent or employee with respect to the County as a result of the performance of this HOME Agreement, unless expressly stated in this HOME Agreement.

17. Severability. The invalidity of any article, section, subsection or clause or provision of this HOME Agreement shall not affect the validity of the remaining articles, sections, subsections, clauses or provisions hereof.

18. No Waiver; Cumulative Remedies. No failure by the County or the Developer to exercise and no delay in exercising any right, power or privilege under this HOME Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

19. Access to Project Site. The County and HUD shall have the right to visit the Project

Site, at all reasonable times and upon reasonable notice to the Developer, to review the operation of the Project in accordance with this HOME Agreement.

20. Nonrecourse Obligation. The Developer 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 Developer's obligations under the HOME documents. The sole recourse of the 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 not be enforced personally against the Developer 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 Developer's obligations under the HOME Documents. This nonrecourse provision does not limit or impair the enforcement against all such security for the HOME Loan of all the rights and remedies of the County, nor does it impair the right of the County to assert the unpaid principal amount of the 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 nonrecourse provision does not relieve the Developer of personal liability for any of the following (i) fraud or willful misrepresentation; (ii) 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 or fixtures removed or disposed of by the Developer 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

err

(v) any income or other income arising with respect to the Project received by the Developer after the County has properly exercised its rights under the HOME Deed of Trust to receive such income in an Event of Default (as defined under the HOME Deed of Trust).

Hold Harmless and Indemnification. County and Developer shall comply with all applicable rules and regulations. Developer shall indemnify, save and hold harmless the County members and its respective agents, servants and employees of and from any and all liabilities, debts, damages, demands, suits, actions, and causes of action whatsoever kind, including, but not by way of limitation, wrongful death, expense of the defense of said parties, payment of attorneys' fees, arising out of or in connection with the performance by Developer of this Agreement; except for, however, any claims or damages arising from the negligence or misrepresentation of the County or its representatives. In the event HUD shall determine or any of the expenditure above described are ineligible for funding by the County, Developer shall reimburse the County to the extent such costs are so disallowed.

Compliance with Laws. Developer covenants and warrants that it has obtained or has reason to believe that it will obtain and/or cause to be obtained all local governmental approvals and permits required by law to be obtained by it in and for the completion of the Project and not otherwise by the County.

Counterparts. This HOME Agreement may be executed in any number of counterparts and each counterpart shall be deemed to be an original.

Governing Law. This HOME Agreement is made, executed and delivered in the State of California and shall govern its interpretation, performance and enforcement. The Developer agrees that it will not commence any action against the County because of any matter

marketing requirements.

27. Headings. Any headings of the paragraphs in this HOME Agreement are inserted for convenience and reference only and shall be disregarded in construing and/or interpreting any of its provisions.

IN WITNESS WHEREOF, the parties hereto have caused this HOME Agreement to be executed as of the day and year first above written.

WITNESS: 2/4/97

GERALD A. MALONEY
Clerk of the Board

Margie Leno
Deputy

COUNTY OF RIVERSIDE, CALIFORNIA
a Political Subdivision of the State of
California

By: Robert A. Buster
Chairman, Board of Supervisors
ROBERT A. BUSTER

HEMET VISTAS L.P.
a California limited partnership
By: Palm Desert Development Company, a
California corporation, General Partner

WITNESS:

James M. [Signature]
James M. [Signature]

By: [Signature]
Danavon Horn, Its President

(F:\USERS\CDBG\HOME\H022\AGM.FIN)

FORM APPROVED
COUNTY COUNSEL

JAN 27 1997

BY Lee A. [Signature]

- ☒ Acknowledgment of Principal
☐ Acknowledgment of Surety (Attorney-in-Fact)

STATE OF CALIFORNIA

County of Riverside

} ss

On January 28, 1997
date

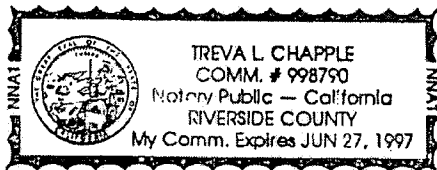
before me, Treva L. Chapple
here insert name and title of the officer

personally appeared Danavon L. Horn
name(s) of signer(s)

personally known to me (or 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.

WITNESS my hand and official seal.

Signature Treva L. Chapple (Seal)



(The balance of this page is intentionally left blank.)

State of _____)
) :ss
County of _____)

On this, the ____ day of _____, 19____, before me, the undersigned Notary Public in and for the jurisdiction aforesaid, personally appeared _____, personally well known (or satisfactorily proven) to me to be the person whose name is subscribed to the foregoing and annexed Instrument, who, being by me first duly sworn, did depose and state that he/she executed the annexed Instrument in his/her capacity as an authorized signatory of the County of Riverside, a political subdivision of the State of California, the entity that is named in the annexed Instrument, that he/she is authorized to execute the annexed Instrument on behalf of the County as its free act and deed, for the uses and purposes therein contained.

WITNESS my hand and official seal.

Notary Public
My commission expires: .

State of _____)
) :ss
County of _____)

On this, the ____ day of _____, 1996, before me, the undersigned Notary Public in and for the jurisdiction aforesaid, personally appeared Danavon Horn, personally well known (or satisfactorily proven) to me to be the person whose name is subscribed to the foregoing and annexed Instrument, who, being by me first duly sworn, did depose and state that he/she executed the annexed Instrument in his/her capacity as the President of Palm Desert Development Company, a California corporation, that he/she is authorized to execute the annexed Instrument on behalf of the partnership as its free act and deed, for the uses and purposes therein contained.

WITNESS my hand and official seal.

Notary Public
My commission expires: .

EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY

THE NORTH HALF OF FARM LOT 125 OF THE ESTUDILLO LAND AND WATER COMPANY'S ADDITION TO SAN JACINTO, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE EASTERLY RECTANGULAR 44 FEET CONVEYED TO THE COUNTY OF RIVERSIDE BY DEED RECORDED OCTOBER 7, 1965 AS INSTRUMENT NO. 114999, OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

EXHIBIT B
Timetable Implementation Schedule:

<u>Milestone</u>	<u>Completion Date</u>
1) HOME Agreement and Note executed, Deed of Trust Recorded	February 1997
2) Design Development/Working Drawings and Submit letter from project architect in accordance with Section 4.g.(5)(a) of the HOME Agreement	March 1997
3) Submit Phase I Environmental Assessment in accordance with Section 4.g.(5)(b) of the HOME Agreement	January 1997
4) Close Construction Loan	January 1997
5) Ground-Breaking Ceremony	March 1997
6) Begin Construction	March 1997
7) Submit Management Plan including Affirmative Marketing, Equal Opportunity, Tenant Screening, Income Verification, Community Rules, and related items pertaining to long term operation of the housing in accordance with all applicable regulations.	March 1997
8) Construction Completed - first unit Construction Completed - last unit	August 1997 December 1997
9) List of final, actual project costs for the entire project and final Sources and Uses of Funds Statement.	January 1998
10) Submit completed Household Characteristics form for all HOME units. (HUD-40097)	January 1998
11) Notice of Completion	December 1997
13) Occupancy	March 1998
14) Permanent Financing	May 1998

EXHIBIT C

CHAS Annual Performance Report Table 1

U.S. Department of Housing and Urban Development
Office of Community Planning and DevelopmentComprehensive Housing Affordability Strategy (CHAS)
Instructions for Local JurisdictionsHouseholds and Persons
Assisted with Housing

Name of Jurisdiction:											FY:			
Assistance Provided by Income Group	Renters				Owners			Homeless*		Total Section 215 (N)				
	Elderly 1 & 2 Member Households (A)	Small Related (2 to 4) (B)	Large Related (5 or more) (C)	All Other Households (D)	Total Renters (E)	Existing Home Owners (F)	1st-Time Buyers With Children (G)	All Others (H)	Total Home Owners (I)		Individuals (J)	Families (K)	Non- Homeless Special Needs (L)	Total (M)
1. Very Low-Income (0 to 30% of MFI)**														
2. Very Low-Income (31 to 50% of MFI)**														
3. Other Low-Income (51 to 80% of MFI)**														
4. Total Low-Income (lines 1+2+3)														

* Homeless families and individuals assisted with transitional or permanent housing.

** Or, based upon HUD Adjusted income limits, if applicable.

5. Racial/Ethnic Composition of line 4, column (M) total Low Income:	
1. Hispanic	
Non-Hispanic	
2. White	
3. Black	
4. Native American	
5. Asian & Pacific Islander	
6. Other	
7. Total (must equal total on line 4, column (C))	

form HUD-40090-A (1/98)

PROMISSORY NOTE

COPY

\$1,200,000

Riverside, CA

In installments as hereafter stated, for value received, Hemet Vistas I, L.P., (hereinafter referred to as "Borrower") promises to pay the County of Riverside, a political subdivision of the State of California, (hereinafter referred to as "County"), or order, at 3525 14th Street, Riverside, California, 92501-3813, the sum of \$1,200,000 with simple interest on the unpaid principal amount, at the rate of one (1%) percent per annum, interest and principal payable as follows:

The principal of the loan is to be amortized over fifty-five years at one percent (1%) per annum. All outstanding principal along with accrued interest shall be due and payable on March 31, 2027. The first payment shall be due on March 31, 1998. Twenty-nine (29) equal payments of \$28,471.65 shall be due each and every year thereafter, until March 31, 2027, at which time all outstanding principal along with accrued interest shall be due and payable. Annual payments are to be paid from available cash flow. Should there be insufficient cash flow within a given annual period, said annual payment is to be deferred and added to the principal balance where it will accrue interest at one percent (1%) per annum. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves and debt service, but prior to disbursements to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days of the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within 60 days of the close of the project fiscal year.

This note may be prepaid in whole or in part by the undersigned at any time without prepayment penalty or premium.

In any action commenced to enforce the obligation of the Borrower, and any partner, trustee, or beneficiary of the Borrower to pay principal and interest under the Note, the judgement shall not be enforceable personally against the Borrower or the Borrower's assets, and the recourse of the Note Holder 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 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.

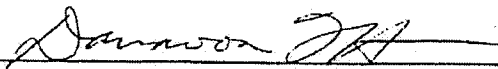
DATE: 3-10-97

BORROWER:

HEMET VISTAS L.P., a California limited partnership

By: Palm Desert Development Company, a California corporation, General Partner

By:



Danavon Horn, Its President

PROJECT DESCRIPTION
HEMET VISTAS 1&2 APARTMENTS

Exhibit "C"

SCOPE OF DEVELOPMENT

A. Tenant Responsibilities

1. General

This is the Scope of Development attached to the Second Amendment to HOME Agreement ("Agreement") by and between the County of Riverside ("County") and Hemet Vistas 1&2R LP., a California limited partnership ("Developer") pertaining to Hemet Vistas Apartments, located at 225 W. Fruitvale, Hemet, CA 92544, more specifically APN's: 439-060-036-5 and 435-060-037-6. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Agreement.

Developer's plans, drawings and proposals submitted to the County and City for approval shall describe in reasonable detail the architectural character intended for the Improvements.

2. Improvements

Notwithstanding the generality of Section 1, above, the Developer shall rehabilitate, or cause to be rehabilitated on the Property:

The proposed rehabilitation at Hemet Vistas will address numerous issues within the project that will ensure its continued service to the community for years to come. Every unit will receive upgrades along with improvements to the building systems, common areas and community spaces.

The landscaping will be upgraded with drought-tolerant materials to minimize water use. Exterior lighting will be replaced with energy efficient models. To improve the look of the buildings, the entire property will be painted. Any damaged stucco, wood trim, and fascia will be repaired and/or replaced.

Within the units, appliances, the HVAC system, and water heaters will be replaced with energy efficient models. Installation of new flooring and painting of interiors will be completed as needed. Ten percent of the units will be modified to meet full accessibility requirements, including new kitchen countertops that are adjustable.

The project's community rooms, laundry rooms, play areas, and pool area will be renovated and improved during the rehabilitation.

The following is a summary of the scope of development for the Project:

PROJECT DESCRIPTION

HEMET VISTAS 1&2 APARTMENTS

Site Area	390,298 sq. ft.
Floor Area Ratio (FAR)	42.97%
FAR Bonuses Proposed	N
Stories	2 stories
Type of Housing	Affordable Rental Apartments
Total Number of Units / Total Residential Square Feet	144/163,071 sqft
Types of Units (sizes)	2BR/ 1,077 sqft 3BR/ 1,228 sqft
Type of Parking-	286 spaces for residential
Assessor's Parcel Nos.	439-060-036-5 and 435-060-037-6

3. Green Building (Correct as Needed)

The post-rehabilitated buildings will have a minimum energy efficiency improvement of at least 20% over existing conditions.

4. Amenities (Correct as Needed)

The Project shall include the following amenities:

- Full-Time On-Site Property Management
- Laundry Facilities
- Assigned, Covered Parking
- Security System
- Tot Lot/Play Grounds
- Swimming Pool
- Community Building & Office Space Including:
 - Kitchen
 - Meeting Space
 - Restrooms

6. Required Permits/Compliance with Laws

The Property shall be developed in accordance with any City of Hemet issued Conditions of Approval, and all applicable laws.

7. Design Development and 100% Construction Drawings

The Developer shall submit for approval the final scope of Rehabilitation as prepared by Developer's Architect.

Exhibit "D"

Schedule of Performance

1. Submission of Final Scope of Rehabilitation	November, 2016-Atleast one (1) week prior to close of escrow.
2. Acquisition of Project Site-Partnership shall acquire project site and provide evidence of a Grant Deed	January, 2017
3. Closing/Approval of Financing- Partnership shall have satisfied all conditions necessary to secure all financial commitments necessary for the development of Project	January, 2017.
3. Commencement of Rehabilitation	Within thirty (30) days of Closing of Tax Credits.
4. Completion of Construction	Within twenty-four (24) months of closing of Tax Credits
5. Construction Period Reporting	During the Construction period Partnership shall submit monthly reports to the County of Riverside due on the 15 th of each month reporting the progress of Construction.

Exhibit "E"

METHOD OF FINANCING

This is the Method of Financing attached to the Second Amendment to HOME Agreement ("Agreement"), for Hemet Vistas Apartments for the Recasting of HOME Funds in the amount of \$1,200,000 ("Agency Loan") by and between the County of Riverside ("County") and Hemet Vistas I&2R Partners LP, a California limited partnership ("Developer"), pertaining to the rehabilitation of a 144-unit multi-family housing project located on Assessor Parcel Numbers 439-060-036-5 and 439-060-037-6, in the City of Hemet, which shall be operated as rental housing that is affordable to extremely-low, very-low, low-income, any other income households ("Project"), as more specifically described in the Agreement. Agreement as used herein shall mean, refer to and include the Agreement, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the Agreement. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Agreement.

1. Development Costs. The parties estimate that the cost of rehabilitating the Property will be approximately \$18,430,195 during the construction financing period. The sources of financing during the construction financing period are set forth in Section 2 of this Method of Financing.

2. Sources of Financing. The parties anticipate that the costs of rehabilitation (the "Development Costs") shall be financed with a combination of loans and equity, as set forth in the following chart and as described below, which chart shall be updated if the costs of rehabilitation changes, or if the financing changes, all subject to the approval of the County (as updated, the "Sources of Financing"):

Source of Funds	Construction	Permanent
Tax Credit Equity		\$
	\$888,165	5,921,103
JP Morgan Chase	\$10,882,161	\$6,727,300
County of Riverside HOME Loan-Recast	\$1,454,425	\$1,454,425
Low-Moderate Income Housing Asset Loan Fund-Recast	\$779,144	\$779,144
Deferred Developer Fee and Costs	\$1,721,885	\$208,730
Seller Carry		
GP Equity	\$2,650,000	\$2,650,000
Prestabilization Income	\$54,415	\$54,415
	\$0	\$635,079
TOTALS	\$18,430,195	\$18,430,195

2.1 Rehabilitation Period Financing

- a. Rehabilitation Loan Financing. The financing derived from the proceeds of a construction loan in the approximate original principal amount of \$10,882,161 during the construction period (the "Construction Loan") shall be used as part of the construction financing for the Project and shall be secured by one or more senior priority deeds of trust against the Property (the "Senior Construction Lenders" and, together with the Senior Permanent Lenders described below, referred to as the "Senior Lenders").
- (1) Tenant shall not refinance the Senior Loan and/or the Permanent Loan for the Project or place any additional financing on the Property except as set forth in this Method of Financing without the advanced and express written consent of the County Executive Director or designee.
- b. Developer Equity. Equity from the Developer (the "Developer Equity") consisting of the following:
- (1) Approximately \$5,921,103, to be provided by the Tax Credit Equity Investor, derived from Low Income Housing Tax Credits, a portion of which shall be disbursed during construction period and a balance shall be disbursed to pay off the construction loan.
- (2) A deferred portion of the Developer Fee, in the amount of \$208,730 (the "Deferred Tenant Fee"), constituting that portion of the Tenant Fee to be paid to Tenant from operating revenues, before calculating residual receipts, with the balance of the Tenant Fee in the amount of \$ 1,783,103 payable to Developer during construction of the Project, in accordance with the following schedule of disbursements:
- i. \$450,000 upon Closing;
 - ii. \$300,000 upon C of O;
 - iii. \$983,103 upon Perm Conversion; and
 - iv. \$50,000 upon 8609.
- (3) Developer shall be responsible for providing any additional funds which may be needed to pay for cost overruns and contingencies not otherwise funded by the Sources of Financing described above.
- (4) Developer Equity described in this subsection (c) shall consist of funds provided by Tenant or borrowed funds, repayment of which shall not be secured by any deed of trust on the Leasehold and/or the Property.

- c. Recasting of HOME Investment Partnership Act Funds in the amount of \$1,454,425
- d. Recasting of Form Redevelopment Agency Funds in the amount of \$779,144

2.2 Permanent Sources of Financing

- a. Recasting of HOME Investment Partnership Act Funds as described in Section (d) of 2.1 above.
- b. Recasting of former Redevelopment Agency Funds as described in Section (e) of 2.1 above.
- c. Developer Equity, as described in subsection (b) of Section 2.1, above.
- d. TUMF financing sources, as described in subsection (c) of Section 2.1, above.
- e. DIF financing sources, as described in subsection (d) of Section 2.1, above.
- f. Land Value for TCAC application in the approximate amount of \$2,650,000.

3. Project Budget

The parties anticipate that all Development Costs shall be as set forth in the Project Budget as attached hereto titled "Permanent Sources and Uses of Funds incorporated herein by this reference. Any change order in excess of One Hundred Thousand Dollars (\$100,000) or any amendment to the total Project Budget in excess of One Hundred Thousand Dollars (\$100,000) (collectively referred to as a "Revision") shall require the written approval of the Executive Director or designee in addition to any approval required by any Senior Lender. Except as provided in the previous sentence, the Executive Director or designee shall not unreasonably withhold or delay approval of any requested Revision for which the Senior Lender's approval is not required, under the terms of the Senior Loan documents, or which has been approved by the Senior Lender if, within five (5) working days after receipt of the request, County receives such explanation and/or back-up information as was received and relied upon by the Senior Lender in connection with its approval of the Revision, and if the following conditions are satisfied:

- a. to the extent the Revision is limited to a reallocation of budgeted funds among Project Budget line items without any increase in the total Project Budget, (i) the funds in the line item(s) to be reduced remain sufficient for completion of the Project, and (ii) the requested increase in one or more line item(s) is to be used to pay approved costs; and
- b. to the extent the Revision involves an increase in the total Project Budget, (i) additional funds in an amount equal to the increase in the total Project Budget will be provided by Tenant, the Senior Lender or another funding source

reasonably approved by the and (ii) the requested increase in the Project Budget is to be used to pay approved costs.

Upon written approval of any Revision, the Project Budget shall be replaced by the approved revised Project Budget.

4. Evidence of Financing

The sum of the Senior Sources of Financing described in Section 2 above shall be sufficient at all times to pay all Development Costs as set forth in the most recently approved Project Budget, and the sum of the permanent Senior Sources of Financing described in Section 2 above, shall be at least equal at all times to the sum of the construction Sources of Financing plus all other Development Costs. Within the time provided therefor in the Schedule of Performance as stated in Exhibit "ED" of the Agreement, Developer shall submit for approval by the Executive Director or designee, evidence of such financing, including all documents required by the Construction Lender relating to the Construction Loan the Project and all documents evidencing the availability of permanent financing for the Project upon Completion. The Executive Director or designee shall not unreasonably withhold his or her approval. Developer shall provide written certification to the County that such financing documents are correct copies of the actual documents to be executed by Developer on or before the Closing Date. To the extent that the sum of the Sources of Financing described in Section 2, 2.1 and 2.2 above is insufficient to pay all Development Costs, Developer shall demonstrate the availability prior to the Closing of increased Tenant's Equity equal to the shortfall.

Attachment No "1"

**ASSIGNMENT AND ASSUMPTION AGREEMENT
(behind this page)**

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

County of Riverside
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504
Attention: Stephanie Adams

**No fee for recording pursuant to
Government Code Section 27383**

**ASSIGNMENT AND ASSUMPTION AGREEMENT
(RIVERSIDE COUNTY HOME LOAN FOR
HEMET VISTAS 1&2 APARTMENTS – PHASE I)**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is made and entered into on this 1st day of September, 2016 by and between Hemet Vistas I, Limited Partnership, a California limited partnership ("Assignor"), and Hemet Vistas 1&2R Partners LP, a California limited partnership ("Assignee"). The Assignor and Assignee are collectively referred to herein as the "Parties."

RECITALS

A. The County of Riverside, a political subdivision of the State of California (the "County") and the Assignor entered into that certain HOME Agreement, dated as of February 4, 1997 (the "County HOME Agreement") relating to, among other things, the acquisition of that certain real property described in the legal description attached hereto as **Exhibit A** and incorporated herein by this reference ("Phase I Property"), and the predevelopment, construction and operation thereon of the phase I portion of a project originally developed in two phases, each comprised of a 72 unit affordable housing complex for low-income families containing 71 units and 1 manager's unit, to be rented and occupied by households whose incomes do not exceed fifty percent (50%) of the area median income for the County of Riverside ("Phase I Project"), and the County's provision of a portion of the financial assistance necessary to construct the Phase I Project in the form of a \$1,200,000 loan evidenced by that certain Promissory Note dated March 10, 1997 and that certain Deed of Trust with Assignment of Rents dated April 1, 1997 and recorded in the Official Records of the County of Riverside on April 1, 1997 as Instrument No. 108877 (collectively, the "County HOME Loan Documents");

B. Assignee was formed in order to own and operate the Phase I Project;

C. Assignor hereby desires to assign its rights and obligations and delegate all of its duties under the County HOME Agreement and the County HOME Loan Documents and any and all related agreements and documents (collectively, the "Related Agreements"), and for Assignee to accept such assignment and assume all rights, interest and obligations thereunder; and

D. The County desires to consent to such assignment as evidenced by its signature hereto.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns to Assignee all of its right, title, obligations and interest in and to the County HOME Agreement, the County HOME Loan Documents and any and all Related Agreements, and Assignee hereby accepts such assignment, and assumes all of the obligations of the Assignor under the County HOME Agreement, the County HOME Loan Documents and any and all Related Agreements, and agrees to be bound thereby in accordance with the terms thereof.
2. Assignee shall assume and perform all executory obligations of Assignor pursuant to the County HOME Agreement, the County HOME Loan Documents and any and all Related Agreements, without exception.
3. Assignor and Assignee acknowledge that such assignment and acceptance shall not relieve Assignor of its duty to comply with the obligations under the County HOME Agreement, the County HOME Loan Documents and the Related Agreements. Assignee agrees to perform all of the obligations in accordance with the County HOME, the County HOME Loan Documents and the Related Agreements.
4. The principal address of Assignee for purposes of the County HOME Agreement, the County HOME Loan Documents and Related Agreements is as follows:

Hemet Vistas 1&2R Partners LP
c/o Palm Communities
100 Pacifica, Suite 205
Irvine, CA 92618
Attn: President
5. This Assignment, together with the agreements, covenants and warranties contained herein, is made for the sole protection and the benefits of the parties hereto, and their successors and assigns, and no other person or persons shall have a right of action or right to rely hereon. As this Assignment contains all the terms and conditions agreed upon between the parties, no other agreement regarding the subject matter thereof, shall be deemed to exist or bind any party unless in writing and signed by the party to be charged.
6. This Assignment has been entered into, is to be performed entirely within, and shall be governed by and construed in accordance with the laws of the State of California.
7. If any term or provision of this Assignment, the deletion of which would not adversely affect the receipt of any material benefit by any party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the

remainder of this Assignment shall not be affected thereby and each other term and provision of this Assignment shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Assignment that is illegal, invalid or unenforceable, there be added as part of this Assignment and enforceable clause or provision similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible.

8. Time is expressly declared to be of essence in this Assignment.
9. Each party hereto covenants and agrees to perform all acts and obligations, and to prepare, execute, and deliver such written agreements, documents, and instruments as may be reasonably necessary to carry out the terms and provisions of this Assignment.
10. No provision in this Assignment is to be interpreted for or against either party because that party or its legal representatives drafted such provision.
11. This Assignment may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. The signature pages of one or more counterpart copies may be removed from such counterpart copies and all attached to the same copy of this Assignment, which, with all attached signature pages, shall be deemed to be an original Assignment.
12. The parties hereto further represent and declare that they carefully read this Assignment and know the contents thereof, and that they sign the same freely and voluntarily.
13. Each party represents that the person executing this Assignment on behalf of said party has the full authority to do so to bind the party to perform pursuant to the terms and conditions of this Assignment.

[Remainder of Page Intentionally Blank]

[Signatures on the Following Page]

IN WITNESS WHEREOF, the Parties have executed this Assignment as of the date set forth opposite their signatures below.

ASSIGNOR:

HEMET VISTAS I, LIMITED
PARTNERSHIP, a California limited
partnership

By: Palm Communities, a California
corporation, its administrative general
partner

By: _____
Danavon L. Horn, President

Date: _____

By: Housing Corporation of America, a Utah
nonprofit corporation, its managing
general partner

By: _____
Ronald H. Olson, President

Date: _____

ASSIGNEE:

HEMET VISTAS 1&2R PARTNERS LP, a
California limited partnership

By: PC Hemet Vistas 1&2R Developers LLC,
a California limited liability company,
its administrative general partner

By: Palm Communities, a California
corporation, its sole member and
manager

By: _____
Danavon L. Horn, President

Date: _____

By: Las Palmas Foundation, a California
nonprofit public benefit corporation, its
managing general partner

By: _____
Name: _____
Title: _____

Date: _____

[ASSIGNOR AND ASSIGNEE SIGNATURES MUST BE NOTARIZED]

CONSENT TO ASSIGNMENT AND ASSUMPTION AGREEMENT

In reliance upon the assumption by HEMET VISTAS 1&2R PARTNERS LP, a California limited partnership, as Assignee, of all rights and obligations pursuant to the foregoing Assignment and Assumption Agreement (Riverside County HOME Loan For Hemet Vistas 1&2 Apartments - Phase I) (the "Assignment"), the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), does hereby consent to and approve of the assignment of all right, title, obligations and interest in and to the County HOME Agreement, County HOME Loan Documents and any and all Related Agreements (as defined in the Assignment) by HEMET VISTAS I, LIMITED PARTNERSHIP, a California limited partnership ("Assignor"), to Assignee.

Approval hereof by the County shall not be construed to relieve or release Assignor from its duty to comply with any of its obligations under the County HOME Agreement, County HOME Loan Documents or any Related Agreements.

"COUNTY"

COUNTY OF RIVERSIDE, a political
subdivision of the State of California

By: _____

Name: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

Gregory P. Priamos

County Counsel

By: _____

Jhaila R. Brown, Deputy

[AUTHORITY SIGNATURE MUST BE NOTARIZED]

EXHIBIT A

LEGAL DESCRIPTION OF PHASE I PROPERTY

Real property in the City of Hemet, County of Riverside, State of California, described as follows:

PARCEL 1 AS SHOWN BY PARCEL MAP NO. 28501, ON FILE IN BOOK 194 PAGE(S) 5, 6 AND 7 OF
PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 439-060-036-5

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, 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.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, 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.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, 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.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, 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.

Name: _____
Notary Public

Hemet Vistas Apartments
H-022

ATTACHMENT NO. 2

**Second Amendment to Promissory Note
(behind this page)**

Second Amendment to Promissory Note
(Hemet Vistas Apartments in the City of Hemet)

\$1,200,000

Riverside, CA

1.0% Interest

Date: _____, 2016

In installments as hereafter stated, for value received, Hemet Vistas 1&2R Partners LP, a California limited partnership ("Partnership or Borrower"), promises to pay to County of Riverside, a political subdivision of the State of California, ("Lender" or "County"), or order, at 5555 Arlington Avenue, Riverside, CA 92504, the sum of One Million Two Hundred Thousand Dollars (U.S. \$1,200,000.00) (the "HOME Loan") which at the time of payment is lawful for the payment of public and private debts.

On _____, 2016, Partnership executed that certain Assignment and Assumption Agreement, wherein Hemet Vistas I Limited Partnership, a California limited partnership ("Previous Partnership") assigned its rights, duties and obligations under County HOME Agreement and any and all related documents, to County, including:

That certain Promissory Note, dated March 10, 1997 as amended by that certain Promissory Note, dated October 6, 2009 and recorded in the Official Records of the County of Riverside ("Official Records") on December 30, 2009 as Document No. 2009-0668262, and this Second Amendment to Promissory Note (Hemet Vistas Apartments in the City of Hemet) (collectively "County Promissory Note") is given pursuant to that HOME Agreement, dated February 4, 1997, as amended by that First Amendment to HOME Agreement, Promissory Note and Deed of Trust, dated October 6, 2009 and recorded in the Official Records as Document No. 2009-0668262 (collectively "County HOME Agreement"). This Note is secured by that certain Deed of Trust with Assignment of Rents, dated April 1, 1997 and recorded in the Official Records on April 1, 1997 as Document No. 108877, as amended by that certain Deed of Trust with Assignment of Rents, dated October 6, 2009 and recorded in the Official Records on December 30, 2009 as Document No. 2009-0668262 and the Second Amendment to Deed of Trust with Assignment of Rents (Hemet Vistas Apartments in the City of Hemet), dated as of _____, 2016 and recorded in the Official Records (collectively, "Deed of Trust").

All capitalized terms not otherwise defined herein shall have the meaning ascribed to such term in the County HOME Agreement. In the event of any conflict between this Note and the HOME Agreement, the terms of this Note shall prevail. The rights and obligations of the Partnership and County under this Note shall be governed by the HOME Agreement and the following terms:

The County Promissory Note is hereby amended as follows:

- (1) Section 3 of the Promissory Note, dated October 6, 2009 and recorded in the Official Records is hereby deleted and replaced with the following:

(a) That the HOME Loan will accrue simple interest at a rate of three percent (1%) 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. Interest will accrue 30 days from the date of recordation of the Notice of Completion in the Official Records.

(b) This Note shall be repaid according to the following: Fifty percent (50%) of the Project's Residual Receipts shall be used towards the payment of the loans secured by the Project, and the payment shall be prorated based on the percentage of each relative loan amount based upon the total amount of all such loans, until the HOME Note is repaid in full; and fifty percent (50%) of the Project's Residual Receipts will be paid to Partnership.

(c) The Project's Residual Receipts shall be determined based on an annual review of certified financial statements for the Project. Annual audited financial statements shall be submitted by Partnership within one hundred twenty (120) days following the close of the project fiscal year commencing on April 1 of the first full calendar year following the recordation of the Notice of Completion. All outstanding principal along with accrued interest shall be due upon maturity of the HOME Loan Agreement, which shall be the first to occur of (i) July 1, 2075 or (ii) fifty-five (55) years from and after the recordation of the Notice of Completion (the "HOME Loan Term"). The first payment shall be due on July 1st in the first full calendar year following the date of the recordation of the Notice of Completion for the Project, to the extent of available Residual Receipts, as set forth herein. Subsequent payments shall be made on July 1st thereafter to the extent of available Residual Receipts until sooner of full repayment of the HOME Loan or the HOME Loan maturity date as set forth above.

(d) The Project's Residual Receipts are defined as gross receipts, less the following, but not including the Monitoring Fee: i) auditing and accounting fees; ii) property management fee not to exceed \$55 per unit per month and increased annually by the percentage equal to the percentage increase in the Consumer Price Index ("CPI"), provided, however, that in the event of a decrease in the CPI, the property management fee shall remain the same as the immediate preceding year; iii) 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); iv) replacement reserves in an annual amount up to \$43,200; vi) General Partner management fees, which shall be in the initial amount of \$20,000, and increased annually by CPI ; vii) a Limited Partnership asset management fee in the initial amount of \$5,000 per year and increased annually by CPI; viii) 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"); ix) the Housing Authority of the County of Riverside's Annual Monitoring Fee in the amount of \$14,300 increased annually by an amount equal to the increase of the Consumer Price Index (CPI), provided, however, that in the event of a decrease in the CPI, the County's

annual monitoring fee shall remain the same as the immediate preceding year; and x) the deferred developer fee, if any.

The Following items below are hereby added to the County Promissory Note:

(a) The HOME Loan evidenced by this Note and secured by the 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"). Partnership agrees for itself, its successors and assigns, that the use of the Property shall be subject to the restrictions on rent and occupancy set forth in the HOME Program regulations and the Home Agreement.

(b) This Note may be prepaid in whole or in part by the undersigned at any time without prepayment penalty or premium.

(c) Subject to the provisions and limitations of this Section, the obligation to repay the Note Amount is a nonrecourse obligation of Partnership and its partners. Neither Partnership nor its partners shall have any personal liability for repayment of the Note Amount, except as provided in this Section. The sole recourse of the County shall be the exercise of its rights against the Property (or any portion thereof) and any related security for the HOME Loan; provided, however, that the foregoing shall not (i) constitute a waiver of any other obligation evidenced by this Note or the Deed of Trust; (ii) limit the right of the County to name Partnership as a party defendant in any action or suit for judicial foreclosure and sale under this Note and the Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against Partnership; (iii) release or impair either this Note or the Deed of Trust; (iv) prevent or in any way hinder the County from exercising, or constitute a defense, an affirmative defense, a counterclaim or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Property or any other instrument securing this Note or as prescribed by law or in equity in case of default; (v) prevent or in any way hinder the County from exercising, or constitute a defense, an affirmative defense, a counterclaim or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing this Note; or (vi) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by this Note and the Deed of Trust. Notwithstanding the first sentence of this Section, the County may recover directly from Borrower or, unless otherwise prohibited by any applicable law, from any other party: (a) any damages, costs and expenses incurred by the County as a result of fraud, misrepresentation or any criminal act or acts of Borrower or any general partner, shareholder, officer, director or employee of Borrower, or of any member or general partner of Borrower, or of any general partner of such member or general partner; (b) any damages, costs and expenses incurred by the County as a result of any misappropriation of funds provided to pay costs as described in the HOME Loan Agreement, rents and revenues from the operation of the Project, or proceeds of insurance policies or condemnation proceeds; (c) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that

could create statutory liens on the Project and that are payable or applicable prior to any foreclosure under the Deed of Trust; (d) the fair market value of any personal property or fixtures removed or disposed of by the Partnership other than in accordance with the Deed of Trust; (e) any and all amounts owing by Borrower pursuant to any indemnity set forth in the HOME Loan Agreement and/or Deed of Trust or the indemnification regarding Hazardous Substances pursuant to the HOME Loan Agreement and/or Deed of Trust, and (f) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions.

(d) The occurrence of any of the following events shall constitute an "Event of Default" under this Note after notice and opportunity to cure pursuant to the terms set forth in the HOME Loan Agreement:

a. Monetary Default. (1) Borrower's failure to pay when due any sums payable under the County Note or any advances made by County under this Agreement, (2) Partnership's or any agent of Partnership's use of HOME funds for costs other than costs or for uses inconsistent with terms and restrictions set forth in this Agreement, (3) Partnership's or any agent of Partnership's failure to make any other payment of any assessment or tax due under the HOME Loan Agreement, and /or (4) default past any applicable notice and cure period under the terms of (i) that certain Deed of Trust executed by Partnership for the benefit of a construction lender securing a construction loan in a principal amount up to \$ _____; and/or (ii) that certain Deed of Trust executed by Partnership for the benefit of the Housing Authority of the County of Riverside securing a loan in an amount up to \$ _____; (iii) and/or that certain Deed of Trust executed by Partnership for the benefit of a permanent lender securing a permanent loan in an amount up to \$ _____ (collectively the "Permitted Deeds of Trust"); and/or (iv) any other instrument or document secured against the Property;

b. Non-Monetary Default - Operation. (1) Discrimination by Partnership or Partnership's agent on the basis of characteristics prohibited by this Agreement or applicable law, (2) the imposition of any encumbrances or liens on the Project without County's prior written approval, including, but not limited to those liens or encumbrances expressly prohibited under the HOME Loan Agreement or that have the effect of reducing the priority or invalidating the Deed of Trust, (3) Partnership's failure to obtain and maintain the insurance coverage required under the HOME Loan Agreement, (4) any material default under the HOME Loan Agreement, and/or (4) default past any applicable notice and cure period under the terms of (i) that certain Deed of Trust executed by Borrower for the benefit of a construction lender securing a construction loan in a principal amount up to \$ _____; and/or (ii) that certain Deed of Trust executed by Borrower for the benefit of the Housing Authority of the County of Riverside securing a loan in an amount up to \$ _____; (iii) and/or that certain Deed of Trust executed by Partnership for the benefit of a permanent lender securing a permanent loan in an amount up to \$ _____ and/or and/or (iv) any other instrument or document secured against the Property;

c. General Performance of Loan Obligations. Any substantial or continuous or repeated breach by Partnership or Partnership's agents of any material

obligations on Partnership imposed in the HOME Loan Agreement; and

d. General Performance of Other Obligations. Any substantial or continuous or repeated breach by Partnership or Partnership's agents of any material obligations on the Project imposed by any other agreement with respect to the financing, development, or operation of the Project; whether or not County is a party to such agreement.

(e) County shall give written notice of default to Partnership, specifying the default complained of by the County. Partnership shall have sixty (60) calendar days from the mailing of the notice for a monetary default, by which such action to cure must be taken. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(f) Any failures or delays by County in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by County in asserting any of its rights and remedies shall not deprive County of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(g) If the rights created by this Note shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the remaining obligations shall be completely performed and paid. In the event that any provision or clause of this Note conflicts with applicable law, such conflict will not affect other provisions of this Note which can be given effect without the conflicting provision, and to this end the provisions of the Note are declared to be severable.

(h) Partnership hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Partnership hereunder, the County may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note. Partnership further waives, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note, or on any deed of trust, security agreement, guaranty or other agreement now or hereafter securing this Note.

(i) 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.

(j) This Note has been negotiated and entered in the State of California, and shall be governed by, construed and enforced in accordance with the internal laws of the State of California, applied to contracts made in California by California domiciliaries to be

wholly performed in California. Any action at law or in equity arising under this Note or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Note shall be filed in the Superior 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.

(k) No modification, rescission, waiver, release or amendment of any provision of this Note shall be made except by a written agreement executed by Partnership and the duly authorized representative of the County.

(l) The County may, in its sole and absolute discretion, assign its rights under this Note and its right to receive repayment of the Note Amount without obtaining the consent of Partnership.

(m) In no event shall Partnership assign or transfer any portion of this Note or any rights herein without the prior express written consent of the County, which consent the County may give or withhold in its sole and absolute discretion. In the absence of specific written agreement by the County, no unauthorized assignment or transfer, or approval thereof by the County, shall be deemed to relieve Borrower or any other party from any obligations under the HOME Loan Agreement or this Note. This provision shall not affect or diminish the County's assignment rights under this Note.

(n) Except as to the Permitted Deeds of Trust identified herein, Borrower shall not encumber the Property for the purpose of securing financing either senior or junior in priority or subordinated to the Deed of Trust without the prior written approval of the County in its sole and absolute discretion.

(o) The relationship of Partnership and the County pursuant to this Note is that of debtor and creditor and shall not be, or be construed to be, a joint venture, equity venture, partnership or other relationship.

(p) Formal notices, demands and communications between the County and Partnership shall be deemed sufficiently given if made in writing and dispatched by any of the following methods to the addresses of the County and Partnership as set forth below: (i) registered or certified mail, postage prepaid, return receipt requested (in which event, the notice shall be deemed delivered on the date of receipt thereof); (ii) electronic facsimile transmission, followed on the same day by delivery of a "hard" copy via first-class mail, postage prepaid (in which event, the notice shall be deemed delivered on the date of its successful facsimile transmission as evidenced by a facsimile confirmation or "kick-out" sheet); or (iii) personal delivery, including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service (in which event, the notice shall be deemed delivered on the documented date of receipt). Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail.

(i) The address of the County for purposes of receiving notices pursuant to this Note shall be 5555 Arlington Avenue, Riverside, California 92504, Attention:

Assistant Director of Housing. The facsimile number for the County's receipt of notices is (951) 352-4852.

(ii) The address of Partnership for purposes of receiving notices pursuant to this Note is 100 Pacifica, Suite 205, Irvine, CA 92618, Attention: Danavon Horn.

(SIGNATURES CONTINUE ON NEXT PAGE)

IN WITNESS WHEREOF, Partnership and Lender have executed this Note as of the date set forth above.

PARTNERSHIP:

Hemet Vistas 1&2R Partners LP,
a California limited partnership

By: PC Hemet Vistas 1&2R Developers LLC,
a California limited liability company,
its Administrative General Partner

By: _____

Danavon L. Horn

Date: _____

By: Las Palmas Foundation,
a California non-profit public benefit corporation,
its Managing General Partner

By: _____

Joseph M. Michaels, President

Date: _____

Hemet Vistas Apartments
H-022

Attachment No. 3
Deed of Trust with Assignment of Rents

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

County of Riverside
Economic Development Agency
5555 Arlington Ave
Riverside, CA 92504
Attn: Stephanie Adams

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**SECOND AMENDMENT TO DEED OF TRUST
WITH ASSIGNMENT OF RENTS
(HEMET VISTAS APARTMENTS IN THE CITY OF HEMET)**

This SECOND AMENDMENT TO DEED OF TRUST WITH ASSIGNMENT OF RENTS (HEMET VISTAS APARTMENTS IN THE CITY OF HEMET) ("Second Amendment to Deed of Trust") is made and entered into as of this _____ day of _____, 2016, by and between HEMET VISTAS 1&2R PARTNERS LP, a California limited Partnership ("Trustor"), whose address is 100 Pacifica, Suite 205, Irvine, CA 92618, who assigned and assumed this Deed of Trust from Hemet Vistas I Limited Partnership ("Original Trustor"), _____ ("Trustee"), and the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("Beneficiary") whose address is 5555 Arlington Avenue, Riverside, CA 92504, or such other place as County may provide in writing.

I. PURPOSE OF SECOND AMENDMENT TO DEED OF TRUST

This Second Amendment to Deed of Trust is entered into pursuant to that certain HOME Agreement, dated February 4, 1997, as amended by that certain First Amendment to HOME Agreement, Promissory Note and Deed of Trust with Assignment of Rents, dated October 6, 2009 and recorded in the Official Records of the County of Riverside ("Official Records") on December 30, 2009 as Document No. 2009-0668262, and that certain Second Amendment to Loan Agreement for the Use of HOME Funds dated _____ and recorded concurrently herewith in the Official Records (collectively, the "Loan Agreement") relating to, among other things, financing a portion of the development of that certain real property described in the legal description attached hereto as **Exhibit A** and incorporated herein by this reference.

Original Trustor executed that certain Deed of Trust With Assignment of Rents for the benefit of County, dated April 1, 1997 and recorded on April 1, 1997 in the Official Records as Document No. 108877, as amended by that certain Amendment to Deed of Trust with Assignment of Rents dated October 6, 2009 and recorded in the Official Records on December 30, 2009 as Document No. 2009-0668262 (collectively "County Deed of Trust"). The County Deed of Trust secures that certain Promissory Note dated March 10, 1997, executed by Original Trustor in favor of

County, as amended by that certain Amendment to Promissory Note dated October 6, 2009 and recorded in the Official Records on December 30, 2009 as Document No. 2009-0668262, as further amended by the Second Amendment to Promissory Note (Hemet Vistas Apartments in the City of Hemet), dated _____, 2016 (collectively "County Promissory Note") evidencing a loan in the principal amount of One Million Two Hundred Thousand Dollars (\$1,200,000.00) ("County Loan Amount").

On September 19, 2016, a Certificate of Limited Partnership was filed with the California Secretary of State's Office creating (i) Hemet Vistas 1&2R Partners LP, a California limited partnership, (ii) PC Hemet Vistas 1&2R Developers LLC as its administrative general partner and (iii) Las Palmas Foundation as its managing general partner.

On _____, 2016, Trustor and Original Trustor executed that certain Assignment and Assumption Agreement wherein Original Trustor assigned its rights, duties and obligations under the Loan Agreement and any and all related agreements and documents, including, but not limited to the County Promissory Note and County Deed of Trust to Trustor.

The purpose of this Second Amendment to Deed of Trust is to provide for the following revisions to the County Deed of Trust: (1) delete page 3, Section 4 of Deed of Trust with Assignment of Rents, dated October 6, 2009 and recorded in the Official Records on December 30, 2009 as Document No. 2009-0668262 and replace with the following: The Principal amount of the County Loan Amount shall be \$1,200,000. All outstanding principal under the County Loan Amount shall occur at the rate of one percent (1%) per annum due and payable on the first to occur of (i) July 1, 2075 or (ii) fifty-five (55) years from the recordation of the last Notice of Completion for the project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the recordation of the Notice of Completion, to the extent of available Residual Receipts, less the following: auditing and accounting fees; a reasonable property management fee not to exceed \$55 per unit per month, increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area; operating expenses; replacement reserves in an amount up to \$43,200; deferred developer fee;; Managing General Partner and Administrative General Partner management fees in the collective initial amount of \$20,000 and increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area; a limited partner asset management fee in the initial amount of \$5,000 per year and increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area; payments on principal and interest on amortized loans and indebtedness senior to the County Loan; and the County's annual monitoring fee in the amount of \$14,300, increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area.

II. AMENDMENT TO SECURED OBLIGATIONS AND IDENTITY OF TRUSTOR UNDER HACR DEED OF TRUST

NOW, THEREFORE, the County Deed of Trust is hereby amended as follows:

1. Amendment to Trustor/Borrower/Owner Under County Deed of Trust.

- a. All references to "Hemet Vistas I Limited Partnership, a California limited partnership as Borrower, Owner, and/or Trustor are hereby deleted and replaced in their entirety with reference to " Hemet Vistas 1&2R Partners LP., a California limited partnership."
2. Amendment to Secured Obligations. Page 3, Section 4 of Deed of Trust with Assignment of Rents, dated October 6, 2009 and recorded in the Official Records on December 30, 2009 as Document No. 2009-0668262, shall be deleted in its entirety and replaced with the following:

The Principal amount of the County Loan shall be \$1,200,000 as evidenced by the Second Amendment to Promissory Note, dated _____. All outstanding principal under the County Loan shall occur at the rate of one percent (1%) per annum due and payable on the first to occur of (i) July 1, 2075 or (ii) fifty-five (55) years from the recordation of the last Notice of Completion for the project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the recordation of the Notice of Completion, to the extent of available Residual Receipts, less the following: auditing and accounting fees; a reasonable property management fee not to exceed \$55 per unit per month, increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area; operating expenses; replacement reserves in an amount up to \$43,200; deferred developer fee; Managing General Partner and Administrative General Partner management fees in the collective initial amount of \$20,000 ; a limited partner asset management fee in the initial amount of \$5,000 increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area; a limited partner asset management fee not to exceed \$4,000 per year increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area; payments on principal and interest on amortized loans and indebtedness senior to the County Loan; and the County's annual monitoring fee in the amount of \$14,300, increased annually by an amount equal to the increase in Consumer Price Index (CPI), for the Los Angeles-Riverside-Orange County, CA Area.

III. EFFECT OF SECOND AMENDMENT TO DEED OF TRUST

Except as expressly provided otherwise in this Second Amendment to Deed of Trust, the Original Deed of Trust remains in full force and effect, enforceable in accordance with its terms, without diminution or waiver of any kind of any right or remedy of the County as beneficiary thereunder.

IV. DUPLICATE ORIGINALS

This Second Amendment to Deed of Trust may be signed in counterparts, each of which shall be deemed an original, and all such counterparts shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

(SIGNATURES ON THE NEXT PAGE)

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed on their behalf by their respective officers hereunto duly authorized on the dates set forth below.

Trustor:

Hemet Vistas 1&2R Partners LP,
a California limited partnership

By: PC Hemet Vistas 1&2R Developers LLC,
a California limited liability company,
its Administrative General Partner

By: _____

Danavon L. Horn

Date: _____

By: Las Palmas Foundation,
a California non-profit public benefit corporation,
its Managing General Partner

By: _____

Joseph M. Michaels, President

Date: _____

(TRUSTOR SIGNATURES MUST BE NOTARIZED)

(SIGNATURES CONTINUE ON NEXT PAGE)

"BENEFICIARY"

COUNTY OF RIVERSIDE,
A political subdivision of the State of California

By: _____
Heidi Marshall, Assistant Director

Date: _____

APPROVED AS TO FORM:
Gregory P. Priamos, County Counsel

By: _____
Jhaila R. Brown,
Deputy County Counsel

(BENEFICIARY SIGNATURE MUST 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

Place Notary Seal Above

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

The land referred to in this Commitment is situated in the City of Hemet, County of Riverside, State of California, and is described as follows:

PARCELS 1 AND 2 AS SHOWN BY PARCEL MAP NO. 28501, ON FILE IN BOOK 194
PAGE(S) 5, 6 AND 7 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY,
CALIFORNIA.

APN: 439-060-036-5(Affects Parcel 1)

439-060-037-6(Affects Parcel 2)

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 5555 Arlington Avenue
11 Riverside, CA 92504
12 Attn. Stephanie Adams

13 SPACE ABOVE THIS LINE FOR RECORDERS USE

14 **COVENANT AGREEMENT**

15 **(Hemet Vistas Apartments)**

16 This Covenant Agreement (Hemet Vistas Apartments) ("Covenant") is made and entered
17 into as of this _____ day of _____, 2016 by and between the COUNTY OF
18 RIVERSIDE, a political subdivision of the State of California ("COUNTY"), and Hemet Vistas
19 1&2R Partners LP, a California Limited Partnership ("Hemet Vistas", L.P.) whose
20 administrative general partner is PC Hemet Vistas 1&2R Developers LLC ("Hemet Vistas,
21 LLC", a California limited liability company and managing general partner is Las Palmas
22 Foundation, a California non-profit corporation.

23 **RECITALS**

24 WHEREAS, Hemet Vistas I Limited Partnership, a California Limited Partnership
25 ("Previous Partnership") and County, entered into that certain Home Agreement, dated February
26 4, 1997 ("HOME Loan Agreement"), relating to among other things, the County's loan of a
27 portion of the financing to develop 72 units of the first phase of a 144 unit multi-family housing
28 complex (the "Project") on that certain real property described in the legal description attached
hereto as Exhibit "A" and incorporated herein by this reference, located more specifically at 225
W. Fruitvale, Hemet, CA, Assessor Parcel Number: 439-060-036-5 (the "Property");

WHEREAS, on _____, 2016, Previous Partnership and Partnership
executed that certain Assignment and Assumption Agreement wherein Previous Partnership

1 assigned its rights, duties and obligations under the HOME Loan Agreement and any and all
2 documents including, but not limited to the HOME Loan Agreement, Promissory Note and
3 HOME Deed of Trust to Partnership.

4 WHEREAS, Partnership and County have amended that certain HOME Loan
5 Agreement and executed an Amendment to Loan Agreement for the Use of HOME Funds, dated
6 _____ (collectively "HOME Loan Agreement").

7 WHEREAS, the County was qualified by the United States Department of
8 Housing and Urban Development ("HUD") as an "Urban County" and an approved
9 participating jurisdiction that has received funds from HUD pursuant to the HOME Investment
10 Partnerships Act and HOME Investment Partnerships Program, Title II of the Cranston-
11 Gonzalez National Affordable Housing Act, as amended (commencing at 42 U.S.C. 12701 et
12 seq.), and the implementing regulations thereto (24 CFR Part 92) (collectively, the "HOME
13 Program"), for the purposes of providing decent, safe, sanitary, and affordable housing with
14 primary attention to rental housing, for low-income families; to strengthen public-private
15 partnerships to carry out affordable housing programs; and to provide for coordinated
16 assistance to participants in the development of affordable low-income housing;

17 WHEREAS, pursuant to the HOME Loan Agreement, County loaned to Hemet Vistas,
18 L.P., \$1,200,000 of HOME funds ("HOME Loan"), to provide financial assistance to pay a
19 portion of the costs related to the Project, as more fully described in the HOME Loan
20 Agreement. The HOME Loan is evidenced by that certain Promissory Note, dated March 10,
21 1997 as amended by that certain Promissory Note, executed by Hemet Vistas, L.P., in favor of
22 the COUNTY dated on or about the date hereof (collectively "HOME Loan Note") and secured
23 by that certain Deed of Trust with Assignment of Rents, dated April 1, 1997 and recorded in the
24 Official Records of the County of Riverside ("Official Records") as Document No. 108877, as
25 amended by that certain Deed of Trust with Assignment of Rents, dated October 6, 2006 and
26 recorded in the Official Records as Document No. 2009-0668262, as amended by that Certain
27 Second Amendment to Deed of Trust with Assignment of Rents, dated on or about the date
28 hereof and recorded in the Official Records concurrently herewith (collectively "HOME Loan

1 Deed of Trust”) ; and

2 WHEREAS, an agreement defining Covenants was not recorded with that certain Home
3 Agreement, dated February 4, 1997.

4 WHEREAS, pursuant to the HOME Loan Agreement, a 72-unit apartment complex was
5 developed on the Property, and eleven (11) units were rented to and occupied by qualified low
6 income households pursuant to the HOME Program (“HOME-Assisted Units”) in accordance
7 with Title 24 Code of Federal Regulations (CFR), section 92.252, Qualification as affordable
8 housing: Rental housing, and as set forth below;

9 WHEREAS, pursuant to the Amendment to Loan Agreement for the Use of HOME
10 funds, the Project, including the HOME Assisted Units, shall remain affordable to qualified low-
11 income tenants for the later of (i) fifty-five (55) years from the recordation of the Notice of
12 Completion in the Official Records for the last building for which construction is complete for
13 the Project , or (ii) July 1, 2075, without regard to the term of the HOME Loan Agreement,
14 repayment of the HOME Loan, or the transfer of ownership; and

15 WHEREAS, the parties desire to memorialize Hemet Vistas, L.P.’s obligation to
16 maintain the affordability of the HOME assisted units pursuant to the HOME Program
17 regulations, more specifically set forth below.

18 NOW, THEREFORE, in consideration of the mutual covenants and agreements
19 contained in this Covenant, and for other good and valuable consideration, the receipt and
20 sufficiency of which are hereby acknowledged, Hemet Vistas, L.P., on behalf of itself and its
21 successors, assigns, and each successor in interest to the Property or any part thereof, hereby
22 declares as follows:

23 1) RESTRICTIONS. This Covenant shall continue in full force and effect for the
24 later of (i) fifty-five (55) years from the recordation of the Notice of Completion for the last
25 building for which construction is completed for the Project on the Property, or (ii) July 1, 2075
26 (“Term”), for itself and on behalf of its successors and assigns and acknowledges and agrees that
27 for the duration of the term, the Property shall be held, sold and conveyed, subject to the
28 following covenants, conditions, and restrictions:

1 a) Eleven (11) units of the Project shall be designated as floating Low
2 HOME rent units ("COUNTY HOME-Assisted Units") as defined under 24 CFR 92.252 as
3 published by the United States Departments of Housing and Urban Development ("HUD"). All
4 eleven (11) of the HOME-Assisted Units shall only be rented and occupied by households whose
5 incomes do not exceed fifty percent (50%) of the area median family income for the County of
6 Riverside, adjusted by family size at the time of occupancy. The COUNTY HOME Assisted
7 Units shall be a "floating" designation such that the requirements of this Agreement will be
8 satisfied so long as the total number of COUNTY HOME Assisted Units remains the same
9 throughout the Affordability Period and each substituted COUNTY HOME Assisted Unit is
10 comparable in terms of size, features, and number of bedrooms to the originally designated
11 COUNTY HOME Assisted Units;

12 b) Six low income three-bedroom units shall be limited to households whose
13 incomes do not exceed fifty percent (50%) of the median family income for the County of
14 Riverside, adjusted by family size at the time of occupancy. Five low income four-bedroom
15 units shall be limited to households whose incomes do not exceed fifty percent (50%) of the
16 median family income for the County of Riverside, adjusted by family size at the time of
17 occupancy;

18 c) Rent limitations are set forth under 24 CFR 92.252 and the COUNTY
19 HOME Assisted Units shall be rented to income qualified applicants at the Low HOME rent
20 levels for the County of Riverside, which are published periodically by HUD; and

21 d) Hemet Vistas, L.P., shall comply with the terms of the HOME Loan
22 Agreement, HOME Loan Note, HOME Loan Deed of Trust and any other instrument secured
23 against the Property.

24 2) SUBORDINATION. This Covenant Agreement shall be recorded in the second
25 position junior to the following liens (1) a loan from the Housing Authority of the County of
26 Riverside in an amount up to \$_____.

27 3) COMPLIANCE WITH LAWS AND REGULATIONS. During the Term of this
28 Covenant, Hemet Vistas, L.P. for itself and on behalf of itself and of its successors, assigns, and

1 each successor in interest to the Property shall adhere to and comply with all federal, state and
2 local laws, regulations and ordinances., including, but not limited to the following:

3 a) The HOME Investment Partnership Program as enacted under Title II of
4 the Cranston Gonzalez National Affordable Housing Act (42 USC 12701 et seq.) and its
5 implementing regulations, 24 CFR Part 92, as both shall be amended from time to time,
6 including, but not limited to, 24 CFR 92.356, 24 CFR 92.358, 24 CFR 92.253, 24 CFR 92.252,
7 24 CFR 92.255, 24 CFR 92.256, 24 CFR 92.350, Subpart F, Subpart H, and its implementing
8 regulations set forth in the Final Rule, as it now exists and may hereafter be amended.

9 b) 24 CFR Section 92.350 Other Federal requirements and
10 nondiscrimination. As set forth in 24 CFR part 5, Subpart A, Hemet Vistas, L.P. is required to
11 include the following requirements: nondiscrimination and equal opportunity under Section 282
12 of the Act; disclosure; debarred, suspended, or ineligible contractors; and drug-free workplace.

13 c) 24 CFR Section 92.351 Affirmative marketing and minority outreach
14 program. Hemet Vistas, L.P. must adopt affirmative marketing procedures and requirements.
15 These must include:

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

20 (2) Requirements and practices that Hemet Vistas, L.P. must
21 adhere to in order to carry out the affirmative marketing procedures and requirements (e.g., use
22 of commercial media, use of community contacts, use of the Equal Housing Opportunity
23 logotype or slogan, and display of fair housing poster).

24 (3) Procedures to be used by Hemet Vistas, L.P. to inform and
25 solicit applications from persons in the housing market area who are not likely to apply without
26 special outreach (e.g., use of community organizations, employment centers, fair housing
27 groups, or housing counseling agencies).

28 (4) Records that will be kept describing actions taken by

1 Hemet Vistas, L.P. to affirmatively market units and records to assess the results of these
2 actions.

3 (5) A description of Hemet Vistas, L.P. will annually assess
4 the success of affirmative marketing actions and what corrective actions will be taken where
5 affirmative marketing requirements are not met.

6 (6) Hemet Vistas, L.P. must prescribe procedures to establish
7 and oversee a minority outreach program to ensure the inclusion, to the maximum extent
8 possible, of minorities and women, and entities owned by minorities and women, including,
9 without limitation, real estate firms, construction firms, appraisal firms, management firms,
10 financial institutions, investment banking firms, underwriters, accountants, and providers of
11 legal services, in all contracts entered into by Hemet Vistas, L.P. with such persons or entities,
12 public and private, in order to facilitate the activities of County to provide affordable housing
13 authorized under this Act or any other Federal housing law. Section 24 CFR 85.36(e) provided
14 affirmative steps to assure that minority business enterprises and women business enterprises
15 are used when possible in the procurement of property and services. The steps include:

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

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

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

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

28 (v) Using the services and assistance of the Small Business

Administration, and the Minority Business Development
Agency of the Department of Commerce.

4) TENANT PROTECTIONS. Hemet Vistas, L.P. shall provide protection to the tenants of the COUNTY HOME Assisted Units in accordance with the requirements set forth at 24 CFR 92.253 and described as follows:

a) Provide written lease agreement for not less than one year, unless by mutual agreement between the tenant and Hemet Vistas, L.P. County shall review the initial form of the lease agreement prior to Hemet Vistas, L.P. executing any leases and, provided that Hemet Vistas, L.P. uses the approved lease form, Hemet Vistas, L.P. shall be permitted to enter into residential leases without County's prior written consent.

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

(1) *Agreement to be sued*. Agreement by the tenant to be sued, to admit guilt or to a judgment in favor of Hemet Vistas, L.P. in a lawsuit brought in connection with the lease.

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

(3) *Excusing Hemet Vistas, L.P. from responsibility*. Agreement by the tenant not to hold Hemet Vistas, L.P. or Hemet Vistas, L.P.'s agents legally responsible for any action or failure to act, whether intentional or negligent.

(4) *Waiver of notice*. Agreement of the tenant that Hemet Vistas, L.P.

1 may institute a lawsuit without notice to the tenant.

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

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

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

12 (8) *Tenant chargeable with cost of legal actions regardless of*
13 *outcome.* Agreement by the tenant to pay attorneys' fees or other
14 legal costs even if the tenant wins in a court proceeding by Hemet
15 Vistas, L.P. against the tenant. The tenant, however, may be
16 obligated to pay costs if the tenant loses.

17 (9) *Mandatory supportive services.* Agreement by the tenant (other
18 than a tenant in transitional housing) to accept supportive services
19 that are offered.

20 c) Violence Against Women Reauthorization Act of 2013. (Pub. L. 113-4,
21 127 Stat. 54) ("VAWA 2013"). VAWA 2013 reauthorizes and amends the Violence Against
22 Women Act of 1994, as previously amended, (title IV, sec. 40001-40703 of Pub. L. 103-322,
23 42 U.S.C. 13925 et seq.) VAWA 2013, among other things, bars eviction and termination due
24 to a tenant's status as a victim of domestic violence, dating violence, or stalking, and requires
25 landlords to maintain survivor-tenant confidentiality. VAWA 2013 prohibits a tenant who is a
26 survivor of domestic violence, dating violence, sexual assault, and stalking from being denied
27 assistance, tenancy, or occupancy rights based solely on criminal activity related to an act of
28 violence committed against them. It extends housing protections to survivors of sexual assault,

1 and adds "intimate partner" to the list of eligible relationships in the domestic violence
2 definition. Protections also now cover an "affiliated individual," which includes any lawful
3 occupant living in the survivor's household, or related to the survivor by blood or marriage
4 including the survivor's spouse, parent, brother, sister, child, or any person to whom the
5 survivor stands in loco parentis. VAWA 2013 allows a lease bifurcation so a tenant or lawful
6 occupant who engages in criminal activity directly relating to domestic violence, dating
7 violence, sexual assault, or stalking against an affiliated individual or other individual, or
8 others may be evicted or removed without evicting or removing or otherwise penalizing a
9 victim who is a tenant or lawful occupant. If victim cannot establish eligibility, Hemet Vistas,
10 L.P. must give a reasonable amount of time to find new housing or establish eligibility under
11 another covered housing program. A Notice of Rights under VAWA 2013 for tenants must be
12 provided at the time a person applies for housing, when a person is admitted as a tenant of a
13 housing unit, and when a tenant is threatened with eviction or termination of housing benefits.
14 Tenants must request an emergency transfer and reasonably believe that they are threatened
15 with imminent harm from further violence if the tenant remains in the same unit. The
16 provisions of VAWA 2013 that are applicable to HUD programs are found in title VI of
17 VAWA 2013, which is entitled "Safe Homes for Victims of Domestic Violence, Dating
18 Violence, Sexual Assault, and Stalking." Section 601 of VAWA 2013 amends subtitle N of
19 VAWA (42 U.S.C. 14043e et seq.) to add a new chapter entitled "Housing Rights."

20 5) MAINTENANCE OF THE IMPROVEMENTS. Hemet Vistas, L.P., on behalf of
21 itself and its successors, assigns, and each successor in interest to the Property and Project or any
22 part thereof hereby covenants to and shall protect, maintain, and preserve the Property in
23 compliance with all applicable federal and state law and regulations and local ordinances. In
24 addition, Hemet Vistas, L.P., its successors and assigns, shall maintain the improvements on the
25 Property in the same aesthetic and sound condition (or better) as the condition of the Property at
26 the time of the recordation of the Notice of Completion for the Project, reasonable wear and tear
27 excepted. This standard for the quality of maintenance of the Property shall be met whether or
28 not a specific item of maintenance is listed below. However, representative items of maintenance

1 shall include frequent and regular inspection for graffiti or damage or deterioration or failure,
2 and immediate repainting or repair or replacement of all surfaces, fencing, walls, equipment, etc.,
3 as necessary; emptying of trash receptacles and removal of litter; sweeping of public sidewalks
4 adjacent to the Property, on-site walks and paved areas and washing-down as necessary to
5 maintain clean surfaces; maintenance of all landscaping in a healthy and attractive condition,
6 including trimming, fertilizing and replacing vegetation as necessary; cleaning windows on a
7 regular basis; painting the buildings on a regular program and prior to the deterioration of the
8 painted surfaces; conducting a roof inspection on a regular basis and maintaining the roof in a
9 leak-free and weather-tight condition; maintaining security devices in good working order. In the
10 event Hemet Vistas, L.P., its successors or assigns fails to maintain the Property in accordance
11 with the standard for the quality of maintenance, the County or its designee shall have the right
12 but not the obligation to enter the Property upon reasonable notice to Hemet Vistas, L.P., correct
13 any violation, and hold Hemet Vistas, L.P., or such successors or assigns responsible for the cost
14 thereof, and such cost, until paid, shall constitute a lien on the Property.

15 6) NONDISCRIMINATION. Hemet Vistas, L.P. shall not discriminate on the basis
16 of race, gender, religion, national origin, ethnicity, sexual orientation, age or disability in the
17 solicitation, selection, hiring or treatment of any contractors or consultants, to participate in
18 subcontracting/subconsulting opportunities. Hemet Vistas, L.P. understands and agrees that
19 violation of this clause shall be considered a material breach of this Lease and may result in
20 termination, debarment or other sanctions. This language shall be incorporated into all contracts
21 between Hemet Vistas, L.P. and any contractor, consultant, subcontractor, subconsultants,
22 vendors and suppliers. Hemet Vistas, L.P. shall comply with the provisions of the California Fair
23 Employment and Housing Act (Government Code Sections 12900 et seq.), the Federal Civil
24 Rights Act of 1964 (P.L. 88-352), as amended, and all Administrative Rules and Regulations
25 issued pursuant to said Acts and Orders with respect to its use of the Property.

26 Hemet Vistas, L.P. herein covenants by and for itself, its successors and assigns, and all
27 persons claiming under or through them, that this Covenant is made and accepted upon and
28 subject to the following conditions: There shall be no discrimination against or segregation of

1 any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section
2 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1,
3 subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of
4 the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment
5 of the Property, nor shall the transferee itself or any person claiming under or through him or her,
6 establish or permit any such practice or practices of discrimination or segregation with reference
7 to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants,
8 or vendees of the Property.

9 Hemet Vistas, L.P., its successors and assigns, shall refrain from restricting the rental,
10 sale, or lease of the Property or any portion thereof, on the basis of race, color, creed, religion,
11 sex, sexual orientation, marital status, national origin, or ancestry of any person. Every deed,
12 lease, and contract entered into with respect to the Property, or any portion thereof, after the date
13 of this Agreement shall contain or be subject to substantially the following nondiscrimination or
14 nonsegregation clauses:

15 a) In deeds: "The grantee herein covenants by and for himself or herself, his
16 or her heirs, executors, administrators, and assigns, and all persons claiming under or
17 through them, that there shall be no discrimination against or segregation of, any person
18 or group of persons on account of any basis listed in subdivision (a) or (d) of Section
19 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1,
20 subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section
21 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy,
22 tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person
23 claiming under or through him or her, establish or permit any practice or practices of
24 discrimination or segregation with reference to the selection, location, number, use or
25 occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein
26 conveyed. The foregoing covenants shall run with the land."

27 b) In leases: "The lessee herein covenants by and for himself or herself, his
28 or her heirs, executors, administrators, and assigns, and all persons claiming under or

1 through him or her, and this lease is made and accepted upon and subject to the following
2 conditions: That there shall be no discrimination against or segregation of any person or
3 group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955
4 of the Government Code, as those bases are defined in Sections 12926, 12926.1,
5 subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section
6 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy,
7 tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself,
8 or any person claiming under or through him or her, establish or permit any such practice
9 or practices of discrimination or segregation with reference to the selection, location,
10 number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the
11 premises herein leased."

12 c) In contracts: "There shall be no discrimination against or segregation of
13 any person or group of persons, on account of any basis listed in subdivision (a) or (d) of
14 Section 12955 of the Government Code, as those bases are defined in Sections 12926,
15 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and
16 Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use,
17 occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person
18 claiming under or through him or her, establish or permit any such practice or practices of
19 discrimination or segregation with reference to the selection, location, number, use, or
20 occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land."

21 In addition to the obligations and duties of Hemet Vistas, L.P. set forth herein, Hemet
22 Vistas, L.P. shall, upon notice from County, promptly pay to County all fees and costs,
23 including administrative and attorneys' fees, incurred by County in connection with
24 responding to or defending any discrimination claim brought by any third party and/or
25 local, state or federal government entity, arising out of or in connection with the
26 Agreement or this Covenant.

27 7) INSURANCE. Without limiting or diminishing Hemet Vistas, L.P.'s obligation to
28 indemnify or hold County harmless, Hemet Vistas, L.P. shall procure and maintain or cause to be

1 maintained, at its sole cost and expense, the following insurance coverage's during the term of
2 this Covenant.

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

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

21 c) Vehicle Liability Insurance. If vehicles or mobile equipment are used in the performance
22 of the obligations under this Covenant, then Hemet Vistas, L.P. shall maintain liability
23 insurance for all owned, non-owned or hired vehicles so used in an amount not less than
24 \$1,000,000 per occurrence combined single limit. If such insurance contains a general
25 aggregate limit, it shall apply separately to this agreement or be no less than two (2) times
26 the occurrence limit. Policy shall name the County of Riverside, its Agencies, Districts,
27 Special Districts, and Departments, their respective directors, officers, Board of
28 Supervisors, employees, elected or appointed officials, agents or representatives as

1 Additional Insured or provide similar evidence of coverage approved by County's Risk
2 Manager ("Risk Manager").

3 d) General Insurance Provisions – All Lines.

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

9 ii) Hemet Vistas, L.P.'s insurance carrier(s) must declare its insurance self-
10 insured retentions. If such self-insured retentions exceed \$500,000 per
11 occurrence such retentions shall have the prior written consent of Risk
12 Manager. Upon notification of self-insured retention unacceptable to County,
13 and at the election of Risk Manager, Hemet Vistas, L.P.'s carriers shall either:
14 (a) reduce or eliminate such self-insured retention, or (b) procure a bond
15 which guarantees payment of losses and related investigations, claims
16 administration, and defense costs and expenses.

17 iii) Hemet Vistas, L.P. shall cause Hemet Vistas, L.P.'s insurance carrier(s) to
18 furnish the County of Riverside with copies of the Certificate(s) of Insurance
19 and Endorsements effecting coverage as required herein, and 2) if requested to
20 do so orally or in writing by Risk Manager, provide copies of policies
21 including all Endorsements and all attachments thereto, showing such
22 insurance is in full force and effect. Further, said Certificate(s) and policies of
23 insurance shall contain the covenant of the insurance carrier(s) that thirty (30)
24 days written notice shall be given to the County of Riverside prior to any
25 material modification, cancellation, expiration or reduction in coverage of
26 such insurance. Hemet Vistas, L.P. shall not continue operations until County
27 has been furnished Certificate(s) of Insurance and copies of endorsements and
28 if requested, copies of policies of insurance including all endorsements and

1 any and all other attachments as required herein. An individual authorized by
2 the insurance carrier to do so, on its behalf, shall sign the original
3 endorsements for each policy and the Certificate of Insurance.

4 iv) It is understood and agreed to by the parties hereto that Hemet Vistas, L.P.'s
5 insurance shall be construed as primary insurance, and County's insurance
6 and/or deductibles and/or self-insured retention's or self-insured programs
7 shall not be construed as contributory.

8 v) If, during the term of this Covenant or any extension thereof, there is a
9 material change in the scope of services or there is a material change in the
10 equipment to be used in the performance of the scope of work which will add
11 additional exposures (such as the use of aircraft, watercraft, cranes, etc.), then
12 County reserves the right to adjust the types of insurance required under this
13 Covenant and the monetary limits of liability for the insurance coverage's
14 currently required herein, if; in Risk Manager's reasonable judgment, the
15 amount or type of insurance carried by Hemet Vistas, L.P. has become
16 inadequate.

17 vi) Hemet Vistas, L.P. shall pass down the insurance obligations contained herein
18 to all tiers of subcontractors.

19 vii) Hemet Vistas, L.P. agrees to notify County in writing of any claim by a third
20 party or any incident or event that may give rise to a claim arising from the
21 performance of the Agreement.

22 8) HOLD HARMLESS/INDEMNIFICATION. Hemet Vistas, L.P. shall indemnify
23 and hold harmless the County of Riverside, its Agencies, Districts, Special Districts and
24 Departments, their respective directors, officers, Board of Supervisors, elected and appointed
25 officials, employees, agents and representatives (individually and collectively hereinafter
26 referred to as Indemnitees) from any liability whatsoever, based or asserted upon any services of
27 Hemet Vistas, L.P., its officers, employees, subcontractors, agents or representatives arising out
28 of or in any way relating to this Agreement, including but not limited to property damage, bodily

1 injury, or death or any other element of any kind or nature whatsoever arising from the
2 performance of Hemet Vistas, L.P., its officers, employees, subcontractors, agents or
3 representatives Indemnitors from this Agreement. Hemet Vistas, L.P. shall defend, at its sole
4 expense, all costs and fees including, but not limited, to attorney fees, cost of investigation,
5 defense and settlements or awards, the Indemnitees in any claim or action based upon such
6 alleged acts or omissions. With respect to any action or claim subject to indemnification herein
7 by Hemet Vistas, L.P., shall, at their sole cost, have the right to use counsel of their own choice
8 and shall have the right to adjust, settle, or compromise any such action or claim without the
9 prior consent of County; provided, however, that any such adjustment, settlement or compromise
10 in no manner whatsoever limits or circumscribes Hemet Vistas, L.P.'s indemnification to
11 Indemnitees as set forth herein. Hemet Vistas, L.P.'s obligation hereunder shall be satisfied when
12 Hemet Vistas, L.P. has provided to County the appropriate form of dismissal relieving County
13 from any liability for the action or claim involved. The specified insurance limits required in this
14 Agreement shall in no way limit or circumscribe Hemet Vistas, L.P.'s obligations to indemnify
15 and hold harmless the Indemnitees herein from third party claims. In the event there is conflict
16 between this clause and California Civil Code Section 2782, this clause shall be interpreted to
17 comply with Civil Code 2782. Such interpretation shall not relieve the Hemet Vistas, L.P. from
18 indemnifying the Indemnitees to the fullest extent allowed by law.

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

24
25 COUNTY

26 Assistant Director, Housing
27 Riverside County
28 Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504

Hemet Vistas L.P.

c/o Hemet Vistas 1&2R Partners LP
Attn: Danavon Horn
100 Pacifica, Suite 205
Irvine, CA 92618

1
2 10) REMEDIES. County shall have the right, in the event of any breach of any such
3 agreement or covenant, to exercise all available rights and remedies, and to maintain any actions
4 at law or suit in equity or other proper proceedings to enforce the curing of such breach of
5 agreement or covenant.

6 11) TERM. The non-discrimination covenants, conditions and restrictions contained
7 in Section 6 of this Covenant shall remain in effect in perpetuity. Every other covenant,
8 condition and restriction contained in this Covenant shall continue in full force and effect for the
9 Term, as defined in Section 1 of this Covenant.

10 12) NOTICE AND CURE. Prior to exercising any remedies hereunder, the County
11 shall give Hemet Vistas, L.P. notice of such default pursuant to section 9 above. Any monetary
12 default shall be cured within seven (7) days of delivery of written notice. Except as otherwise set
13 forth herein, if a non-monetary default is reasonably capable of being cured within sixty (60)
14 days of delivery of such notice of default, Hemet Vistas, L.P. shall have such period to effect a
15 cure prior to exercise of remedies by County. If the non-monetary default is such that it is not
16 reasonably capable of being cured within sixty (60) days of delivery of such notice of default,
17 and Hemet Vistas, L.P. (a) initiates corrective action within said period, and (b) diligently,
18 continually, and in good faith works to effect a cure as soon as possible, then Hemet Vistas, L.P.
19 shall have such additional time as is reasonably necessary to cure the default prior to exercise of
20 any remedies by the County; but in no event no later than ninety (90) days from delivery of such
21 notice of default.

22 County, upon providing Hemet Vistas, L.P. with any notice of default under this
23 Covenant, shall, within a reasonable time, provide a copy of such default notice to a Permitted
24 Lender who has given written notice to County of its interest in the Property and Project. From
25 and after such notice has been delivered to a Permitted Lender, such Permitted Lender shall
26 have the same period for remedying the default complained of as the cure period provided to
27 Hemet Vistas, L.P. pursuant to this section 12. County shall accept performance by a Permitted
28 Lender as if the same had been done by Hemet Vistas, L.P.

1 If a violation of any of the covenants or provisions of this Covenant remains uncured
2 after the respective time period set forth in this Section 12, County and its successors and
3 assigns, without regard to whether County or its successors and assigns is an owner of any land
4 or interest therein to which these covenants relate, may institute and prosecute any proceedings
5 at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to
6 compel specific performance by Hemet Vistas, L.P. of its obligations hereunder. No delay in
7 enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the
8 right of any party entitled to enforce the provisions hereof or to obtain relief against or recover
9 for the continuation or repetition of such breach or violations or any similar breach or violation
10 hereof at any later time.

11 13) SALE, ASSIGNMENT OR TRANSFER OF THE PROJECT OR PROPERTY.

12 Hemet Vistas, L.P. hereby covenants and agrees not to sell, transfer, assign or otherwise dispose
13 of the Project, the Property or any portion thereof, without obtaining the prior written consent of
14 County, in its sole discretion. Any sale, assignment, or transfer of the Project or Property, shall
15 be memorialized an assignment and assumption agreement the form and substance of which have
16 been first approved in writing by the County in its sole discretion. Such assignment and
17 assumption agreement shall, among other things, provide that the transferee has assumed in
18 writing and in full, and is reasonably capable of performing and complying with Hemet Vistas,
19 L.P.'s duties and obligations under the Agreement and this Covenant, provided, however Hemet
20 Vistas, L.P. shall not be released of all obligations under the HOME Loan Agreement and this
21 Covenant.

22 14) AMENDMENTS OR MODIFICATIONS. This Covenant may be changed or
23 modified only by a written amendment signed by authorized representatives of both parties.

24 15) GOVERNING LAW; VENUE; SEVERABILITY. This Covenant shall be
25 governed by the laws of the State of California. Any legal action related to the performance or
26 interpretation of this Covenant shall be filed only in the Superior Court of the State of California
27 located in Riverside, California, and the parties waive any provision of law providing for a
28 change of venue to another location. In the event any provision in this Covenant is held by a

1 court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions
2 will nevertheless continue in full force without being impaired or invalidated in any way

3 16) BINDING EFFECT. The rights and obligations of this Covenant shall bind and
4 inure to the benefit of the respective heirs, successors and assigns of the parties.

5 17) PERMITTED MORTGAGES. No violation or breach of the covenants,
6 conditions, restrictions, provisions or limitations contained in this Covenant shall defeat or
7 render invalid or in any way impair the lien or charge of any deed of trust or mortgage permitted
8 by the Agreement or the lien or charge of a deed of trust made by the Hemet Vistas, L.P. for the
9 benefit of any lender first approved in writing by the County (each, a "Permitted Lender") and
10 nothing herein or in the Agreement shall prohibit or otherwise limit the exercise of a Permitted
11 Lender's rights and remedies thereunder, including a foreclosure or deed-in-lieu of foreclosure
12 and subsequent transfer thereafter.

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

17 19) PROJECT MONITORING AND EVALUATION.

18 a) Tenant Checklist. Hemet Vistas, L.P. shall submit a Tenant Checklist Form to
19 COUNTY, as shown in **Exhibit __** which is attached hereto and incorporated herein by
20 this reference, and may be revised by COUNTY, summarizing the racial/ethnic
21 composition, number and percentage of very low-income households who are tenants of
22 the HOME-assisted units. The Tenant Checklist Form shall be submitted upon
23 completion of the construction and thereafter, on a semi-annual basis on or before March
24 31 and September 30. Hemet Vistas, L.P. shall maintain financial, programmatic,
25 statistical and other supporting records of its operations and financial activities in
26 accordance with the requirements of the HOME Program under 24 CFR 92.508,
27 including the submission of Tenant Checklist Form. Except as otherwise provided for in
28 this Covenant and in the Agreement, Hemet Vistas, L.P. shall maintain and submit

1 records to COUNTY within ten (10) business days of COUNTY's request which clearly
2 documents Hemet Vistas, L.P.'s performance under each requirement of the HOME
3 Program.

- 4 b) Inspections. Pursuant to 24 CFR 92.504(d)(1)(ii), during the period of affordability,
5 COUNTY must perform on-site inspections of HOME-assisted rental housing to
6 determine compliance with the property standards of §92.251 and to verify the
7 information submitted by the owners in accordance with the requirements of §92.252.
8 The inspections must be in accordance with the inspection procedures that the
9 participating jurisdiction establishes to meet the inspection requirements of §92.251. The
10 on-site inspections must occur at least once every 3 years thereafter during the period of
11 affordability. If there are observed deficiencies for any of the inspectable items in the
12 property standards established by COUNTY, in accordance with the inspection
13 requirements of §92.251, a follow-up on-site inspection to verify that deficiencies are
14 corrected must occur within 12 months. COUNTY may establish a list of non-hazardous
15 deficiencies for which correction can be verified by third party documentation (e.g., paid
16 invoice for work order) rather than re-inspection. Health and safety deficiencies must be
17 corrected immediately, in accordance with §92.251. COUNTY must adopt a more
18 frequent inspection schedule for properties that have been found to have health and
19 safety deficiencies. The property owner must annually certify to the COUNTY that each
20 building and all HOME- assisted units in the project are suitable for occupancy, taking
21 into account State and local health, safety, and other applicable codes, ordinances, and
22 requirements, and the ongoing property standards established by the participating
23 jurisdiction to meet the requirements of §92.251. Inspections must be based on a
24 statistically valid sample of units appropriate for the size of the HOME-Assisted project,
25 as set forth by HUD through notice. For projects with one-to-four HOME-Assisted
26 Units, COUNTY must inspect 100 percent of the HOME-Assisted Units and the
27 inspectable items (site, building exterior, building systems, and common areas) for each
28 building housing HOME-assisted units.

20) ACCESS TO PROJECT SITE. Representatives of the COUNTY and HUD shall have the right of access to the Property, upon 24 hours' written notice to Hemet Vistas, L.P. (except in the case of an emergency, in which case COUNTY and/or HUD shall provide such notice as may be practical under the circumstances), without charges or fees, during normal business hours to review the operation of the Project in accordance with this Covenant and the Agreement.

21) COUNTERPARTS. This Covenant 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.

22) This Covenant and the Agreement set forth and contain the entire understanding and agreement of the parties hereto. There are no oral or written representations, understandings, or ancillary covenants, undertakings or agreements, which are not contained or expressly referred to within this Covenant, and the Agreement, including all amendments and modifications to the Agreement.

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[remainder of page intentionally blank]

(SIGNATURES ON THE NEXT PAGE)

1 IN WITNESS WHEREOF, the Parties have executed this Covenant Agreement
2 as of the dates written below.

3 County:
4 County of Riverside, a political subdivision of
the State of California

Partnership:
Hemet Vistas 1&2R Partners LP,
a California limited partnership

5 By: _____
6 Heidi Marshall
7 Assistant Director

By: PC Hemet Vistas 1&2R Developers LLC,
a California limited liability company,
its Administrative General Partner

8 Date: _____

By: _____
Danavon L. Horn

10
11 APPROVED AS TO FORM:
12 GREGORY P. PRIAMOS, County Counsel

Date: _____

13 By: _____
14 Jhaila Brown
15 Deputy County Counsel

By: Las Palmas Foundation,
a California non-profit public benefit corporation,
its Managing General Partner

16 By: _____
17 Joseph M. Michaels, President

18
19 Date: _____
20
21
22
23
24
25
26
27
28



Notice of Exemption

To:
☐ Office of Planning and Research
For U.S Mail: *Street Address:*
P.O. Box 3044 1400 Tenth St.
Sacramento, CA 95812-3044 Sacramento, CA 95814

From:
Public County of Riverside
Agency: Economic Development Agency
Address: 5555 Arlington Avenue
Riverside, CA 92504
Contact: Stephanie Adams
Phone: (951) 343-5455

☒ County Clerk
County of: Riverside
2724 Gateway Drive
P.O. Box 751
Address: Riverside, CA 92502-0751

Lead Agency (if different from above):
Address: _____
Contact: _____
Phone: _____

SUBJECT: Filing of Notice of Determination in Compliance with Section 21108 or 21152 of the public Resources Code.

State Clearinghouse Number (if submitted to State Clearinghouse): _____

Project Title: Hemet Vistas Apartments

Project Location: 225 W. Fruitvale, Hemet, CA 92543; Assessor's Parcel Numbers: 439-060-036-5 and 439-060-037-6

Project Description:

Hemet Vistas 1&2R Partners LP, a California Limited Partnership, proposes to rehabilitate a property consisting of 144 multi-family units (36 four-bedroom units and 108 three-bedroom units) located at 225 W. Fruitvale, Hemet, CA 92543, also identified as Assessor's Parcel Number 439-060-036-5 and 439-060-037-6. Eleven units (6 three-bedrooms and 5 four-bedrooms) will be designated as HOME-assisted units pursuant to HOME regulations. The use and occupancy of the Property and the HOME-assisted units located thereon will be restricted for the following period, the earlier to occur of (i) July 1, 2075 or (ii) fifty-five years from the recordation of the Notice of Completion for which rehabilitation is completed for the project. The aforementioned use and occupancy restrictions will be set forth in a recorded covenant agreement.

Project Sponsor: Hemet Vistas 1&2R Partners LP, a California Limited Partnership

This is to advise that the County of Riverside Board of Supervisors approved the above project on

☐ Lead agency or ☒ Responsible Agency

November 8, 2017 and has made the following determinations regarding the above described project:
(tentative date)

Exempt Status: California Environmental Quality Act (CEQA) Guidelines, Section 15061 (b) (3), General Rule Exemption.

Reasons Why Project is Exempt: Pursuant to the California Environmental Quality Act (CEQA), the Second Amendment to HOME Loan Agreement was reviewed and determined to be categorically exempt from CEQA under State CEQA Guidelines 15301, Class 1-Existing Facilities and State CEQA Guidelines 15061(b) (3), General Rule or "Common Sense" Exemption. The proposed project, the Second Amendment to HOME Loan Agreement, involves the refinancing of HOME funds for the rehabilitation of an existing facility and no expansion of an existing use will occur. In addition, there is no possibility that the proposed project will have a significant effect on the environment and the project will not lead to any direct or reasonably indirect physical environmental impacts since the existing use will be maintained.

Signature: _____ Title: John Aguilar, Deputy Director
Riverside County EDA

Date: _____ Date received for filing: _____