

A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Deed of Trust. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Trustor will be given written notice of the change in accordance with **Section 19** above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

25. **No Assignment.** The Note and this Deed of Trust shall not be assigned by Trustor without the Beneficiary's prior written consent and the consent of the Senior Lender.

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

a. Trustor shall promptly give Beneficiary written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Trustor has actual knowledge. If Trustor learns, or is notified in writing by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Trustor shall promptly take all necessary remedial actions in accordance with Environmental Law.

b. As used in this **Section 26**, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials, excluding household products in normal quantities. As used in this **Section 26**, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

27. **Acceleration; Remedies.** Beneficiary shall give notice to Trustor prior to acceleration following Trustor's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, which shall not be more than ten (10) calendar days from the date of the mailing of the notice for a monetary default, or a date, which shall not be more than thirty (30) calendar days from the mailing of the notice for a non-monetary default, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Trustor of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Trustor to acceleration and sale. If the default is not cured by the Trustor on or before the date specified in the notice, and the Senior Lien Holder or the investor limited partner have not cured the default within that same period, subject to any non-recourse provisions set forth in Section 8 of the Note, then Beneficiary at its option may

require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Beneficiary shall be entitled to collect all expenses incurred in pursuing the remedies provided in this **Section 27**, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

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

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

28. **Release.** Upon payment of all sums secured by this Deed of Trust, Beneficiary shall release this Deed of Trust without charge to Trustor. Trustor shall pay any recordation costs. The lien of the Covenant Agreement shall not be released or reconveyed until the expiration of the term set forth therein notwithstanding the payment of all sums secured by this Deed of Trust.

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

30. **Modifications of Senior Loan Documents.** Any agreement or arrangement, in which a Senior Lender waives, postpones, extends, reduces, or modifies any provisions of the Senior Lien Holder Deed of Trust or any other Senior Lenders loan documents, including any provisions requiring the payment of money, shall require the prior written approval of Beneficiary.

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

32. **General Partner Change.** Except as otherwise provided in the Affordable Housing Loan Agreement, the withdrawal, removal, and/or replacement of a general partner of the Trustor pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Secured Obligations, and any such actions shall not accelerate the maturity of the Affordable Housing Loan, provided that any required substitute general partner is reasonably acceptable to Beneficiary and is selected with reasonable promptness. Any proposed General Partner replacement shall have the qualifications and financial responsibility as reasonably determined by Beneficiary necessary and adequate to fulfill the obligations undertaken in the Affordable Housing Loan Agreement, as amended.

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

[Remainder of Page Blank]

[Signatures on Following Page]

## **EXHIBIT "A"**

### LEGAL DESCRIPTION OF PROPERTY

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

Parcel 2 of Parcel Map No. 36357, in the County of Riverside, State of California, as per map filed in Book 243 pages 71 through 74 inclusive of Maps, in the Office of the County Recorder of said County.

APN: 727-030-041-2

NO FEE FOR RECORDING PURSUANT  
TO GOVERNMENT CODE SECTION 6103

Order No.

Escrow No.

Loan No.

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:  
Housing Authority of the County of Riverside  
5555 Arlington Avenue  
Riverside, CA 92504

Attention: Stephanie Adams

## COVENANT AGREEMENT

### (Paseo De Los Heroes III)

This Covenant Agreement (Vista Rio Apartments) ("Covenant") is made and entered into as of the day of \_\_\_\_\_, 2017 by and between the Housing Authority of the County of Riverside, a political subdivision of the State of California ("HOUSING AUTHORITY"), and Paseo III Housing Associated, L.P., a California Limited Partnership ("Paseo III, L.P.") whose administrative general partner Paseo III, LLC ("Paseo III, LLC"), a California limited liability corporation and whose sole member/manager The Coachella Valley Housing Coalition, a California non-profit public benefit corporation.

### RECITALS

WHEREAS, Paseo III L.P. owns that certain real property located south of Lincoln Avenue on Avenue 64, APN: 727-030-041, legally described in Exhibit A attached hereto and incorporated herein by this reference (the "Property");

WHEREAS, on \_\_\_\_\_, 2017, HOUSING AUTHORITY and Paseo III, L.P. entered into that certain Affordable Housing Loan Agreement Paseo Do Los Heroes III in the unincorporated community of Mecca (2011 Taxable Tax Allocation Housing Bonds Series A-T) recorded in the Official Records ("Official Records") of the County of Riverside concurrently herewith (the "Housing Authority Loan Agreement") which provides for, among other things, the development and construction on the Property of an affordable multi-family housing complex for

farmworker households identified as "Paseo De Los Heroes III Apartments." Capitalized terms not defined herein shall have the meaning ascribed to them in the Housing Authority Loan Agreement;

WHEREAS, pursuant to the Housing Authority Loan Agreement, HOUSING AUTHORITY loaned to Paseo III, L.P., \$850,000 of 2011 Taxable Tax Allocation Housing Bonds, Series A-T funds ("Housing Authority Loan"), to provide financial assistance to Paseo III, L.P., to pay a portion of the costs related to the Project (defined below), as more fully described in the Housing Authority Loan Agreement. The Housing Authority Loan is evidenced by a Promissory Note executed by Paseo III, L.P., in favor of the HOUSING AUTHORITY dated on or about the date hereof ("Housing Authority Loan Note") and secured by that certain Deed of Trust executed by Paseo III, L.P., for the benefit of HOUSING AUTHORITY and recorded in the Official Records concurrently herewith ("Housing Authority Loan Deed of Trust");

WHEREAS, pursuant to the Housing Authority Loan Agreement, Paseo III, L.P. has agreed to develop and construct an 81-unit apartment complex on the Property, and reserve thirty nine (39) units to be rented to and occupied by qualified extremely low and low income households pursuant to California Community Redevelopment Law ("Housing Authority Assisted Units") in accordance with California Health and Safety Code 50053, Qualification as affordable housing: Rental housing, and as set forth below;

WHEREAS, pursuant to Pursuant to the Housing Authority Agreement, Paseo III, L.P. shall develop and construct on the Property an 81-unit multi-family housing project (including one manager's unit), and reserve thirty nine (39) units to be rented to and occupied by qualified extremely-low and low income households pursuant to California Community Redevelopment Law ("Housing Authority-Assisted Units"), which shall be operated as rental housing that is

affordable to Extremely Low Income households, a community center and related parking ("Project"), as more specifically described in the Housing Authority Loan Agreement. Housing Authority Loan Agreement as used herein shall mean, refer to and include the Housing Authority Loan 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 Housing Authority Loan Agreement. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Housing Authority Loan Agreement.

WHEREAS, pursuant to the Housing Authority Loan Agreement, the Project, including the Housing Authority Assisted Units, shall remain affordable to qualified extremely low-income tenants for a period consisting of the later of (i) fifty-five (55) years from the recordation of the Notice of Completion in the Official Records for the last building for which construction is complete for the Project, or (ii) July 1, 2073, without regard to the term of the Housing Authority Loan Agreement, repayment of the Housing Authority Loan, or the transfer of the Paseo III, L.P., partnership; and

WHEREAS, the parties desire to memorialize Paseo III, L.P.'s obligation to maintain the affordability of the Housing Authority Assisted Units pursuant to California Community Redevelopment Law, more specifically set forth below.

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

1. Development of the Property. Paseo III, L.P. covenants and agrees for itself, its successors and assigns and every successor in Paseo III, L.P.'s interest in the Property or any part

thereof, that Paseo III, L.P., its successors and assigns, shall develop and construct, or cause the development and construction, of the Improvements on Property in accordance with the Housing Authority Loan Agreement, including, but not limited to the Scope of Development (Exhibit A to the Housing Authority Loan Agreement).

2. Use of the Property. Paseo III, L.P., on behalf of itself and its successors, assigns, and each successor in interest to Paseo, L.P.'s interest in the Property or any part thereof, hereby covenants and agrees as follows:

a. Paseo III, L.P. covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that Paseo, L.P., such successors and such assignees shall use the Property only for the uses specified in any development agreements entered into by and between the United States Department of Agriculture ("USDA") and Paseo III, L.P., and this Agreement. No change in the use of the Property shall be permitted without the prior written approval of the Housing Authority.

b. Notwithstanding the generality of subsection (a), above, Paseo III, L.P., its successors and assigns, shall use the Property only for the uses permitted in this Agreement, specifically including the following: (i) residential rental uses, consisting of 81 units comprised of 16 two-bedroom units (plus one manager's unit) , 53 three-bedroom units and 11 four-bedroom units ("Affordable Units") and (ii) the Community Space.

1) c. Residential Uses. For a period of fifty-five (55) years commencing on the date the County of Riverside issues the certificate of occupancy for the Affordable Units ("the Covenant Period"), Paseo III, L.P. on behalf of itself and its successors, assigns, and each successor in interest to Paseo III, L.P.'s interest in the Property or any part thereof, hereby covenants and agrees as follows: RESTRICTIONS. This Covenant shall continue in full force and effect until the later of (i) fifty-five (55) years from the recordation of the Notice of Completion for the last building for which construction is completed for the Project on the Property, or (ii) July 1, 2073 ("Term"), for itself and on behalf of its successors and assigns and acknowledges and agrees that for the duration of the term, the Property shall be held, sold and conveyed, subject to the following covenants, conditions, and restrictions:



a) **Rent restrictions:**

- i. **Affordability Definitions:** Affordable housing cost as defined in Section 50053 of the California Health and Safety Code, which dictates that the rent or cost for housing (including a utility allowance) shall not exceed:
  - ii) For extremely low income households the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate for the unit.
  - iii) For very low income households, the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit.
  - iv) For lower income households whose gross incomes exceed the maximum income for very low income households, the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those lower income households with gross incomes that exceed 60 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.
  - v) For moderate-income households, the product of 30 percent times 110 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those moderate-income households whose gross incomes exceed 110 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency

to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

- b) **Income Restrictions:** Paseo III, L.P. agrees to reserve a total of thirty nine (39) units for qualified extremely low and low income households ("Assisted Units"). Of the Assisted Units three (3) two bedroom units, seven (7) three bedroom units and three (3) four bedroom units shall be reserved for households whose incomes do not exceed thirty percent (30%) of the median family income for the County of Riverside, adjusted by family size at the time of occupancy and eighteen (18) three bedroom units and eight (8) four bedroom units shall be rented to and occupied by households whose incomes do not exceed fifty (50%) of the median family income for the County of Riverside, adjusted by family size at the time of occupancy.
- c) **Affordability Period:** Paseo III, L.P. agrees that all Assisted Units in the Project will remain affordable, as defined in California Redevelopment Law for a period of not less than fifty-five (55) years. The fifty-five (55) year period shall be the later of (i) July 1, 2073 or (ii) fifty five (55) years from the recordation of the last Notice of Completion for Project.
- d) Paseo III, L.P., shall comply with the terms of the Housing Authority Loan Agreement, Housing Authority Loan Note, Housing Authority Loan Deed of Trust and any other instrument secured against the Property.

2) SENIOR POSITION OF COVENANT AGREEMENT. This Covenant Agreement shall be recorded in the second position junior to the USDA Regulatory Agreement and shall be in senior position to the following liens and encumbrances against the Property including, but not limited to: (i) a Deed of Trust for the benefit of Wells Fargo Bank, N.A., securing a construction loan in the principal amount of \$21,266,718, (ii) a Deed of Trust for the benefit of USDA securing

a loan in the principal amount of \$5,300,000 and (iii) the Housing Loan Deed of Trust for the benefit of the Housing Authority securing the Housing Authority Loan in the principal amount of \$850,000.

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

4) NONDISCRIMINATION. Paseo III, L.P. shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age or disability in the

solicitation, selection, hiring or treatment of any contractors or consultants, to participate in subcontracting/subconsulting opportunities. Paseo III, L.P. understands and agrees that violation of this clause shall be considered a material breach of this Covenant and may result in termination, debarment or other sanctions. This language shall be incorporated into all contracts between Paseo III, L.P. and any contractor, consultant, subcontractor, subconsultants, vendors and suppliers. Paseo III, L.P. shall comply with the provisions of the California Fair Employment and Housing Act (Government Code Sections 12900 et seq.), the Federal Civil Rights Act of 1964 (P.L. 88-352), as amended, and all Administrative Rules and Regulations issued pursuant to said Acts and Orders with respect to its use of the Property.

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

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

- a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or

group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

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

c) In contracts: “There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person

claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land.”

In addition to the obligations and duties of Paseo III, L.P. set forth herein, Paseo III, L.P. shall, upon notice from HOUSING AUTHORITY, promptly pay to HOUSING AUTHORITY all fees and costs, including administrative and attorneys’ fees, incurred by HOUSING AUTHORITY in connection with responding to or defending any discrimination claim brought by any third party and/or local, state or federal government entity, arising out of or in connection with the Agreement or this Covenant.

5) INSURANCE. Without limiting or diminishing Paseo III, L.P.’s obligation to indemnify or hold HOUSING AUTHORITY harmless, Paseo III, L.P. 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 Covenant.

- a. Worker’s Compensation Insurance. If Paseo III, L.P. has employees as defined by the State of California, Vista Rio, L.P. shall maintain statutory Workers’ Compensation Insurance (Coverage A) as prescribed by the laws of the State of California. Policy shall include Employers’ Liability (Coverage B) including Occupational Disease with limits not less than \$1,000,000 per person per accident. The policy shall be endorsed to waive subrogation in favor of the Housing Authority of the County of Riverside, and, if applicable, to provide a Borrowed Servant/Alternate Employer Endorsement.
- b. 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 Vista Rio, L.P.’s performance of its obligations hereunder. Policy shall name the Housing Authority of the County of Riverside, its Agencies, 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

\$3,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this agreement or be no less than two (2) times the occurrence limit.

c. Vehicle Liability Insurance. If vehicles or mobile equipment are used in the performance of the obligations under this Covenant, then Vista Rio, L.P. shall maintain liability insurance for all owned, non-owned or hired vehicles so used in an amount not less than \$1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this agreement or be no less than two (2) times the occurrence limit. Policy shall name the Housing Authority of the County of Riverside, its Agencies, 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 ("Risk Manager").

d. General Insurance Provisions – All Lines.

i) 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 Risk Manager. If Risk Manager waives a requirement for a particular insurer such waiver is only valid for that specific insurer and only for one policy term.

ii) Paseo III, L.P.'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 Risk Manager. Upon notification of self-insured retention unacceptable to HOUSING AUTHORITY, and at the election of Risk Manager, Paseo III, L.P.'s carriers shall either: (a) reduce or eliminate such self-insured retention, or (b) procure a bond which guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

iii) Paseo III, L.P. shall cause Paseo III, L.P.'s insurance carrier(s) to furnish the

Housing Authority of the County of Riverside 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 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 HOUSING AUTHORITY prior to any material modification, cancellation, expiration or reduction in coverage of such insurance. Paseo III, L.P. shall not continue operations until HOUSING AUTHORITY 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 herein. 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.

- iv) It is understood and agreed to by the parties hereto that Paseo III, L.P.'s insurance shall be construed as primary insurance, and HOUSING AUTHORITY'S insurance and/or deductibles and/or self-insured retention's or self-insured programs shall not be construed as contributory.
- v) If, during the term of this Covenant 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.), then HOUSING AUTHORITY reserves the right to adjust the types of insurance required under this Covenant and the monetary limits of liability for the insurance coverage's currently required herein, if; in Risk Manager's reasonable judgment, the amount or type of insurance carried by Paseo III, L.P. has become inadequate.
- vi) Paseo III, L.P. shall pass down the insurance obligations contained herein to all tiers of subcontractors.



vii) Paseo III, L.P. agrees to notify HOUSING AUTHORITY in writing of any claim by a third party or any incident or event that may give rise to a claim arising from the performance of the Agreement.

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

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

If to the Housing Authority: Housing Authority of the County of Riverside  
c/o Executive Director  
5555 Arlington Avenue  
Riverside, CA 92504

If to Paseo III, L.P.:

with a copy to:

8) REMEDIES. HOUSING AUTHORITY shall have the right, in the event of any breach of any such agreement or covenant, to exercise all available rights and remedies, and to maintain any actions at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

9) TERM. The non-discrimination covenants, conditions and restrictions contained in Section 4 of this Covenant shall remain in effect in perpetuity. Every other covenant, condition and restriction contained in this Covenant shall continue in full force and effect for the Term, as defined in Section 1 of this Covenant.

10) NOTICE AND CURE. Prior to exercising any remedies hereunder, the HOUSING AUTHORITY shall give Paseo III, L.P. notice of such default pursuant to section 9 above. Any monetary default shall be cured within seven (7) days of delivery of written notice. Except as otherwise set forth herein, if a non-monetary default is reasonably capable of being cured within sixty (60) days of delivery of such notice of default, Paseo III, L.P. shall have such period to effect a cure prior to exercise of remedies by HOUSING AUTHORITY. If the non-monetary default is such that it is not reasonably capable of being cured within sixty (60) days of delivery of such

notice of default, and Paseo III, L.P. (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Paseo III, L.P. shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the HOUSING AUTHORITY; but in no event no later than ninety (90) days from delivery of such notice of default.

HOUSING AUTHORITY, upon providing Paseo III, L.P. with any notice of default under this Covenant, shall, within a reasonable time, provide a copy of such default notice to the Tax Credit Equity Investor and a Permitted Lender who has given written notice to HOUSING AUTHORITY of its interest in the Property and Project. From and after such notice has been delivered to the Tax Credit Equity Investor, a Permitted Lender, and such Permitted Lender shall have the same period for remedying the default complained of as the cure period provided to Paseo III, L.P. pursuant to this section 10. HOUSING AUTHORITY shall accept performance by the Tax Credit Equity Investor and/or Permitted Lender as if the same had been done by Paseo III, L.P.

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

11) SALE, ASSIGNMENT OR TRANSFER OF THE PROJECT OR PROPERTY.  
Except as provided in the Housing Authority Agreement, Paseo III, L.P. hereby covenants and agrees not to sell, transfer, assign or otherwise dispose of the Project, the Property or any portion thereof, without obtaining the prior written consent of HOUSING AUTHORITY, in its sole

discretion. Any sale, assignment, or transfer of the Project or Property, shall be memorialized an assignment and assumption agreement the form and substance of which have been first approved in writing by the HOUSING AUTHORITY in its sole discretion. Such assignment and assumption agreement shall, among other things, provide that the transferee has assumed in writing and in full, and is reasonably capable of performing and complying with Paseo III, L.P.'s duties and obligations under the Housing Authority Agreement and this Covenant, provided, however Paseo III, L.P. shall not be released of all obligations under the Housing Authority Loan Agreement and this Covenant.

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

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

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

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

16) SEVERABILITY. In any event that any provision, whether constituting a separate

paragraph or whether contained in a paragraph with other provisions, is hereafter determined to be void and unenforceable, it shall be deemed separated and deleted from the agreement and the remaining provisions of this Agreement shall remain in full force and effect.

17) OPERATION OF PROJECT.

- a. Project Monitoring And Evaluation. Tenant Checklist. Paseo III, L.P. shall submit a Tenant Checklist Form to HOUSING AUTHORITY, as shown in **Exhibit G** which is attached hereto and incorporated herein by this reference, and may be revised by HOUSING AUTHORITY, summarizing the racial/ethnic composition, number and percentage of extremely low-income households who are tenants of the Housing Authority-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. Paseo III, L.P. shall provide written lease agreement for not less than one year, unless by mutual agreement between the tenant and Paseo III, L.P. HOUSING AUTHORITY shall review the initial form of the lease agreement prior to Paseo III, L.P. executing any leases and, provided that Paseo III, L.P. uses the approved lease form, Paseo III, L.P. shall be permitted to enter into residential leases without HOUSING AUTHORITY'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 Paseo III, L.P. in a lawsuit brought in connection with the lease.
  - (2) Treatment of property. Agreements by tenant that Paseo III, 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. Paseo III, L.P. may dispose of this personal property in accordance with State law.

- (3) Excusing Paseo III, L.P. from responsibility. Agreement by the tenant not to hold Paseo III, L.P. or Paseo III, 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 Paseo III, L.P. may institute a lawsuit without notice to the tenant.
- (5) Waiver of legal proceeding. Agreement by the tenant that the Paseo III, L.P. 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 Paseo III, L.P. against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

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

c. Written Selection Policies. Paseo III, L.P. shall adopt written selection policies and criteria that meet the following requirements:

- (1) Are consistent with the purpose of providing housing for Low Income, Very Low, Extremely, and other Low Income households.
- (2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease.
- (3) Provide for:
  - (A) The selection of tenants from a written waiting list in the chronological order of their satisfaction of all eligibility requirements, insofar as is practicable; and
  - (B) The prompt written notification to any rejected applicant of the grounds for any rejection;
- (4) To the extent permitted by law, provide first priority in the selection of otherwise eligible tenants to persons displaced by the Housing Authority (if any); and
- (5) Carry out the affirmative marketing procedures of the Housing Authority, to provide information and otherwise attract eligible persons from all racial, ethnic and gender groups in the housing market area. Paseo III, L.P. and Housing Authority shall cooperate to effectuate this provision during the Paseo III, L.P.'s initial lease-up of the Affordable Units and as vacancies occur.

18) ACCESS TO PROJECT SITE. Representatives of the HOUSING AUTHORITY shall have the right of access to the Property, upon 24 hours' written notice to Paseo III, L.P. (except in the case of an emergency, in which HOUSING AUTHORITY 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.

19). Management. Paseo III, L.P. shall be responsible for the operation of the Improvements either by direct management or by contracting its managerial functions to a third party property manager reasonably acceptable to the Housing Authority which property manager will be charged with managing the Improvements on behalf of the Paseo III, L.P. The Housing Authority shall have the right to review and approve any such entity prior to its selection by the Paseo III, L.P. Such approval shall not be unreasonably withheld. Paseo III, L.P. shall include in any such property management agreement a provision providing for the termination of the agreement in the event that the property manager violates any federal, state or local health and safety laws and regulations which are not cured within thirty (30) days following the giving of notice of such violations by the Housing Authority or any other governmental entity; provided, however, that in the case of a violation that cannot be cured within such thirty (30) day period, that such cure shall be commenced within thirty (30) days of notification and shall be diligently prosecuted to completion not later than sixty (60) days after notification. Paseo III, L.P., its successors and assigns, upon notice from the Housing Authority, shall pay any costs and fees (including administrative and attorneys' fees) incurred by Housing Authority in connection with responding to or defending any discrimination claim brought by any third party and/or local, state or federal government entity, arising out of or in connection with the Housing Authority Agreement and/or this Covenant.

20) 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.

21) ENTIRE AGREEMENT. This Covenant and the Housing Authority 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 Housing Authority Agreement, including all amendments and modifications to the Housing Authority Agreement.

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(SIGNATURES ON THE NEXT PAGE)

IN WITNESS WHEREOF, HOUSING AUTHORITY and Paseo III, L.P., have executed this Covenant as of the dates written below.

**HOUSING AUTHORITY:**

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public entity, corporate and politic, in its capacity as housing successor to the former Redevelopment Agency for the County of Riverside

By: \_\_\_\_\_

Heidi Marshall,  
Deputy Executive Director

Date: \_\_\_\_\_

**DEVELOPER:**

Paseo III Housing Associates, L.P., a California limited partnership

By: Paseo III LLC,  
a California limited liability company,  
its general partner

By: The Coachella Valley Housing Coalition, a California nonprofit public benefit corporation, its sole member/manager

By: \_\_\_\_\_  
Julie Bornstein, Executive Director

**APPROVED AS TO FORM:**

GREGORY P. PRIAMOS  
COUNTY COUNSEL

By:  \_\_\_\_\_  
Jhaila R. Brown, Deputy County Counsel

(Covenant Agreement Signatures to be notarized)

## **EXHIBIT "A"**

### LEGAL DESCRIPTION OF PROPERTY

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

Parcel 2 of Parcel Map No. 36357, in the County of Riverside, State of California, as per map filed in Book 243 pages 71 through 74 inclusive of Maps, in the Office of the County Recorder of said County.

APN: 727-030-041-2

## RESIDUAL RECEIPTS PROMISSORY NOTE

Riverside, CA

3% Interest

\$850,000

\_\_\_\_\_, 2017

In installments as hereafter stated, for value received, Paseo III Housing Associates, a California Limited Partnership ("Borrower") promises to pay the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public entity corporate and politic, in its capacity as housing successor to the former Redevelopment Agency for the County of Riverside ("HOUSING AUTHORITY"), the sum of \$8550,000 (U.S.\$850,000), ), (the "Housing Authority Loan" or "Note Amount") which at the time of payment is lawful for the payment of public and private debts.

This Promissory Note (the "Note") is given in accordance with that certain Affordable Housing Loan Agreement Paseo De Los Heroes III (2011 Taxable Tax Allocation Housing Bonds Series A-T) executed by HOUSING AUTHORITY and Borrower, dated as of \_\_\_\_\_ and recorded in the Official Records ("Official Records") of the County of Riverside on \_\_\_\_\_ as Document Number \_\_\_\_\_ (the "Housing Authority Loan Agreement"). Except to the extent otherwise expressly defined in this Note, all capitalized terms not defined herein shall have the meanings established in the Housing Authority Loan Agreement. This Note is secured by that certain Deed of Trust With Assignment of Rents executed by Borrower for the benefit of the HOUSING AUTHORITY dated on or about the date hereof and recorded in the in the Official Records of the County of Riverside (the "Deed of Trust") on or about the date hereof, that certain Assignment of Rents executed by Borrower for the benefit of the HOUSING AUTHORITY dated on or about the date hereof and recorded in the in the Official Records on or about the date hereof, that certain Covenant Agreement executed by Borrower for the benefit of the HOUSING AUTHORITY dated on or about the date hereof and recorded in the in the Official Records on or about the date hereof (collectively, the "Housing Authority Loan Documents"). The rights and obligations of the Borrower and Housing Authority under this Note shall be governed by the Housing Authority Loan Agreement and the following terms:

- (1) The Housing Authority Loan evidenced by this Note and secured by the Deed of Trust is being made pursuant to Division 24 of the California Community Redevelopment Law (Health and Safety Code Sections 33000 et seq., "CRL"). Borrower 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 CRL, the Housing Authority Loan Agreement and that certain Covenant Agreement.
- (2) That the Housing Authority Loan will accrue simple interest at a rate of three percent (3%) 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.

- (3) 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, which includes the HOME Loan, the County of Riverside Neighborhood Stabilization Program loan and the Affordable Housing Program loan ("Residual Receipts Loans"). The payment shall be split pro-rata between each Residual Receipts Loan based on the percentage of each respective loan amount according to its share of 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 Borrower.
- (4) 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 BORROWER 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 Housing Authority Loan Agreement, which shall be the first to occur of (i) July 1, 2073 or (ii) fifty-five (55) years from and after the recordation of the Notice of Completion (the "Housing Authority Loan Term"). The first payment shall be due on July 1<sup>st</sup> 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 1<sup>st</sup> thereafter to the extent of available Residual Receipts until sooner of full repayment of the Housing Authority Loan or the Housing Authority Loan maturity date as set forth above.
- (5) The Project's 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, provided however, that in the event of a decrease in 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, established in a separate account from operating reserves in an annual amount up to \$600 per unit for all units in the Project, increased annually by an amount equal to the increase in CPI; (v) deferred developer fee; (vi) operating reserves, in an annual amount up to \$25,000; (vii) a Managing General Partner partnership management fee which shall be in the initial amount of \$5,000 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 \$5,000 per year increased annually by an amount equivalent to the rise in CPI; (ix) payments of principal and interest on amortized loans and indebtedness senior to the

Housing Authority Loan, which have been approved by HOUSING AUTHORITY (collectively, the "Senior Debt"); and (x) the Housing Authority of the County of Riverside's Annual Monitoring Fee in the amount of \$8100, increased annually by an amount equal to the increase of the CPI for the Los Angeles-Orange County-Riverside, CA Area; provided, however, that in the event of a decrease in the CPI, the Housing Authority's annual monitoring fee shall remain the same as the immediate preceding year. Borrower acknowledges and agrees that payment of the Agency's annual monitoring fee shall be a priority operating expense, junior only in payment to the Senior Debt.

- (6) The Housing Authority Loan evidenced by this Note is secured by the Deed of Trust.
- (7) This Note may be prepaid in whole or in part by the undersigned at any time without prepayment penalty or premium.
- (8) Subject to the provisions and limitations of this Paragraph 8, the obligation to repay the Note Amount is a nonrecourse obligation of Borrower and its partners. Neither Borrower nor its partners shall have any personal liability for repayment of the Note Amount, except as provided in this Paragraph 8. The sole recourse of the HOUSING AUTHORITY shall be the exercise of its rights against the Property (or any portion thereof) and any related security for the Housing Authority 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 HOUSING AUTHORITY to name Borrower 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 Borrower; (iii) release or impair either this Note or the Deed of Trust; (iv) prevent or in any way hinder the HOUSING AUTHORITY 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 HOUSING AUTHORITY 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 8, the HOUSING AUTHORITY 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 HOUSING AUTHORITY 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 HOUSING AUTHORITY as a result of any misappropriation of funds provided to pay costs as described in the Housing Authority 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 Borrower 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 Housing Authority Loan Agreement and/or Deed of Trust or the indemnification regarding Hazardous Substances pursuant to the Housing Authority 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.

(9) 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 Housing Authority Loan Agreement:

a. Monetary Default. (1) Borrower's failure to pay when due any sums payable under the Housing Authority Note or any advances made by HOUSING AUTHORITY under this Agreement, (2) Borrower's or any agent of Borrower's use of HOUSING AUTHORITY funds for costs other than costs or for uses inconsistent with terms and restrictions set forth in this Agreement, (3) Borrower's or any agent of Borrower's failure to make any other payment of any assessment or tax due under the Housing Authority Loan Agreement or any other Housing Authority Loan Document, 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 Wells Fargo, N.A. securing a construction loan in a principal amount up to \$21,266,718; and/or (ii) that certain Deed of Trust executed by Borrower for the benefit of the United States Department of Agriculture Loan securing a loan in an amount up to \$5,300,000; (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 Borrower or Borrower'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 HOUSING AUTHORITY's prior written approval, including, but not limited to those liens or encumbrances expressly prohibited under the Housing Authority Loan Agreement or that have the effect of reducing the priority or invalidating the Deed of Trust, (3) Borrower's failure to obtain and maintain the insurance coverage required under the Housing Authority Loan Agreement, (4) any material default under the Housing Authority Loan Agreement or any other Housing Authority Loan Document, 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 Wells Fargo, N.A. securing a construction loan in a principal amount up to \$21,266,718; and/or (ii) that certain Deed of Trust executed by Borrower for the benefit of the United States Department of Agriculture Loan securing a loan in an amount up to \$5,300,000; and/or (iii) any other instrument or document secured against the Property;

c. General Performance of Loan Obligations. Any substantial or continuous or repeated breach by Borrower or Borrower's agents of any material obligations on Borrower imposed in the Housing Authority Loan Agreement or any other Housing Authority Loan Document; and

d. General Performance of Other Obligations. Any substantial or

continuous or repeated breach by Borrower or Borrower'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 HOUSING AUTHORITY is a party to such agreement.

- (10) HOUSING AUTHORITY shall give written notice of default to Borrower, specifying the default complained of by the HOUSING AUTHORITY. Borrower shall have ten (10) calendar days from the mailing of the notice for a monetary default, by which such action to cure must be taken and thirty (30) days to cure non-monetary defaults. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.
- (11) Any failures or delays by HOUSING AUTHORITY 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 HOUSING AUTHORITY in asserting any of its rights and remedies shall not deprive HOUSING AUTHORITY 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.
- (12) 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.
- (13) Borrower 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 Borrower hereunder, the HOUSING AUTHORITY 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. Borrower 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.
- (14) 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 Housing Authority 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.
- (15) 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.

- (16) No modification, rescission, waiver, release or amendment of any provision of this Note shall be made except by a written agreement executed by Borrower and the duly authorized representative of the HOUSING AUTHORITY.
- (17) The HOUSING AUTHORITY 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 Borrower.
- (18) In no event shall Borrower assign or transfer any portion of this Note or any rights herein without the prior express written consent of the HOUSING AUTHORITY, which consent the HOUSING AUTHORITY may give or withhold in its sole and absolute discretion. In the absence of specific written agreement by the HOUSING AUTHORITY, no unauthorized assignment or transfer, or approval thereof by the HOUSING AUTHORITY, shall be deemed to relieve Borrower or any other party from any obligations under the Housing Authority Loan Agreement or this Note. This provision shall not affect or diminish the HOUSING AUTHORITY's assignment rights under this Note.
- (19) 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.
- (20) The relationship of Borrower and the HOUSING AUTHORITY 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.
- (21) (a) Formal notices, demands and communications between the HOUSING AUTHORITY and Borrower shall be deemed sufficiently given if made in writing and dispatched by any of the following methods to the addresses of the HOUSING AUTHORITY and Borrower 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.  
  
(b) The address of the HOUSING AUTHORITY 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 HOUSING AUTHORITY's receipt of notices is (951) 352-4852.

(c) The address of Borrower for purposes of receiving notices pursuant to this Note is 45-701 Monroe, Indio, CA 92201, Attention: Executive Director, with a copy to

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- (22) The captions and headings in this Note are for convenience only and are not to be used to interpret or define the provisions hereof.
- (23) The undersigned, if comprising more than one person or entity, shall be jointly and severally liable hereunder.
- (24) This Note shall be binding upon Borrower and its heirs, successors and assigns, and shall benefit the HOUSING AUTHORITY and its successors and assigns.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

[SIGNATURES ON FOLLOWING PAGE]

BORROWER:

Paseo III Housing Associates, LP,  
a California limited partnership

By: Paseo III, LLC  
a California limited liability company  
Its: Administrative General Partner

By: The Coachella Valley Housing Coalition,  
a California, its sole member/manager

By: \_\_\_\_\_  
Julie Bornstein, Executive Director

Date: \_\_\_\_\_



9/21/17, File No: HA4-17-001  
Paseo De Los Heroes III

**Exhibit H**  
**Notice of Affordability**

No Fee for Recording Pursuant to Government Code 6103

Recording Requested By:  
Housing Authority of the County of Riverside

AND WHEN RECORDED MAIL TO:  
Housing Authority of the County of Riverside  
5555 Arlington Avenue  
RIVERSIDE, CA 92504  
ATTN: Stephanie Adams

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF  
PROPERTY

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

In accordance with the California Health and Safety Code Section 33334.3, all new or substantially rehabilitated housing units developed or otherwise assisted, with moneys from the 2011 Housing Bond Proceeds, Series A-T, shall remain available at affordable housing cost to, and occupied by, persons and families of low or moderate income and very low income and extremely low income households for the longest feasible time, but not less than fifty-five (55) years for units that are occupied by and affordable to very low- and low-income households.

A Covenant and Restriction with an expiration date of not less than fifty-five (55) years from the recordation of the Notice of Completion is recorded concurrently, herewith in the Official Records of Riverside County, California, on the property located at: Assessor Parcel Number: 727-030-041:

Housing Authority of the County of Riverside as Housing Successor Agency to the former Redevelopment Agency:

Dated \_\_\_\_\_

\_\_\_\_\_  
Heidi Marshall, Deputy Executive Director

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

STATE OF CALIFORNIA }  
HOUSING AUTHORITY OF RIVERSIDE } S.S.

On \_\_\_\_\_ before me,  
Date

\_\_\_\_\_, personally appeared  
Name and Title of the Officer

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

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

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

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of Notary Public

**Exhibit I**  
**Sources and Uses Budget**



**Permanent Sources and Uses of Fund:**

Sources:

USDA 514 Loan	\$5,300,000
County of Riverside 2011 Housing Bonds	\$850,000
General Partner deferred loan for State Certificated Credit	\$5,815,488
Limited Partner Tax Credit Equity	\$19,625,310
Deferred Developer Fee	\$100
Total Sources	\$31,590,898

Uses:

Site Improvement (off site)	\$ 4,742,418
New construction (includes site work, common area bldgs and structures)	\$ 13,813,835
Contractor's Overhead & Profit & Gen'l Req.	\$ 2,118,300
General Liability Insurance	\$ 179,000
Construction Contingency (Hard and Soft)	\$ 2,175,379
Architectural & Engineering Cost	\$ 1,129,823
Construction Interest & Fees	\$ 1,835,752
Reserves	\$ 654,522
Land Development Impact and Permit Processing Fees	\$ 2,495,252
Other Fees, Marketing & Furnishings	\$ 524,130
TCAC Fees	\$ 122,032
Legal Fees	\$ 95,000
Developer's fee	\$ 1,400,000
Land & Acquisition Cost	\$ <u>305,455</u>
Total Uses	\$ 31,590,898

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

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

**Exhibit J**  
**Schedule of Performance**

\*This amount is approximate and subject to reasonable adjustment pursuant to the terms of the Partnership Agreement

**SCHEDULE OF PERFORMANCE**

<b>TASK/DOCUMENT</b>	<b>DUE DATE</b>
1. Permanent Financing Commitment	No later than December 2017
2. Building Permit	No later than December 2017
3. Project Financing Contingency (Section 50)	No later than January 2017
4. Construction Start Deadline	No later than January 2017
5. Marketing & Affirmative Action	No later than July 2019
6. Lease Agreement, Proposed Rents, and Utilities	No later than July 2019
7. Certificate of Occupancy	No later than July 2019
8. Lease Deadline	No later than 12 months from Notice of Completion
9. Submission of Final actual project costs and Sources and Uses of Funds	No later than July 2019
10. Submission of income & ethnic characteristics report	No later than July 2019
11. Construction Activities Reporting	Monthly, due by the 5 <sup>th</sup> of each month
12. Liability and Certificate of Workers' Compensation Insurance for Borrower and General Contractor (GC)	BORROWER – At the execution of this Agreement. GC – Before start of construction. Copies of Certificates must be filed and up-to-date throughout the course of the Project with COUNTY additionally insured.
13. Section 504 Architect Certification	Beginning of Construction – initial letter End of Construction – final letter
14. Project Site Photos	Bimonthly, due by the 5 <sup>th</sup> of each month
15. The filing of the Notice of Completion	No later than End of Construction
16. Certificate of Occupancy	No later than End of Construction
17. Tenant Checklist Reporting	No later than Close of Project; and Semi-Annually– <b>Sept 30th &amp; March 31st</b>
18. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	No later than Close of Project
19. Project Completion Report	No later than Close of Project
20. Final Development Cost - Sources and Uses	No later than Close of Project
21. Final Cost Certification by CPA	No later than Close of Project and Audits Completed
22. Final 15/30 Year Cash Flow Projection	No later than Close of Project
23. Management Plan	No later than Marketing Stage

24. Tenant Selection Policy	No later than Marketing Stage
25. Copy of Lease Agreement	No later than Marketing Stage
26. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	No later than Marketing Stage
27. Project Operating Budget	Annual submission
28. Audited Yearly Income Expense Report for the Project	Annual submission



Original Negative Declaration/Notice of Determination was routed to County Clerks for posting on.

11/7/17  
Date

Via H.A.  
Initial

**Notice of Determination**

**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 Economic Developme  
 Agency: 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): SAA  
 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: Loan Agreement for the Use of 2011 Taxable Tax Allocation Housing Bonds, Series A-T for Paseo de los Heroes III

Project Location (include county): County of Riverside-Assessor Parcel Number 727-030-041

Project Description: The Loan Agreements for the Use of 2011 Taxable Tax Allocation Housing Bonds, Series A-T ("Loan Agreements") is between the Housing Authority of the County of Riverside and Paseo III Housing Associates, a California Limited Partnership ("Partnership") and involves APN 727-030-041, located in the unincorporated community of Mecca, County of Riverside, which is the proposed location for Paseo de los Heroes III. The project is for the construction, operation and maintenance of Paseo de los Heroes III that includes an 81 unit affordable multi-family housing complex, community room, computer lab and outdoor recreational space.

The potential environmental effects of the housing complex, including the project, were fully studied in Mitigated Negative Declaration (MND) (EA 42414), which was adopted by the County of Riverside Board of Supervisors on August 16, 2011.

Pursuant to CEQA Guidelines section 15096(f) the Housing Authority of the County of Riverside, as a Responsible Agency, complies with CEQA by considering the environmental effects of the project as shown in the MND EA42414. The Housing Authority of the County of Riverside has received and considered MND EA42414. The project will not result in any new significant environmental effects not identified in MND EA42414, nor will it substantially increase the severity of the environmental effects identified in MND EA42414. In addition, no considerably different mitigation measures have been identified and no mitigation measures found infeasible have become feasible.

Project Sponsor: Paseo III Housing Associates, a California Limited Partnership

This is to advise that the Housing Authority of the County of Riverside Board of Commissioners approved the above project on  Lead agency or  Responsible Agency

November 7, 2017 and has made the following determinations regarding the above described project:  
(tentative date)

1. The County of Riverside considered the MND EA42414, as prepared and adopted by the County of Riverside.
2. The project will not have a significant effect on the environment.

The Mitigated Negative Declaration is available to the General Public at:

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

John Aguilar, Deputy Director

Housing Authority of the County  
of Riverside

Signature: (Public Agency) \_\_\_\_\_ Title: \_\_\_\_\_

Date: \_\_\_\_\_ Date received for filing at OPR: \_\_\_\_\_