

**SUBMITTAL TO THE BOARD OF COMMISSIONERS
HOUSING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM: 10.4
(ID # 12695)

MEETING DATE:
Tuesday, July 14, 2020

FROM: HOUSING AUTHORITY:

SUBJECT: HOUSING AUTHORITY: Public Hearing for Adoption of Resolution Number 2020-004, Making Certain Findings Pursuant to California Health and Safety Code Section 33433; Authorization to Sell Fee Simple Interest in Real Property Located in the City of Hemet, County of Riverside, State of California, Identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035 by Grant Deeds to Palm Communities, and Approval of the Disposition, Development and Loan Agreement between the Housing Authority of the County of Riverside and Palm Communities for the Sale and Development of the Property for Affordable Housing Purposes, District 3, [\$0]; CEQA Exempt (Clerk of the Board to File the Notice of Exemption)

RECOMMENDED MOTION: That the Board of Commissioners:

1. Find that the Disposition, Development and Loan Agreement does not constitute a project under California Environmental Quality Act (CEQA) and Section 15004(b) of the CEQA Guidelines in that it does not vest any development rights or result in the physical change in the environment, requires the Developer to comply with CEQA and obtain all land use entitlements from the City of Hemet as the lead agency, and does not commit the lead agency to any definite course of action or foreclose alternatives or mitigation measures that would ordinarily be part of CEQA;
2. Conduct a public hearing with the Board of Commissioners pursuant to Health and Safety Code 33431 and 33433;


ACTION: Policy


Heidi Marshall | Director of Housing, Health & Safety Prevention | 6/25/2020

MINUTES OF THE BOARD OF COMMISSIONERS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: July 14, 2020
xc: Housing

Kecia R. Harper
Clerk of the Board
By: 
Deputy

**SUBMITTAL TO THE BOARD OF COMMISSIONERS HOUSING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

3. Adopt Resolution Number 2020-004, Making Certain Findings Pursuant to California Health and Safety Code Section 33433; Authorization to Sell Fee Simple Interests in Real Property Located in the City of Hemet, County of Riverside, State of California, Identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035 by Grant Deed to Palm Communities; and Approval of the Disposition, Development and Loan Agreement between the Housing Authority of the County of Riverside and Palm Communities for the Sale and Development of the Property for Affordable Housing Purposes;
4. Approve the attached Disposition, Development and Loan Agreement, including all attachments thereto ("Agreement") between the Housing Authority of the County of Riverside ("HACR") and Palm Communities, a California corporation, providing for, among other things, the disposition of real property located in the City of Hemet, County of Riverside, State of California, identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035 by the HACR to Palm Communities for the development thereon by Palm Communities of affordable housing for extremely low, low and moderate income households;
5. Authorize the HACR Executive Director to execute the Agreement on behalf of HACR;
6. Direct the Clerk of the Board to file the attached Notice of Exemption upon approval of the Agreement; and
7. Authorize the HACR Executive Director, or designee, to execute any other documents and administer all actions necessary to implement, complete and memorialize the transactions contemplated in the Agreement, including, but not limited to executing the Grant Deed and Agreement(s) Containing Covenants in substantially the form attached to the Agreement, and any escrow instructions, subject to and in such final form as approved by County Counsel.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS:			Budget Adjustment:	No
			For Fiscal Year:	2020/21

C.E.O. RECOMMENDATION: [CEO Use]

BACKGROUND:

Summary

The Housing Authority of the County of Riverside (HACR) owns that certain real property located west of State Street and north of Menlo Avenue in the City of Hemet, County of Riverside, State of California, identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035, depicted on the attached Site map ("Property"). Palm Communities (Developer) is a California corporation engaged in building safe and affordable housing for low-income families.

**SUBMITTAL TO THE BOARD OF COMMISSIONERS HOUSING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

The Property was acquired by the former Redevelopment Agency of the County of Riverside (“RDA”) in 2010 with proceeds from tax exempt bonds deposited into the low and moderate income housing fund. California redevelopment agencies were dissolved on February 1, 2012 such that the RDA is now deemed a former redevelopment agency under Health and Safety Code section 34173 and AB x1 26, as modified by Assembly Bill No. 1484 (as modified to date, the “Dissolution Law”), which added Parts 1.8 and 1.85 to Division 24 of the California Community Redevelopment Law (Health and Safety Code sections 33000 et seq., the “CRL”).

Pursuant to CRL section 34176 (a) and Housing Authority Resolution Nos. 2012-035, all housing functions previously performed by the former RDA, including related rights, powers, duties, obligations, and housing assets (excluding unencumbered amounts in the Low and Moderate Income Housing Fund and enforceable obligations retained by the non-housing successor agency under the Dissolution Law (the “Successor Agency”)) were transferred to the HACR, including the Property, making the HACR the “Housing Successor” to the former RDA under the Dissolution Law.

Pursuant to applicable provisions of the Dissolution Law, the CRL and the “Housing Authorities Law” (California Health and Safety Code, Sections 34200, et seq.), notwithstanding any other provision of law, whenever the Board of Commissioners determines that any real property owned by the HACR can be used to provide housing affordable to low income families, and this use is in the HACR’s best interest, the HACR may sell, convey or otherwise dispose of the real property to provide that affordable housing without complying with other provisions of Title 3, Division 2, Part 2, Chapter 5, Article 8 of the California Government Code. The HACR is committed to providing affordable housing and services to the residents of the County of Riverside.

Developer desires to acquire the Property from the HACR to develop an affordable multifamily rental housing project comprised of at least one hundred fifty (150) apartment units. Under the terms of the proposed Agreement, forty-nine percent (49%) of the units will be restricted to extremely low and low income households whose incomes do not exceed sixty percent (60%) of the Area Median Income for Riverside County (AMI). At least thirty percent (30%) of these “Restricted Units” will be restricted to occupancy by extremely low income households whose incomes do not exceed thirty percent (30%) of AMI. The maximum qualifying income for all other units in the project will be one hundred twenty percent (120%) of AMI.

There is an unmet need for affordable housing within the County of Riverside. Staff recommends the Board of Commissioners authorize the sale of the Property to Developer to provide housing affordable to extremely low, low and moderate-income families in furtherance of and consistent with the interests of the HACR. Staff recommends the Board of Commissioners adopt Resolution No. 2020-004 Making Certain Findings Pursuant to California Health and Safety Code Section 33433; Authorization to Sell Fee Simple Interests in Real Property Located in the City of Hemet, County of Riverside, State of California, Identified with Assessor’s Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035 by Grant Deeds to Palm Communities; and Approval of the Disposition, Development and

**SUBMITTAL TO THE BOARD OF COMMISSIONERS HOUSING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

Loan Agreement between the Housing Authority of the County of Riverside and Palm Communities for the Sale and Development of the Property for Affordable Housing Purposes.

Consistent with applicable provisions of the Health and Safety Code and subject to the satisfaction of certain conditions precedent, the Property will be sold at fair market value. Based upon a June 24, 2020 appraisal, the fair market sale price of the 7.76-acre Property is \$2,800,000 which shall be paid for by delivery to the HACR of a note secured by deed of trust. An Agreement Containing Covenants in substantially the form attached to the Agreement, will be recorded against the Property upon transfer to the Developer.

Developer shall be responsible for all (i) entitlements, land use approvals, permits and CEQA compliance, (ii) construction and development costs, (iii), securing financing, construction, on-site and off-site improvements, and (iv) Property maintenance obligations. Developer intends to build an affordable housing project in up to 3 separate phases, which will be achieved by recording a parcel map and creating up to three legal parcels during the entitlement stage of the proposed project. The Developer is proposing to transfer each individual parcel to a limited partnership developer entity at separate times in accordance to the Disposition, Development and Loan Agreement when sufficient financing has been secured for each individual phase. All land use and development entitlements, including compliance with CEQA must be obtained from the City of Hemet.

Upon the sale of each phase to a permitted assignee, the assignee will deliver a note secured by deed of trust to the HACR, and the note given by Palm will be deemed reduced by that amount. All HACR loans to assignees will be evidenced by a promissory note to be paid from residual receipts from the project. In order to ensure the long-term affordability of the units consistent with the Agreement and applicable law, each phase will be subject to an Agreement Containing Covenants requiring the units remain affordable for fifty-five (55) years.

The terms of the Property sale and applicable affordability restrictions are set forth in the attached form of Disposition, Development and Loan Agreement, including attachments, to be executed by the HACR and Developer. The deed restriction of at least seventy-four (74) new units affordable to low and extremely low income households is in the best interests of the HACR, the County of Riverside, and residents of the Hemet area.

Pursuant to California Health and Safety Code Sections 33431 and 33433 the HACR published a Notice of Public Hearing notifying the public of the public hearing and consideration of the proposed Disposition, Development and Loan Agreement with Developer relating to the conveyance of the Property for affordable housing purposes. In addition, pursuant to Health and Safety Code Section 33433, the HACR made available for public review on the date the Notice of Joint Public Hearing was published the attached Agreement, including all attachments, and the attached Summary Report.

The Agreement does not constitute a project pursuant to the California Environmental Quality Act and State CEQA Guidelines (CEQA). Pursuant to CEQA Guidelines Section 15004(b), approval of the Agreement provides for the sale of property and financing subject to specific

**SUBMITTAL TO THE BOARD OF COMMISSIONERS HOUSING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

conditions. Approval by the HACR of the Agreement does not vest any development rights and will not result in any physical change to the environment. The Agreement requires the Developer to obtain all necessary land use approvals and entitlements from the City of Hemet including compliance with CEQA. As the jurisdiction exercising land use control over the Property, the City of Hemet will be the lead agency for purposes of CEQA. The Agreement does not commit the lead agency to any definite course of action or foreclose alternatives or mitigation measures that would ordinarily be part of CEQA review.

County Counsel has reviewed and approved as to form the attached Resolution No. 2020-004 and the Disposition, Development and Loan Agreement, including all attachments. Staff recommends that the Board adopt Resolution No. 2020-004 and approve the Disposition, Development and Loan Agreement, including all attachments.

Impact on Residents and Businesses

Approval of the Disposition, Development and Loan Agreement will provide the land and financing for a new affordable housing project which will create temporary construction jobs and bring much needed quality extremely low, low and moderate income housing in the Hemet area.


SUPPLEMENTAL:

Additional Fiscal Information

No general funds will be used for this agreement. Developer will bear its own costs and expenses incurred, or to be incurred, in connection with the development, construction and operation of the proposed project.

Attachments:

- Resolution No. 2020-004
- Form of the Disposition, Development and Loan Agreement, including all attachments
- 33433 Summary Report, Site Map and Public Notice
- Notice of Exemption



Marcus Maltese

7/7/2020



Gregory L. Priamos, Director County Counsel

7/1/2020



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

7/15/20
Date

YPR
Initial

Notice of Exemption

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

From:
 Public
 Agency: County of Riverside
 Address: 4080 Lemon Street, Suite 400
Riverside, CA 92501
 Contact: Mervyn Manalo
 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: _____
 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: Disposition, Development and Loan Agreement

Project Location (include county): County of Riverside- west of State Street and north of Menlo Avenue in the City of Hemet, County of Riverside, State of California, identified with Assessor Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035

Project Description:
The Housing Authority of the County of Riverside (HACR) owns that certain real property located west of State Street and north of Menlo Avenue in the City of Hemet, County of Riverside, State of California, identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035.

Pursuant to applicable provisions of the Dissolution Law, the CRL and the "Housing Authorities Law" (California Health and Safety Code, Sections 34200, et seq.), notwithstanding any other provision of law, whenever the Board of Commissioners determines that any real property owned by the HACR can be used to provide housing affordable to low income families, and this use is in the HACR's best interest, the HACR may sell, convey or otherwise dispose of the real property to provide that affordable housing without complying with other provisions of Title 3, Division 2, Part 2, Chapter 5, Article 8 of the California Government Code. The HACR is committed to providing affordable housing and services to the residents of the County of Riverside.

Developer desires to acquire the Property from the HACR to develop an affordable multifamily rental housing project comprised of at least one hundred fifty (150) apartment units. Under the terms of the proposed Agreement, forty-nine percent (49%) of the units will be restricted to extremely low and low income households whose incomes do not exceed sixty percent (60%) of the Area Median Income for Riverside County (AMI). At least thirty percent (30%) of these "Restricted Units" will be restricted to occupancy by extremely low income households whose incomes do not exceed thirty percent (30%) of AMI. The maximum qualifying income for all other units in the project will be one hundred twenty percent (120%) of AMI.

There is an unmet need for affordable housing within the County of Riverside. Consistent with applicable provisions of the Health and Safety Code and subject to the satisfaction of certain conditions precedent, the Property will be sold at fair market value. Developer shall be responsible for all (i) entitlements, land use approvals, permits and CEQA compliance, (ii) construction and development costs, (iii), securing financing, construction, on-site and off-site improvements, and (iv) Property maintenance obligations. Developer intends to build an affordable housing project in up to 3 separate phases, which will be achieved by recording a parcel map and creating up to three legal parcels during the entitlement stage of the proposed project. The Developer is proposing to transfer each individual parcel to a limited partnership developer entity at separate times in accordance to the Disposition, Development and Loan Agreement when sufficient financing has been secured for each individual phase. All land use and development entitlements, including compliance with CEQA must be obtained from the City of Hemet.

JUL 14 2020 10.4

The terms of the Property sale and applicable affordability restrictions are set forth in the Disposition, Development and Loan Agreement, including attachments, to be executed by the HACR and Developer. The deed restriction of at least seventy-four (74) new units affordable to low and extremely low income households is in the best interests of the HACR, the County of Riverside, and residents of the Hemet area.

Project Sponsor: Housing Authority of the County of Riverside

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

Lead agency or Responsible Agency

July 14, 2020 and has made the following determinations regarding the above described project:
(tentative date)

The Agreement does not constitute a project pursuant to the California Environmental Quality Act and State CEQA Guidelines (CEQA). Pursuant to CEQA Guidelines Section 15004(b), approval of the Agreement provides for the sale of property and financing subject to specific conditions. Approval by the HACR of the Agreement does not vest any development rights and will not result in any physical change to the environment. The Agreement requires the Developer to obtain all necessary land use approvals and entitlements from the City of Hemet including compliance with CEQA. As the jurisdiction exercising land use control over the Property, the City of Hemet will be the lead agency for purposes of CEQA. The Agreement does not commit the lead agency to any definite course of action or foreclose alternatives or mitigation measures that would ordinarily be part of CEQA review.

Signature: (Public Agency)  Title: Principal Development Specialist
Juan Garcia

Date: 6/25/20 Date received for filing at OPR: _____



HOUSING AUTHORITY of the County of Riverside

Main Office
5555 Arlington Avenue
Riverside, CA 92504-2506
(951) 351-0700
FAX (951)354-6324
TDD (951) 351-9844

Date: July 14, 2020

To: Clerk of the Board of Supervisors
4080 Lemon St, 1st Floor, Suite 127
Riverside CA 92501

From: Juan Garcia, Principal Development Specialist
Department of Housing, Homelessness Prevention and Workforce Solutions
County of Riverside
5555 Arlington Ave
Riverside, CA 92501

Indio Office
44-199 Monroe, Ste. B
Indio, CA 92201
(760) 863-2828
(760) 863-2838 FAX
TDD (760) 863-2830

Website:harivco.org

Subject: Notice of Exemption (NOE) – Public Hearing for Adoption of Resolution Number 2020-004, Making Certain Findings Pursuant to California Health and Safety Code Section 33433; Authorization to Sell Fee Simple Interest in Real Property Located in the City of Hemet, County of Riverside, State of California, Identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035 by Grant Deeds to Palm Communities, and Approval of the Disposition, Development and Loan Agreement between the Housing Authority of the County of Riverside and Palm Communities for the Sale and Development of the Property for Affordable Housing Purposes, District 3, [S0];

The Housing Authority of the County of Riverside is requesting the Clerk of the Board post the attached Notice of Exemption. Authorization to bill by journal voucher is included for your posting fee.

After posting, please return the document to:

Mail Stop #3760
Attention: Juan Garcia, Principal Development Specialist
Housing Authority of the County of Riverside
5555 Arlington Ave
Riverside, CA 92501

If you have any questions, please contact Juan Garcia at 951-343-5473.

Attachment

Cc: file

Riverside County Clerk-Recorder

Authorization to Bill by Journal Voucher

To be completed by submitting Agency

COUNTY OF RIVERSIDE DEPARTMENT OF HOUSING, HOMELESSNESS PREVENTION AND WORKFORCE SOLUTIONS (HHWPS)

Authorization # _____

Date: 6/25/2020

Agency/Division: County of Riverside HHWPS - Attn: Tristan Chen

Accounting String: (Interfund) 537080-21250-190060000 project code: EDH19001190
(Non-Interfund) _____

Housing Authority
Jennifer Paz
40600.1900400000.
527980

This authorizes the "County Clerk & Recorder Office" to issue a Journal Voucher for payment of all fees for the accompanying documents.

Number of Documents Included: 1 Notice of Exemption (DDLA)

Authorized by: *J Garcia*
Juan Garcia, Principal Development Specialist

Presented by: *Mervyn Manalo*
Mervyn Manalo, Housing Specialist

To be completed by County Recorder

Accepted by: _____

Date: _____

Document no(s)/invoice no(s): _____

1 Board of Commissioners

Housing Authority of the
2 County of Riverside

3
4 RESOLUTION NO. 2020-004

5 A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF
6 THE COUNTY OF RIVERSIDE MAKING CERTAIN FINDINGS PURSUANT TO THE
7 CALIFORNIA HEALTH AND SAFETY SECTION 33433; AUTHORIZATION TO SELL FEE
8 SIMPLE INTEREST IN REAL PROPERTY LOCATED IN THE CITY OF HEMET, COUNTY OF
9 RIVERSIDE, STATE OF CALIFORNIA, IDENTIFIED WITH ASSESSOR'S PARCEL NUMBERS
10 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035 ("PROPERTY")
11 BY GRANT DEED TO PALM COMMUNITIES; AND APPROVAL OF THE DISPOSITION,
12 DEVELOPMENT AND LOAN AGREEMENT BETWEEN THE HOUSING AUTHORITY OF THE
13 COUNTY OF RIVERSIDE AND PALM COMMUNITIES FOR THE SALE AND DEVELOPMENT
14 OF THE PROPERTY FOR AFFORDABLE HOUSING PURPOSES

15
16 **WHEREAS**, the Housing Authority of the County of Riverside, a public body corporate and
17 politic, ("HACR"), is a housing authority duly created, established and authorized to transact business
18 and exercise its powers, under and pursuant to the provisions of the Housing Authorities Law which is
19 Part 2 of Division 24 of the California Health and Safety Code (commencing with Section 34200 et
20 seq, the "Housing Authority Law");

21 **WHEREAS**, HACR is the owner of certain real property located in the City of Hemet, County
22 of Riverside, State of California, consisting of approximately 7.76 acres of vacant land located west of
23 State Street and north of Menlo Avenue in the City of Hemet, County of Riverside, State of California,
24 92543, currently identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011,
25 439-060-014, 439-060-015 and 439-281-035, as legally described in Exhibit "A" attached hereto and
26 incorporated herein by this reference ("Property");

27 //

28 //

07.14.2020 10.4

FORM APPROVED COUNTY COUNSEL
BY: *Synthia M. Gunzel* DATE: *7-1-2020*
SYNTHIA M. GUNZEL

1 **WHEREAS**, the Property was acquired by the former Redevelopment Agency of the County of
2 Riverside (“RDA”) in 2010 with proceeds from tax exempt bonds deposited into the low and moderate
3 income housing fund:

4 **WHEREAS**, California redevelopment agencies were dissolved on February 1, 2012 such that
5 the RDA is now deemed a former redevelopment agency under Health and Safety Code section 34173
6 and AB x1 26, as modified by Assembly Bill No. 1484 (as modified to date, the “Dissolution Law”),
7 which added Parts 1.8 and 1.85 to Division 24 of the California Community Redevelopment Law
8 (Health and Safety Code sections 33000 et seq., the “CRL”);

9 **WHEREAS**, pursuant to CRL section 34176 (a) and Housing Authority Resolution Nos. 2012-
10 035, all housing functions previously performed by the former RDA, including related rights, powers,
11 duties, obligations, and housing assets (excluding unencumbered amounts in the Low and Moderate
12 Income Housing Fund), including the Property, were transferred to the HACR making the HACR the
13 “Housing Successor” to the former RDA under the Dissolution Law;

14 **WHEREAS**, pursuant to applicable provisions of the Dissolution Law, the CRL and the
15 Housing Authorities Law, HACR, in its capacity as Housing Successor to the former RDA, after a
16 public hearing, may dispose of real property without complying with any provision of law concerning
17 the disposition of surplus property, including without limitation Sections 34315 and 34315.7 of the
18 Health and Safety Code, provided the proceeds and net cost of the disposition of real property are to be
19 used directly to assist a housing project for low income households;

20 **WHEREAS**, Palm Communities (“Palm”), a California corporation and affordable housing
21 developer, is engaged in the development, construction and operation of affordable housing, serving
22 residents of the County of Riverside;

23 **WHEREAS**, Palm desires to acquire the Property from the Housing Authority to develop
24 thereon a multifamily rental housing project comprised of at least one hundred fifty (150) units to be
25 occupied at affordable rent to extremely low, low and moderate income households, in accordance with
26 the Dissolution Law, the CRL and the Housing Authorities Law;

27 //

28 //

1 **WHEREAS**, Palm intends to build an affordable multifamily rental project in up to 3 separate
2 phases, which will be achieved by recording a parcel map and creating up to three legal parcels during
3 the entitlement stage of the proposed project; transfer each individual parcel to a limited partnership
4 developer entity controlled by Palm at separate times in accordance to the Disposition, Development
5 and Loan Agreement (“DDLA”) when sufficient financing has been secured for each individual phase;;

6 **WHEREAS**, the HACR will carry back a promissory note for the full fair market value purchase
7 price of the Property by Palm and will make loans to the limited partnership developer entity of
8 subsequent phases which will reduce the outstanding principal and interest on the loan owed by Palm;

9 **WHEREAS**, all Housing Authority loans will be secured by a deed of trust recorded against the
10 property for each phase;

11 **WHEREAS**, Palm shall be responsible for all (i) entitlements, land use approvals, permits and
12 CEQA compliance, (ii) construction and development costs, (iii), securing financing, construction, on-
13 site and off-site improvements, and (iv) Property maintenance obligations;

14 **WHEREAS**, the proposed development of the Property for affordable housing purposes will
15 result in the development of much needed affordable housing for extremely low, low and moderate
16 income households that will benefit the City of Hemet;

17 **WHEREAS**, in accordance with California Health and Safety Code Sections 33431 and 33433
18 the Housing Authority published a Notice of Public Hearing notifying the public of the public hearing
19 and consideration of the proposed DDLA relating to the conveyance of the Property for affordable
20 housing purposes and made available for public review on the date the Notice of Public Hearing was
21 published a Summary report and the attached DDLA, including all attachments;

22 **WHEREAS**, the Board of Commissioners has also considered all the terms and conditions of
23 the proposed sale of the Property set forth in the proposed DDLA, and the information contained in the
24 submittal to the Board of Commissioners by staff and provided at the public hearing, and believes that
25 conveyance of the Property in accordance with the proposed DDLA is in the best interests of the
26 HACR and the health, safety and welfare of its residents, and in accord with the public purposes and
27 provisions of applicable State and local law and requirements; and

28 //

1 **WHEREAS**, pursuant to the California Environmental Quality Act and State CEQA Guidelines
2 (CEQA) Section 15004(b), the DDLA does not constitute a project, does not vest any development rights
3 and will not result in any physical change to the environment in that the DDLA requires the Developer
4 to obtain all necessary land use approvals and entitlements, including compliance with CEQA, from the
5 City of Hemet, as lead agency and does not commit the lead agency to any definite course of action or
6 foreclose alternatives or mitigation measures that would ordinarily be part of CEQA.

7 **NOW THEREFORE, BE IT RESOLVED, FOUND, DETERMINED AND ORDERED** by
8 the Board of Commissioners of the County of Riverside, State of California, (“Board”) in regular session
9 assembled on or about July 14, 2020, in the meeting room of the Board located on the 1st floor of the
10 County Administrative Center, 4080 Lemon Street, Riverside, California, and based upon the evidence
11 and testimony presented on the matter, both written and oral, including the Administrative Record as it
12 relates to the DDLA, as follows:

- 13 1. That it has received and heard all oral and written objections (if any) to the proposed
14 Disposition, Development and Loan Agreement, to the proposed sale of the Property
15 pursuant to the proposed Disposition, Development and Loan Agreement, and to the other
16 matters pertaining to this transaction, and that all such oral and written objections (if any)
17 are hereby overruled.
- 18 2. The foregoing recitals are true and correct.
- 19 3. The Board of Commissioners hereby finds and determines that the sale of the Property to
20 Palm for fair market value, plus additional consideration provided therein, for affordable
21 housing purposes in accordance with the Disposition, Development and Loan Agreement
22 will provide housing for extremely low, low and moderate income persons.
- 23 4. The Board of Commissioners hereby finds and determines that the sale of the Property to
24 Palm in accordance with the Disposition, Development and Loan Agreement is consistent
25 with the Dissolution Law, the CRL and the Housing Authority Law.
- 26 5. The Board of Commissioners hereby approves the sale of the Property to Palm in
27 accordance with the Disposition, Development and Loan Agreement.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

6. The Board of Commissioners hereby finds and determines that the Disposition, Development and Loan Agreement between the HACR and Palm including all attachments thereto, attached hereto as Exhibit "B" and incorporated herein by this reference, is hereby approved.

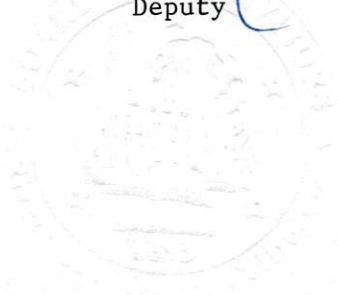
ROLL CALL:

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

Kecia R. Harper, Clerk of said Board

By Wissella Rasso
Deputy



1 EXHIBIT "A"

2 LEGAL DESCRIPTION OF PROPERTY

3 The Land referred to herein below is situated in the City of Hemet, County of Riverside, State of
4 California, and is described as follows:

5
6 PARCEL A:

7
8 PARCEL 1 AS SHOWN ON CERTIFICATE OF COMPLIANCE 1614, AS EVIDENCED BY
9 DOCUMENT RECORDED NOVEMBER 12, 1981 AS INSTRUMENT NO. 1981-211885 OF
10 OFFICAL RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

11
12 THE SOUTH HALF OF FARM LOT 125 OF THE ESTUDILLO LAND AND WATER COMPANY'S
13 ADDITION TO SAN JACINTO, AS SHOWN BY MAP ON FILE IN BOOK 9 PAGE 410 OF MAPS,
14 RECORDS OF SAN DIEGO COUNTY, CALIFORNIA

15
16 EXCEPTING FROM SAID LOT 125 THE SOUTHERLY 425.00 FEET MEASURED FROM THE
17 CENTER LINE OF MENLO AVENUE AND THE EASTERLY 330.00 FEET THEREOF MEASURED
18 FROM THE CENTER LINE OF STATE STREET.

19
20 PARCEL B:

21
22 THE SOUTHERLY 425 FEET OF THE SOUTH HALF OF FARM LOT 125 OF THE ESTUDILLO
23 LAND AND WATER COMPANY'S ADDITION TO SAN JACINTO, IN THE CITY OF HEMET,
24 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9,
25 PAGE 410 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA, SAID DISTANCE OF
26 425 FEET BEING MEASURED FROM THE CENTER LINE OF MENLO AVENUE;
27
28

1 EXCEPT THEREFROM THE EASTERLY 330 FEET THEREOF.

2
3 ALSO EXCEPT THEREFROM THAT PORTION THEREOF INCLUDED IN MENLO AVENUE.

4
5 PARCEL C:

6
7 PARCEL 2 AS SHOWN ON CERTIFICATE OF COMPLIANCE 1614, AS EVIDENCED BY
8 DOCUMENT RECORDED NOVEMBER 12, 1981 AS INSTRUMENT NO. 1981-211885 OF
9 OFFICAL RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

10
11 THE NORTH 130 FEET OF THE EAST 330 FEET, MEASURED FROM THE CENTER LINE OF
12 STATE STREET, OF THE SOUTH HALF OF FARM LOT 125 OF THE LANDS OF THE
13 ESTUDILLO LAND AND WATER COMPANY'S ADDITION TO SAN JACINTO, IN THE COUNTY
14 OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9 PAGE 410
15 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA;

16
17 EXCEPT THE EASTERLY RECTANGULAR 44 FEET.

18
19 PARCEL C1:

20
21 AN EASEMENT FOR ROAD AND WATER PIPE PURPOSES OVER A STRIP OF LAND 14.99
22 FEET IN WIDTH, THE NORTH LINE OF SAID EASEMENT BEING THE SOUTH LINE OF THE
23 NORTH 130 FEET OF THE EAST 330 FEET OF THE SOUTH HALF OF FARM LOT 125 OF THE
24 LANDS OF THE ESTUDILLO LAND AND WATER COMPANY'S ADDITION TO SAN JACINTO,
25 AS SHOWN BY MAP ON FILE IN BOOK 9 PAGE 410 OF MAPS, RECORDS OF SAN DIEGO
26 COUNTY, CALIFORNIA;

1 PARCEL D:

2
3 THE WEST 70 FEET OF THE EASTERLY 330 FEET OF THE SOUTHERLY 156 FEET OF THE
4 SOUTHEAST QUARTER OF FARM LOT 125 OF ESTUDILLO LAND AND WATER COMPANY'S
5 ADDITION TO SAN JACINTO, IN THE CITY OF HEMET, COUNTY OF RIVERSIDE, STATE OF
6 CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF RECORDS OF SAN
7 DIEGO COUNTY. SAID SOUTHEAST QUARTER BEING MEASURED FROM THE
8 INTERSECTION OF THE CENTER LINE OF MENLO AND STATE STREETS.

9
10 PARCEL E:

11
12 THAT PORTION OF LOT 127 OF THE ESTUDILLO LAND AND WATER COMPANY, ADDITION
13 TO SAN JACINTO, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF MAPS, RECORDS
14 OF SAN DIEGO COUNTY.

15
16 BEGINNING AT THE SOUTHEAST CORNER OF LOT 127; THENCE WEST 205 FEET; THENCE
17 NORTH 100 FEET; THENCE EAST 80 FEET; THENCE NORTH TO THE NORTH LINE OF LOT
18 127; THENCE EAST 125 FEET; THENCE SOUTH ON THE EAST LINE OF LOT 127 TO THE
19 POINT OF BEGINNING.

20
21 EXCEPTING THEREFROM THE WESTERLY 83 FEET OF THE SOUTHERLY 100 FEET.

22
23 PARCEL F:

24
25 THAT PORTION OF THE SOUTH HALF OF FORM LOT 125 OF THE ESTUDILLO LAND WATER
26 COMPANY ADDITION TO SAN JACINTO, IN THE CITY OF HEMET, COUNTY OF RIVERSIDE,
27
28

1 STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9 PAGE 410 OF MAPS,
2 RECORDS OF SAN DIEGO COUNTY, CALIFORNIA, BY METES AND BOUNDS AS FOLLOWS:

3
4 BEGINNING AT A POINT WHICH IS THE INTERSECTION OF THE CENTER LINE OF MENLO
5 AVENUE AND STATE STREET

6 THENCE NORTH ON THE CENTER LINE OF STATE STREET, 156 FEET

7 THENCE WEST 330 FEET PARALLEL WITH MENLO AVENUE

8 THENCE SOUTH 156 FEET PARALLEL WITH STATE STREET

9 THENCE EAST ON THE CENTER LINE OF MENLO AVENUE, 330 FEET TO THE POINT OF
10 BEGINNING.

11
12 EXCEPTING THEREFROM THE WESTERLY 70 FEET THEREOF

13
14 ALSO EXCEPTING THEREFROM THOSE PORTIONS INCLUDED IN MENLO AVENUE AND
15 STATE STREETE FOR ROAD PURPOSES

16
17 ALSO EXCEPT THEREFROM THAT PORTION DESCRIBED IN BY GRANT DEED RECORDED
18 JANUARY 4, 1967, AS INSTRUMENT NO. 67-379, OF OFFICIAL RECORDS.

19
20 For conveyancing purposes only: APN 439-060-009 (Affects Parcel A)

21 439-060-010 (Affects Parcel B)

22 439-060-011 (Affects Parcel C)

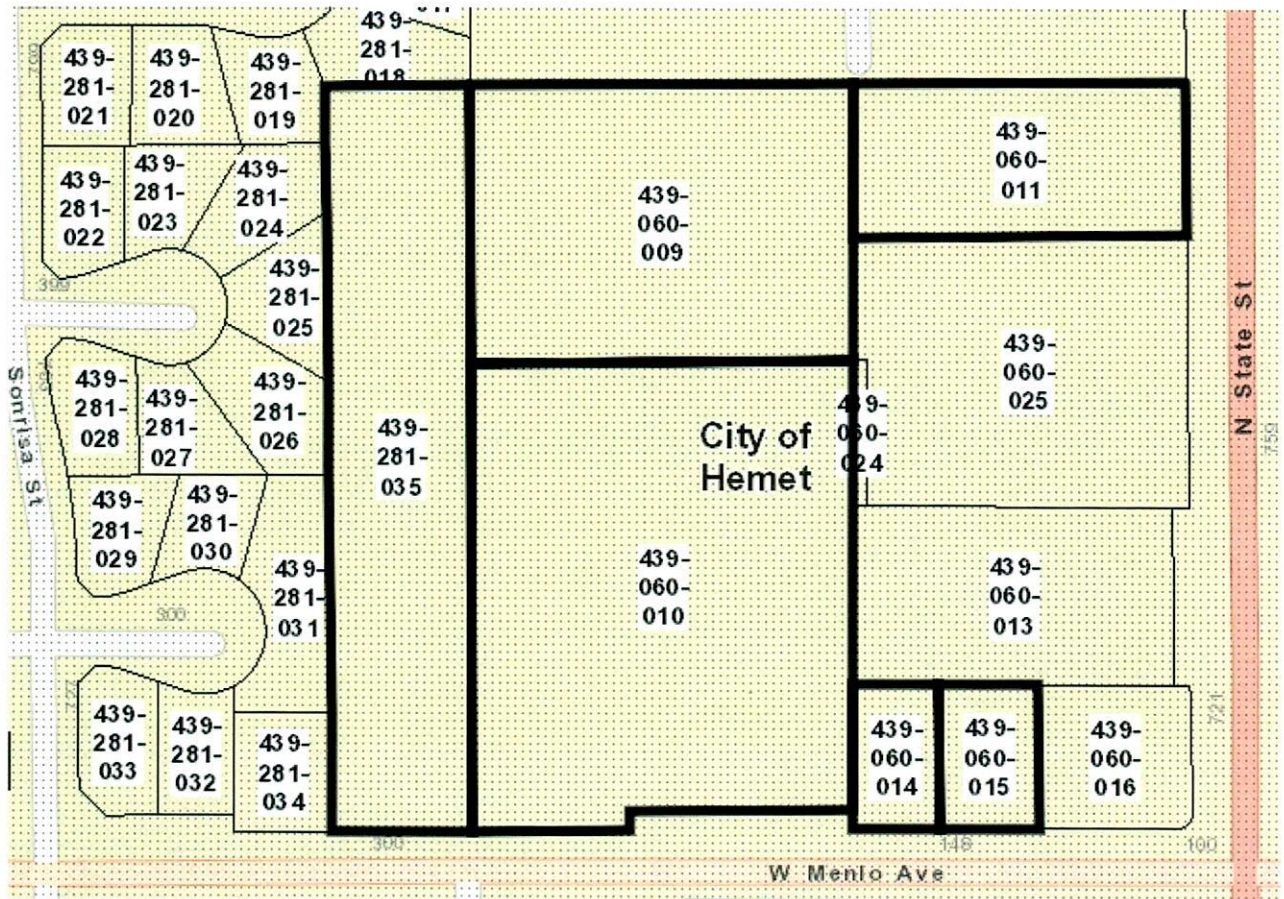
23 439-060-014 (Affects Parcel D)

24 439-060-015 (Affects Parcel F)

25 439-281-035 (Affects Parcel E)

Property
Vicinity Map

APN 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT "B"
DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT

June 25, 2020

**Summary Report Pursuant To
California Health and Safety Code Section 33433
On A Disposition, Development and Loan Agreement
By and Between
The Housing Authority of The County of Riverside and
Palm Communities**

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 ("Section 33433"). The Summary Report sets forth certain details of the proposed Disposition, Development and Loan Agreement ("DDLA") between the Housing Authority of the County of Riverside ("HACR") and Palm Communities, a California corporation ("Palm"). The DDLA obligates HACR to transfer approximately 7.76 acres of residentially and commercially zoned real property located west of State Street and north of Menlo Avenue in the City of Hemet, County of Riverside, State of California, 92543 and referred to as assessor parcel numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035, more particularly described on Exhibit A hereto ("Property") to Palm, or its permitted assignees, for the construction of a multi-family affordable housing complex consisting of at least one hundred fifty (150) apartment units, with a community center, open space and related amenities ("Project"). It is contemplated that the Project will be constructed in up to three (3) phases, and that each phase will be owned, developed and operated by a separate limited partnership assignee controlled by Palm.

HACR is California Housing Authority acting under the California Housing Authorities Law, Part 2 of Division 24 of the Health and Safety Code (the "Housing Authorities Law").

Assembly Bill No. x1 26, as modified by Assembly Bill No. 1484 ("Dissolution Act"), added Parts 1.8 and 1.85 to Division 24 of the California Community Redevelopment Law (Health and Safety Code sections 33000 et seq., the "CRL"). The Redevelopment Agency for the County of Riverside ("RDA") was dissolved on February 1, 2012 such that the RDA is now deemed a former redevelopment agency under Health and Safety Code section 34173.

Pursuant to Health and Safety Code Section 34176 (a), and County of Riverside Resolution No. 2012-035, all housing functions previously performed by the former RDA, including related rights, powers, liabilities, duties, obligations, and housing assets (excluding unencumbered amounts in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency) were transferred to the HACR.

The proposed sale of the Property to Palm, or its assignees, is subject to the reporting requirements imposed by Section 33433 because prior to dissolution, the former RDA utilized low and moderate income housing redevelopment funds to acquire the Property for affordable housing purposes. Section 33433 requires the selling entity to prepare a report that summarizes the following information in connection with the sale of the Property:

(i) The cost of the agreement to the agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreements.

(ii) The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the redevelopment plan.

(iii) The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.

(iv) An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

It is the intent of this Summary Report to meet all of the Section 33433 requirements and provide the required information and data. This Summary Report is based upon the information contained within the DDLA, and is organized into the following six sections:

1. Salient Points of the DDLA: This section summarizes the major responsibilities imposed on HACR and Palm in the DDLA.
2. Cost of the DDLA to HACR: This section details the total cost to HACR associated with implementing the terms of the DDLA.
3. Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted Under the Existing Zoning: This section estimates the value of the interest to be conveyed determined at the highest use permitted under the Property's existing zoning.
4. Estimated Reuse Value of the Interests to be Conveyed: This section summarizes the valuation estimate for the Property based on the required scope of development, and the other conditions and covenants required by the DDLA.
5. Consideration Received and Comparison with the Established Value: This section describes the compensation to be received by HACR, and explains any difference between the compensation to be received and the established value of the Property.

6. Blight Elimination: This section describes the existing blighting conditions on the Property, and explains how the DDLA will assist in alleviating the blighting influence.

1. SALIENT POINTS OF THE DDLA

Description of the Property and Project

The Property to be sold by HACR to Palm is approximately 7.76 acres of residentially and commercially zoned real property located west of State Street and north of Menlo Avenue in the City of Hemet, County of Riverside, State of California, 92543, identified with Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035. A legal description of the Property is shown on Exhibit A and map of the Property is shown in Exhibit B.

The former RDA acquired the Property primarily for the purpose of carrying out its obligation to eliminate blight and for future affordable housing development. When the Property was purchased by the former RDA, the Property consisted of vacant land. HACR has determined that the best use for the Property would be to enter into a Disposition, Development and Loan Agreement for the sale of the Property to Palm or its assignees, for purposes of development of the Project. .

Scope of Development

The proposed scope of development includes the construction and development on the Property of an affordable multi-family housing complex, with a community center, open space and related amenities consisting of at least one hundred fifty (150) apartment units. Forty-nine percent (49%) of the units in the Project will be restricted to extremely low and low income households whose incomes do not exceed sixty percent (60%) of the Area Median Income (AMI) (Restricted Units). At least thirty percent (30%) of the Restricted Units shall be restricted to occupancy by extremely low income households whose incomes do not exceed thirty percent (30%) of AMI. The maximum qualifying income for all other units in the Project will be one hundred twenty percent (120%) of AMI. Affordability for each phase will be restricted for fifty-five (55) years from the issuance of a certificate of occupancy for such phase. . The affordability restrictions for the Project will be set forth in an agreement containing covenants to be recorded against the land upon sale of the Property by HACR to Palm. The affordability restrictions as to the units in each phase will be set forth in an agreement containing covenants to be recorded against the land underlying each phase upon sale of that portion of the Property by Palm to its permitted assignee, and will run with the land.

Palm Responsibilities

The DDLA requires Palm to accept the following responsibilities:

1. Palm will acquire the Property at a purchase price equal to fair market value, paid for by delivery to HACR of a note secured by deed of trust. The note is due upon the outside closing date for the first phase, or December 31, 2024, unless Palm is able to obtain financing for the first phase prior to that date. Upon the sale of each phase to a permitted assignee, the assignee will deliver a note secured by deed of trust to HACR, and the note given by Palm will be deemed reduced by that amount. All HACR loans to assignees will be evidenced by a promissory note to be paid from residual receipts from the project.
2. Palm must accept the Property in an "as-is" condition.
3. Palm shall develop the Property pursuant to the Scope of Development attached to the DDLA.
4. Palm is responsible for satisfying all requirements of the California Environmental Quality Act, obtaining all necessary entitlements and easements to carry out entire Scope of Development.
5. Palm shall maintain affordability restrictions of the restricted units pursuant to the Agreement Containing Covenants attached to the DDLA, which covenants shall be recorded against the Property upon transfer to Palm.
6. Palm must satisfy all conditions precedent to closing, including obtaining all Project entitlements and securing all financing for the first phase of development of the Project by December 31, 2024 pursuant to the DDLA and the Schedule of Performance attached thereto.
7. Palm will grant HACR an option to repurchase the property for all principal and interest amounts outstanding under the note if Palm is not able to assemble financing and convey the first phase to an assignee by December 31, 2024.

HACR Responsibilities

The DDLA imposes the following responsibilities on HACR, subject to the satisfaction of certain conditions precedent set forth therein:

1. HACR must sell the Property to Palm for a purchase price equal to appraised fair market value. HACR will carry seller financing for the full fair market value purchase price.
2. HACR upon completion of each phase shall monitor affordability restrictions for the entire affordability period of 55 years.

2. COST OF THE TRANSFER OF FEE TITLE TO HACR

The former RDA purchased the Property in 2010 with bond funds deposited into the Low and Moderate Income Housing Fund at a cost of \$1,631,637.50]. Additional costs

5. CONSIDERATION RECEIVED IN COMPARISON WITH THE ESTABLISHED VALUE

The DDLA imposes extraordinary controls on the Project. Specifically, the Developer must accept a 55-year covenant that imposes income and affordability restrictions on the Project. The impacts created by these requirements reduce the Property's value. HACR will finance the full fair market value of the purchase price. In order to make the project financially feasible and in recognition of the long-term affordability restrictions impacting fair reuse value, the HACR loans will accrue simple interest at 3% and the assignees of Developer for each Phase will make annual debt service payments on these obligations based on the residual receipts generate by the Project. With the consideration of the value of the land compared to development costs and operating costs, the cost to develop and maintain the project exceeds the Fair Re-Use value.

6. BLIGHT ELIMINATION

The Property consists of vacant land. Development of the Project on the Property will provide much needed affordable housing on a vacant Property. The Project will increase employment during the construction phase. Thus, the proposed Project fulfills the blight elimination requirement imposed by Section 33433.

Exhibit A

Property Legal Description

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF HEMET, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

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

EXCEPTING FROM SAID LOT 125 THE SOUTHERLY 425.00 FEET MEASURED FROM THE CENTER LINE OF MENLO AVENUE AND THE EASTERLY 330.00 FEET THEREOF MEASURED FROM THE CENTER LINE OF STATE STREET.

APN: 439-060-009-1

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

THE SOUTHERLY 425 FEET OF THE SOUTH HALF OF FARM LOT 125 OF THE ESTUDILLO LAND AND WATER COMPANY'S ADDITION TO SAN JACINTO, IN THE CITY OF HEMET, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA, SAID DISTANCE OF 425 FEET BEING MEASURED FROM THE CENTER LINE OF MENLO AVENUE.

EXCEPT THEREFROM THE EASTERLY 330 FEET THEREOF.

ALSO EXCEPT THEREFROM THAT PORTION THEREOF INCLUDED IN MENLO AVENUE.

APN: 439-060-010-1

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

THE NORTH 130 FEET OF THE EAST 330 FEET, MEASURED FROM THE CENTER LINE OF STATE STREET, OF THE SOUTH HALF OF FARM LOT 125 OF THE LANDS OF THE ESTUDILLO LAND AND WATER COMPANY'S ADDITION TO SAN JACINTO, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA.

EXCEPT THE EASTERLY RECTANGULAR 44 FEET.
Summary Report

APN: 439-060-011-2

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

THE WEST 70 FEET OF THE EASTERLY 330 FEET OF THE SOUTHERLY 156 FEET OF THE SOUTHEAST QUARTER OF FARM LOT 125 OF ESTUDILLO LAND AND WATER COMPANY'S ADDITION TO SAN JACINTO, IN THE CITY OF HEMET, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF RECORDS OF SAN DIEGO COUNTY. SAID SOUTHEAST QUARTER BEING MEASURED FROM THE INTERSECTION OF THE CENTER LINE OF MENLO AND STATE STREETS.

APN: 439-060-014-5

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

THAT PORTION OF THE SOUTH HALF OF FARM LOT 125 OF THE ESTUDILLO LAND WATER COMPANY ADDITION TO SAN JACINTO, IN THE CITY OF HEMET, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA, BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A POINT WHICH IS THE INTERSECTION OF THE CENTER LINE OF MENLO AVENUE AND STATE STREET;
THENCE NORTH ON THE CENTER LINE OF STATE STREET, 156 FEET;
THENCE WEST 330 FEET PARALLEL WITH MENLO AVENUE;
THENCE SOUTH 156 FEET PARALLEL WITH STATE STREET;
THENCE EAST ON THE CENTER LINE OF MENLO AVENUE, 330 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE WESTERLY 70 FEET THEREOF;
ALSO EXCEPTING THEREFROM THOSE PORTIONS INCLUDED IN MENLO AVENUE AND STATE STREET FOR ROAD PURPOSES.

ALSO EXCEPT THEREFROM THAT PORTION DESCRIBED IN BY GRANT DEED RECORDED JANUARY 4, 1967 AS INSTRUMENT NO. 1967-379 OF OFFICIAL RECORDS.

APN: 439-060-015-6

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 127 OF THE ESTUDILLO LAND AND WATER COMPANY, ADDITION TO SAN JACINTO, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 410 OF MAPS, RECORDS OF SAN DIEGO COUNTY.

BEGINNING AT THE SOUTHEAST CORNER OF LOT 127; THENCE WEST 205 FEET; THENCE NORTH 100 FEET; THENCE EAST 80 FEET; THENCE NORTH TO THE NORTH LINE OF LOT 127; THENCE EAST 125 FEET; THENCE SOUTH ON THE EAST LINE OF LOT 127 TO THE POINT OF BEGINNING.

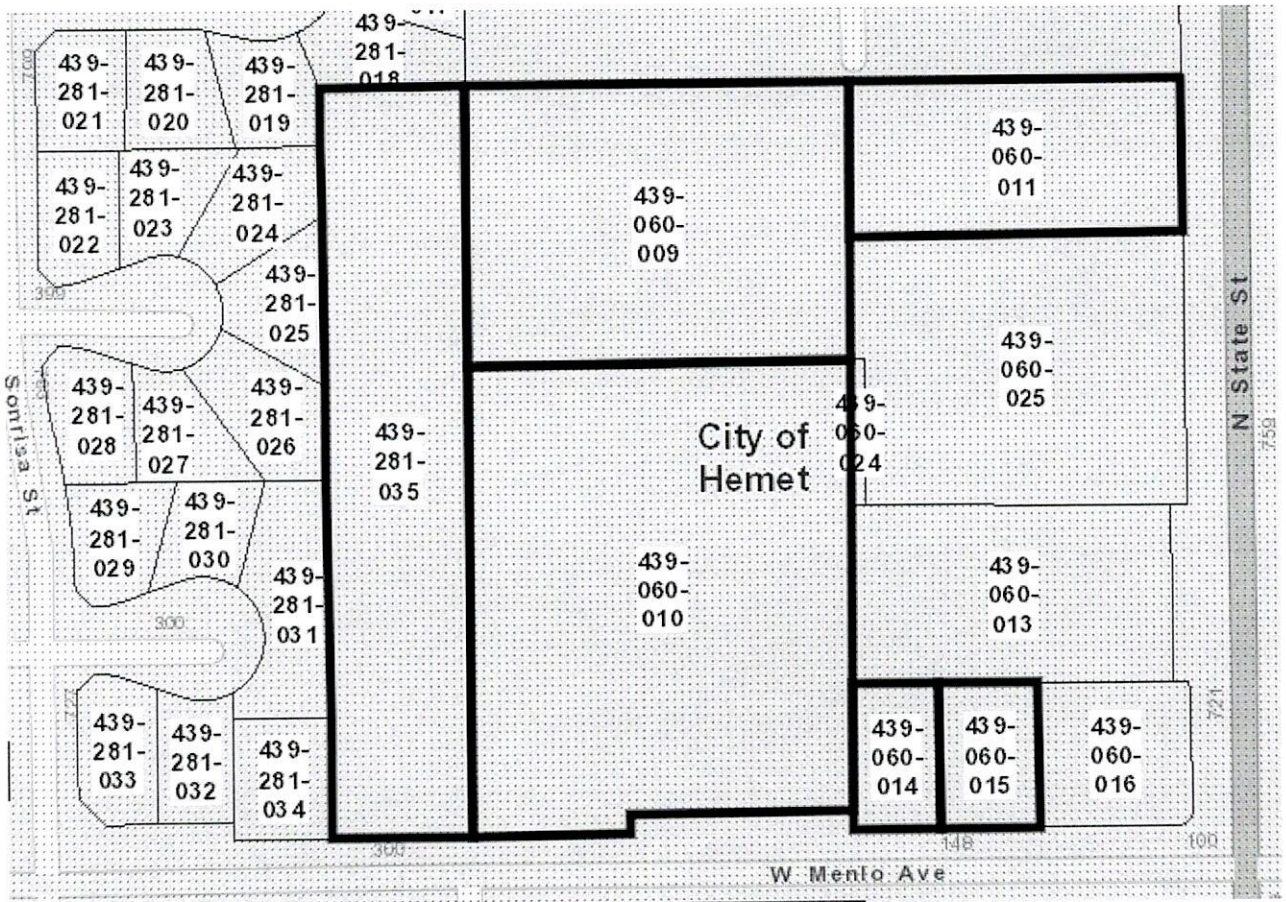
EXCEPTING THEREFROM THE WESTERLY 83 FEET OF THE SOUTHERLY 100 FEET.

APN: 439281035

Exhibit B

Depiction of Property

Site Vicinity Map



439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035

Advertising Order Confirmation

The Press Enterprise

06/25/20 11:22:17AM
Page 2

Ad Number 0011394122-01
Ad Size 4 X 78 LI

External Ad Number

Color
Pick Up

Production Color
Ad Type
Legal Liner

Ad Attributes
Released for Publication

Production Method
AdBooker

Production Notes

NOTICE OF PUBLIC HEARING BY THE HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE REGARDING A DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT TO CONVEY REAL PROPERTY IDENTIFIED AS ASSESSOR'S PARCEL NUMBERS 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 AND 439-281-035 LOCATED IN THE CITY OF HEMET, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, TO PALM COMMUNITIES FOR THE DEVELOPMENT OF AFFORDABLE HOUSING

NOTICE IS HEREBY GIVEN THAT the Housing Authority of the County of Riverside's ("Authority"), Board of Commissioners ("BOC") will hold a Public Hearing on or about July 14, 2020, at the hour of 9:30 a.m. or as soon thereafter as the matter can be heard, in the Board Chambers, County Administrative Center, 4080 Lemon Street 1st Floor, Riverside, CA 92501, for the purpose of considering a proposed Disposition, Development and Loan Agreement ("Agreement") by and between the Authority and Palm Communities, a California corporation ("Palm"), pursuant to Section Health and Safety Code Section 33433. The Proposed Agreement provides for the conveyance by the Authority to Palm of certain real property consisting of approximately 7.76 acres, identified as Assessor's Parcel Numbers 439-060-009, 439-060-010, 439-060-011, 439-060-014, 439-060-015 and 439-281-035, located west of State Street and north of Menlo Avenue in the City of Hemet, County of Riverside, State of California, 92343 ("Site") and the development thereon of at least one hundred fifty (150) multifamily apartment units, a community center, open space and related amenities, to be occupied by and rented to Extremely Low, Low and Moderate Income households ("Affordable Units"), with related infrastructure and parking. The Affordable Units shall be restricted by an Agreement Containing Covenants to remain continually affordable for the longest feasible time, but not less than 55 years.

The following documents are available for public inspection during regular business hours (email mmmano@rivco.org for scanned copies) at the offices of the County located at 5555 Arlington Avenue, Riverside, CA 92504: (1) A copy of the proposed Agreement and all attachments; and (2) A Summary Report prepared pursuant to Section 33433.

At any time before the date and time set forth above for the public hearing by the Authority, any written comments or objections to the proposed Agreement and/or the Summary Report may be filed with the County Clerk. All persons wishing to question, comment, object to, or be heard on any or all such matters at the public hearing will be given an opportunity to appear and be so heard. If you later desire to challenge actions of the Authority in connection with these actions, you could be limited to raising issues you have raised at or before the public hearing.

Further information concerning this matter may also be obtained by contacting Juan Garcia, Principal Development Specialist at 951-343-5473 or email jugarcia@rivco.org. This information will be made available in alternative formats upon request. If you require assistance or auxiliary aids in order to participate at this public hearing, please contact the County Clerk at 951-955-1060 or email COB@RIVCO.ORG in advance of the meeting.

Published: June 30, 2020
July 7, 2020

The Press-Enterprise

Product	Requested Placement	Requested Position	Run Dates	# Inserts
Daily Bulletin	Legals CLS LA-SB-PE	County Legal IE	06/30/20, 07/07/20	2
PE Riverside-Full Run	Legals CLS LA-SB-PE	County Legal IE	06/30/20, 07/07/20	2
SB Sun	Legals CLS NP	General NP - 1076~	06/30/20, 07/07/20	2

**NO FEE FOR RECORDING
PURSUANT TO GOVERNMENT
CODE SECTION 27383**

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Housing Authority of the
County of Riverside
5555 Arlington Avenue
Riverside, CA 92504
Attn: Mike Walsh, Deputy Director

SPACE ABOVE THIS LINE FOR RECORDERS USE

DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT

By and Between

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

and

PALM COMMUNITIES

for

The Villages at Hemet Affordable Housing Project

WHEN DOCUMENT IS FULLY EXECUTED RETURN
CLERK'S COPY

to Riverside County Clerk of the Board, Stop 1010
Post Office Box 1147, Riverside, Ca 92502-1147
Thank you.

DDLA (Hemet) FINAL

JUL 14 2020 10.7

TABLE OF CONTENTS

ARTICLE 1 SUBJECT OF AGREEMENT 2

 Section 1.1 Recitals..... 2

 Section 1.2 Definitions..... 2

 Section 1.3 Purpose of Agreement15

 Section 1.4 HACR 15

 Section 1.5 Palm or Developer 15

 Section 1.6 Assignments and Transfers 15

ARTICLE 2 DISPOSITION OF THE PROPERTY 17

 Section 2.1 Conveyance of the Property; Purchase Price 17

 Sections 2.1.1 Termination of Agreement; Exercise of Option 18

 Section 2.2 Escrow..... 18

 Section 2.3 Possession of Property Upon Close of Escrow 18

 Section 2.4 Form of Deed 18

 Section 2.5 Condition of Title..... 19

 Section 2.6 Closing Date..... 19

 Section 2.7 Title Insurance 19

 Section 2.8 Taxes and Assessments..... 19

 Section 2.9 Occupants of the Property..... 20

 Section 2.10 Condition of the Property..... 20

 Section 2.10.1 Hazardous Substances..... 20

 Section 2.11 Suitability of the Property 21

 Section 2.12 Property Access Prior to Close of Escrow 22

 Section 2.13 Method of Financing..... 22

 Section 2.14 Representations and Warranties..... 22

 Section 2.15 Conditions Precedent to the Close of Escrow..... 24

 Section 2.16 Failure of Conditions to Close of Escrow or Construction Close
of Escrow 30

 Section 2.17 Reserved..... 31

 Section 2.18 Evidence of Financing 31

ARTICLE 3 DEVELOPMENT OF THE PROPERTY 32

 Section 3.1 Land Use Approvals 32

Section 3.2	Compliance with CEQA and Other Laws as Condition Precedent to Construction Closing.....	32
Section 3.3	Scope of Development.....	33
Section 3.4	Basic Concept, Schematic Drawings and Related Documents.....	33
Section 3.5	Landscaping and Grading Plans.....	34
Section 3.6	Architects.....	34
Section 3.7	Cost of Construction.....	34
Section 3.8	Schedule of Performance.....	34
Section 3.9	Local, State, and Federal Laws.....	35
Section 3.10	Notice of Non-Responsibility.....	36
Section 3.11	Nondiscrimination During Construction.....	36
Section 3.12	Indemnification and Insurance.....	36
Section 3.13	Disclaimer of Responsibility by HACR.....	40
Section 3.14	Rights of Access.....	40
Section 3.15	Taxes, Assessments, Encumbrances and Liens.....	40
Section 3.16	Prohibition Against Transfer.....	40
Section 3.17	No Encumbrances Except Approved Financing.....	41
Section 3.18	Lender Not Obligated to Construct Improvements.....	41
Section 3.19	Notice of Default to Lenders and Tax Credit Investor; Right of Lender and Tax Credit Investor to Cure Defaults.....	42
Section 3.20	Failure of Lender to Complete Improvements.....	42
Section 3.21	Right of HACR to Cure Defaults.....	42
Section 3.22	Right of HACR to Satisfy Other Liens on the Property.....	43
ARTICLE 4	USE OF THE PROPERTY.....	43
Section 4.1	Uses.....	43
Section 4.2	Maintenance of the Property.....	45
Section 4.3	Monitoring and Monitoring Fee.....	46
Section 4.4	Obligation to Refrain from Discrimination.....	46
Section 4.5	Effect and Duration of Covenants.....	47
Section 4.6	Effect of Violation of the Terms and Provisions of this Agreement.....	48
Section 4.7	Hazardous Substances.....	48
ARTICLE 5	DEFAULTS, REMEDIES AND TERMINATION.....	48
Section 5.1	Defaults - General.....	48

Section 5.2	Termination.....	50
Section 5.3	Remedies of the Parties for Default.....	51
Section 5.4	Attorneys' Fees.....	52
Section 5.5	Institution of Legal Actions.....	52
Section 5.6	Applicable Law.....	52
Section 5.7	Acceptance of Service of Process.....	52
Section 5.8	Rights and Remedies Are Cumulative.....	53
Section 5.9	Damages.....	53
Section 5.10	Termination.....	53
Section 5.11	Specific Performance after Closing.....	53
ARTICLE 6	GENERAL PROVISIONS.....	54
Section 6.1	Notices, Demands and Communications between the Parties.....	54
Section 6.2	Conflicts of Interest.....	55
Section 6.3	Nonliability of HACR Officials and Employees.....	55
Section 6.4	Force Majeure.....	55
Section 6.5	Inspection of Books and Records.....	55
Section 6.6	Approvals and Non-Substantive Amendments.....	55
Section 6.7	Real Estate Commissions.....	56
Section 6.8	Further Assurances.....	56
Section 6.9	Construction and Interpretation of Agreement.....	55
Section 6.10	Time of Essence.....	57
Section 6.11	No Partnership.....	57
Section 6.12	Compliance with Law.....	57
Section 6.13	Binding Effect.....	57
Section 6.14	No Third Party Beneficiaries.....	57
Section 6.15	Authority to Sign.....	57
Section 6.16	Incorporation by Reference.....	58
Section 6.17	Counterparts.....	58
ARTICLE 7	ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS.....	58
ARTICLE 8	EFFECTIVE DATE OF AGREEMENT.....	58

ATTACHMENTS

ATTACHMENT NO. 1	-	LEGAL DESCRIPTION
ATTACHMENT NO. 2	-	SITE MAP
ATTACHMENT NO. 3	-	METHOD OF FINANCING
ATTACHMENT NO. 4	-	SCHEDULE OF PERFORMANCE
ATTACHMENT NO. 5	-	FORM OF GRANT DEED
ATTACHMENT NO. 6	-	SCOPE OF DEVELOPMENT
ATTACHMENT NO. 7	-	FORM OF PROJECT BUDGET
ATTACHMENT NO. 8	-	PRELIMINARY TITLE REPORT
ATTACHMENT NO. 9	-	ENVIRONMENTAL INDEMNITY
ATTACHMENT NO. 10	-	NOTICE OF AFFORDABILITY RESTRICTIONS
ATTACHMENT NO. 11	-	FORM OF AGREEMENT CONTAINING COVENANTS (PARTNERSHIP ASSIGNEE)
ATTACHMENT NO. 12	-	REQUEST FOR NOTICE
ATTACHMENT NO. 13	-	INTENTIONALLY OMITTED
ATTACHMENT NO. 14		FORM OF PROMISSORY NOTE SECURED BY DEED OF TRUST (HACR LOAN)
ATTACHMENT NO. 15		FORM OF DEED OF TRUST
ATTACHMENT NO. 16		FORM OF OPTION AGREEMENT
ATTACHMENT NO. 17	-	FORM OF AGREEMENT CONTAINING COVENANTS (DEVELOPER)
ATTACHMENT NO. 18		FORM OF PROMISSORY NOTE SECURED BY DEED OF TRUST (SELLER LOAN)
ATTACHMENT NO. 19	-	NOTICE OF AFFORDABILITY RESTRICTIONS (SELLER LOAN)

**DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT
(The Villages at Hemet)**

THIS DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT (“**DDLA**”) is entered into this ____ day of _____, 2020, by and between the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public body corporate and politic, (“**HACR**”) and PALM COMMUNITIES, a California corporation (“**Palm**” or “**Developer**”). HACR and Palm are collectively referred to herein as the “Parties” and individually as a “Party.”

RECITALS

The following Recitals are a substantive part of this DDLA. Capitalized terms used in these Recitals and not otherwise defined shall have the meaning set forth in Section 1.2.

A. HACR is the legal owner of record of the real property located at the north side of Menlo Avenue, west of N. State Street, in the City of Hemet, County of Riverside, State of California, identified with Assessor’s Parcel Numbers 439-060-009; 439-281-035; 439-060-011; 439-060-010; 439-060-014; 439-060-015, described in the **Legal Description**, attached hereto as **Attachment No. 1** and incorporated herein by this reference and depicted on the **Site Map**, attached hereto as **Attachment No. 2** and incorporated herein by this reference (collectively, the “**Property**”). The Property is unimproved.

B. There is an unmet need for affordable housing within the County of Riverside, California.

C. HACR, established by action of the Board of Supervisors of the County of Riverside on November 23, 1942, pursuant to the California Housing Authorities Law (Health and Safety Code §§ 34200, et seq., the “**Housing Authorities Law**”), constitutes a corporate and politic public body, exercising public and essential governmental functions, and having all the powers necessary or convenient to carry out the purposes and provisions of the Housing Authorities Law.

D. The former Redevelopment Agency of the County of Riverside (“**RDA**”) purchased the Property in 2010 with proceeds from tax exempt bonds deposited into the low and moderate income housing fund.

E. California redevelopment agencies were dissolved on February 1, 2012 such that the RDA is now deemed a former redevelopment agency under Health and Safety Code section 34173 and AB x1 26, as modified by Assembly Bill No. 1484 (as modified to date, the “**Dissolution Law**”), which added Parts 1.8 and 1.85 to Division 24 of the California Community Redevelopment Law (Health and Safety Code sections 33000 et seq., the “**CRL**”).

F. Pursuant to CRL § 34176 (a) and HACR Resolution Nos. 2012-035, all housing functions previously performed by the former RDA, including related rights, powers, duties, obligations, and housing assets (excluding unencumbered amounts in the Low and Moderate Income Housing Fund and enforceable obligations retained by the non-housing successor agency under the Dissolution Law (the “**Successor Agency**”)) were transferred to HACR, including the

Property, making HACR the “**Housing Successor**” to the former RDA under the Dissolution Law.

G. Palm is a California corporation engaged in building safe and affordable housing for low-income households.

H. Palm desires to acquire the Property from HACR and develop, construct and operate thereon an affordable multifamily rental housing project comprised of at least one hundred fifty (150) units, a community center, open space and related amenities, to be occupied by and rented to Extremely Low, Low and Moderate Income Households (as defined herein) (collectively, the “**Proposed Project**”).

I. Palm desires to purchase the Property and to subsequently develop the proposed housing units in up to three (3) separate and distinct phases (each, a “**Phase**”).

J. Forty-nine percent (49%) of the total units not identified for occupancy by a property manager on the Property shall be Restricted Units (as defined herein).

K. In furtherance of the housing functions transferred to the HACR pursuant to the Dissolution Law and public purposes set forth in the Housing Authorities Law, and in order to facilitate the Proposed Project, HACR desires to sell the Property to Palm for affordable housing purposes, as more specifically described herein, and provide for one or more Seller Loan(s) (as defined herein) in connection therewith.

L. The Parties intend, in this DDLA, following and contingent upon Palm obtaining the necessary financing, discretionary entitlements, permits and full compliance with the California Environmental Quality Act, to provide for HACR’s disposition of the Property to Palm, the provision of the Seller Loans, Palm’s construction of the Project and Palm’s operation of an affordable housing project on the Property.

NOW, THEREFORE, in consideration of the foregoing, and the promises and mutual covenants and conditions hereinafter set forth, HACR and Palm hereby do agree as follows:

ARTICLE 1 SUBJECT OF AGREEMENT

Section 1.1 Recitals The Recitals set forth above are true and correct and incorporated herein by this reference.

Section 1.2 Definitions

For purposes of this DDLA, the following capitalized terms shall have the following meanings:

“Adjusted for Family Size Appropriate to the Unit” shall mean the number of bedrooms in the Unit plus one; or, if permitted in accordance with the HSC, the number of bedrooms in the Unit multiplied by 1.5.

“Affiliate” means (1) any Person directly or indirectly controlling, controlled by or under common control with another Person; (2) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person; or (3) if that other Person is an officer, director, member or partner, any company for which such Person acts in any such capacity. The term “control” as used in the immediately preceding sentence, means the power to direct the management or the power to control election of the board of directors. It shall be a presumption that control with respect to a corporation or limited liability company is the right to exercise or control, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, control is the possession, indirectly or directly, of the power to direct or cause the direction of the management or policies of the controlled entity. It shall also be a presumption that the managing General Partner of a limited partnership controls the limited partnership.

“Affordability Period” means a period of fifty-five (55) years, commencing from the issuance of a Certificate of Occupancy for the last building for which construction is completed for each Phase of the Project, in compliance with the Housing Authorities Law and applicable laws governing the housing functions transferred to HACR pursuant to the Dissolution Law.

“Affordable Rent” means the amount of monthly rent, including a reasonable utility allowance, that does not exceed the lesser of the maximum allowable rent to be charged by Developer and paid by Extremely Low or Low Income Households, as applicable, occupying the Restricted Units as determined pursuant to (i) HSC § 50053(b) and the regulations promulgated pursuant to or incorporated therein, including, without limitation, any applicable regulations promulgated pursuant to HSC § 50093, (ii) any effective, applicable Tax Credit regulatory agreement; and (iii) applicable regulations pursuant to any other source of financing secured for, and continued to be secured by, the Project, including, if applicable, any effective Section 8 Program regulations as to any Restricted Unit designated as a project-based Section 8 unit or otherwise occupied by a holder of a Rental Voucher or Rental Certificate evidencing participation in the Section 8 Program.

Notwithstanding the foregoing, in the event that Palm receives project based Section 8 financing, Developer shall be entitled (during such time as such Rental Voucher and/or project based Section 8 rental assistance is received) to receive up to fair market rent as determined in accordance with the Section 8 Program, provided that the tenant of the Affordable Unit does not pay an amount in excess of the amount determined in accordance with the immediately preceding paragraph. Affordable Rent shall be calculated annually by HACR in accordance with this definition. The tenant utility allowance shall be determined by HACR.

“Agreement Containing Covenants” means a regulatory agreement to be executed by the applicable Partnership Assignee in favor of HACR. The Agreement Containing Covenants shall be substantially in the form attached hereto as **Attachment No. 11** and incorporated herein by this reference. A separate Agreement Containing Covenants will be executed for each Phase and recorded against the applicable Parcel. The Agreements containing Covenants for the first, second and third Phases shall be substantially in the form attached hereto, with such revisions as are appropriate to the Phase in accordance with this DDLA.

“Agreement Containing Covenants (Developer)” means a regulatory agreement to be executed by Palm in favor of HACR. The Agreement Containing Covenants (Developer) shall

be substantially in the form attached hereto as **Attachment No. 17** and incorporated herein by this reference. The Agreement Containing Covenants (Developer) shall be released as to a portion of the Property upon the conveyance of title to the portion of the Property constituting a Phase by Developer to a Partnership Assignee concurrently with the transfer of title of all or a portion of the Property constituting a Phase to a Partnership Assignee, an Agreement Containing Covenants applicable to such Phase of the Project is recorded against the Property being transferred in the place of the Agreement Containing Covenants (Developer).

“Approved Financing” means the financing for a Phase set forth in a Project Budget approved by HACR.

“Approved Annual Operating Budget” shall have the meaning set forth in the Method of Financing attached hereto as **Attachment No. 3**.

“Area Median Income” or “AMI” means the median family income (adjusted for family size) for the Riverside County area promulgated and published annually by HCD pursuant to Title 25, § 6932 of the California Code of Regulations. If HCD ceases annually to publish median incomes, the Parties will agree upon an adequate substitute manner for determining Area Median Income.

“Board of Commissioners” means the governing, legislative body of the Housing Authority of County of Riverside.

“Building Permit” means the building permit(s) issued by the City of Hemet required for the development of the Project.

“City” means the City of Hemet, California.

“Closing” or “Close of Escrow” means, with respect to the conveyance of the Property by HACR and the acquisition thereof by Palm, the point in time when all conditions precedent to such conveyance and acquisition set forth in Section 2.15.A have been satisfied.

“Closing Date” means the date on which the Closing has occurred.

“Completion” means the point in time at which all of the following have been satisfied with respect to a particular Phase: (a) issuance of a certificate of occupancy by the City of Hemet for all the buildings of the Phase, (b) recordation of a Notice of Completion pursuant to Civil Code section 8182, (c) submission to HACR of unconditional lien releases or waivers obtained by Palm or Palm’s agent, (d) payment, settlement or other extinguishment, discharge, release, waiver, bonding or insuring against any mechanic’s liens that have been recorded or stop notices that have been delivered; and (e) the applicable Parcel for such Phase have been developed in accordance with this DDLA, the Scope of Development and plans approved by HACR and any other Governmental Authority pursuant to this DDLA.

“Community Center” means the community center to be constructed on the Property, which will be available to all tenants of the Project.

“Construction Closing” or “Construction Close of Escrow” means, and with respect to the conveyance of one or more parcels constituting a Phase by Palm to a Partnership Assignee, the point in time in which all conditions precedent to such conveyance and acquisition set forth in Section 2.15.B have been satisfied.

“Construction Closing Date” means the date on which the Construction Closing has occurred.

“Construction Lender” means an institutional or governmental lender which loans a Partnership Assignee a Construction Loan to finance a portion or all of the costs to develop and construct a Phase.

“Construction Loan” means a construction loan to be made by a Construction Lender to Partnership Assignee.

“Construction Loan Deed of Trust” means the deed of trust securing a Construction Loan.

“Conversion Date” means the date that construction of a Phase has been completed and all of the other conditions precedent in order for a Permanent Lender to fund the Permanent Loan for such Phase have been satisfied.

“Conveyance” means, as applicable, (i) the transfer of title to the Property from HACR to Palm, evidenced by recordation in the Official Records of a Grant Deed in the form attached hereto as **Attachment No. 5**, or (ii) the transfer of title to one or more parcels constituting a Phase by Palm to a Partnership Assignee, evidenced by recordation in the Official Records of a grant deed in such form as is required by the parties thereto.

“County” means the County of Riverside.

“DDLA” or “Agreement” means this Disposition, Development and Loan Agreement by and between HACR and Palm which shall be recorded in the Official Records on title to the Property upon Closing.

“Debt Service” means required debt service payments for a Construction Loan and/or a Permanent Loan including the funding obligations in respect of all reserves or escrows required thereunder.

“Deed of Trust” means a deed of trust securing the Seller Loan or a HACR Loan substantially in the form of **Attachment No. 15**, to be executed by Palm or Partnership Assignee, as applicable, and recorded against the Property, or applicable Parcels, upon Closing or a Construction Closing, as applicable.

“Developer” means Palm and its successors and assigns permitted by this DDLA, including, without limitation, any Partnership Assignee.

“Development Costs” means all costs which are actually incurred by Palm, or the applicable Partnership Assignee, for the acquisition of a Parcel and the financing, design, development and construction of a Phase.

“Effective Date” means the date the Chairman of the Board of Commissioners executes this DDLA after approval by the Board of Commissioners.

“Entitlements” means any and all general plan amendments, zoning approvals or changes, required approvals and certifications under the California Environmental Quality Act (including and subject to all mitigation measures), tentative and final tract maps, variances, site plans, conditional use permits, demolition permits, excavation/foundation permits, grading permits, building permits, inspection reports and approvals, certificates of occupancy, and other approvals, permits, certificates, authorizations, consents, orders, entitlements, filings or registrations, and actions of any nature whatsoever required from any governmental entity in order to commence and complete the construction of the Improvements and occupancy and operation of a Phase of the Project.

“Environmental Indemnity” means an environmental indemnity substantially in the form of the Environmental Indemnity attached hereto as **Attachment No. 9** and incorporated herein by this reference.

“Escrow Instructions” or “Escrow Agreement” means escrow instructions prepared on behalf of HACR relating to the sale of the Property to Palm, in such form as reasonably required by HACR.

“Evidence of Financing” is defined in Section 2.18 of this DDLA.

“Evidence of Insurance” is defined in Section 3.12 of this DDLA.

“Executive Director” means the executive director of HACR, or his or her designee.

“Extremely Low Income Household” shall mean a Household whose Gross Income does not exceed the requirements set forth in HSC § 50106 for the applicable household size.

“Final Plans” is defined in Section 3.4.

“First Phase” means the first Phase of the Project to be constructed on the Property by Developer.

“Force Majeure” or “Force Majeure Event” means any of the following events, provided that it actually delays and interferes with the timely performance of the matter to which it applies and despite the exercise of diligence and good business practices is or would be beyond the reasonable control of the party claiming such interference: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation including litigation challenging the validity of this transaction or any element thereof; unusually severe weather; inability to secure necessary labor, materials or tools; acts of the other party; acts or failure to act of any Governmental Authority (except acts or failure to act of HACR shall not excuse performance by HACR); the imposition of any applicable moratorium by a Governmental Authority; or any other causes which despite the exercise of diligence and good business practices are or would be beyond the reasonable control of the party claiming such delay and interference.

The lack of funding to complete the development of the Project shall not constitute grounds for Force Majeure delay pursuant to this DDLA. Developer expressly assumes the risk of real estate market conditions, construction costs, interest rates, and other similar general economic circumstances that may make funding and/or construction of the Project difficult, more expensive, or infeasible, whether or not such events or causes are foreseeable as of the date of this DDLA. Developer acknowledges and agrees that Force Majeure shall not operate to excuse Developer from prompt payment when due under any Promissory Note, Seller Loan Document or HACR Loan Document.

“Force Majeure Delay” means any delay in taking any action required by this DDLA, proximately caused by the occurrence of any Force Majeure Event. An extension of time for any Force Majeure Event shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) calendar days of the commencement of the cause. Times of performance under this DDLA may also be extended in writing by mutual agreement between HACR and the Developer. That notwithstanding, if said prevention or delay extends for one hundred and eighty (180) calendar days (or such longer period as may be permitted in a writing or by policy of TCAC in the event of a natural disaster, provided that the Partnership Assignee has obtained Tax Credits and the Tax Credits remain allocated to the Project and the Developer is not otherwise in material breach of the Construction Loan, Permanent Loan, Loan Documents, any other agreements for financing for the Project or any TCAC agreements or requirements), the Parties shall meet and confer to discuss whether to grant additional time as a result of the delay or consider terminating this DDLA with respect to such Phase.

“Governmental Approvals” means and includes any and all general plan amendments, zoning approvals or changes, required approvals and certifications under the California Environmental Quality Act, variances, conditional use permits, demolition permits, excavation/foundation permits, grading permits, building permits, inspection reports and approvals, certificates of occupancy, and other approvals, permits, certificates, authorizations, consents, orders, entitlements, filings or registrations, and actions of any nature whatsoever required by any Governmental Authority in order to commence and complete the construction of a Phase of the Project.

“Governmental Authority(ies)” means the United States, the State of California, the City, the County of Riverside or any other political subdivision in which the Property is located, and any court or political subdivision, agency or instrumentality having jurisdiction over the Property, the Developer or the Project.

“Governmental Requirements” means all laws, ordinances, statutes, codes, rules, resolutions, regulations, policy statements, orders, and decrees (including, without limitation, those relating to land use, subdivision, zoning, environmental, labor relations, prevailing wage, and building and fire codes) of the United States, the State of California, the County, the City or any other political subdivision in which the Property is located or which exercises jurisdiction over the Developer or the construction, maintenance, management, use, or operation of the Project.

“Grant Deed” means the instrument by which HACR will convey title to the Property to Palm, substantially in the form attached hereto as **Attachment No. 5** and incorporated herein by this reference.

“Gross Income” shall be calculated in accordance with Title 25, § 6914 of the California Code of Regulations.

“HACR Indemnitees” is defined in Section 2.11 of this DDLA.

“HACR Loan” shall refer to the loan or loans to be made by HACR to a Partnership Assignee upon the Construction Closing of the sale of a Phase by Palm to a Partnership Assignee.

“HACR Loan Documents” shall refer collectively to this DDLA with respect to the applicable Phase, any agreement entered into between HACR and any Partnership Assignee with respect to a Phase in the form of an Attachment hereto, any agreement entered into or delivered in connection with such Phase and required by HACR in connection therewith, and any extensions, modifications or amendments thereto.

“Hazardous Substances” and “Hazardous Materials” shall have the meaning set forth in Section 2.10.1 of this DDLA.

“HCD” means the California Department of Housing and Community Development.

“Household” means one or more individuals occupying or applying to occupy a Unit.

“Housing Authorities Law” is defined in Recital C.

“Housing Successor” is defined in Recital F.

“HSC” means the California Health and Safety Code.

“Improvements” means all of the improvements to be constructed on the Property as specifically described in the Scope of Development, and any other plans and/or specifications approved by Governmental Authorities in connection with the Project, including, but not limited to an at least one hundred fifty (150) unit affordable housing complex, community center and related amenities. The Improvements may be constructed in up to three (3) Phases.

“Lender” means a lender of a Loan.

“Loan” means a source of financing in the form of a Construction Loan, a Permanent Loan or any other loan, credit enhancement or construction period guaranty facility secured by a deed of trust or other instrument recorded against a Parcel. The definition of Loan shall include, but not be limited to, any Construction Loan, any Permanent Loan and any HACR Loan.

“Losses and Liabilities” means and includes all claims, suits, causes of action, arbitration proceedings, administrative proceedings, regulatory proceedings, expenses, liabilities, losses, damages (including, without limitation, penalties, fines and monetary sanctions), injuries, expenses, charges, penalties or costs of whatsoever character, nature and kind, including

reasonable attorney's fees and costs, expert witness fees, court costs, interest and defense costs, consultant fees, investigation and laboratory fees, and remedial and response costs incurred by the indemnified party with respect to counsel of its choice, whether to property or to person, whether by direct or derivative action, and whether known or unknown, suspected or unsuspected, latent or patent, actual alleged or threatened.

“Low Income Household” shall mean a Household whose Gross Income does not exceed sixty percent (60%) of AMI for the applicable household size.

“Manager Unit” means one Unit per Phase to be occupied by an on-site property manager.

“Memorandum of Option” means a Memorandum of Option substantially in the form of Exhibit B to **Attachment No. 16**.

“Method of Financing” shall mean the document attached to this DDLA as **Attachment No. 3** incorporated herein by this reference.

“Moderate Income Household” shall mean a Household whose Gross Income does not exceed the requirements set forth in HSC § 50093, Adjusted for Family Size Appropriate to the Unit.

“Monitoring Fee” means an annual fee in the amount of One Hundred Dollars (\$100) per Unit (as increased by three percent (3%) per annum) constructed in each Phase, payable on April 1 of each year during the Affordability Period commencing on the first April 1 after the construction of the applicable Phase is complete.

“Notice of Affordability Restrictions” means that certain Notice of Affordability Restrictions substantially in the form of **Attachment No. 10** to be recorded in the Official Records at Construction Closing for each Phase.

“Notice of Affordability Restrictions (Seller Loan)” means that certain Notice of Affordability Restrictions substantially in the form of **Attachment No. 19** to be recorded in the Official Records at Closing. The Notice of Affordability Restrictions (Seller Loan) shall be released as to a portion of the Property upon the conveyance of title to the portion of the Property constituting a Phase by Developer to a Partnership Assignee concurrently with the transfer of title of all or a portion of the Property constituting a Phase to a Partnership Assignee, a Notice of Affordability Restrictions applicable to such Phase of the Project is recorded against the Property being transferred in the place of the Notice of Affordability Restrictions (Seller Loan).

“Official Records” means the Official Records of the Office of the County Recorder for the County of Riverside, California.

“Operating Expenses” with respect to each Phase, includes the aggregate of the expenses directly incurred, paid and attributable to the following:

- i. Cost of utilities supplied to and used for the Phase and payable by the Partnership Assignee;

- ii. Cost of all insurance required for the Phase in this DDLA, Partnership Assignee's partnership agreement, the Senior Financing documents, or any ancillary documents concerning the operation of the Phase;
- iii. Real property taxes, if any, and assessment payments;
- iv. Expenses and costs of any social services programs and compliance/monitoring reporting for the Phase;
- v. The deposits for the replacement reserves or operating reserves for the Phase, in the amount provided by the Senior Financing or required by Partnership Assignee's partnership agreement or any junior lender, if a greater requirement;
- vi. On-site administrative costs (including payroll and payroll taxes and expenses, employee benefits);
- vii. Operating, maintenance and repair expenses and services, and necessary capital expenditures for the upkeep and repair of the Phase and any expenditures required based upon a physical needs assessment by the Partnership Assignee's limited partner or Senior Financing lender (including materials and labor) not funded from reserves required for the Phase, such as charges for public services such as sewer charges, license and permit fees, goods, commodities, materials, equipment, furniture, furnishings, installation of appliances, fixtures, painting, cleaning, pest control, gardening, rubbish removal, security services, advertising and promotion, leasing commissions, accounting, and legal expenses attributable to the Parcel or the Phase which are directly attributable and customarily incurred in the operation of real estate projects similar to the Phase, including property management fees, expenses and costs payable to the property management agent;
- viii. Any post-Closing legal fees or other expenses, fees, and costs incurred by Partnership Assignee in connection with administering this DDLA or a Loan in connection with any Phase;
- ix. All scheduled, or otherwise due, payments of principal and/or interest on the Senior Financing, together with all financing fees and related charges payable by the Partnership Assignee under the terms of the Senior Financing, including without limitation, issuer fees, trustee fees, remarketing fees, and rebate analyst fees, interest rate cap deposits and credit enhancer charges;
- x. All other fees and expenses which may be provided in Partnership Assignee's Approved Annual Operating Budget, including, without limitation, the Monitoring Fee; and
- xi. Repayments of loans from a partner or affiliate of a partner of the Partnership Assignee in accordance with Partnership Assignee's partnership agreement for construction cost deficits, operating deficits or similar operating shortfalls; and
- xii. Repayments of any amounts owing to a general partner, or an affiliate of Partnership Assignee in accordance with the partnership agreement due to an

adjustment in the tax credit equity caused by an adjustment to tax credits available to the Phase.

“Operating Expenses” shall not include the following: (a) repairs or replacements paid out of insurance proceeds received by or reserves held by the Partnership Assignee; (b) book depreciation of buildings or other similar non-cash items of expense; (c) principal and interest payments on all financing payable from residual receipts; (d) any deferred developer fee; and (e) any asset management or limited or general partner partnership management fees; (f) salaries of employees of Partnership Assignee or Partnership Assignee’s general overhead expenses, or expenses, costs and fees paid to an affiliate of Partnership Assignee, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms’ length transaction between unrelated parties in the Riverside County area for the same work or services; (g) any amounts paid directly by a tenant of the applicable Phase to a third party in connection with expenses which, if incurred by Partnership Assignee, would be Operating Expenses; and (h) optional or elective payments with respect to debt secured by a lien senior to the HACR Loan (unless made with the consent of HACR in its reasonable discretion).

“Option” means the option granted by Developer to HACR to repurchase the Property or the Parcels pursuant to the Option Agreement.

“Option Agreement” means an Option Agreement substantially in the form of **Attachment No. 16** pursuant to which Palm grants HACR an option to repurchase the Property.

“Outside Closing Date” means, with respect to the First Phase, December 31, 2024. Provided that the First Phase Construction Closing occurs by the Outside Closing Date, the Outside Closing Date for the Second Phase shall be within three (3) years after the Construction Closing of the First Phase. Provided that the Construction Closing for the Second Phase occurs by the Outside Closing Date for the Second Phase, the Outside Closing Date for the Third Phase shall be within three (3) years after the Construction Closing for the Second Phase. Notwithstanding the foregoing, the Parties hereto acknowledge that many of the potential sources of financing for the Project are subject to competitive awards, and that it is difficult to identify with certainty the period of time needed to obtain financing and entitlements necessary for construction of a Phase. In light of the foregoing, Outside Closing Dates shall be subject to extension with the consent of the Executive Director through 2030. The Executive Director shall reasonably consider any request for extensions to the Outside Closing Date for each Phase based on Palm’s updates on progress toward obtaining financing and entitlements for a particular Phase. Any extension of an Outside Closing Date for any Phase past December 31, 2030 shall require the consent of the Board of Commissioners.

“Palm” means Palm Communities, a California corporation and any assignee of or successor to its rights, powers and responsibilities permitted by this DDLA.

“Parcel” means a legal parcel or parcels of land located within the boundaries of the Property upon which Developer will develop a single Phase of the Project.

“Partnership Assignee” shall have the meaning set forth in Section 1.6(g) of this DDLA.

“Permanent Lender” means the institutional lender who at the Completion of a Phase takes out or reduces a Construction Loan and provides permanent financing for such Phase.

“Permanent Loan” means a loan made by the Permanent Lender at the Conversion Date for a particular Phase.

“Permitted Exceptions” means those encumbrances, liens, taxes, assessments, easements, rights of way, leases, covenants, agreements or other exceptions affecting title to the Property as of the date of recordation of the Grant Deed for the Property which are approved in Section 2.5 below or otherwise in writing by the Palm as set forth in the Preliminary Title Report. The Parties will use First American Title Insurance Company to close these transactions.

“Permitted Transfer” means assignment of all or any part of this DDLA or any right therein, or the sale, agreement to sell, transfer, encumbrance, conveyance or assignment of the Property or a Phase or any portion thereof or interest therein to any of the following:

- (1) A conveyance of a security interest in any portion of the Property in connection with any Approved Financing and any transfer of title by foreclosure, deed or other conveyance in lieu of foreclosure in connection therewith;
- (2) A conveyance of any portion of the Property to an Affiliate;
- (3) A partnership or limited liability company in which Palm, or an entity controlled by Palm, is a general partner or managing member and is in control thereof;
- (4) The admission of additional new general or limited partners or members, or the substitution or deletion of partners or members to any such partnership or limited liability company set forth in clause (3) above, so long as Palm or an entity controlled by Palm continues to exercise managerial control of such entity;
- (5) The removal of the entity controlled by Palm from the limited partnership or limited liability company set forth in clause (3) above, by the limited partner in accordance with the terms of the partnership agreement or operating agreement, as applicable, and replacement of such entity with an entity controlled by the limited partner;
- (6) A corporation that is wholly owned and that is controlled by Palm or an entity controlled by Palm;
- (7) The lease for occupancy of any Unit within the Property in accordance herewith; and
- (8) The granting of easements, licenses or permits to facilitate the development of the Project in accordance with this DDLA.

Any transfer described in clauses (1) through (7) shall not require the consent of HACR.

“Permitted Transferee” means an entity which is the transferee in connection with a Permitted Transfer.

“Person” means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, domestic or foreign.

“Phase” means any one of the up to three phases of development of the Project on the Property. Each Phase will be separately owned, financed and operated.

“Plans” means any architectural and construction plans and drawings prepared on behalf of Palm for a Phase in accordance with this DDLA.

“Preliminary Title Report” means that certain Palm approved Preliminary Title Report for the Property issued by First American Title Insurance Company dated _____ which is attached hereto as **Attachment No. 8** and incorporated herein by this reference.

“Project” means Palm’s (or a Partnership Assignee’s) development, construction and operation on the Property of the Improvements constituting the Proposed Project, in such form as is ultimately depicted in the Final Plans and subject to conditions of approval and mitigation measures as approved by the City of Hemet, HACR and any other entity having jurisdiction over the Property, which shall be performed in accordance with this DDLA, including, but not limited to the Scope of Development attached hereto as **Attachment No. 6**. The Project may be constructed in up to three (3) Phases.

“Project Budget” means a schedule of sources and uses of construction and permanent funds necessary to pay Development Costs and operations for a particular Phase, including a projected cash flow for at least the first fifteen (15) years of operation, with such other information as may be reasonably requested by HACR, as approved by HACR in connection with Section 2.18 and the Method of Financing, substantially the form attached hereto as **Attachment No. 7**.

“Promissory Note” means a promissory note for the benefit of HACR.

“Promissory Note (HACR Loan)” means a promissory note substantially in the form of **Attachment No. 14** to be given by Partnership Assignee for the benefit of HACR in repayment of a portion of the Seller Loan in connection with a Construction Closing for a Phase.

“Promissory Note (Seller Loan)” means a promissory note substantially in the form of **Attachment No. 18** to be given by Developer for the benefit of HACR in payment of the Purchase Price for the Property.

“Property” means that certain real property consisting of approximately 7.76 acres of land located at the north side of Menlo Avenue, west of N. State Street, in the City of Hemet, County of Riverside, State of California, identified with Assessor’s Parcel Numbers 439-060-009; 439-281-035; 439-060-011; 439-060-010; 439-060-014; 439-060-015, as further described in the Legal Description attached hereto as **Attachment No. 1** and as depicted on the Site Map attached hereto as **Attachment No. 2**. The Property will be divided or reconfigured into approximately three (3) legal parcels, subject to the prior written approval of HACR, which shall not be unreasonably withheld or delayed. The terms of such division or reconfiguration including, without limitation, designation of Parcel boundaries, shall be determined by Palm and subject to the subdivision requirements of the City. HACR agrees to assist Palm at no cost to HACR in processing any such approved division or reconfiguration, whether through a lot line adjustment, recordation of a parcel map or transfer via a metes and bounds description using the authority of HACR to create parcels that are exempt from certain provisions of the Subdivision Map Act.

“Proposed Project” is defined in Recital H.

“Purchase Price” shall have the meaning set forth in **Attachment No. 3**, the Method of Financing.

“Restricted Unit(s)” means the Units not reserved as Manager Units within each Phase of the Project that shall be exclusively rented to and occupied by Extremely Low Income Households or Low Income Households at an Affordable Rent in accordance with Section 4.1.

“Schedule of Performance” means the schedule attached hereto as **Attachment No. 4** and incorporated herein by this reference, as may be amended from time to time upon the written agreement of the Parties.

“Scope of Development” means the Scope of Development attached hereto as **Attachment No. 6** and incorporated herein by this reference, as may be amended from time to time upon the written agreement of the Parties.

“Seller Loan” shall refer to the loan or loans to be made by HACR to Palm in payment of the Purchase Price. The Seller Loan shall be deemed repaid in the amount of any HACR Loan to a Partnership Assignee upon the Close of Escrow of the sale of a Phase by Palm to a Partnership Assignee.

“Seller Loan Documents” shall refer to this DDLA, any agreement entered into in the form of an Attachment hereto or in connection herewith, and any extensions, modifications or amendments thereto.

“Senior Financing” and terms related to it shall refer to a Construction Loan and a Permanent Loan and any other Loan for a Phase which is required by its Lender to be senior in lien priority to a HACR Loan. Each HACR Loan shall be subordinate to the Senior Financing, provided that HACR and the holder of the Senior Financing enter into a subordination agreement in such form as is acceptable to the Executive Director in his or her reasonable discretion. Senior Financing shall also include such financing and instruments, if any, recorded upon a Parcel in conjunction with low income housing tax credits awarded to a Phase. Any subordination agreement required to be executed by HACR as a subordinate lender shall be delivered to HACR for review no less than fifteen (15) days prior to the date upon which such agreement must be executed, provided, however, such condition may be waived by HACR.

“Successor Agency” is defined in Recital F.

“Tax Credit Investor” shall mean a limited partner entity admitted to a Partnership Assignee.

“TCAC” shall mean the California Tax Credit Allocation Committee.

“Term” means the term of this DDLA with respect to each Phase, which shall be the period of fifty-five (55) years from the date of issuance of a Certificate of Occupancy for the last building built in a Phase.

“Title Company” means First American Title Insurance Company, or another title insurance company mutually agreed upon by HACR and Palm.

“Unit” means each of the at least one hundred fifty (150) dwelling units required to be developed by the Palm (or its Partnership Assignees) under this DDLA. Any Unit not reserved as a Manager Unit and that does not constitute a Restricted Unit shall be exclusively rented to and occupied by Households whose Gross Income does not exceed the income set forth herein for a Moderate Income Household.

Section 1.3 Purpose of Agreement

The purpose of this DDLA is to effectuate HACR’s requirement that the Property be used to provide affordable housing in furtherance of HACR’s public purpose and its role as Housing Successor. A portion of the Units located on the Property shall be rented to and occupied by Extremely Low Households or Low Income Households, as specified herein, at an Affordable Rent during the Affordability Period. The development and use of the Property pursuant to this DDLA, and the fulfillment of this DDLA, are in the vital and best interests of the HACR and the County and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of applicable Governmental Requirements.

Section 1.4 HACR

(a) HACR is a public body corporate and political. The principal office of HACR is located at 5555 Arlington Avenue, Riverside, California 92504.

(b) “HACR” as used in this DDLA includes the Housing Authority of the County of Riverside and any assignee of or successor to its rights, powers and responsibilities.

Section 1.5 Palm or Developer

Palm is Palm Communities, a California corporation. The principal address of Palm for purposes of this DDLA is 100 Pacifica, Suite 203, Irvine, CA 92618. Whenever the term “Palm” or “Developer” is used herein, it shall mean and include Palm as of the date of this DDLA, and any assignee of or successor to the rights, powers and responsibilities of Palm permitted by this DDLA, and any assignee of or successor to all or a portion of the Property or any Phase, including, without limitation, any Partnership Assignee.

Section 1.6 Assignments and Transfers

(a) Palm represents and agrees that its undertakings pursuant to this DDLA are for the purpose of redeveloping the Property and providing affordable rental housing for Extremely Low, Low and Moderate Income Households, and not for speculation in land holding. Palm further recognizes that the qualifications and identity of Palm are of particular concern to HACR, in light of the following: (1) the importance of the development of the Property to the general welfare of the community; (2) the public assistance that has been made available by law and by the government for the purpose of making such redevelopment possible; and (3) the fact that a change in ownership or control of Palm or Developer or any other act or transaction involving or

resulting in a significant change in ownership or control of Palm or Developer, is for practical purposes a transfer or disposition of the property then owned by Palm. Palm further recognizes that it is because of such qualifications and identity that HACR is entering into this DDLA with Palm. Therefore, no voluntary or involuntary successor in interest of Palm or Developer shall acquire any rights or powers under this DDLA except as expressly permitted herein.

(b) Except for a Permitted Transfer, neither Palm nor Developer shall not assign all or any part of this DDLA, the Property or any interest herein with respect to such Phase, without the prior written approval of HACR.

(c) For the reasons cited above, Palm or Developer, as applicable, represents and agrees for itself and any successor in interest that, without the prior written approval of HACR (which shall not be unreasonably withheld or delayed), there shall be no significant change in the ownership of Palm or Developer such that Danavon L. Horn, or his successor in the event of a retirement or incapacitation of Danavon L. Horn, is no longer in control of Palm or Developer by any method or means, except Permitted Transfers. Notwithstanding the foregoing, a family member or employee of Palm may replace Danavon L. Horn in the event Danavon Horn becomes incapacitated or retires, provided that HACR is provided with written notice of such change in control or ownership within fifteen (15) business days of such event.

(d) Any assignment or transfer of this DDLA or the Property or any interest herein or significant change in ownership of Palm or Developer, other than certain Permitted Transfers or as permitted below in subsection (g), shall require the prior written approval of HACR, which shall not be unreasonably withheld. To the extent HACR approval of an assignment or transfer is required by this DDLA, in granting or withholding its approval, HACR shall base its decision upon the relevant experience, financial capability and reputation of the proposed assignee or transferee and the effect, if any, of such proposed transfer on the public purposes of this DDLA.

(e) Palm or Developer, as applicable, shall promptly notify HACR of any and all changes whatsoever in the identity of the parties in control of Palm or Developer or the role thereof, of which it or any of its officers have been notified or otherwise have knowledge or information. Except for Permitted Transfers, this DDLA may be terminated by HACR with respect to any Phase which has not yet been assigned to a limited partnership as a Permitted Transfer, if there is any significant change, (voluntary or involuntary) in membership, management or control, of Palm (other than such changes occasioned by the death or incapacity of any individual) prior to Construction Closing of a Phase.

(f) Any assignments or transfers approved by HACR shall be evidenced by the assignor's, assignee's, and HACR's execution of an assignment and assumption agreement substantially approved as to form and substance by HACR and its counsel.

(g) It is the intention of Palm to transfer the rights for each Phase to a limited partnership in which Palm will exercise managerial control of such entity. Transfers of the rights hereunder to a Permitted Transferee limited partnership (a "**Partnership Assignee**") prior to or concurrently with the Construction Closing of a Phase shall not require the consent of HACR and shall be evidenced by HACR's, Palm's and assignee's execution of an assignment and assumption agreement in such form as is approved by HACR, a fully-executed copy of which shall be delivered to HACR on or prior to Construction Closing of the Parcels constituting a Phase. Such assignment shall provide for the assignment by Palm, and the assumption by the

Partnership Assignee, of all of Palm's rights and obligations hereunder with respect to the applicable Phase. Notwithstanding anything to the contrary contained herein, once a Partnership Assignee has assumed Palm's obligations with respect to a Phase, a default hereunder by Palm or another Permitted Assignee hereunder shall not constitute a default with respect to such non-defaulting Partnership Assignee or the Phase which it owns.

(h) Except for a transfer described in (g) above and all Permitted Transfers, Developer shall promptly reimburse HACR for its reasonable attorneys' fees and costs for any transfer or proposed transfer of all or any portion of the Property or the rights and obligations set forth herein.

ARTICLE 2 DISPOSITION OF THE PROPERTY

Section 2.1 Conveyance of the Property; Purchase Price

At such time as all conditions precedent to the Conveyance of the Property have been satisfied, in consideration for the covenants, representations, and warranties provided herein by Developer and upon receipt by HACR of the Purchase Price and satisfaction of the conditions set forth in Section 2.15.A below, HACR shall convey the Property to Developer and Developer shall accept the Property in an "as-is" condition and in accordance with the terms and conditions set forth herein and for the purposes set forth herein. The Purchase Price shall be paid by delivery to HACR of a Promissory Note (Seller Loan) in the amount of the Purchase Price ("**Seller Loan**").

It is anticipated that Developer will cause the subdivision of the Property into multiple legal parcels for the purpose of developing the Property in up to three Phases. Each Phase will be owned and developed by a Partnership Assignee. All or a portion of the Purchase Price for each Phase may be paid by the Partnership Assignee by entering into a Promissory Note (HACR Loan) payable to HACR in such amount as is equal to the product of the square footage of the Phase multiplied by the price per square foot paid by Palm for the Property (each a "**HACR Loan**.") Each HACR Loan shall be deemed to repay a portion of the Seller Loan. In the event the Partnership Assignee does not enter into a HACR Loan for the purchase of the Phase, the portion of the Seller Loan attributable to such Phase shall be repaid to HACR by Palm in immediately available funds at Construction Closing.

The Board of Commissioners approved this DDLA and the sale of the Property to Developer, and no further action shall be required by the Board of Commissioners in order to convey the Property to the Developer in accordance with the terms and conditions hereof. The Board of Commissioners approved the sale of Parcel(s) constituting a Phase to a Partnership Assignee provided that such Conveyance is made in accordance with the terms and conditions hereof, and no further action shall be required by the Board of Commissioners in order to convey such Parcel(s). The Executive Director may amend, revise and execute any and all documents necessary to transfer the Property to the Developer and the Parcel(s) constituting a Phase to a Partnership Assignee without further Board of Commissioners approval or action. Notwithstanding the foregoing, the Executive Director, in his or her reasonable discretion, may require the approval of the Board of Commissioners prior to Conveyance of the Parcel(s) constituting a Phase to a Partnership Assignee if Developer has requested a material change or amendment to the Proposed Project or any of the documents, forms of which are attached hereto, which are necessary to transfer of Parcel constituting a Phase to a Partnership Assignee, provided

that notice of such requirement is provided to Developer within such time period as set forth in the Schedule of Performance.

Section 2.1.1 Termination of Agreement; Exercise of Option

Subject to the notice and cure provisions set forth in Section 5.1 and to the enforced delay provisions set forth in Section 6.4 of this DDLA, HACR may terminate this DDLA with respect to the Property or a Phase or Phases pursuant to Sections 5.8 and 5.9 if any of the conditions precedent to Construction Closing are not satisfied by Palm or waived in writing by HACR by the applicable Outside Closing Date. Notwithstanding the foregoing, the right of HACR to terminate this DDLA pursuant to this Section 2.1.1 shall apply only to an individual Phase for which a condition precedent to Construction Closing is not timely met within the time period provided in the Schedule of Performance for such Phase and for any future Phases for which Palm has not yet transferred title to a Partnership Assignee. In connection with such termination, HACR shall be entitled to exercise the option to repurchase the Parcels constituting such terminated Phases in accordance with the Option Agreement.

Section 2.2 Escrow

Developer agrees to open an escrow for the conveyance of the Property or the Parcels constituting a Phase with the Title Company or with any other licensed escrow company first approved by HACR and Developer ("**Escrow Agent**"), no later than the date established therefor in the applicable Schedule of Performance. No later than the time provided in the applicable Schedule of Performance, HACR shall cause to be prepared and shall deliver the Escrow Instructions to the Escrow Agent. HACR and Developer shall provide such additional or amended escrow instructions as may be necessary to close the escrow with respect to the conveyance of the Parcel, consistent with this DDLA.

Section 2.3 Possession of Property Upon Close of Escrow

(a) Conveyance of the Property shall occur on or before the date set forth in the Schedule of Performance, or such later date as mutually agreed to in writing by HACR and Developer and communicated in writing to the Escrow Agent pursuant to Section 2.2 herein. HACR and Developer agree to use commercially reasonable best efforts to perform all acts necessary to convey title in sufficient time for escrow to be closed in accordance with the foregoing provisions.

(b) Possession of the Property shall be delivered to Palm immediately following the Close of Escrow for the Property, except that access and entry may be granted before the Close of Escrow pursuant to Section 2.12 of this DDLA.

Section 2.4 Form of Deed

HACR shall convey title to the Property to Palm in the condition provided in Section 2.5 of this DDLA, by a Grant Deed substantially in the form of **Attachment No. 5**, incorporated herein by this reference.

Section 2.5 Condition of Title

HACR shall convey to Developer the Property free and clear of all liens, encumbrances, covenants, restrictions, easements, leases, taxes and other defects; except those which are set forth in this DDLA, and those exceptions to title for the Property set forth in the Preliminary Title Report.

Section 2.6 Closing Date

Subject to any mutually agreed-upon extension of time, the Parties shall use their best efforts to satisfy all conditions precedent to the Closing for the Property by the date set forth in the Schedule of Performance, and for the Construction Closing for each Phase prior to the Outside Closing Date applicable to such Phase.

Section 2.7 Title Insurance

(a) Concurrently with the recordation of the Grant Deed for the Property, Title Company shall provide and deliver to Developer an Owner's Title Insurance Policy, issued by the Title Company insuring that the fee interest to be conveyed is vested in Developer in the condition required by Section 2.5 of this DDLA ("**Owner's Title Policy**"). The Title Company shall provide HACR with a copy of the Owner's Title Policy. The Owner's Title Policy shall be in the amount specified by Developer.

(b) If Developer elects to secure an A.L.T.A. owner's policy or to secure an A.L.T.A. lender's policy for the benefit of any lender for which a mortgage will or is intended to be granted covering the applicable Parcel as permitted by the terms of this DDLA, HACR shall cooperate with Developer, at no cost to HACR, to obtain such policies by providing surveys and engineering studies in its possession which relate to or affect a condition of title or a geological condition. In providing such surveys and engineering studies, HACR does not warrant the accuracy or sufficiency of such material. The responsibility of HACR assumed by this paragraph is limited to cooperating in good faith with Developer. HACR shall have no obligation to incur any cost or to take any action necessary to obtain an A.L.T.A. policy.

(c) At Closing or Construction Closing, as applicable, HACR, at Developer's cost, shall receive a 2006 A.L.T.A. lender's policy of title insurance in the amount of any Seller Loan or HACR Loan, together with such endorsements as are reasonably requested by HACR insuring the Seller Loan or HACR Loan secured by the Property or Parcels, as applicable, subject only to the liens of current property taxes and assessments and any exception to title which may be approved by HACR ("**HACR Lender's Policy**").

(d) Developer shall pay all premiums for all title insurance policies and coverage and special endorsements with respect to the Property. HACR shall not be responsible for paying any title insurance costs or premiums.

Section 2.8 Taxes and Assessments

Ad valorem taxes imposed on the Property as to any period prior to the Closing shall be borne by HACR. All ad valorem taxes imposed on the Property as to any period after the Closing

shall be the sole responsibility of and paid by Developer, and the responsibility of a Partnership Assignee with respect to its Parcels after the Construction Closing for such Phase.

Developer acknowledges and agrees that HACR is relieved of any responsibility for payment of any and all assessments (but not ad valorem taxes) levied against the Property, including, but not limited to assessments levied by the City or local water district (“Assessments”) which become due and payable after the Close of Escrow conveying the Property to Developer. HACR shall pay any and all past due or current Assessments due and owing in connection with the Property as of the Close of Escrow.

Section 2.9 Occupants of the Property

HACR warrants and agrees that title to the Property shall be conveyed free of any possession and any right of possession, except as expressly waived in writing by Palm in writing, and the Permitted Exceptions.

Section 2.10 Condition of the Property

Section 2.10.1 Hazardous Substances

(a) “**Hazardous Materials**” or “**Hazardous Substances**” shall include, but not be limited to, oil, flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, hazardous wastes, toxic or contaminated substances or similar materials, including, without limitation, any substances defined as “extremely hazardous substances,” “hazardous substances,” “hazardous materials,” “hazardous waste” or “toxic substances” in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, including the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq. (“CERCLA”); the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801, et seq.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. §§ 6901, et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. §§ 2601 et seq.; the Clean Air Act, as amended, 42 U.S.C. §§ 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. §§ 1251 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. §§ 651; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. §§ 801 et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. §§ 300f et seq.; and those substances defined as “hazardous waste” in § 25117 of the California Health and Safety Code, as “infectious waste” in § 25117.5 of the California Health and Safety Code, or as “hazardous substances” in § 25316 of the California Health and Safety Code, or “hazardous materials” as defined in § 353 of the California Vehicle Code; waste that exhibits the characteristics set forth in § 25141 (b) of the California Health and Safety Code; and in the regulations adopted and orders and publications promulgated pursuant to said laws. Hazardous Materials shall expressly exclude substances typically used in the construction, development, operation and maintenance of an apartment complex provided such substances are used in accordance with all applicable laws.

(b) Developer hereby represents and warrants that the development, construction and uses of the Property (i) will comply with all applicable environmental laws; and (ii) do not require the presence of any Hazardous Substance on the Property.

(c) Within seven (7) business days of written request by Developer, HACR shall deliver to Developer, if not previously delivered, all documents relevant to the condition of the Property within HACR's or the County's possession, including, environmental reports, studies, surveys, and all other relevant documents within HACR's possession (collectively referenced as "**Documents**"). Neither HACR nor the County warrants the accuracy of the Documents or that the Documents constitute all documents that may exist regarding the conditions of the Property. Palm shall conduct its own inquiry to determine if more information is available.

(d) Palm shall execute and deliver to HACR an Environmental Indemnity substantially conforming in form and substance to the Environmental Indemnity attached hereto as **Attachment No. 9** as a condition precedent to the Close of Escrow. In the event a Partnership Assignee obtains a HACR Loan, such Partnership Assignee shall execute and deliver to HACR an Environmental Indemnity substantially conforming in form and substance to the Environmental Indemnity attached hereto as **Attachment No. 9** as a condition precedent to the Close of Escrow for the applicable Phase.

Section 2.11 Suitability of the Property

(a) Prior to Closing on the Property, Palm shall have the right to engage, at its sole cost and expense, its own environmental consultant ("**Palm's Environmental Consultant**"), to make such investigations as Developer deems necessary, including without limitation any "Phase 1" and/or "Phase 2" investigations of the Property or any portion thereof, and to perform or cause any other consultants to perform any other desired due diligence investigations, and HACR shall promptly be provided a copy of all reports and test results provided by Palm's Environmental Consultant (the "**Environmental Reports**").

(b) The Property shall be accepted by Developer in an "as is" physical condition, with no warranty, express or implied by HACR as to the presence of Hazardous Substances, or the condition of the soil, its geology or the presence of known or unknown faults. Notwithstanding the foregoing, if prior to Close of Escrow on the Property the condition of the Property is not in all respects entirely suitable for the use or uses to which such Property will be put, then HACR and Palm shall meet and confer in order to determine which party shall be responsible for the costs to place the Property in all respects in a condition entirely suitable for the development thereof. If the Parties are unable to agree on responsibility for mitigation, then Developer shall have the right to terminate this DDLA. Developer shall have the right, in its sole discretion to determine if the Property is an acceptable condition for acceptance of fee title by Developer.

(c) Effective upon Closing, Developer will indemnify, defend and hold harmless HACR, the County of Riverside, and their respective agencies, districts, special districts and departments, directors, officers, governing Boards, elected and appointed officials, employees, agents and representatives (collectively, the "**HACR Indemnitees**"), by executing and delivering an Environmental Indemnity (**Attachment No. 9**) in connection with the Property.

(d) Effective upon Construction Closing of a Phase, the applicable Partnership Assignee will indemnify, defend and hold harmless the HACR Indemnitees by executing and delivering an Environmental Indemnity (**Attachment No. 9**) in connection with such Phase.

(e) On and after the Closing of the Property, Developer hereby waives, releases and discharges the HACR Indemnitees, from any and all present and future claims, demands, suits,

legal and administrative proceedings, and from all liability for damages, losses, costs, liabilities, fees and expenses (including, without limitation, attorneys' fees) arising out of or in any way connected with HACR's or Developer's use, maintenance, ownership or operation of the Property, any Hazardous Substances on the Property, or the existence of Hazardous Substances contamination in any state on the Property, however the Hazardous Substances came to be placed there, except that arising out of the gross negligence or willful misconduct of HACR, its directors, officers, elected and appointed officials, employees, agents and representatives. Developer acknowledges that it is aware of and familiar with the provisions of § 1542 of the California Civil Code which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

To the extent of the release set forth in this Section 2.11, Developer hereby waives and relinquishes all rights and benefits which it may have under § 1542 of the California Civil Code.

Section 2.12 Property Access Prior to Close of Escrow

Beginning on the Effective Date of this DDLA and ending upon the Closing for the Property, Palm and representatives of Palm shall have the right of access to and entry upon the Property subject to execution of a License Agreement in a form provided by HACR for the purpose of performing customary due diligence on the Property.

Section 2.13 Method of Financing

Development of each Phase shall be financed with a combination of sources of financing, as further detailed in the Method of Financing, attached hereto as **Attachment No. 3** and incorporated herein by this reference. Developer shall pay all costs to obtain such financing, develop, construct and operate each Phase as required by this DDLA and any Governmental Authority. Within the time period set forth in the Schedule of Performance, Palm shall submit to HACR a Project Budget and supporting documentation evidencing the Method of Financing for the applicable Phase.

Section 2.14 Representations and Warranties

(a) As an inducement to HACR to enter into this DDLA and consummate the transactions described herein, Developer hereby represents and warrants to HACR, which representations and warranties are true and correct as of the date of this DDLA and any Closing or Construction Closing and which shall survive the Close of Escrow for the Property and each Construction Closing:

(1) Developer is duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to own property and carry on its business as now being conducted and as contemplated hereby. The copies of the documents evidencing the organization of Developer delivered to HACR are true and correct copies of the originals as of the Effective Date, Closing and each Construction Closing. Developer has the legal power, right and authority to enter into this DDLA and the instruments referenced herein,

and to satisfy all obligations of the Developer in this DDLA or in any instrument or document referred to herein (referred to collectively as the “**Developer’s Obligations**”);

(2) This DDLA and all documents required hereby to be executed by Developer are, and shall be, valid, legally binding obligations of and enforceable against Developer in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally. Upon Closing, Developer will hold fee title to the Property. Upon each Construction Closing, Partnership Assignee will hold fee title to the portion of the Property constituting the appropriate Phase. The parties who have executed this DDLA and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this DDLA are authorized to execute and deliver the same on behalf of Developer and all actions required under Developer’s organizational documents and applicable governing law for the authorization, execution, delivery and performance of this DDLA and all other documents or instruments executed and delivered, or to be executed and delivered pursuant hereto, have been duly taken;

(3) There is no charter, bylaw, or capital stock provision of Developer, and no provision of any indenture, instrument, or agreement, written or oral, to which Developer is a party or which governs the actions of Developer or which is otherwise binding upon Developer or Developer’s property, nor is there any statute, rule or regulation, or any judgment, decree, or order of any court or governmental entity binding on Developer or Developer’s property which would be contravened by the execution, delivery or performance of any of Developer’s Obligations;

(4) There is no action, suit, or proceeding at law or in equity or by or before any governmental instrumentality or other county now pending, or, to the knowledge of Developer, threatened against or affecting Developer, or any properties or rights or ability of Developer, which, if adversely determined, would materially impair the right of Developer to execute or perform any of the Developer’s Obligations, or would materially adversely affect the financial condition of Developer;

(5) Developer does not have any contingent obligations or any contractual agreements which could adversely affect the ability of Developer to carry out its obligations hereunder. Neither the execution and delivery of this DDLA, including any attachments hereto or documents related to this DDLA, nor the incurrence of the Developer’s Obligations, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this DDLA and the documents referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreements or instruments to which Developer is a party;

(6) No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Developer, nor are any of such proceedings contemplated by Developer;

(7) All reports, documents, instruments, information and forms of evidence delivered to HACR concerning or required by this DDLA are accurate, correct and sufficiently

complete to give HACR true and accurate knowledge of their subject matter, and do not contain any misrepresentation or omission; and

(8) No representation, warranty or statement of Developer in this DDLA or any Project Budget submitted to HACR pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading. No representation, warranty or statement contained in materials submitted to HACR pursuant hereto, which materials were drafted, generated or authored by a third party will, to Developer's actual knowledge, contain or will contain any untrue statement of a material fact or omit or will omit to state a material fact necessary to make the statements or facts contained therein not misleading

(b) Developer's representations and warranties made in this Section 2.14 shall be continuing and shall be true and correct as of the date of the Close of Escrow for the Property and the Construction Closing of any Phase with the same force and effect as if remade in a separate certificate at that time. The truth and accuracy of the Developer's representations and warranties made herein shall constitute a condition precedent for the benefit of HACR to the performance of HACR's obligations hereunder.

Section 2.15 Conditions Precedent to the Close of Escrow

A. Conditions Precedent to the Conveyance of the Property from HACR to Palm

(i) Conditions for the Benefit of HACR

The Close of Escrow for the Conveyance of the Property from HACR to Palm shall occur no later than the date set forth therefor in the Schedule of Performance and is conditioned upon the occurrence of each of the following conditions on or prior to the date set forth in the Schedule of Performance (**Attachment No. 4**) unless otherwise waived in writing by HACR's Executive Director. The following shall be conditions for the benefit of HACR with respect to conveyance of the Property to Palm. Upon recordation of the Grant Deed, Agreement Containing Covenants, Deed of Trust, Notice of Affordability Covenants and Memorandum of Option in the Official Records, all conditions precedent shall be deemed satisfied:

1. Developer and HACR shall have executed this DDLA, and this DDLA shall be in full force and effect;
2. Developer shall have timely (unless such timely performance has been waived by the Executive Director) and duly performed each and every obligation to be performed by Developer hereunder prior to and with respect to such transfer of the Property. Developer's representations, warranties and covenants set forth in this DDLA shall be true and correct as of the date of the Close of Escrow;
3. Developer shall not be in default under this DDLA;
4. The Title Company shall be irrevocably committed to issue a standard A.L.T.A. form Lender's Title Insurance Policy to HACR in the amount of the Seller Loan, with such endorsements and in such form as is reasonably required by HACR in accordance with Section 2.7 in its escrow and title instructions for the Conveyance;

5. Developer shall have submitted to HACR Evidence of Insurance as required by Section 3.12 of this DDLA, except that prior to Construction Closing, Developer is not required to carry the insurance described in subsections (d) and (e) (Builder's All Risk (Course of Construction)) thereof;
6. Developer shall have delivered documentation relating to the corporate, partnership, limited liability or other similar status of Developer, including, without limitation and as applicable: articles of incorporation (including any amendments thereto); bylaws; Statement of Information; copies of all resolutions or other necessary actions taken by such entity to authorize the purchase of the Property and execution of this DDLA, and all documents required in connection herewith; a certificate of status issued by the California Secretary of State; and a copy of any Fictitious Business Name Statement, if any, as published and filed with the Clerk of the County of Riverside;
7. Palm shall have provided to HACR an appraisal of the Property prepared in accordance with the Method of Financing and HACR shall have approved such appraisal.
8. Palm shall have executed and delivered to HACR the following non-recordable documents:
 - a. **Promissory Note (Seller Loan) (Attachment No. 18)** in the amount of the Purchase Price evidencing the Seller Loan; and
 - b. **Environmental Indemnity (Attachment No. 9).**
9. Escrow Agent shall have approved such supplemental recording instructions as may have been prepared on behalf of HACR; and
10. HACR, Developer and/or other parties, as appropriate, shall have executed and delivered to the Escrow Agent, and be in a position to file or record, as appropriate, the following documents:
 - a. **Escrow and Title Instructions** (to be signed by HACR);
 - b. **Grant Deed (Attachment No. 5,** to be signed by Palm and HACR, and duly notarized);
 - c. **Deed of Trust (Attachment No. 15,** to be signed by Palm and duly notarized) for the Seller Loan;
 - d. **Agreement Containing Covenants (Developer)(Attachment No. 17,** to be signed by Palm and HACR, and duly notarized);
 - e. **Notice of Affordability Covenants (Seller Loan) (Attachment No. 19,** to be signed by Palm and HACR, and duly notarized);

- f. **Memorandum of Option** (Exhibit B to **Attachment No. 16**, to be signed by Palm and HACR, and duly notarized);
- g. Any other document or amendment to this DDLA or any attachment hereto reasonably required by HACR; and
- h. Any other document required by the Escrow Agent as a condition to Close of Escrow.

When all conditions precedent have been satisfied, Executive Director shall execute and submit to the Escrow Agent a written statement or other form of written authorization stating that all conditions precedent to the Close of Escrow for the sale of the Property to Palm and recording of the documents have been satisfied or waived, if such be the case.

(ii) Conditions for the benefit of Palm

Developer's obligation to effect a Close of Escrow for the purchase of the Property hereunder is conditioned upon the satisfaction of all of the conditions set forth in this Section 2.15A.(ii)., which conditions are for the benefit of Palm, in addition to the other conditions to Palm's obligations provided for elsewhere in this DDLA. Palm may waive any or all of such conditions in whole or in part, but any such waiver shall be effective only if made in writing. Closing on the Property shall deem all conditions satisfied.

1. HACR shall have duly performed each and every obligation to be performed by HACR hereunder with respect to the Property prior to the Close of Escrow and HACR's representations, warranties and covenants set forth in this DDLA shall be true and correct as of the date of the Close of Escrow;
2. HACR shall not be in default under this DDLA;
3. The Title Company shall be committed to issue a standard A.L.T.A. form Owner's Title Insurance Policy to Palm or such other title insurance as Palm may request pursuant to Section 2.7 of this DDLA;
4. HACR, Palm and/or other parties, as appropriate shall have executed and delivered to Escrow Agent, and be in a position to file or record, as appropriate, the following documents:
 - a. Escrow Instructions (to be signed by HACR and Palm); and
 - b. Grant Deed (**Attachment No. 5**).
5. Palm shall have obtained an appraisal of the Property in form and content acceptable to Palm. Palm shall have obtained adequate financing for the acquisition of the Property on terms and conditions acceptable to Palm, which financing shall consist of the Seller Loan.

6. Developer shall have determined in its sole discretion that the applicable Parcel is in an acceptable environmental condition with respect to the presence of any Hazardous Materials.

B. Conditions to Conveyance of a Phase by Palm to a Partnership Assignee

(i) Conditions for the benefit of HACR

The Construction Close of Escrow for one or more Parcels constituting a Phase shall occur no later than the Outside Closing Date for such Phase and is conditioned upon the occurrence of each of the following conditions on or prior to the date set forth in the applicable Schedule of Performance (**Attachment No. 4**), unless otherwise waived in writing by HACR's Executive Director. The prior written consent of HACR shall be required prior to conveyance of one or more Parcels constituting a Phase to a Partnership Assignee. The following shall be conditions for the benefit of HACR with respect to conveyance of one or more Parcels constituting a Phase by Palm to a Partnership Assignee. Upon recordation of the Agreement Containing Covenants, Deed of Trust (if applicable), and Notice of Affordability Covenants in the Official Records, all conditions precedent shall be deemed satisfied as to that Phase.

1. This DDLA shall be in full force and effect with respect to such Phase;
2. Partnership Assignee and/or Palm shall have executed (i) an assignment and assumption of this DDLA with respect to the Phase, in such form as is reasonably acceptable to HACR, and (ii) any other document reasonably required by HACR in connection with the Conveyance, including, without limitation, an amendment to this DDLA or any attachment hereto;
3. Developer shall have timely (unless such timely performance has been waived by the Executive Director) and duly performed each and every obligation to be performed by Developer hereunder with respect to such Phase as of the date of the Construction Closing in accordance with the Schedule of Performance.
4. Developer's representations, warranties and covenants set forth in this DDLA shall be true and correct as of the date of the Construction Close of Escrow, and such representations, warranties and covenants as set forth in this DDLA shall be true and correct as if made by Partnership Assignee, to the extent applicable to the Partnership Assignee, as of the date of the Construction Close of Escrow;
5. Developer shall not be in default under this DDLA;
6. The Title Company shall be irrevocably committed to issue a standard A.L.T.A. form Lender's Title Insurance Policy to HACR in the amount of the HACR Loan, if any, with such endorsements and in such form as is reasonably required by HACR in accordance with Section 2.7 in its escrow and title instructions for the Conveyance;
7. Developer shall have submitted to HACR Evidence of Insurance as required by this DDLA;

8. Developer shall have timely (unless such timely performance has been waived by the Executive Director) submitted to HACR, and HACR shall have approved, a Project Budget for the Phase, Evidence of Financing for the Phase and related financing documents, as well as any preliminary marketing or management plans as may be reasonably required by HACR.
9. Developer shall have delivered documentation relating to the corporate, partnership, limited liability or other similar status of Partnership Assignee and its general partner(s), including, without limitation and as applicable: limited partnership agreements and any amendments thereto; articles of organization; Limited Liability Company Articles of Incorporation (LLC-1); Statement of Information and Operating Agreement (including any amendments thereto); copies of all resolutions or other necessary actions taken by such entity to authorize the execution of this DDLA and related documents; a certificate of status issued by the California Secretary of State; and a copy of any Fictitious Business Name Statement, if any, as published and filed with the Clerk of the County of Riverside;
10. Developer shall have obtained and delivered to HACR (i) payment and performance bonds from responsible sureties admitted in the State of California in the amount of 100% of the construction costs of the Project and naming HACR as co-obligee, and (ii) such other evidence satisfactory to HACR in such form as reasonably required by HACR insuring the lien free completion of the Phase in accordance with and subject to the terms and conditions of this DDLA;
11. Escrow Agent shall have approved such supplemental recording instructions as may have been prepared on behalf of HACR;
12. The Construction Contract for the Phase shall be fully executed.
13. If Partnership Assignee will not receive a HACR Loan in the amount of the Seller Loan attributable to the Phase, Developer shall have submitted executed Escrow instructions directing disbursement of funds to HACR upon Construction Closing in repayment of the Seller Loan in the amount thereof attributable to the Phase;
14. Partnership Assignee shall have executed and delivered to HACR the following non-recordable documents:
 - a. **Promissory Note (HACR Loan) (Attachment No. 14)** in the amount of the HACR Loan, if any;
 - b. **Environmental Indemnity (Attachment No. 9)**; and
 - c. Such other documents as reasonably required by HACR.
15. HACR, Developer and/or other parties, as appropriate, shall have executed and delivered to the Escrow Agent, and Escrow or title shall be in a position to file or record, as appropriate, the following documents, with such revisions as reasonably required by HACR and Partnership Assignee related to the Phase and/or the Partnership Assignee:

- a. **Agreement Containing Covenants (Attachment No. 11**, to be signed and acknowledged by the Partnership Assignee and HACR, and duly notarized);
- b. **Notice of Affordability Restrictions (Attachment No. 10** to be signed and acknowledged by the Partnership Assignee and HACR, and duly notarized);
- c. **Escrow and Title Instructions** (to be signed by HACR);
- d. **Deed of Trust (Attachment No. 15**, to be signed by Partnership Assignee, and duly notarized) in the amount of the HACR Loan, if applicable;
- e. Subordination agreements and such other documents as may be reasonably requested by other parties providing financing for the Phase, in such form as is approved by HACR;
- f. Any other document or amendment to this DDLA or any attachment hereto reasonably required by HACR;
- g. Release of the Deed of Trust executed by Palm at Closing, which release shall be with respect to the Parcels constituting such Phase;
- h. Release of Agreement Containing Covenants and Notice of Affordability Restrictions recorded at Closing from the Phase Parcels;
- i. Release of the Notice of Affordability Restrictions recorded at Closing from the Phase Parcels;
- j. Release of the Memorandum of Option recorded at Closing from the applicable Phase Parcels and delivery a quitclaim of such option by Optionee; and
- k. All documents required by any other party providing financing for the applicable Phase, including, without limitation, Loan documents, deeds of trust, regulatory agreements and subordination agreements.

16. Developer shall have obtained all Entitlements and a Building Permit for the Phase, and satisfied the requirements of Sections 3.1 and 3.2 hereof.

When all conditions precedent have been satisfied, Executive Director shall execute and submit to the Escrow Agent a written statement or other form of written authorization stating that all conditions precedent to the Close of Escrow and recording of the documents have been satisfied or waived, if such be the case.

(ii) Conditions for the benefit of Developer

Developer's obligation to effect a Construction Closing for any Phase hereunder is conditioned upon the satisfaction of all of the conditions set forth in this Section 2.15B(b)., which conditions are for the benefit of Developer, in addition to the other conditions to Developer's obligations provided for elsewhere in this DDLA. Developer may waive any or all of such

conditions in whole or in part, but any such waiver shall be effective only if made in writing. Construction Closing on any Phase shall deem all conditions satisfied as to that Phase.

1. HACR shall have duly performed each and every obligation to be performed by HACR hereunder with respect to such Phase prior to the Close of Escrow and HACR's representations, warranties and covenants set forth in this DDLA shall be true and correct as of the date of the Close of Escrow;
2. HACR shall not be in default under this DDLA;
3. The Title Company shall be committed to issue a standard A.L.T.A. form Owner's Title Insurance Policy to Partnership Assignee or such other title insurance as the Parties may request pursuant to Section 2.7 of this DDLA;
4. HACR, Developer, Partnership Assignee and/or other parties, as appropriate shall have executed and delivered to Escrow Agent, and be in a position to file or record, as appropriate, the following documents:
 - a. Agreement Containing Covenants (**Attachment No. 11**, to be signed and acknowledged by Partnership Assignee and HACR);
 - b. Notice of Affordability Restrictions (**Attachment No. 10** to be signed and acknowledged by Partnership Assignee and HACR);
 - c. Escrow Instructions (to be signed by HACR and Partnership Assignee); and
 - d. Grant Deed (**Attachment No. 5**) to be signed by Palm;
5. Developer shall have obtained adequate financing for the construction of the applicable Phase on terms and conditions acceptable to Developer in its sole discretion.
6. Developer shall have determined in its sole discretion that the applicable Parcel is in an acceptable environmental condition with respect to the presence of any Hazardous Materials.

Section 2.16 Failure of Conditions to Close of Escrow or Construction Close of Escrow

A. In the event any of the conditions precedent to the Close of Escrow for the conveyance of the Property by HACR to Palm are not timely satisfied in accordance with the Schedule of Performance and/or waived by the party for whose benefit the condition was made for any reason other than a default by the party for whose benefit the condition was made, the following shall occur:

(i) The party for whose benefit the condition was made shall, subject to applicable notice and cure periods provide in Section 5.1, have the right to terminate this DDLA, the Escrow and the rights and obligations of HACR and Developer hereunder, except as otherwise provided herein; and

(ii) The Escrow Agent is hereby instructed to promptly return to Developer and HACR all funds, if any, and documents deposited by them, respectively, into Escrow which are held by Escrow Agent on the date of said termination (less, in the case of the party otherwise entitled to such funds, the amount of any cancellation charges required to be paid by such party hereunder); and

(iii) Neither party shall have any further rights or obligations hereunder with respect to the Property except as otherwise provided herein.

In the event the Close of Escrow for the Property terminates because of the non-satisfaction of any condition or the default of HACR or Palm under this DDLA, the cancellation charges, if any, required to be paid by and to Escrow Agent and the Title Company, shall be borne by the party in default.

B. In the event any of the conditions precedent to the Construction Close of Escrow for the conveyance of a Parcel constituting a Phase by Palm to a Partnership Assignee are not timely satisfied in accordance with the Schedule of Performance and/or waived by the party for whose benefit the condition was made for any reason other than a default by the party for whose benefit the condition was made, the following shall occur:

(i) The party for whose benefit the condition was made shall, subject to applicable notice and cure periods provide in Section 5.1, have the right to terminate this DDLA with respect to such Phase, the Escrow and the rights and obligations of HACR and Developer hereunder, except as otherwise provided herein; and

(ii) In the event of termination with respect to a particular Phase, the Escrow Agent is hereby instructed to promptly return to Developer and HACR all funds, if any, and documents deposited by them, respectively, into Escrow which are held by Escrow Agent on the date of said termination (less, in the case of the party otherwise entitled to such funds, the amount of any cancellation charges required to be paid by such party hereunder);

(iii) The portion of the Property for which this DDLA has terminated shall be subject to the Option granted to HACR under the Option Agreement; and

(iv) Neither party shall have any further rights or obligations hereunder with respect to such Phase except pursuant to the Option Agreement and as otherwise provided herein.

In the event the Close of Escrow for a Phase terminates because of the non-satisfaction of any condition or the default of HACR or Palm under this DDLA, the cancellation charges, if any, required to be paid by and to Escrow Agent and the Title Company, shall be borne by the party in default.

Section 2.17 Reserved

Section 2.18 Evidence of Financing

Within the time frame set forth in the applicable Schedule of Performance and prior to the Construction Close of Escrow for a particular Phase, Developer shall deliver to HACR a Project

Budget (i) accompanied by evidence satisfactory to HACR that Developer has obtained the financing necessary to pay all Development Costs and operations for such Phase to be developed and constructed on the applicable Parcel in accordance with this DDLA and (ii) that demonstrates to HACR, in its reasonable discretion, that such development and ongoing operation of the Phase are financially feasible (collectively, the “**Evidence of Financing**”). The financing sources for each Phase shall be approved in accordance with the terms of the Method of Financing. Such Evidence of Financing shall include the following:

1. A copy of all draft loan or other financing documents, including any Tax Credit award letters, and a final Project Budget approved by HACR, Construction Lender and Permanent Lender, certified by Developer to be a true and correct copy or copies thereof;
2. A copy of the draft contract between Developer and the general contractor for the construction of the Improvements, certified by Developer to be a true and correct copy thereof; and
3. A copy of the draft partnership agreement of any Partnership Assignee.

ARTICLE 3 DEVELOPMENT OF THE PROPERTY

Section 3.1 Land Use Approvals

It is the responsibility of Developer, without any cost to HACR, to effect the division of the Property, if necessary, into legal parcels constituting each Phase, and to ensure that zoning of each Parcel and all applicable County and City land use requirements will permit development and construction of the Improvements on such Parcel and the use, operation and maintenance of such Improvements in accordance with the provisions of this DDLA. Nothing contained herein shall be deemed to entitle Developer to any City or County permit or other City or County approval necessary for the development of a Parcel, or waive any applicable City or County requirements relating thereto. This DDLA does not (a) grant any land use Entitlement to Developer, (b) supersede, nullify or amend any condition which may be imposed by the City or the County in connection with approval of the development described herein, (c) guarantee to Developer or any other party any profits from the development of a Parcel, or (d) amend any City or County laws, codes or rules. Developer acknowledges that this DDLA does not vest any development rights and that this is not a Development Agreement as provided in Government Code § 65864.

Section 3.2 Compliance with CEQA and Other Laws as Condition Precedent to Construction Closing

Prior to Construction Closing for a Phase, Developer shall have performed all necessary final actions and obtained the final approvals for the development and construction of such Phase within the time frames set forth herein. Such final actions and approvals may include, but are not limited to the following: (i) completing requisite activities to comply with California Environmental Quality Act (“CEQA”), (ii) all final action and approvals for environmental and land use permits by Governmental Authorities having jurisdiction over the Property, and (iii) resolution or final adjudication of any legal challenges, including such challenges based on CEQA. This DDLA does not restrict the lead agency from considering any feasible mitigation

measures and alternatives, including the “no project” alternative and does not bind the lead agency to any definite course of action prior to CEQA compliance. It shall be a condition to Construction Close of Escrow for each Phase that the Property has been divided or reconfigured at Developer’s cost in such a manner that such Phase may be separately financed and obtain title insurance.

Developer represents and warrants that after Construction Close of Escrow for a Phase, the applicable Parcel and Improvements located thereon, including any portion thereof, shall comply with all applicable Governmental Requirements and all covenants or restrictions of record (“**Applicable Requirements**”). If the applicable Parcel does not comply with said Applicable Requirements, Partnership Assignee shall promptly rectify the same at Developer’s expense.

Developer represents and warrants that each Phase will be developed in full compliance with all applicable CEQA requirements for new construction in the City. The commencement of any development and construction identified herein is contingent upon Developer obtaining all required environmental and land use permits, including CEQA compliance with any applicable public agencies. In the event any action is brought challenging the legality of compliance with CEQA or any other law applicable to a Phase or the Project, including any actions related to any of the proposed uses of the property or this DDLA, Developer shall indemnify, defend (with counsel reasonably acceptable to HACR), and hold harmless HACR, its divisions, and departments, their respective directors, officers, elected and appointed officials, employees, agents, and representatives at its sole cost and expense (including but not limited to, reasonable attorney fees, cost of investigation, defense and settlements or awards), for, from and against any and all claims, actions, proceedings, demands, liabilities, costs, expenses, including reasonable attorney’s fees and costs, damages and losses, cause or causes or action and suit or suits (“**Claims**”) arising from or in connection with the failure to comply with such applicable law, or any action to attack, set aside, void, or annul any approvals of City, any Governmental Authority with jurisdiction over the Project or the Property, or HACR, its advisory agencies, or legislative body concerning this DDLA, including CEQA compliance.

Section 3.3 Scope of Development

The Property shall be developed in accordance with and within the limitations established in the Scope of Development attached hereto as **Attachment No. 6** and incorporated herein by reference, and any and all permits issued by the City and other Governmental Authorities. Palm shall be solely responsible to pay all costs to develop and construct the Project on the Property pursuant to this DDLA, any Entitlements, and any requirements of a Governmental Authority. HACR shall not be obligated to provide any funds for the development of the Project, provided, however, Palm intends to request funding from HACR for development costs of some or all of the Phases, though HACR shall have no obligation to provide such funding.

Section 3.4 Basic Concept, Schematic Drawings and Related Documents

(a) Developer shall prepare and submit to HACR and City for approval and review (including, but not limited to, architectural review) the following documents within the time frame set forth in the applicable Schedule of Performance: (i) schematic drawings and related documents for the development of a Phase, and (ii) construction plans for the development of a Phase, (collectively called “**Plans**”).

(b) Each Phase shall be developed as established in the basic concept and schematic drawings and related documents for such Phase.

(c) Final drawings, Plans, and specifications are hereby defined as those in sufficient detail to obtain a Building Permit (“**Final Plans**”). Final Plans will be delivered to HACR within the time frame set forth in the Schedule of Performance.

Section 3.5 Landscaping and Grading Plans

The landscaping plans for each Phase shall be prepared by a professional landscape architect and the grading plans shall be prepared by a licensed civil engineer. Such landscape architect and/or civil engineer may be the same firm as Developer’s architect.

Section 3.6 Architects

Developer shall employ a licensed architect in connection with the design and construction of each Phase.

Section 3.7 Cost of Construction

The cost of developing and constructing the Improvements on the Property, including any offsite or onsite improvements required by any Governmental Authority in connection therewith, shall be the responsibility of Developer without any cost to HACR. Developer shall be responsible for paying all Development Costs. If the Construction Lender requires issuance of payment and performance bonds for a particular Phase, Developer shall take commercially reasonable steps to cause HACR to be named as an additional obligee on any such bonds.

Section 3.8 Schedule of Performance

(a) Developer and HACR shall perform all acts respectively required of such party in this DDLA within the times provided in the applicable Schedule of Performance. The Schedule of Performance for the First Phase is attached hereto as **Attachment No. 4**. Each Phase shall have its own Schedule of Performance which shall be in the substantially same form as the First Phase schedule attached here. The Schedule of Performance for each subsequent phase shall be established between Developer and HACR by the time set forth in the Schedule of Performance.

(b) Developer shall begin and complete and/or cause Completion of all construction and development for a Phase within the times specified in the applicable Schedule of Performance, with such reasonable extensions of said times as may be granted by HACR as provided herein and subject to Force Majeure.

(c) Each party to this DDLA shall perform the obligations to be performed by such party pursuant to this DDLA within the respective times provided in the applicable Schedule of Performance (**Attachment No. 4**) and if no such time is provided, within a reasonable time. Each Schedule of Performance shall be subject to amendment from time to time upon the mutual agreement of HACR and Palm. The Executive Director, on behalf of HACR, and without referring such matter to the Board of Commissioners may extend all pending deadlines in the Schedule of Performance up to four (4) occasions for a total of no more than twelve (12) months for an individual line item within the Schedule of Performance. The Executive Director, on

behalf of HACR, and without referring such matter to the Board of Commissioners may extend the Outside Closing Date for each Phase up to a total of three (3) years; provided, however, that any additional extensions and any extension of an Outside Closing Date for any Phase past December 31, 2030 shall be approved by the Board of Commissioners.

(d) After Construction Closing for a Phase, Developer shall promptly begin and thereafter diligently prosecute to Completion or cause diligent Completion of the construction of the Improvements as provided herein and in the Scope of Development for such Phase.

(e) During periods of construction, Developer shall submit to HACR a written report of the progress of construction when reasonably requested by HACR. The report shall be in such form and detail as may be reasonably required by HACR and shall include a reasonable number of construction photographs (if requested) taken since the last report by Palm.

Section 3.9 Local, State, and Federal Laws

(a) Palm shall carry out development and construction (as defined by applicable law) or cause the development and construction (as defined by applicable law) of the Improvements on the Property, including, without limitation, any and all public works, (as defined by applicable law), if any, in conformity with all applicable Governmental Requirements.

(b) Prevailing wages are required for work done that falls within the definition of "public works" under California Labor Code §1720. "Public works" are defined as "construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds..." For those projects which are "public works" pursuant to Labor Code § 1720.2, the following applies:

Palm shall require that any contractor performing work on the Improvements, shall comply with prevailing wage requirements and be subject to restrictions and penalties in accordance with §1770 et seq. of the Labor Code, as may be amended from time to time, which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts. Palm shall require that the general contractor shall furnish all subcontractors and employees a copy of the Department of Industrial Relations prevailing wage rates which Palm will post at the job site. All prevailing wage rates shall be obtained from:

Department of Industrial Relations, Divisions of Labor Statistics and Research
455 Golden Gate Avenue, 8th Floor
San Francisco, CA 94102

Palm shall require that any contractor performing work on the Improvements shall comply with the payroll record keeping and availability requirement of §1776 of the Labor Code. Palm shall require that each contractor shall make travel and subsistence payments to workers needed for performance of work in accordance with §1773.8 of the Labor Code. Prior to commencement of work, Palm shall require that each contractor shall contact the Division of Apprenticeship Standards and comply with §1777.5, §1777.6 and §1777.7 of the Labor Code and applicable regulations. Palm shall indemnify, hold harmless, and defend and shall be responsible for any fine, penalty or fee levied against the Property arising out of any violations by Palm of this Section. Palm shall comply and stay current with all applicable local, state and federal building

codes and laws as from time to time amended, including, but not limited to, the Americans with Disabilities Act requirements. Palm shall cause all improvements to be completed at Palm's cost in a workmanlike manner and in compliance with all applicable law.

(c) Palm shall be responsible for obtaining all Permits and land use approvals required by the City for the construction of the Improvements, ensuring that the use of the Property for the purposes described in this DDLA complies with the zoning and other City land use regulations (including any applicable exemptions and/or exceptions) applicable to the Property at the time of Construction Closing.

(d) Before commencement of demolition, construction or development of any buildings, structures or other work of improvement upon any portion of the Property, Palm shall, at its own expense, secure or cause to be secured, any and all permits which may be required by the City or any other Governmental Authority affected by such construction, development or work.

Section 3.10 Notice of Non-Responsibility

HACR shall, at any and all times during the term of this DDLA, have the right to post and maintain on the Property, and record against the Property, as required by law, any notice or notices of non-responsibility provided for by the mechanics' lien laws of the State of California; provided, however, that Developer shall, on behalf of HACR, post and maintain on the Property, and record against the Property, all notices of non-responsibility provided for by the mechanics' lien laws of the State of California.

Section 3.11 Nondiscrimination During Construction

Developer agrees that during the construction of the Improvements provided for in this DDLA, Developer will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

Section 3.12 Indemnification and Insurance

Palm, as to all or a portion of the Property prior to any Construction Closing for a Phase, and any Partnership Assignee, as to the applicable Phase after Construction Closing, shall indemnify and hold harmless HACR, its directors, officers, 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 actions, failure to act, or services of Palm or any Partnership Assignee, as applicable, and their respective officers, employees, subcontractors, agents or representatives, in connection with, arising out of or in any way relating to its ownership of the Property or the Phase Property, as applicable, development of any Phase, or any other activity engaged in in furtherance of this DDLA, including but not limited to property damage, bodily injury, or death or any other claim or damage of any kind or nature whatsoever. Palm or Partnership Assignee, as applicable, shall defend the Indemnitees, at its sole expense, including payment of all costs and fees related to such defense, including, but not limited to, attorneys' fees, cost of investigation, defense and settlements or awards, from any claim or action based upon such alleged acts or omissions.

With respect to any action or claim subject to indemnification herein by Palm or Partnership Assignee, Palm or Partnership Assignee, as applicable, shall, at its 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 HACR; provided, however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Palm's or Partnership Assignee's, as applicable, indemnification obligations to Indemnitees as set forth herein.

Palm's or Partnership Assignee's, as applicable, obligation hereunder shall be satisfied when Palm or Partnership Assignee, as applicable, has provided to HACR the appropriate form of dismissal relieving HACR and the other Indemnitees from any liability for the action or claim involved.

The specified insurance limits required in this DDLA shall in no way limit or circumscribe Palm's or Partnership Assignee's, as applicable, obligations to indemnify and hold harmless 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 Palm from indemnifying HACR to the fullest extent allowed by law.

The foregoing indemnity shall continue to remain in effect in the event this DDLA is terminated and after the Completion, provided, however, the indemnity by Palm shall apply only to events occurring or claims accruing prior to the date of transfer of a Parcel or Parcels to a Partnership Assignee upon a Construction Closing in accordance with the requirements of this DDLA, after which time liability relating to such transferred Parcels shall be covered by the applicable Partnership Assignee from and after the date of Construction Closing pursuant to an Assignment and Assumption Agreement approved by HACR.

Without limiting or diminishing Developer's obligation to indemnify or hold HACR and the Indemnitees harmless, Palm or Partnership Assignee, as applicable, shall procure and maintain or cause to be maintained, at its sole cost and expense, the following insurance coverages commencing upon Closing or Construction Closing for such Partnership Assignee's Phase, respectively, except that, prior to Construction Closing as to all or a portion of the Property, Palm shall not be required to procure and maintain the Property (Physical Damage) insurance described in (d) below, or the Builder's All Risk (Course of Construction) insurance described in (e) below.

(a) **Worker's Compensation Insurance.** If Partnership Assignee has employees as defined by the State of California, Partnership Assignee 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 HACR, 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 Partnership Assignee's performance of its obligations hereunder. Policy shall name the HACR, County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Commissioners, employees, elected or appointed officials, agents or representatives as Additional Insured. Policy's limit of liability shall not be less than \$1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this DDLA 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 DDLA, then Partnership Assignee 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 DDLA or be no less than two (2) times the occurrence limit. Policy shall name the HACR, County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Commissioners, 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) **Property (Physical Damage).** Partnership Assignee shall provide a policy of all-risk property insurance coverage for the full replacement value of all Partnership Assignee's equipment, improvements/alterations, temporary structures, and systems, including without limitation, items owned by others in the Partnership Assignee's care, custody or control, used on the Property or other HACR-owned property, or used in any way connected with the performance of the work required pursuant to this DDLA.

(e) **Builder's All Risk (Course of Construction) Insurance.** Partnership Assignee shall provide a policy of Builder's All Risk (Course of Construction) insurance coverage including (if the work is located in an earthquake or flood zone or if required on financed or bond financing arrangements) coverage for earthquake and flood, covering the HACR, Partnership Assignee and every subcontractor, of every tier, for the entire Project, including property to be used in the construction of the work while such property is at off-site storage locations or while in transit or temporary off-site storage. Such policy shall include, but not be limited to, coverage for fire, collapse, faulty workmanship, debris removal, expediting expense, fire department service charges, valuable papers and records, trees, grass, shrubbery and plants. If scaffolding, falsework and temporary buildings are insured separately by the Partnership Assignee or others, evidence of such separate coverage shall be provided to HACR prior to the start of the work. Such policy shall be written on a completed value form. Such policy shall also provide coverage for temporary structures (on-site offices, etc.), fixtures, machinery and equipment being installed as part of the work. Partnership Assignee shall be responsible for any and all deductibles under such policy. Upon request by HACR, Partnership Assignee shall declare all terms, conditions, coverages and limits of such policy. If the HACR so provides, in its sole discretion, the All Risk (Course of Construction) insurance for the Project, then Partnership Assignee shall assume the cost of any and all applicable policy deductibles (currently, \$50,000 per occurrence) and shall insure its own machinery, equipment, tools, etc. from any loss of any nature whatsoever.

(f) **General Insurance Provisions – All Lines.**

1. Any insurance carrier providing insurance coverage hereunder shall be admitted to the State of California and have an A M BEST rating of not less than A: VIII (A:8) unless such requirements are waived, in writing, by 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.

2. Partnership Assignee'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 HACR, and at the election of Risk Manager, Partnership Assignee'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.

3. Partnership Assignee shall cause Partnership Assignee's insurance carrier(s) to furnish the HACR with copies of the Certificate(s) of Insurance and Endorsements effecting coverage as required herein, and 2) if requested to do so orally or in writing by 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 HACR prior to any material modification, cancellation, expiration or reduction in coverage of such insurance. Partnership Assignee shall not continue operations until HACR 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.

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

5. If, during the term of this DDLA 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 HACR reserves the right to adjust the types of insurance required under this DDLA 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 Partnership Assignee has become inadequate.

6. Partnership Assignee shall pass down the insurance obligations contained herein to all tiers of subcontractors.

Partnership Assignee agrees to notify HACR 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

Section 3.13 Disclaimer of Responsibility by HACR

HACR neither undertakes nor assumes nor will have any responsibility or duty to Developer or to any third party to review, inspect, supervise, pass judgment upon or inform Developer or any third party of any matter in connection with the development or construction of the Improvements, whether regarding the quality, adequacy or suitability of the plans, any labor, service, equipment or material furnished to the Property, any person furnishing the same, or otherwise. Developer and all third parties shall rely upon its or their own judgment regarding such matters, and any review, inspection, supervision, exercise of judgment or information supplied to Developer or to any third party by HACR in connection with such matter is for the public purpose of redeveloping the Property, and neither Developer (except for the purposes set forth in this DDLA) nor any third party is entitled to rely thereon. HACR shall not be responsible for any of the work of construction, improvement or development of the Property.

Section 3.14 Rights of Access

Commencing upon the Construction Closing for a Phase and prior to Completion of such Phase, representatives of HACR shall have the reasonable right of access to the applicable Parcel, upon 24 hours' written notice to Developer (except in the case of an emergency, in which case HACR shall provide such notice as may be practical under the circumstances), without charges or fees, at normal construction hours during the period of construction for the purposes of this DDLA, including, but not limited to, the inspection of the work being performed in constructing the Improvements. Such representatives of HACR shall be those who are so identified in writing by the Executive Director.

Section 3.15 Taxes, Assessments, Encumbrances and Liens

Commencing upon the Closing, Developer shall pay when due all real estate taxes and assessments assessed and levied on or against the Property or any portion thereof. Developer shall not place, or allow to be placed, against the Property or any portion thereof, any loan, trust deed, encumbrance or lien other than for the Approved Financing for that Phase or as otherwise authorized by this DDLA. Developer shall remove, or shall have removed, any levy or attachment made on the Property (or any portion thereof), or shall assure the satisfaction thereof within a reasonable time but in any event prior to a sale thereunder. Nothing herein contained shall be deemed to prohibit Developer from contesting the validity or amount of any tax, assessment, encumbrance or lien, or to limit the remedies available to Developer in respect thereto. The covenants of Developer set forth in this Section 3.15 relating to the placement of any unauthorized loan, trust deed, encumbrance or lien, shall remain in effect for the term of this DDLA. The foregoing provision shall apply to a Partnership Assignee with respect to its Phase Parcel upon Construction Closing for a Phase.

Section 3.16 Prohibition Against Transfer

The qualifications and identity of Developer are of particular concern to HACR. It is because of those qualifications and identity that HACR has entered into this DDLA with Palm. No voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this DDLA, nor shall Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the whole or any part of the Parcel or the

Improvements thereon (excepting the rental of Units in conformity with this DDLA) without prior written approval of HACR, except for Permitted Transfers as otherwise allowed under this DDLA, including, without limitation, Section 1.5.

Section 3.17 No Encumbrances Except Approved Financing

(a) Notwithstanding Section 3.16 (Prohibition Against Transfer), upon and after the Construction Closing of a Phase, Developer shall have the right to encumber the applicable Parcel with one or more deeds of trust, but only for the purpose of securing a Loan of funds to be used for financing the Development Costs and other expenditures necessary and appropriate to develop the that Phase which were included in the Project Budget for that Phase approved by HACR (“**Approved Financing Purposes**”). Prior to Construction Closing for a Phase, Developer shall submit a Project Budget for a Phase along with Evidence of Financing for the Phase for HACR’s approval. Once approved, the financing set forth in the Project Budget shall constitute the “**Approved Financing**” for the Phase. Prior to Completion: (1) Developer shall not have any authority to encumber the applicable Parcel for any purpose other than Approved Financing Purposes; (2) Developer shall obtain the consent of HACR, in writing, in advance of any proposed financing other than financing included in the Approved Financing Purposes; and (3) Developer shall not enter into any agreements for non-Approved Financing Purposes requiring a conveyance of security interests in the Parcel without the prior written approval of HACR. The maker of any loan approved by HACR pursuant to this Section 3.17 shall not be bound by any amendment, implementation agreement or modification to this DDLA subsequent to its approval without such lender giving its prior written consent.

(b) In any event, Developer shall promptly notify HACR of any security interest created or attached to a Parcel whether by voluntary act of Developer or otherwise.

(c) The words “security interest” and “deed of trust” as used herein include all other appropriate modes of financing real estate acquisition, construction and land development.

(d) The Executive Director shall have the authority to make reasonable modifications to Sections 3.16 through 3.18 that may be requested by a Lender, provided such modification does not adversely affect the receipt of any material benefit by HACR hereunder. Upon the reasonable request of a Lender, the Executive Director shall execute from time-to-time such reasonable estoppel certificates to the extent they are consistent with the terms of this DDLA.

(e) Notwithstanding the foregoing, Developer shall have a one-time right to refinance the Permanent Loan upon written notice to HACR in accordance with this DDLA if all net proceeds from such refinance are applied against the unpaid balance of the Permanent Loan, loan closing costs, and payment of deferred developer fee, and the debt service arising from such refinance does not materially reduce the residual receipts available for payment on a HACR loan.

Section 3.18 Lender Not Obligated to Construct Improvements

No lender shall be obligated by the provisions of this DDLA to construct or complete the Improvements or to guarantee such construction or completion. Nothing in this DDLA shall be deemed or construed to permit, or authorize any such lender to devote a Parcel to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this DDLA.

Section 3.19 Notice of Default to Lenders and Tax Credit Investor; Right of Lender and Tax Credit Investor to Cure Defaults

Whenever HACR shall deliver any notice or demand to Developer with respect to any breach or default by Developer hereunder, HACR shall at the same time deliver to each Lender of record for such Phase and the Tax Credit Investor for such Phase a copy of such notice or demand. Each such Lender shall (insofar as the rights of HACR are concerned) have the right at its option within ninety (90) days after the receipt of the notice, to cure or remedy, or commence to cure or remedy, any such default and to add the cost thereof to the security interest debt and the lien of its security interest. If such default shall be a default which can only be remedied or cured by such Lender upon obtaining possession of the applicable Parcel, such Lender shall seek to obtain possession with diligence and continuity through a receiver or otherwise, and shall remedy or cure such default within ninety (90) days after obtaining possession; provided that in the case of a default which cannot with diligence be remedied or cured, or the remedy or cure of which cannot be commenced within such ninety (90) day period, such Lender shall have such additional time as reasonably necessary to remedy or cure such default with diligence and continuity not to exceed one hundred and twenty (120) days. Any Lender who forecloses on its Loan, or is assigned or otherwise succeeds to Developer's rights under this DDLA, shall have the right to undertake or continue the construction or Completion of the Improvements for the Phase for which it has made a loan upon execution of a written agreement with HACR by which such Lender expressly assumes Developer's rights and obligations under this DDLA with respect to such Phase, approval of which agreement shall not be unreasonably withheld by HACR. Each Tax Credit Investor shall have the right to cure a default by Developer, hereunder on the same terms and conditions as Developer.

Section 3.20 Failure of Lender to Complete Improvements

In any case where, one hundred and twenty (120) days after default by Developer to complete the Improvements for a particular Phase within the time frame required by the Schedule of Performance for such Phase, subject to all applicable notice and cure periods and Force Majeure, if the Lender has elected not to complete construction of the Improvements of the applicable Phase, HACR has the right, but not the obligation, to purchase the deed of trust or other security interest by payment to the holder of the full amount of the unpaid principal debt, plus any accrued and unpaid interest and other charges secured by the loan instrument approved in writing by HACR.

Section 3.21 Right of HACR to Cure Defaults

In the event of a default or breach by Developer, subject to all applicable notice and cure periods, of the documents evidencing or governing a Loan encumbering a Parcel, HACR may cure the default at any time prior to completion by a Lender of any foreclosure under its deed of trust. In such event, HACR shall be entitled to prompt reimbursement from Developer of all costs and expenses incurred by HACR in curing the default. HACR shall also be entitled to increase the balance due under its Promissory Note to the extent of such costs and disbursements.

Section 3.22 Right of HACR to Satisfy Other Liens on the Property

Prior to Completion and after Developer has had a reasonable time of no less than ninety (90) days to challenge, cure or satisfy any liens or encumbrances on its interest in a Parcel, HACR shall have the right, but not the obligation, to satisfy any such liens or encumbrances; provided, however, that nothing in this DDLA shall require Developer to pay or make provisions for the payment of any tax, assessment, lien or charge so long as Developer in good faith contests the validity or amount thereof, and so long as such delay in payment shall not subject the applicable Parcel to forfeiture or sale. In such event, HACR shall be entitled to prompt reimbursement from Developer of all costs and expenses incurred by HACR in satisfying any such liens or encumbrances. Any such lien shall be subordinate and subject to any Loan encumbering such Parcel.

ARTICLE 4 USE OF THE PROPERTY

Section 4.1 Uses

(a) Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, for the duration of the Affordability Period that Developer, such successors and such assignees shall use the Property only for the uses specified in the Seller Loan Documents or HACR Loan Documents, as applicable (including without limitation the Scope of Development (**Attachment No. 6**), the Agreement Containing Covenants (**Attachment No. 11**) and all Governmental Approvals. No change in the use of the Property shall be permitted without the prior written approval of HACR.

(b) Notwithstanding the generality of Section 4.1(a), Developer, its successors and assigns, shall use the Property only for the uses permitted in this DDLA, specifically including (without limitation) the following: (i) the construction of at least one hundred fifty (150) multifamily residential Units, forty nine percent (49%) of which shall qualify as Restricted Units hereunder, (ii) a community center, and (iii) parking and ancillary uses consistent with this DDLA.

(c) The Project shall remain in compliance with all applicable Governmental Requirements for the duration of this DDLA and the Affordability Period.

(d) Residential Uses. For a period of fifty-five (55) years from the issuance of a Certificate of Occupancy for the last building for which construction is completed for a Phase, Developer hereby covenants and agrees as follows:

(1) All of the Restricted Units in such Phase shall be continuously occupied or held vacant and made available solely to Extremely Low and Low Income Households, as applicable for such Phase, at an Affordable Rent in accordance with the Schedule of Affordable Rents attached as Exhibit "C" of the Agreement Containing Covenants (**Attachment No. 11**) for the applicable Phase, and the rent limitations set forth herein;

(2) The maximum incomes of all tenants eligible to rent a Restricted Unit shall be determined in accordance herewith;

(3) No officer, employee, agent, official or consultant of Developer may occupy any of the Restricted Units; and

(4) The Restricted Units for a Phase shall remain continually affordable to Extremely Low and Low Income Households, as applicable for such Phase, for fifty-five (55) years from issuance of a certificate of occupancy for the last building of such Phase, pursuant to an Agreement Containing Covenants (**Attachment No. 11**) to be recorded at Construction Closing against the Parcel constituting such Phase. The Agreement Containing Covenants shall contain a provision making the covenants and conditions of the agreement binding upon successors in interest of Developer. The Agreement Containing Covenants shall be recorded in the Official Records. The Agreement Containing Covenants shall be recorded in the grantor-grantee index to the name of the property owner as grantee and to the name of HACR as grantor.

(5) Notwithstanding anything to the contrary herein, the affordability covenants (rent and income restrictions) contained in the Agreement Containing Covenants (Attachment No. 11 the DDLA) shall be senior to all security instruments for all loans secured against the Property. Upon the request of any Senior Lender, all other provisions of the Agreement Containing Covenants may be subordinated to the Senior Financing pursuant to a subordination agreement in a form to be approved in the Executive Director's reasonable discretion.

(e) Restricted Units in Each Phase. Developer covenants and agrees that forty-nine percent (49%) of the Units in each Phase shall consist of Restricted Units restricted to occupancy by Extremely Low and Low Income Households during the Affordability Period. Of the Restricted Units, at least thirty percent (30%) of the Restricted Units in the Project shall be restricted to occupancy by Extremely Low Income Households at an Affordable Rent during the Affordability Period. Accordingly, for each Phase in which more than 30% of the Restricted Units are restricted to occupancy by Extremely Low Income Households, a credit shall be given toward future Phases.

At such time as Developer or its Partnership Assignees have constructed at least one hundred fifty (150) Units on the Property, at least forty nine percent (49%) of which constitute Restricted Units restricted to occupancy by Extremely Low and Low Income Households and at least thirty percent (30%) of such Restricted Units being restricted to occupancy by Extremely Low Income Households in accordance herewith, Developer or any Partnership Assignee may request that any future Phases or Improvements on the Property be subject to less restrictive covenants regarding affordability. HACR and Developer or any Partnership Assignee shall enter into an amendment to this DDLA documenting such change in affordability covenants provided that such amendment is approved by the Board of Commissioners of HACR.

Notwithstanding anything to the contrary contained herein, it is anticipated that 49% of the Units in each Phase will constitute Restricted Units. Due to the number of units and rounding, it may be that fewer than 49% of Units in a Phase will constitute Restricted Units. In such event, Developer and HACR agree that they will restrict the maximum number of Units not in excess of 49% for each Phase as Restricted Units.

(f) Parking. Developer on behalf of itself and its successors, assigns, and each successor in interest to Developer's interest in the Property or any part thereof, hereby covenants and agrees that the Affordable Rent for each of the Restricted Units shall include at least one non-tandem parking space located on the Parcel on which such Restricted Unit is located at no extra charge to the occupants or tenants.

(g) Non-restricted Units. All Units except the Restricted Units and those reserved as Manager Units shall be available for occupancy and leased exclusively to Moderate Income Households at a rent that complies with HSC § 50053.

Section 4.2 Maintenance of the Property

In addition to the property maintenance requirements set forth in the Agreement Containing Covenants, Developer covenants and agrees that after Close of Escrow but prior to the commencement of construction of the Improvements for a particular Phase, Developer shall maintain and secure the applicable Parcel in accordance with reasonable vacant property management practices, and upon and after completion of construction for a particular Phase, Developer, its successors and assigns, shall maintain the applicable Parcel and any improvements thereon and the landscaping on the applicable Parcel in a manner consistent with community standards which will uphold the value of the Parcel, in accordance with this DDLA, and applicable provisions of the City of Hemet Municipal Code and the County of Riverside Ordinances (the "**Codes**"), as follows:

(a) Exterior Maintenance. All exterior, painted surfaces of any structures located on the Property shall be maintained at all times in a clean and presentable manner. Any defacing marks shall be cleaned or removed within a reasonable time.

(b) Front and Side Exteriors. Developer shall, at all times, maintain the front exterior and any visible side exteriors and yards, if any, in a clean, safe and presentable manner.

(c) Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures, must be removed from the Property and any necessary painting or repair completed within a reasonable time, but in no event more than one (1) week after notice to Developer from HACR.

(d) Landscaping. All landscaping surrounding a Parcel shall be maintained in a manner consistent with the Codes and any rules, regulations and standards adopted pursuant to the Codes.

(e) Maintenance by Developer. Developer shall, at its sole cost and expense, maintain and repair each parcel and the Improvements thereon, keeping the same in good condition, subject to wear and tear, and making all repairs as may be required by this DDLA and the Code.

(f) Damage and Destruction Affecting Property -- Duty to Rebuild. If all or any portion of a Parcel and the Improvements thereon is damaged or destroyed by fire or other casualty, if and to the extent insurance proceeds are available, it shall be the duty of Developer to rebuild, repair or reconstruct the Property in a timely manner to restore it to Code compliance

condition or the condition required by the City. Developer shall have no obligation to rebuild, repair or reconstruct the Property in excess of available insurance proceeds.

(g) Variance in Exterior Appearance and Design. If the Property is damaged or destroyed by casualty, Developer may not, without the prior written consent of HACR, reconstruct, rebuild or repair the Property in a manner which will provide substantially different exterior appearance design from that which existed prior to the date of the casualty.

(h) Time Limitation. In the event of damage or destruction due to casualty, to the extent Developer is obligated to rebuild under subsection (f) above, Developer shall be obligated to proceed with all due diligence to commence reconstruction within one (1) year after the damage occurs and to complete reconstruction within a reasonable time after damage occurs, unless prevented by causes beyond the reasonable control of Developer as reasonably determined by HACR.

(i) Inspection. In the event HACR, in the sole discretion of the Executive Director, determines that the Developer has failed to maintain a Parcel in accordance with the requirements of this Section 4.2, HACR, or its designee, on two (2) weeks' prior written notice of any noted code violations and maintenance deficiencies (collectively, the "Deficiencies"), shall have the right, but not the obligation, to enter the applicable Parcel, correct any Deficiency, and hold Developer responsible for the cost thereof. Any cost incurred by HACR to cure any such Deficiency, until paid by Developer, shall constitute a lien on the Property pursuant to Civil Code § 2881.

Section 4.3 Monitoring and Monitoring Fee

Developer covenants and agrees to pay the Monitoring Fee on an annual basis in compliance herewith, and to prepare and submit all reports required by the Agreement Containing Covenants no later than April 1 of each year during the Affordability Period, commencing on the first April 1 following the completion of construction for each Phase.

Section 4.4 Obligation to Refrain from Discrimination

Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof or interest therein, there shall be no discrimination against or segregation of any person, or group of persons, on account of sex, sexual orientation, marital status, race, color, creed, religion, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property nor shall Developer, itself or any person claiming under or through it, 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, subtenants, sublessees, or vendees of the Property. All deeds, leases or contracts 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 § 12955 of the Government Code, as those bases are defined in §§ 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of §

12955, and § 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 § 12955 of the Government Code, as those bases are defined in §§ 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of § 12955, and § 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 § 12955 of the Government Code, as those bases are defined in §§ 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of § 12955, and § 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 Developer set forth herein, Developer shall, upon notice from HACR, promptly pay to HACR all fees and costs, including administrative and attorneys’ fees, incurred by HACR in connection with responding to or defending any discrimination claim brought by any third party and/or Governmental Authority, arising out of or in connection with this DDLA, an Agreement Containing Covenants, and a Grant Deed other than discrimination claims arising from the direct or indirect actions or inactions of HACR.

Section 4.5 Effect and Duration of Covenants

The covenants established in this DDLA shall, without regard to technical classification and designation, be binding on Developer and any successor in interest to the Property for the benefit and in favor of HACR, its successors and assigns. The covenants shall remain in effect for a particular Phase for a period of fifty-five (55) years from the issuance of a Certificate of Occupancy for the last building constructed as part of such Phase.

Section 4.6 Effect of Violation of the Terms and Provisions of this Agreement

HACR is deemed beneficiary of the terms and provisions of this DDLA and the covenants herein, both for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, for whose benefit this DDLA and the covenants running with the land have been provided. Subject to the notice and cure provisions of Section 5.1, HACR shall have the right if the covenants contained in this DDLA are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this DDLA and covenants are entitled.

Section 4.7 Hazardous Substances

At the Construction Closing for each Phase, the applicable Partnership Assignee shall execute and deliver to HACR an Environmental Indemnity substantially conforming in form and substance to the Environmental Indemnity attached hereto as **Attachment No. 9**.

ARTICLE 5 DEFAULTS, REMEDIES AND TERMINATION

Section 5.1 Defaults - General

Subject to extensions of time approved in writing by the Parties, failure or delay by either party to timely perform, comply with or observe any of the conditions, provisions, terms, covenants or representations of this DDLA, including any of the Attachments or agreements entered into the form of an Attachment, shall constitute a default under this DDLA. In addition to the foregoing, the following shall constitute a default hereunder:

i. After Construction Closing of a Phase, and subject to applicable notice and cure periods, the occurrence of any default by Developer under the Construction Contract, Construction Loan Agreement, Permanent Loan, or any other financing secured by an interest in the Property which is not waived by the General Contractor or applicable lender; or

ii. After Construction Closing of a Phase, a court of competent jurisdiction enters an order enjoining construction of the Improvements, or such a court or an authorized governmental agency orders that leasing of the Project be suspended or halted, or any required approval, license or permit is withdrawn or suspended, and the order, withdrawal or suspension remains in effect for a period of thirty (30) days; or

iii. After Construction Closing of a Phase, and subject to applicable notice and cure periods, the occurrence of any material default by the Developer under any architectural contract for the Project, any engineering contract for the Project, or any other contract for or pertaining to the construction of the Improvements; or

iv. After Construction Closing of a Phase, any surety obligated for the Developer or any Improvements is called upon to perform its obligations; or

v. After Construction Closing of a Phase, and subject to applicable notice and cure periods, the occurrence of any material default by Developer under (i) any applicable Tax Credit Rules, or rules imposed by any other financing for the Project, or (ii) the Agreement of Limited Partnership or similar or related agreement entered into in connection with the

syndication of the Tax Credits after the expiration of all notice and cure periods therein which is not waived by the counter party; or

vi. After Construction Closing of a Phase, and subject to applicable notice and cure periods, the occurrence of any default by Partnership Assignee under any of the HACR Loan Documents; or

vii. Subject to applicable notice and cure periods, the occurrence of any default by Developer under any of the Seller Loan Documents; or

viii. Developer fails to perform an act by the time set forth therefore herein or in the Schedule of Performance, or, if no time is set forth, within a reasonable time, subject to Force Majeure which qualifies for a delay; or

ix. A petition is filed in bankruptcy, or other bankruptcy or similar proceeding is commenced by or against Developer or any partner of Developer under any applicable bankruptcy, insolvency or similar law now or hereafter in effect which is not released within ninety (90) days; or

x. After Construction Closing of a Phase, the failure of Partnership Assignee to consummate the funding of the Construction Loan, Permanent Loan, or any other Approved Financing, subject to a Force Majeure which qualifies for a delay; or

xi. After Construction Closing of a Phase, and subject to applicable notice and cure periods, the failure of Partnership Assignee to receive the installments of capital contributions in accordance with the terms and conditions of the Agreement of Limited Partnership.

As provided hereinbelow, the party who so fails or delays must immediately commence to cure, correct or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the date of default.

Except as required to protect against further damages, the injured party may not institute legal proceedings against the party in default until an **"Event of Default"** (as such term is hereinafter defined) has occurred. For purposes of this DDLA, an "Event of Default" for purposes of instituting legal proceedings by a non-defaulting party against the defaulting party shall mean that a default as described above has occurred, and such default has continued uncured for thirty (30) calendar days after notice thereof is mailed, or, if the default cannot reasonably be cured in thirty (30) calendar days, without the defaulting party commencing to diligently cure for thirty (30) calendar days after notice thereof in writing is mailed by the injured party to the defaulting party; provided, however, that if a different period or notice requirement is specified for any particular default under any other provision of this DDLA, including any of the Attachments, or any agreement referred to herein under which the default has occurred, the specific provision shall control; and provided further, that if such failure is not reasonably capable of being cured within such thirty (30) day or different period, despite the defaulting party's good faith and timely efforts, such time as is reasonably necessary to complete such cure but in no event shall such time exceed ninety (90) calendar days after notice thereof is mailed to the defaulting party.

The occurrence of an "Event of Default" hereunder shall entitle HACR to declare all amounts outstanding under the Promissory Note (HACR Loan) applicable to such Phase immediately due and payable and pursue any other remedies permitted by law which remedies may be exercised with respect only to such Phase for which an Event of Default has occurred. Prepayment of the Seller Loan, whether a result of a default or due to another occurrence, shall not result in a termination of the Developer's obligations under the Agreement Containing Covenants. Notwithstanding anything to the contrary contained herein, an Event of Default hereunder with respect to a Phase shall not constitute an Event of Default with respect to any other Phase.

Any cure of a default hereunder that is made or tendered by Tax Credit Investor shall be accepted or rejected on the same basis as if made by the Developer.

Section 5.2 Termination

(a) Termination by Developer Prior to Construction Closing

In the event that Developer fails, after diligent best efforts but prior to the Outside Closing Date for a Phase, to obtain Entitlements necessary for the development of such Phase, or to secure financing necessary to construct such Phase and operate the Project thereon, then this DDLA may, at the option of the Developer, be terminated by written notice thereof to HACR. Such termination shall terminate this DDLA with respect to the Parties' rights and obligations for all Phases for which Developer has not yet transferred the Parcels constituting a Phase to a Partnership Assignee in accordance with the terms of this DDLA. In the event of the Developer's exercise of such termination, the right of termination provided in this Section shall be Developer's sole and exclusive remedy. Upon termination by Developer in accordance with this Section 5.2, Developer shall execute a grant deed conveying the portion of the Property to which the termination relates to HACR. In exchange for such property, HACR shall deem the portion of the Seller Loan relating to such property satisfied in full. Notwithstanding the foregoing, in the event of such termination, HACR shall be entitled to exercise the Option.

(b) No Limitation

The foregoing right to terminate shall not in any way limit Developer or HACR's right to terminate this DDLA in an Event of Default. Any termination of this DDLA with respect to an Event of Default caused solely by Developer shall terminate this DDLA with respect to the Phase for which such Event of Default occurred and for any future Phases for which Developer has not yet transferred the Parcels constituting a Phase to a Partnership Assignee in accordance with the terms of this DDLA.

(c) Automatic Termination

This DDLA shall automatically terminate upon the Outside Closing Date for a particular Phase in the event the Construction Closing has not occurred by the Outside Closing Date, unless the Outside Closing Date has been extended in accordance with the terms of this DDLA. Such termination shall terminate this DDLA with respect to the Parties' rights and obligations for all Phases for which Developer has not yet transferred the Parcels constituting a Phase to a Partnership Assignee in accordance with the terms of this DDLA. The Option Agreement shall survive any termination of this DDLA.

(d) Survival of Terms After Termination

Except for the Option Agreement, and as otherwise expressly provided herein, following any termination with respect to one or more Phases, neither HACR nor the Developer shall have any further rights against or liability to the other under this DDLA with respect to such Phase or Phases or with respect to the Parcel or Parcels constituting such Phase or Phases or otherwise with respect to the subject matter of this DDLA with respect to such Phase or Phases. Developer's indemnification obligations under this DDLA with respect to such Phase or Phases shall remain in force following such termination with respect to any events occurring or claims accruing prior to the date of such termination for any Losses or Liabilities that arose or were incurred prior the date of termination.

Section 5.3 Remedies of the Parties for Default

(a) Acceleration of Seller Loan or HACR Loan

Upon the occurrence of an Event of Default, at the option of HACR and in addition to any other remedies available to HACR at law or in equity, and subject to any applicable terms of any subordination agreement to which HACR is a party, HACR may declare all amounts outstanding under the Promissory Note evidencing the Seller Loan or HACR Loan, as applicable, immediately due and payable. For purposes of this DDLA, repayment of any or all amounts outstanding under any Promissory Note shall not constitute a cure for any default hereunder other than a default resulting from a failure to pay any sums when due under such Promissory Note. The covenants set forth in any Agreement Containing Covenants shall remain in effect throughout the Affordability Period and survive any termination of this DDLA or payment or prepayment of the Seller Loan or HACR Loan prior to the expiration of the Affordability Period.

(b) Survival

Developer's indemnification obligations under this DDLA with respect to all or a portion of the Property or any Phase shall survive any termination of this DDLA and/or any repayment of the Seller Loan or HACR Loan, as applicable, with respect to such Property or Phase for any Losses and Liability that arose or were incurred prior to the date of termination, or repayment, as applicable.

(c) Limitation on Liability

Notwithstanding anything to the contrary contained herein, neither Developer nor HACR shall in any event be entitled to, and each hereby waives, any right to seek loss of profits, or any special, incidental or consequential damages of any kind or nature, however caused, from the other Party arising out of or in connection with this DDLA, even if the other Party has been advised of the possibility of the damages, and in connection with such waiver each Party is familiar with and hereby waives the provision of § 1542 of the California Civil Code which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

(d) **Inaction Not a Waiver of Default**

Any failures or delays by either party 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, or deprive either such party 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.

Section 5.4 Attorneys' Fees

In any action between the Parties to interpret, enforce, reform, modify, rescind or otherwise in connection with any of the terms or provisions of this DDLA, the prevailing Party in the action or other proceeding shall be entitled, in addition to damages, injunctive relief or any other relief to which it might be entitled under this DDLA, reasonable costs and expenses including, without limitation, litigation costs, expert witness fees and reasonable attorneys' fees.

(a) As used herein, the terms "attorneys' fees" or "attorneys' fees and costs" means the fees and expenses of counsel to the Parties hereto (including, without limitation, in-house or other counsel employed by HACR or Developer) which may include printing, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals and others not admitted to the bar but performing services under the supervision of an attorney and fees and costs for expert witnesses. The terms "attorneys' fees" or "attorneys' fees and costs" shall also include, without limitation, all such fees and expenses incurred with respect to appeals, arbitrations and bankruptcy proceedings, and whether or not any action or proceeding is brought with respect to the matter for which said fees and expenses were incurred.

Section 5.5 Institution of Legal Actions

Subject to the notice and cure provisions of Section 5.1, in addition to any other rights or remedies (and except as otherwise provided in this DDLA), either party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this DDLA. Such legal actions must be instituted in the Superior Court of the County of Riverside, State of California.

Section 5.6 Applicable Law

The laws of the State of California shall govern the interpretation and enforcement of this DDLA.

Section 5.7 Acceptance of Service of Process

(a) In the event that any legal action is commenced by Developer against HACR, service of process shall be made by personal service upon Executive Director and shall be valid whether made within or outside the State of California, or in such manner as may be provided by law.

(b) In the event that any legal action is commenced by HACR against Developer, service of process on Developer shall be made by personal service upon Developer (or upon an

officer of Developer) and shall be valid whether made within or outside the State of California, or in such manner as may be provided by law.

Section 5.8 Rights and Remedies Are Cumulative

Except with respect to rights and remedies expressly declared to be exclusive in this DDLA, the rights and remedies of the Parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

Section 5.9 Damages

Subject to the limitations set forth in Section 5.3(c) above, if either party defaults with regard to any of the provisions of this DDLA, subject to the notice and cure provisions of Section 5.1, the defaulting party shall be liable to the non-defaulting party for any damages caused by such default, and the non-defaulting party may, after such notice and opportunity to cure (but not before) commence an action for damages against the defaulting party with respect to such default.

Section 5.10 Termination

Prior to the Close of Escrow for the Property, either party shall have the right to terminate this DDLA in the event the other party is in default of any material term or provision of this DDLA, and, following notice, fails to cure such default within the time provided in Section 5.1. After Close of Escrow for any Phase, termination rights under this DDLA as a result of a default hereunder shall be limited to the particular Phase for which such termination right has arisen.

Section 5.11 Specific Performance After Closing

If either party defaults with regard to any of the provisions of this DDLA, subject to the notice and cure provisions of Section 5.1, the non-defaulting party, at its option, may, after such notice and opportunity to cure (but not before) commence an action for specific performance of the terms of this DDLA pertaining to such default.

(a) In the event a Permitted Assignee fails to complete the development and construction of a Phase within the time frame set forth in the applicable Schedule of Performance, or any extension of time which is permitted under this DDLA, after expiration of applicable notice and cure periods, HACR may commence an action for specific performance of the terms of this DDLA pertaining to such failure.

(b) In addition to HACR's rights set forth in paragraph (a) of this Section, before Completion of a Phase in accordance with this DDLA, HACR shall have the additional right to seek a specific performance under this DDLA in the event any of the following defaults shall occur with respect a particular Phase:

- (1) Developer fails to cause the maintenance of the Property upon which such Phase is located, or fails to cause the commencement of construction of the Improvements for such Phase as required by this DDLA, for a period of

thirty (30) days after written notice from HACR, provided that Developer shall not have obtained an extension or postponement to which Developer may be entitled pursuant to Section 6.4 hereof; or

- (2) Subject to Force Majeure, Developer abandons a portion of the Property with respect to a particular Phase or, substantially suspends construction of the improvements for a Phase for a period of thirty (30) days and fails to commence construction within thirty (30) days after written notice has been given by HACR to Developer, provided Developer has not obtained an extension or postponement to which Developer may be entitled pursuant to Section 6.4 hereof; or
- (3) Except as otherwise permitted by the terms of this DDLA, including, without limitation, Permitted Transfers, Developer assigns or attempts to assign this DDLA, or any rights herein, or, transfer, or suffer any involuntary transfer of the Property, or any part thereof, in violation of this DDLA, and such breach is not cured within thirty (30) days after the date of written notice thereof; or
- (4) Developer otherwise materially breaches this DDLA, and such breach is not cured within the respective times provided in Section 5.1 of this DDLA.

(c) The cure periods established in paragraphs a. and b. shall run concurrently with one another and with any other rights to cure set forth in this DDLA or any other instrument.

(d) Notwithstanding anything to the contrary contained herein, after Construction Close of Escrow for any Phase, (i) HACR shall have the right to seek specific performance only with respect to the Phase for which such default has occurred; and (ii) a default under this DDLA relating to one Phase shall not constitute a default under another Phase or proposed Phase.

ARTICLE 6 GENERAL PROVISIONS

Section 6.1 Notices, Demands and Communications between the Parties

Formal notices, demands and communications between HACR and Developer shall be sufficiently given if dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of HACR and Developer, as designated in Sections 1.4 and 1.5 hereof. Such written notices, demands and communications to HACR shall be addressed to the Executive Director with a copy to Riverside County Counsel and shall be sent in the same manner to such other addresses as either Party may from time to time designate by mail as provided in this Section 6.1. Any notice that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt by the recipient; and any notice that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

Section 6.2 Conflicts of Interest

(a) No member, official or employee of HACR shall have any personal interest, direct or indirect, in this DDLA nor shall any such member, official or employee participate in any decision relating to this DDLA which affects his personal interests or the interests of any corporation, partnership or association in which he is, directly or indirectly, interested.

(b) Developer warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this DDLA.

Section 6.3 Nonliability of HACR Officials and Employees

No member, official, employee or consultant of HACR shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by HACR or for any amount which may become due to Developer or to its successor, or on any obligations under the terms of this DDLA.

Section 6.4 Force Majeure

In addition to specific provisions of this DDLA, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to Force Majeure Events.

Section 6.5 Inspection of Books and Records

Developer shall maintain complete, accurate, and current records, accounts, documentation and other material pertaining to the Property and each Phase and its financing for a period of five (5) years after the Affordability Period of this DDLA with respect to such Phase, and shall permit any duly authorized representative, designee or invitee of HACR, upon reasonable advance notice, to inspect and copy records, including records pertaining to income and household size of tenants, during regular business hours. Records must be kept accurate and current.

Section 6.6 Approvals; Non-Substantive Amendments

(a) Except as otherwise expressly provided in this DDLA, approvals required of HACR or Developer in this DDLA, including the attachments hereto, shall not be unreasonably withheld or delayed. All approvals shall be in writing. Failure by either party to approve a matter within the time provided for approval of the matter shall not be deemed disapproval, and failure by either party to disapprove a matter within the time provided for approval of the matter shall not be deemed an approval.

(b) Except as otherwise expressly provided in this DDLA, approvals required of HACR shall be deemed granted by the written approval of the Executive Director. Notwithstanding the foregoing, the Executive Director may, in his or her sole discretion, refer to the governing body of HACR any item requiring HACR approval; otherwise, "HACR approval" means and refers to approval by the Executive Director or designee.