

- B. Eligibility for Preference: A Section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Sec. 135.5 (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)
- C. Eligibility for employment: Nothing in this part shall be construed to require the employment of a Section 3 resident who does not meet the qualifications of the position to be filled.

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

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

SECTION 135.38 Section 3 Clause.

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

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

VI. SECTION 135.40 Providing Other Economic Opportunities

- A. General. In accordance with the findings of the Congress, as stated in Section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with Section 3 covered assistance.

- B. Other training and employment related opportunities. Other economic opportunities to train and employ Section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring Section 3 residents in management and maintenance positions within other housing developments; and hiring Section 3 residents in part-time positions.

- C. Other business related economic opportunities:
 - (1) A recipient or contractor may provide economic opportunities to establish stabilize or expand Section 3 Business Concerns, including micro-enterprises. Such opportunities include, but are not limited to the formation of Section 3 Joint Ventures, financial support for affiliating with franchise development, use of labor only contracts for building trades, purchase of supplies and materials from housing authority resident-owned businesses, purchase of materials and supplies from Public Housing Agency resident-owned businesses. A recipient or contractor may employ these methods directly or may provide incentives to non-Section 3 businesses to utilize such methods to provide other economics opportunities to low-income persons.

 - (2) A Section 3 Joint Venture means an association of Business Concerns, one of which qualifies as a Section 3 Business Concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the Business Concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the Section 3 Business Concern:
 - (i) Is responsible for clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and

 - (ii) Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

VII. SECTION 135.5 Definitions.

As used in this part:

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

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

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

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

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

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

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

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

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

HUD Youth build Programs means programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and

training in the construction or rehabilitation of housing for homeless individuals and members of low and very low-income families.

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

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

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

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

Secretary means the Secretary of Housing and Urban Development.

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

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

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

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

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

Section 3 covered assistance means:

- (1) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:
 - (i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);
 - (ii) Housing construction; or
 - (iii) Other public construction project (which includes other buildings or improvements regardless of ownership).

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

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

Section 3 resident means:

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

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

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

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
CONTRACTOR CERTIFICATION
REGARDING STATUS AS A SECTION 3 BUSINESS CONCERN

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

known as _____
(print business name)

- _____ is not a Section 3 business. (Please complete the bottom section.)
- _____ is a Section 3 business **because** (check one of the following:)
- _____ *51 percent or more is owned by Section 3 residents; or*
- _____ *30 percent of the permanent full-time employees are currently Section 3 residents or were Section 3 residents when first hired (if within the past three years); or*
- _____ *The business commits in writing to subcontract over 25 percent of the total dollar amount of all subcontracts to be let to businesses that meet the requirements of Sections 1 and 2 of this definition;*

AND

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

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

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

Signature _____ Project _____

Date _____

Project _____ \$ _____

HUD Effective FY 2016 – Annual Low-Income Limit

Persons in Household	1	2	3	4	5	6	7	8
Low-Income Family (80% AMI)	\$35,800	\$40,900	\$46,000	\$51,100	\$55,200	\$59,300	\$63,400	\$67,500

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

EXHIBIT D-2

§ 135.38 Section 3 Clause

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

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

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

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

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

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

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

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25

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

Prohibition Against Conflicts of Interest

EXHIBIT "E"

§ 92.356 Conflict of interest.

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

(b) **Conflicts prohibited.** No persons described in **paragraph (c)** of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted with NSP3 funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a NSP3-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(c) **Persons covered.** The conflict of interest provisions of **paragraph (b)** of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of COUNTY, State recipient, or sub-recipient which are receiving NSP3 funds.

(d) **Exceptions: Threshold requirements.** Upon the written request of the recipient, HUD may grant an exception to the provisions of **paragraph (b)** of this section on a case-by-case basis when it determines that the exception will serve to further the purposes of the NSP3 Investment Partnerships Program and the effective and efficient administration of COUNTY's program or project. An exception may be considered only after the recipient has provided the following:

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

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

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

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

e. Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive

- generally the same interests or benefits as are being made available or provided to the group or class;
- f. Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
 - g. Whether the interest or benefit was present before the affected person was in a position as described in **paragraph (c)** of this section;
 - h. Whether undue hardship will result either to COUNTY or the person affected when weighed against the public interest served by avoiding the prohibited conflict;
 - i. Any other relevant considerations.

Owners/Participants and Developers.

- (1) No owner, developer, or sponsor of a project assisted with NSP3 funds (or officer, employee, agent or consultant of the owner, developer, or sponsor) whether private, for profit or non-profit (including a community housing development organization (CHDO) when acting as an owner, developer or sponsor) may occupy a NSP3-assisted affordable housing unit in a project. This provision does not apply to an individual who receives NSP3 funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.
- (2) Exceptions. Upon written request of owner or developer, COUNTY may grant an exception to the provisions of **paragraph (f)(1)** of this section on a case-by-case basis when it determines that the exception will serve to further the purpose of the NSP3 program and the effective and efficient administration of the owner's or developer's NSP3-assisted project. In determining whether to grant a requested exception, COUNTY shall consider the following factors:
 - (i) Whether the person receiving the benefit is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted housing, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 - (ii) Whether the person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted housing in question;
 - (iii) Whether the tenant protection requirements of § 92.253 are being observed;
 - (iv) Whether the affirmative marketing requirements of § 92.351 are being observed and followed; and
 - (v) Any other factor relevant to COUNTY's determination, including the timing of the requested exception.

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

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

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

- 1) No employee, officer, or agent of the grantee shall participate in the selection, in the award or in the administration of a contract supported by Federal Funds if a conflict of interest, real or apparent, would be involved.
- 2) Such a conflict will arise when:
 - i) The employee, officer or agent;
 - ii) Any member of the immediate family;
 - iii) His/Her partners; or
 - iv) An organization which employs, or is about to employ any of the above has a financial or other interest in the firm's selection for award.
- 3) The grantee's or sub-grantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to sub-agreements except as noted in Section 4.
- 4) A grantee's or sub-grantee's officers, employees or agents will be presumed to have a financial interest in a business if their financial interest exceeds the following:
 - i) Any business entity in which the official has a direct or indirect investment worth one thousand dollars (\$1,000) or more.
 - ii) Any real property in which the official has a direct or indirect interest worth one thousand dollars (\$1,000) or more.
 - iii) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars (\$250) or more in value provided to, received by or promised to the official within 12 months prior to the time when the decision is made.
 - iv) Any business entity in which the official is a director, officer, partner, trustee, employee, or holds any position of management.
 - v) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the official within 12 months prior to the time when the decision is made.
- 5) For purposes of **Section 4**, indirect investment or interest means any investment or interest owned by the spouse or dependent child of an official, by an agent on behalf of an official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or more.

Exhibit F: Sample Tenant Checklist

Project Name:
 Address:

Insert a check mark for each item that is relevant to the family below

Unit No.	Tenant Name	Move In Date	Move Out Date	Rent Amount	Family Size	No. of BRs	Utility Allowance	Tenant Portion	Section 8 Subsidy	Recert. Date	Tenant Income	% of Median	Non-Hisp.	Hisp.	Ar. Ind (AIAN)	Asn	Blk	N.Haw Pc Islan	WHT	AIAN & WHT	ASN & WHT	BLK & WHT	AIAN & BLK	Two or more Races	

Prepared by:
 Title:
 Phone Number:

Problems or questions please call Mervyn Manalo

If you would like this form prepared on Microsoft Excel e-mailed to you, please contact mmanalo@rivcoeda.org

EXHIBIT "G"

Covenant Agreement

1 NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

2 Order No.
3 Escrow No.
4 Loan No.

4 RECORDING REQUESTED BY AND
5 WHEN RECORDED MAIL TO:

6 County of Riverside
7 Economic Development Agency
8 5555 Arlington Avenue
9 Riverside, CA 92504
Attn. Mervyn Manalo

SPACE ABOVE THIS LINE FOR RECORDERS USE

10
11 **COVENANT AGREEMENT**
12 **(Illinois Avenue Apartments)**

13 This Covenant Agreement (Illinois Avenue Apartments) ("Covenant") is made and
14 entered into as of the day of _____, 2016 by and between the
15 COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), and
16 LINC-BEAUMONT APTS LP, a California limited liability partnership ("OWNER").

17 **RECITALS**

18 WHEREAS, OWNER owns those certain real properties located at the west side of
19 Illinois Avenue at the intersection of East 7th Street, Beaumont, California 92223 also identified
20 as Assessor's Parcel Numbers 418-020-027, 418-020-032, 418-020-033, and 418-020-034,
21 legally described in **Exhibit A** attached hereto and incorporated herein by this reference (the
22 "Property");

23 WHEREAS, on _____, 2016, COUNTY and OWNER entered into that certain Loan
24 Agreement for the Use of Neighborhood Stabilization Program 3 Funds recorded in the Official
25 Records ("Official Records") of the County of Riverside concurrently herewith (the "NSP3 Loan
26 Agreement") which provides for, among other things, redevelopment and construction on the
27 Property, "Illinois Avenue Apartments," a portion of which will be for very low-income families
28 (the "Project"). Capitalized terms not defined herein shall have the meaning ascribed to them in

1 the NSP3 Loan Agreement;

2 WHEREAS, the Neighborhood Stabilization Program (“NSP”), which was enacted
3 under Title III of Division B of the Housing and Economic Recovery Act of 2008 (“HERA”)
4 and appropriated under Community Development Block Grant (CDBG), was created under the
5 heading of Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes
6 for the purpose of assisting in the redevelopment of abandoned or foreclosed homes. The
7 American Recovery and Reinvestment Act of 2009 provided a second round of NSP funds
8 (NSP2). On October 19, 2010, a third round of NSP funding (“NSP3”), provided an additional
9 allocation of funds under Section 1497 of the Wall Street Reform and Consumer Protection
10 Act of 2010 (“Dodd-Frank Act”). The intent of NSP, NSP2 and NSP3 is to stabilize
11 neighborhoods in areas with greatest need and stem the decline of house values of neighboring
12 homes;

13 WHEREAS, pursuant to the NSP3 Loan Agreement, COUNTY loaned to OWNER
14 \$1,000,000 of NSP3 funds (“NSP3 Loan”), to provide financial assistance to OWNER, to pay a
15 portion of the costs related to the Project, as more fully described in the NSP3 Loan Agreement.
16 The NSP3 Loan is evidenced by a Promissory Note executed by OWNER, in favor of the
17 COUNTY dated on or about the date hereof (“NSP3 Loan Note”)and secured by that certain
18 Deed of Trust executed by OWNER, for the benefit of COUNTY and recorded in the Official
19 Records concurrently herewith (“NSP3 Loan Deed of Trust”); and

20 WHEREAS, pursuant to the NSP3 Loan Agreement, OWNER has agreed to redevelop
21 the land and construct a multi-family affordable rental housing project consisting of thirty-eight
22 (38) rental units including one (1) residential manager’s unit. A total of eighteen (18) NSP3-
23 Assisted Units are to be rented to and occupied by qualified very low income households
24 pursuant to the NSP3 Program (“NSP3-Assisted Units”) as set forth more specifically below.

25 NOW, THEREFORE, in consideration of the mutual covenants and agreements, and for
26 other good and valuable consideration, the receipt and sufficiency of which are hereby
27 acknowledged, OWNER, on behalf of itself and its successors, assigns, and each successor in
28 interest to the Property or any part thereof, hereby declares as follows:

1 1) RESTRICTIONS. This Covenant shall continue in full force and effect for the
2 later of (i) fifty-five (55) years from the recordation of the Notice of Completion for the last
3 building for which construction is completed for the Project on the Property, or (ii) July 1, 2073
4 (“Term”), for itself and on behalf of its successors and assigns. For the duration of the term, the
5 Property shall be held, sold and conveyed, subject to the following covenants, conditions, and
6 restrictions:

7 a) Eighteen (18) NSP3-Assisted Units shall be limited to households whose
8 incomes do not exceed fifty percent (50%) of the area median income for the County of
9 Riverside (“Qualified Very Low Income Households”), adjusted by family size at the time of
10 occupancy as published by HUD. The NSP3-Assisted Units shall be a “floating” designation on
11 the Property such that the requirements of this Agreement will be satisfied so long as the total
12 number of NSP3-Assisted Units remains the same throughout the Affordability Period;

13 b) Pursuant to the COUNTY’s NSP3 program as set forth in the COUNTY’s
14 2010-2011 One Year Action Plan (“Action Plan”) including its amendments, BORROWER shall
15 comply with the rent limitations under 24 CFR 92.252 of the HOME Investment Partnerships
16 Act and HOME Investment Partnerships (“HOME”) program, which was enacted under Title II
17 of the Cranston-Gonzalez National Affordable Housing Act (the “Act”), as amended
18 (commencing at 42 U.S.C. 12701 et seq.), and the implementing regulations thereto (24 CFR
19 Part 92) (collectively, the “HOME Program”). A total of 18 units consisting of 6 one-bedroom,
20 2 two-bedroom, and 10 three-bedroom shall be reserved as NSP3-Assisted Units and rented at
21 Low HOME rent levels as published by HUD. The NSP3-Assisted Units shall be a “floating”
22 designation on the Property such that the requirements of this Agreement will be satisfied so
23 long as the total number of NSP3-Assisted Units and bedroom size remains the same throughout
24 the Affordability Period. COUNTY shall review and approve proposed rents to the extent
25 required under this section. BORROWER shall ensure the NSP3-Assisted Units are rented to
26 Qualified Very Low Income Households at the Low HOME rent levels required herein. The
27 maximum monthly allowances for utilities and services (excluding telephone) shall not exceed
28 the utility allowance as described below;

1 c) Utility Allowance: The California Utility Allowance Calculator (CUAC)
2 is California's energy consumption model for calculating utility estimates (Treasury Regulation
3 26 CFR §1.42-10). The BORROWER shall use the California Utility Allowance Calculator
4 (CUAC) to establish maximum monthly allowances for utilities and services to be used by the
5 BORROWER in calculating rents conditioned upon approval by the California Tax Credit
6 Allocation Committee (CTCAC) for Low Income Housing Tax Credit Projects; and

7 d) OWNER shall comply with the terms of the NSP3 Loan Agreement, NSP3
8 Loan Note, NSP3 Loan Deed of Trust and any other instrument secured against the Property.

9 2) SUBORDINATION. This Covenant Agreement shall be recorded in junior
10 position to the following liens: (1) deed of trust for the benefit of Compass Bank securing a
11 construction loan for the Project in an amount up to \$14,000,000; (2) deed of trust for the benefit
12 the California Department of Housing and Community Development ("HCD") securing a
13 Veterans Housing and Homelessness Prevention ("VHHP") Program loan for the Project in an
14 amount up to \$3,900,000; and (3) NSP3 Deed of Trust for the benefit of COUNTY securing the
15 NSP3 Loan and the terms of this Agreement in third priority position junior to the above deeds
16 of trust from Compass Bank and HCD ("Senior Loan" or "Senior Loans").

17 3) COMPLIANCE WITH LAWS AND REGULATIONS. During the Term of this
18 Covenant, OWNER, for itself and on behalf of its successors and assigns, shall adhere to and
19 comply with all federal, state and local laws, regulations and ordinances., including, but not
20 limited to the following:

21 a) The Neighborhood Stabilization Program as enacted under Section 1497
22 of the Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and
23 Federal Register Notice, Vol. 75, No. 201, Docket No. FR-5447-N-01, dated October 19,
24 2010, as amended.

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

1 c) 24 CFR Section 92.351 Affirmative marketing and minority outreach
2 program. OWNER must adopt affirmative marketing procedures and requirements. These must
3 include:

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

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

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

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

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

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

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

- 3 (i) Placing qualified small and minority businesses and
4 women's business enterprises on solicitation lists.
5 (ii) Assuring that small and minority businesses, and women's
6 business enterprises are solicited whenever they are
7 potential sources.
8 (iii) Dividing total requirements, when economically feasible,
9 into smaller tasks or quantities to permit maximum
10 participation by small and minority business, and women's
11 business enterprises.
12 (iv) Establishing delivery schedules, where the requirement
13 permits, which encourage participation by small and
14 minority business, and women's business enterprises.
15 (v) Using the services and assistance of the Small Business
16 Administration, and the Minority Business Development
17 Agency of the Department of Commerce.

18 10) TENANT PROTECTIONS. OWNER shall provide protection to the tenants of
19 the COUNTY NSP3 Assisted Units in accordance with the requirements set forth at 24 CFR
20 92.253 and described as follows:

21 a) Provide written lease agreement for not less than one year, unless by
22 mutual agreement between the tenant and OWNER. COUNTY shall review the initial form of
23 the lease agreement prior to OWNER executing any leases and, provided that OWNER uses
24 the approved lease form, OWNER shall be permitted to enter into residential leases without
25 COUNTY's prior written consent.

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

- 28 (1) *Agreement to be sued*. Agreement by the tenant to be sued, to

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admit guilt or to a judgment in favor of OWNER in a lawsuit brought in connection with the lease.

(2) *Treatment of property.* Agreements by tenant that OWNER 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. OWNER may dispose of this personal property in accordance with State law.

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

(4) *Waiver of notice.* Agreement of the tenant that OWNER may institute a lawsuit without notice to the tenant.

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

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

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

(8) *Tenant chargeable with cost of legal actions regardless of outcome.* Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by

1 OWNER against the tenant. The tenant, however, may be
2 obligated to pay costs if the tenant loses.

3 (9) *Mandatory supportive services.* Agreement by the tenant (other
4 than a tenant in transitional housing) to accept supportive services
5 that are offered.

6 c) Violence Against Women Reauthorization Act of 2013. (Pub. L. 113-4,
7 127 Stat. 54) ("VAWA 2013"). VAWA 2013 reauthorizes and amends the Violence Against
8 Women Act of 1994, as previously amended, (title IV, sec. 40001-40703 of Pub. L. 103-322,
9 42 U.S.C. 13925 et seq.) VAWA 2013, among other things, bars eviction and termination due
10 to a tenant's status as a victim of domestic violence, dating violence, or stalking, and requires
11 landlords to maintain survivor-tenant confidentiality. VAWA 2013 prohibits a tenant who is a
12 survivor of domestic violence, dating violence, sexual assault, and stalking from being denied
13 assistance, tenancy, or occupancy rights based solely on criminal activity related to an act of
14 violence committed against them. It extends housing protections to survivors of sexual assault,
15 and adds "intimate partner" to the list of eligible relationships in the domestic violence
16 definition. Protections also now cover an "affiliated individual," which includes any lawful
17 occupant living in the survivor's household, or related to the survivor by blood or marriage
18 including the survivor's spouse, parent, brother, sister, child, or any person to whom the
19 survivor stands in loco parentis. VAWA 2013 allows a lease bifurcation so a tenant or lawful
20 occupant who engages in criminal activity directly relating to domestic violence, dating
21 violence, sexual assault, or stalking against an affiliated individual or other individual, or
22 others may be evicted or removed without evicting or removing or otherwise penalizing a
23 victim who is a tenant or lawful occupant. If victim cannot establish eligibility, OWNER must
24 give a reasonable amount of time to find new housing or establish eligibility under another
25 covered housing program. A Notice of Rights under VAWA 2013 for tenants must be provided
26 at the time a person applies for housing, when a person is admitted as a tenant of a housing
27 unit, and when a tenant is threatened with eviction or termination of housing benefits. Tenants
28 must request an emergency transfer and reasonably believe that they are threatened with

1 imminent harm from further violence if the tenant remains in the same unit. The provisions of
2 VAWA 2013 that are applicable to HUD programs are found in title VI of VAWA 2013, which
3 is entitled "Safe Homes for Victims of Domestic Violence, Dating Violence, Sexual Assault,
4 and Stalking." Section 601 of VAWA 2013 amends subtitle N of VAWA (42 U.S.C. 14043e et
5 seq.) to add a new chapter entitled "Housing Rights."

6 11) MAINTENANCE OF THE IMPROVEMENTS. OWNER, on behalf of itself and
7 its successors, assigns, and each successor in interest to the Property and Project or any part
8 thereof hereby covenants to and shall protect, maintain, and preserve the Property in compliance
9 with all applicable federal and state law and regulations and local ordinances. In addition,
10 OWNER, its successors and assigns, shall maintain the improvements on the Property in the
11 same aesthetic and sound condition (or better) as the condition of the Property at the time of the
12 recordation of the Notice of Completion for the Project, reasonable wear and tear excepted. This
13 standard for the quality of maintenance of the Property shall be met whether or not a specific
14 item of maintenance is listed below. However, representative items of maintenance shall include
15 frequent and regular inspection for graffiti or damage or deterioration or failure, and immediate
16 repainting or repair or replacement of all surfaces, fencing, walls, equipment, etc., as necessary;
17 emptying of trash receptacles and removal of litter; sweeping of public sidewalks adjacent to the
18 Property, on-site walks and paved areas and washing-down as necessary to maintain clean
19 surfaces; maintenance of all landscaping in a healthy and attractive condition, including
20 trimming, fertilizing and replacing vegetation as necessary; cleaning windows on a regular basis;
21 painting the buildings on a regular program and prior to the deterioration of the painted surfaces;
22 conducting a roof inspection on a regular basis and maintaining the roof in a leak-free and
23 weather-tight condition; maintaining security devices in good working order. In the event
24 OWNER, its successors or assigns fails to maintain the Property in accordance with the standard
25 for the quality of maintenance, the COUNTY or its designee shall have the right but not the
26 obligation to enter the Property upon reasonable notice to OWNER, correct any violation, and
27 hold OWNER, or such successors or assigns responsible for the cost thereof, and such cost, until
28 paid, shall constitute a lien on the Property.

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

12 OWNER herein covenants by and for itself, its successors and assigns, and all persons
13 claiming under or through them, that this Covenant is made and accepted upon and subject to the
14 following conditions: There shall be no discrimination against or segregation of any person or
15 group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the
16 Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and
17 paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code,
18 in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor
19 shall the transferee itself or any person claiming under or through him or her, establish or permit
20 any such practice or practices of discrimination or segregation with reference to the selection,
21 location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the
22 Property.

23 OWNER, its successors and assigns, shall refrain from restricting the rental, sale, or lease
24 of the Property or any portion thereof, on the basis of race, color, creed, religion, sex, sexual
25 orientation, marital status, national origin, or ancestry of any person. Every deed, lease, and
26 contract entered into with respect to the Property, or any portion thereof, after the date of this
27 Agreement shall contain or be subject to substantially the following nondiscrimination or
28 nonsegregation clauses:

1 a) In deeds: “The grantee herein covenants by and for himself or herself, his
2 or her heirs, executors, administrators, and assigns, and all persons claiming under or
3 through them, that there shall be no discrimination against or segregation of, any person
4 or group of persons on account of any basis listed in subdivision (a) or (d) of Section
5 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1,
6 subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section
7 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy,
8 tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person
9 claiming under or through him or her, establish or permit any practice or practices of
10 discrimination or segregation with reference to the selection, location, number, use or
11 occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein
12 conveyed. The foregoing covenants shall run with the land.”

13 b) In leases: “The lessee herein covenants by and for himself or herself, his
14 or her heirs, executors, administrators, and assigns, and all persons claiming under or
15 through him or her, and this lease is made and accepted upon and subject to the following
16 conditions: That there shall be no discrimination against or segregation of any person or
17 group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955
18 of the Government Code, as those bases are defined in Sections 12926, 12926.1,
19 subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section
20 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy,
21 tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself,
22 or any person claiming under or through him or her, establish or permit any such practice
23 or practices of discrimination or segregation with reference to the selection, location,
24 number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the
25 premises herein leased.”

26 c) In contracts: “There shall be no discrimination against or segregation of
27 any person or group of persons, on account of any basis listed in subdivision (a) or (d) of
28 Section 12955 of the Government Code, as those bases are defined in Sections 12926,

1 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and
2 Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use,
3 occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person
4 claiming under or through him or her, establish or permit any such practice or practices of
5 discrimination or segregation with reference to the selection, location, number, use, or
6 occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land.”

7 In addition to the obligations and duties of OWNER set forth herein, OWNER shall, upon
8 notice from COUNTY, promptly pay to COUNTY all fees and costs, including administrative
9 and attorneys’ fees, incurred by COUNTY in connection with responding to or defending any
10 discrimination claim brought by any third party and/or local, state or federal government entity,
11 arising out of or in connection with the Agreement or this Covenant.

12 13) INSURANCE. Without limiting or diminishing OWNER’s obligation to
13 indemnify or hold COUNTY harmless, OWNER shall procure and maintain or cause to be
14 maintained, at its sole cost and expense, the following insurance coverage’s during the term of
15 this Covenant.

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

23 b) Commercial General Liability Insurance. Commercial General Liability insurance
24 coverage, including but not limited to, premises liability, contractual liability, products
25 and completed operations liability, personal and advertising injury, and cross liability
26 coverage, covering claims which may arise from or out of OWNER’s performance of its
27 obligations hereunder. Policy shall name the County of Riverside, its Agencies, Districts,
28 Special Districts, and Departments, their respective directors, officers, Board of

1 Supervisors, employees, elected or appointed officials, agents or representatives as
2 Additional Insured. Policy's limit of liability shall not be less than \$1,000,000 per
3 occurrence combined single limit. If such insurance contains a general aggregate limit, it
4 shall apply separately to this agreement or be no less than two (2) times the occurrence
5 limit.

6 c) Vehicle Liability Insurance. If vehicles or mobile equipment are used in the performance
7 of the obligations under this Covenant, then OWNER shall maintain liability insurance
8 for all owned, non-owned or hired vehicles so used in an amount not less than \$1,000,000
9 per occurrence combined single limit. If such insurance contains a general aggregate
10 limit, it shall apply separately to this agreement or be no less than two (2) times the
11 occurrence limit. Policy shall name the County of Riverside, its Agencies, Districts,
12 Special Districts, and Departments, their respective directors, officers, Board of
13 Supervisors, employees, elected or appointed officials, agents or representatives as
14 Additional Insured or provide similar evidence of coverage approved by County's Risk
15 Manager ("Risk Manager").

16 d) General Insurance Provisions – All Lines.

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

22 ii) OWNER's insurance carrier(s) must declare its insurance self-insured
23 retentions. If such self-insured retentions exceed \$500,000 per occurrence
24 such retentions shall have the prior written consent of Risk Manager. Upon
25 notification of self-insured retention unacceptable to COUNTY, and at the
26 election of Risk Manager, OWNER's carriers shall either: (a) reduce or
27 eliminate such self-insured retention, or (b) procure a bond which guarantees
28 payment of losses and related investigations, claims administration, and

1 defense costs and expenses.

2 iii) OWNER shall cause OWNER's insurance carrier(s) to furnish the County of
3 Riverside with copies of the Certificate(s) of Insurance and Endorsements
4 effecting coverage as required herein, and 2) if requested to do so orally or in
5 writing by Risk Manager, provide copies of policies including all
6 Endorsements and all attachments thereto, showing such insurance is in full
7 force and effect. Further, said Certificate(s) and policies of insurance shall
8 contain the covenant of the insurance carrier(s) that thirty (30) days written
9 notice shall be given to the County of Riverside prior to any material
10 modification, cancellation, expiration or reduction in coverage of such
11 insurance. OWNER shall not continue operations until COUNTY has been
12 furnished Certificate(s) of Insurance and copies of endorsements and if
13 requested, copies of policies of insurance including all endorsements and any
14 and all other attachments as required herein. An individual authorized by the
15 insurance carrier to do so, on its behalf, shall sign the original endorsements
16 for each policy and the Certificate of Insurance.

17 iv) It is understood and agreed to by the parties hereto that OWNER's insurance
18 shall be construed as primary insurance, and COUNTY's insurance and/or
19 deductibles and/or self-insured retention's or self-insured programs shall not
20 be construed as contributory.

21 v) If, during the term of this Covenant or any extension thereof, there is a
22 material change in the scope of services or there is a material change in the
23 equipment to be used in the performance of the scope of work which will add
24 additional exposures (such as the use of aircraft, watercraft, cranes, etc.), then
25 COUNTY reserves the right to adjust the types of insurance required under
26 this Covenant and the monetary limits of liability for the insurance coverage's
27 currently required herein, if, in Risk Manager's reasonable judgment, the
28 amount or type of insurance carried by OWNER has become inadequate.

1 vi) OWNER shall pass down the insurance obligations contained herein to all
2 tiers of subcontractors.

3 vii) OWNER agrees to notify COUNTY in writing of any claim by a third party or
4 any incident or event that may give rise to a claim arising from the
5 performance of the Agreement.

6 14) HOLD HARMLESS/INDEMNIFICATION. OWNER shall indemnify and hold
7 harmless the County of Riverside, its Agencies, Districts, Special Districts and Departments,
8 their respective directors, officers, Board of Supervisors, elected and appointed officials,
9 employees, agents and representatives (individually and collectively hereinafter referred to as
10 Indemnitees) from any liability whatsoever, based or asserted upon any services of OWNER, its
11 officers, employees, subcontractors, agents or representatives arising out of or in any way
12 relating to this Agreement, including but not limited to property damage, bodily injury, or death
13 or any other element of any kind or nature whatsoever arising from the performance of OWNER,
14 its officers, employees, subcontractors, agents or representatives Indemnitors from this
15 Agreement. OWNER shall defend, at its sole expense, all costs and fees including, but not
16 limited, to attorney fees, cost of investigation, defense and settlements or awards, the
17 Indemnitees in any claim or action based upon such alleged acts or omissions. With respect to
18 any action or claim subject to indemnification herein by OWNER shall, at their sole cost, have
19 the right to use counsel of their own choice and shall have the right to adjust, settle, or
20 compromise any such action or claim without the prior consent of COUNTY; provided,
21 however, that any such adjustment, settlement or compromise in no manner whatsoever limits or
22 circumscribes OWNER's indemnification to Indemnitees as set forth herein. OWNER's
23 obligation hereunder shall be satisfied when OWNER has provided to COUNTY the appropriate
24 form of dismissal relieving COUNTY from any liability for the action or claim involved. The
25 specified insurance limits required in this Agreement shall in no way limit or circumscribe
26 OWNER's obligations to indemnify and hold harmless the Indemnitees herein from third party
27 claims. In the event there is conflict between this clause and California Civil Code Section 2782,
28 this clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not

1 relieve OWNER from indemnifying the Indemnitees to the fullest extent allowed by law.

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

7	<u>COUNTY</u>	<u>OWNER</u>
8	Assistant Director, Housing	President/CEO
9	Riverside County	LINC-Beaumont APTS LP
10	Economic Development Agency	XXXX
	5555 Arlington Avenue	XXXX, CA XXXXX
	Riverside, CA 92504	

11
12 16) REMEDIES. COUNTY shall have the right, in the event of any breach of any
13 such agreement or covenant, to exercise all available rights and remedies, and to maintain any
14 actions at law or suit in equity or other proper proceedings to enforce the curing of such breach
15 of agreement or covenant.

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

20 18) NOTICE AND CURE. Prior to exercising any remedies hereunder, the COUNTY
21 shall give OWNER notice of such default pursuant to section 9 above. Any monetary default
22 shall be cured within ten (10) days of delivery of written notice. Except as otherwise set forth
23 herein, if a non-monetary default is reasonably capable of being cured within thirty (30) days of
24 delivery of such notice of default, OWNER shall have such period to effect a cure prior to
25 exercise of remedies by COUNTY. If the non-monetary default is such that it is not reasonably
26 capable of being cured within sixty (60) days of delivery of such notice of default, and OWNER
27 (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith
28 works to effect a cure as soon as possible, then OWNER shall have such additional time as is

1 reasonably necessary to cure the default prior to exercise of any remedies by the COUNTY; but
2 in no event no later than sixty (60) days from delivery of such notice of default. COUNTY, upon
3 providing OWNER with any notice of default under this Covenant, shall, within a reasonable
4 time, provide a copy of such default notice to a Permitted Lender who has given written notice to
5 COUNTY of its interest in the Property and Project. From and after such notice has been
6 delivered to a Permitted Lender, such Permitted Lender shall have the same period for
7 remedying the default complained of as the cure period provided to OWNER pursuant to this
8 Section 12. COUNTY shall accept performance by a Permitted Lender as if the same had been
9 done by OWNER.

10 If a violation of any of the covenants or provisions of this Covenant remains uncured
11 after the respective time period set forth in this Section 12, COUNTY and its successors and
12 assigns, without regard to whether COUNTY or its successors and assigns is an owner of any
13 land or interest therein to which these covenants relate, may institute and prosecute any
14 proceedings at law or in equity to abate, prevent or enjoin any such violation or attempted
15 violation or to compel specific performance by OWNER of its obligations hereunder. No delay
16 in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive
17 the right of any party entitled to enforce the provisions hereof or to obtain relief against or
18 recover for the continuation or repetition of such breach or violations or any similar breach or
19 violation hereof at any later time.

20 19) SALE, ASSIGNMENT OR TRANSFER OF THE PROJECT OR PROPERTY.
21 OWNER hereby covenants and agrees not to sell, transfer, assign or otherwise dispose of the
22 Project, the Property or any portion thereof, without obtaining the prior written consent of
23 COUNTY, in its sole discretion. Any sale, assignment, or transfer of the Project or Property,
24 shall be memorialized an assignment and assumption agreement the form and substance of which
25 have been first approved in writing by the COUNTY in its sole discretion. Such assignment and
26 assumption agreement shall, among other things, provide that the transferee has assumed in
27 writing and in full, and is reasonably capable of performing and complying with OWNER's
28 duties and obligations under the Agreement and this Covenant, provided, however OWNER shall

1 not be released of all obligations under the NSP3 Loan Agreement and this Covenant.

2 20) AMENDMENTS OR MODIFICATIONS. This Covenant may be changed or
3 modified only by a written amendment signed by authorized representatives of both parties.

4 21) GOVERNING LAW; VENUE; SEVERABILITY. This Covenant shall be
5 governed by the laws of the State of California. Any legal action related to the performance or
6 interpretation of this Covenant shall be filed only in the Superior Court of the State of California
7 located in Riverside, California, and the parties waive any provision of law providing for a
8 change of venue to another location. In the event any provision in this Covenant is held by a
9 court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions
10 will nevertheless continue in full force without being impaired or invalidated in any way

11 22) BINDING EFFECT. The rights and obligations of this Covenant shall bind and
12 inure to the benefit of the respective heirs, successors and assigns of the parties.

13 23) PERMITTED MORTGAGES. No violation or breach of the covenants,
14 conditions, restrictions, provisions or limitations contained in this Covenant shall defeat or
15 render invalid or in any way impair the lien or charge of any deed of trust or mortgage permitted
16 by the Agreement or the lien or charge of a deed of trust made by OWNER for the benefit of any
17 lender first approved in writing by the COUNTY (each, a "Permitted Lender") and nothing
18 herein or in the Agreement shall prohibit or otherwise limit the exercise of a Permitted Lender's
19 rights and remedies thereunder, including a foreclosure or deed-in-lieu of foreclosure and
20 subsequent transfer thereafter.

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

25 25) PROJECT MONITORING AND EVALUATION.

- 26 a) Tenant Checklist. OWNER shall submit a Tenant Checklist Form to COUNTY, as
27 shown in **Exhibit F** of the NSP3 Loan Agreement, and may be revised by COUNTY,
28 summarizing the racial/ethnic composition, number and percentage of very low-income

1 households who are tenants of the NSP3-Assisted Units. The Tenant Checklist Form
2 shall be submitted upon completion of the construction and thereafter, on a semi-annual
3 basis on or before March 31 and September 30. OWNER shall maintain financial,
4 programmatic, statistical and other supporting records of its operations and financial
5 activities in accordance with the requirements of the NSP3 Program, including the
6 submission of Tenant Checklist Form. Except as otherwise provided for in this Covenant
7 and in the Agreement, OWNER shall maintain and submit records to COUNTY within
8 ten (10) business days of COUNTY's request which clearly documents OWNER's
9 performance under each requirement of the NSP3 Program.

10 b) Inspections. Pursuant to 24 CFR 92.504(d)(1)(ii), during the period of affordability,
11 COUNTY must perform on-site inspections of NSP3-Assisted rental housing to
12 determine compliance with the property standards of §92.251 and to verify the
13 information submitted by the owners in accordance with the requirements of §92.252.
14 The inspections must be in accordance with the inspection procedures that the
15 participating jurisdiction establishes to meet the inspection requirements of §92.251. The
16 on-site inspections must occur at least once every 3 years thereafter during the period of
17 affordability. If there are observed deficiencies for any of the inspectable items in the
18 property standards established by COUNTY, in accordance with the inspection
19 requirements of §92.251, a follow-up on-site inspection to verify that deficiencies are
20 corrected must occur within 12 months. COUNTY may establish a list of non-hazardous
21 deficiencies for which correction can be verified by third party documentation (e.g., paid
22 invoice for work order) rather than re-inspection. Health and safety deficiencies must be
23 corrected immediately, in accordance with §92.251. COUNTY must adopt a more
24 frequent inspection schedule for properties that have been found to have health and
25 safety deficiencies. The property owner must annually certify to the COUNTY that each
26 building and all NSP3-Assisted Units in the project are suitable for occupancy, taking
27 into account State and local health, safety, and other applicable codes, ordinances, and
28 requirements, and the ongoing property standards established by the participating

1 jurisdiction to meet the requirements of §92.251. Inspections must be based on a
2 statistically valid sample of units appropriate for the size of the NSP3-Assisted project,
3 as set forth by HUD through notice. COUNTY will inspect 100 percent of the NSP3-
4 Assisted Units and the inspectable items (site, building exterior, building systems, and
5 common areas) for each building housing NSP3-Assisted Units.

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

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

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

19 ///

20 ///

21 ///

[remainder of page intentionally blank]

22

(SIGNATURES ON THE NEXT PAGE)

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1 IN WITNESS WHEREOF, COUNTY and OWNER have executed this Covenant as of
2 the dates written below.

3
4 COUNTY:

OWNER:

5 COUNTY OF RIVERSIDE, a political
6 Subdivision of the State of California

LINC-BEAUMONT APTS LP
a California limited partnership

7 By: _____
8 Heidi Marshall,
Deputy Executive Director

By: LINC-Beaumont APTS LLC
a California limited liability company,
Its: Managing General Partner

9 Date: _____

By: LINC Community Development
10 Corporation, c California nonprofit public
benefit corporation
11 Its: Sole Member and Manager

11 ATTEST:
12 KECIA HARPER-IHEM
Clerk of the Board

By: _____
Sunny Lay Chang, Executive Vice

13 By: _____
14 Deputy

Date: _____

15
16 APPROVED AS TO FORM:
GREGORY P. PRIAMOS, County Counsel

By: Raymond James Development Tax Credit
Fund L.L.C.,
a Delaware limited liability company,
Its: Limited Partner

17
18 By: _____
19 Jhaila Brown
Deputy County Counsel

By: Raymond James Tax Credit Funds, Inc.,
a Florida corporation
Its: Managing Member

By: _____
Steven J. Kropf, President

Date: _____

20
21
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27 **(COUNTY and OWNER signatures need to be notarized)**

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

All that certain real property situated in the County of Riverside, State of California, described as follows:

Parcel 1: (Assessor's Parcel No: 418-020-027, Portion of 418-020-032, Portion of 418-020-033)

The East 200 feet of the North 170 feet of the South 350 feet of Lot 1 Block 61, as shown by amended map of the Town of Beaumont, in the Beaumont Irrigation District, in the City of Beaumont, County of Riverside, State of California, as shown by Map recorded in Book 6, Pages 16 and 17 of Maps, Records of San Bernardino County, California.

Parcel 2: (Assessor's Parcel No: Portion of 418-020-033, Portion of 418-020-034)

The East 200 feet of the North 85 feet of the South 180 feet of Lot 1 in Block 61, as shown by amended map of the Town of Beaumont, in the Beaumont Irrigation District, in the City of Beaumont, County of Riverside, State of California, as shown by Map recorded in Book 6, Pages 16 and 17 of maps, Records of San Bernardino County, California.

Parcel 3: (Assessor's Parcel No: Portion of 418-020-032, Portion of 418-020-033, Portion of 418-020-034)

Lot 9 of Berg Estates Unit No. 2, in the Beaumont Irrigation District, in the City of Beaumont, County of Riverside, State of California, as shown by Map on File in Book 38, Page 36 of Maps, Records of Riverside County, California.

EXHIBIT "H"

Request for Notices

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

County of Riverside
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504
Attn: Mervyn Manalo

SPACE ABOVE THIS LINE FOR RECORDERS USE

REQUEST for NOTICE UNDER SECTION 2924b CIVIL CODE

In accordance with Civil Code, Section 2924b, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deed of Trust dated _____, 2016 and recorded concurrently herewith in the Official Records of the County of Riverside, California, executed by LINC-Beaumont APTS LP, a California limited liability partnership, as Trustor in which Citibank is named as Beneficiary, and _____ as Trustee, and describing land therein as all that certain real property situated in the County of Riverside, State of California, described as follows:

All that certain real property situated in the County of Riverside, State of California, described as follows:

Parcel 1: (Assessor's Parcel No: 418-020-027, Portion of 418-020-032, Portion of 418-020-033)

The East 200 feet of the North 170 feet of the South 350 feet of Lot 1 Block 61, as shown by amended map of the Town of Beaumont, in the Beaumont Irrigation District, in the City of Beaumont, County of Riverside, State of California, as shown by Map recorded in Book 6, Pages 16 and 17 of Maps, Records of San Bernardino County, California.

Parcel 2: (Assessor's Parcel No: Portion of 418-020-033, Portion of 418-020-034)

The East 200 feet of the North 85 feet of the South 180 feet of Lot 1 in Block 61, as shown by amended map of the Town of Beaumont, in the Beaumont Irrigation District, in the City of Beaumont, County of Riverside, State of California, as shown by Map recorded in Book 6, Pages 16 and 17 of maps, Records of San Bernardino County, California.

Parcel 3: (Assessor's Parcel No: Portion of 418-020-032, Portion of 418-020-033, Portion of 418-020-034)

Lot 9 of Berg Estates Unit No. 2, in the Beaumont Irrigation District, in the City of Beaumont, County of Riverside, State of California, as shown by Map on File in Book 38, Page 36 of Maps, Records of Riverside County, California.

All notices to be mailed to:

Attn: Assistant Director
Riverside County EDA
Housing Division
5555 Arlington Avenue
Riverside, California 92504

Request is hereby made that a copy of any notice of default and a copy of any notice of sale under the deed of trust

NOTICE: A copy of any notice of default and of any notice of sale will be sent only to the address contained in this recorded request. If your address changes, a new request must be recorded.

RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY

John Aguilar, Deputy Director

10/11/16, File No: NSP3.5-16-001-2nd
Illinois Avenue Apartments

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

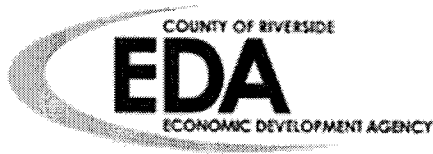


Exhibit I

Sample

Contractor Debarment Certification Form

Excluded Parties Lists System (EPLS)

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

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

In July 2012, all records from CCR/FedReg, ORCA, and EPLS, active or expired, were moved to the System for Award Management (SAM). SAM is a Federal Government owned and operated free web site that consolidates the capabilities in CCR/FedReg, ORCA, and EPLS.

The County of Riverside requires that each contractor/vendor hold the required federal/state/local license for the service provided.

Please complete the following verification process for each contractor/vendor:

- STEP 1: Visit <https://www.sam.gov/portal/public/SAM/>
- STEP 2: Under "Search Records", enter the company name and press enter.
- STEP 3: Click "Print" on the Search Results page.
- STEP 4: Repeat steps 2 & 3 for variations of the name of contractor/vendor (individual last name or firm).
- STEP 5: Attach print out of search results to this certification as supporting documentation.
- STEP 6: Attach to this certification as supporting documentation a copy of contractor/vendor license for the service provided.

By signing below NSP Recipient, developer name, has verified the contractor/vendor known as, name of contractor/vendor, was not listed in the Excluded Parties Lists System and has the required contractor/vendor license as of date of verification.

DEVELOPER SIGNATURE



Notice of Exemption

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

From:
Public Agency: Riverside County Economic Development Agency
Address: 5555 Arlington Avenue
Riverside, CA 92504
Contact: Mervyn Manalo, Housing Specialist
Phone: (951) 343-5495

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

Lead Agency (if different from above):
Address: City of Beaumont, Planning Department
550 E. 6th Street
Beaumont, CA 92223
Contact: Rebecca Deming, Director of Planning
Phone: (951) 769-8518

SUBJECT: Filing of Notice of Exemption in Compliance with Section 15062 of CEQA Guidelines.

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

Project Title: Illinois Avenue Apartments (formerly Seasons at Beaumont - Residential Apartments)

Project Location (include county): Illinois Avenue between Sixth and Eighth Streets (Assessor Parcel Numbers 418-020-027, 418-020-032, 418-020-033 and 418-020-034), City of Beaumont, County of Riverside, CA

Project Description:

Riverside County Economic Development Agency (EDA) intends to provide a loan in the amount of \$1,000,000 in federal Neighborhood Stabilization Program (NSP) funds for the development and construction of Illinois Avenue Apartments, a 38-unit multi-family affordable rental housing complex located in the City of Beaumont (Project). Any potential significant effects of the Project have been adequately analyzed and addressed by the City of Beaumont, as Lead Agency, under Plot Plan No. 15-PP-05, Categorical Exemption, Section 15332, Class 32 (In-fill Development Project), Notice of Exemption filed on February 17, 2016 with the Riverside County Clerk's Office. Acting as a Responsible Agency, the County of Riverside Board of Supervisors has considered the Notice of Exemption pursuant to the California Environmental Quality Act (CEQA) and finds no substantial changes to the Project or circumstances under which the Project will be undertaken have occurred necessitating further environmental documentation. In addition, no considerably different mitigation measures have been identified and no mitigation measures found infeasible have become feasible.

Project Sponsor: LINC-Beaumont APTS LP, a California limited partnership

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

October 25, 2016 Lead agency or Responsible Agency
(tentative date) and has made the following determinations regarding the above described project:

1. The County of Riverside considered the Categorical Exemption for In-fill Development Projects filed on February 17, 2016 with the Riverside County Clerk's Office as prepared and adopted by the City of Temecula, under Plot Plan No. 15-PP-05.
2. The Project is EXEMPT pursuant to Categorical Exemption, Section 15332, Class 32.

The Notice of Exemption Declaration is available to the General Public at:

Housing Authority of the County of Riverside
5555 Arlington Avenue, Riverside, CA 92504

Signature:

(Public Agency) _____

Title: John Aguilar, Deputy Director

Date: _____

Date received for filing at OPR: _____