



AGENDA

REGULAR MEETING OF THE HEMET HOUSING AUTHORITY

July 23, 2013

REGULAR SESSION

7:00 p.m.

City of Hemet Council Chambers

450 E. Latham Avenue

Call to Order

Roll Call

ROLL CALL: Board Members Smith, Wright and Youssef, Vice
Chairperson Milne and Chairperson Krupa

Notice to the Public

The Consent Calendar contains items which are typically routine in nature and will be enacted by one motion by the Board unless an item is removed for discussion by a member of the public, staff, or Board. If you wish to discuss a Consent Calendar item please come to the microphone and state the number of the item you wish to discuss. Then wait near the lectern. When the Chairperson calls your item give your last name, and address, then begin speaking. You will have three minutes at that time to address the board.

Consent Calendar

1. **Approval of Minutes** – April 9, 2013
-

Communications from the Public

Anyone who wishes to address the Housing Authority regarding items not on the agenda may do so at this time. As a courtesy, please complete a Request to Speak Form, found at the Secretary's desk. Submit your completed form to the Secretary prior to the beginning of the meeting. Presentations are limited to three minutes in consideration of others who are here for agenda items. Please come forward to the lectern when the Chairperson calls upon you. When you are recognized, you may proceed with your comments.

****Notice: Members of the Public attending shall comply with the adopted Rules of Decorum in Resolution No. 4545. A copy of the Rules of Decorum are available from the Secretary.***

State law prohibits the Housing Authority from taking action or discussing any item not appearing on the agenda except for brief responses to statements made or questions posed by the public. In addition, they may, on their own initiative or in response to questions posed by the public, ask a question for clarification, provide a reference to staff or other resources for factual information, or request staff to report back to them at a subsequent meeting. Furthermore, a member of the Housing Authority or the board itself may take action to direct staff to place a matter of business on a future agenda.

Discussion/Action Item

2. **Neighborhood Stabilization Program: Mobley Lane Revitalization –**
Community Investment Director Jansons
 - a. Authorize the Interim Executive Director and Chairperson to execute all agreements, in substantially the same form as presented to effect the revitalization program and transfer real property as recommended; and
 - b. Authorize the Interim Executive Director to make non-substantive changes to the revitalization plan documents as needed to advance the revitalization project.
-

Future Agenda Items

If Members of Board have items for consideration at the next Housing Authority meeting, please state the agenda item to provide direction to the Executive Director.

Adjournment

Adjourn

Staff reports and other disclosable public records related to open session agenda items are available at the Secretary's Office or at the public counter located at 445 E. Florida Avenue during normal business hours.



#1

MINUTES

REGULAR MEETING OF THE HEMET HOUSING AUTHORITY

April 9, 2013

REGULAR SESSION

7:00 p.m.

City of Hemet Council Chambers

450 E. Latham Avenue

Call to Order

Chairperson Krupa called the meeting to order at 8:30 p.m.

Roll Call

PRESENT: Board Members Smith, Wright and Youssef, Vice Chairperson
Milne and Chairperson Krupa

ABSENT: None

Consent Calendar

1. **Approval of Minutes** – December 11, 2012

Board Member Youssef moved and Board Member Smith seconded a motion to approve the Consent Calendar as presented. Motion carried 5-0.

Communications from the Public

There were no communications from the public presented at this time.

Discussion/Action Items

2. **Neighborhood Stabilization Program Update and Achievement Plan** –
Community Investment Director Jansons
 - a. Receive and update on status of the Neighborhood Stabilization Program (NSP 1 and NSP 3); and
 - b. Consent to Achievement Plan to fulfill close-out objectives and Program Requirements; and
 - c. Authorize Interim Executive Director to prepare and execute agreements to affect Achievement Plan and transfer real property as required; and
 - d. Transmit copy of the report and additional documents as needed to Successor Agency, Oversight Board and City Council as needed regarding former Redevelopment Agency project and real property.

Adam Ellison, CivicStone, gave the Board a powerpoint presentation on the progress made with the NSP 1 and NSP 3 funds. In 2009, the City Council approved Riverside Housing & Development Corporation at the City's partner for non-single family rehabilitation projects. By 2011, the City and Housing Authority had acquired 11 properties for rehabilitation by RHDC using both the NSP Program 1 and 3 funds. Program funds expire July 30, 2013 and 2014, NSP regulations require that 25% of the total grant amount be spent on projects that assist households earning 50% of the area median income.

Bruce Kulpa, Riverside Housing Development Corporation (RHDC), gave the Board a powerpoint presentation on successful projects in Riverside County similar to Mobley Lane. RHDC has been successful with their property acquisitions and rehabilitations on Orange Blossom Lane in East Hemet. There are 11 properties on Mobley Lane owned by the Housing Authority. The property rehabilitation begins to set a standard other property owners will either get on board or get out. Current pictures of Mobley Lane were displayed as well as an aerial. Pictures of the proposed improvements were displayed. The improvements include flowerbeds, signage and green space. The front property would become the leasing office with a tot lot.

Board Member Youssef, Mobley Lane has been a problem since day one. There are still a few owners. Board Member Youssef asked if they have experienced a decrease in the property values due to the existing properties owners lack of interest in upgrading.

Mr. Kulpa, normally there is an increase in property values which is a benefit to the existing property owners. The rents are reduced based on the formula to keep them affordable which makes it difficult for them to compete. Mr. Kulpa explained their screening process.

Chairperson Krupa, the current property owners are not interested in selling but would like us to clean up our property. Chairperson Krupa asked if this project would impact the City's RHNA's.

Deanna Elliano, Community Development Director, confirmed that the City would get credit toward its RHNA's.

Eric Vail, City Attorney, staff will come back with a proposed agreement between the Housing Authority and RHDC for your consideration. At the end of the day RHDC will own the property, not the Housing Authority any longer. Staff is looking for direction from the Board to move forward.

Board Member Youssef moved and Board Member Wright seconded a motion to approve this item as presented. Motion carried 5-0.

Future Agenda Items

There were no future agenda items requested at this time.

Adjournment

Adjourned at 9:11 p.m.



*Housing Authority
Staff Report*

TO: Honorable Chairperson Krupa and Hemet Housing Authority
 FROM: Ronald E. Bradley, Interim Executive Director *REB*
 DATE: July 23, 2013
 RE: Neighborhood Stabilization Program: Mobley Lane Revitalization

RECOMMENDATION:

That the Hemet Housing Authority:

1. Authorize the Interim Executive Director and Chairperson of the Hemet Housing Authority to execute all agreements, in substantially the same form as presented to effect the revitalization program and transfer real property as recommended; and
2. Authorize the Interim Executive Director to make non-substantive changes to the revitalization plan documents as needed to advance the revitalization project.

BACKGROUND:

On April 9, 2013, City Staff, Adam Eliason, the City's Neighborhood Stabilization Program (NSP) consultant and Bruce Kulpa, Executive Director of the Riverside Housing Development Corporation (RHDC) presented the Hemet Housing Authority (HHA) a NSP achievement plan and a revitalization plan the Mobley Lane project.

At the April 9, 2013 meeting, the HHA approved the NSP Achievement Plan, the Mobley Revitalization Plan and authorized HHA and City staff to prepare all documents and contracts necessary to advance the revitalization program.

As the City's approved Development Partner, Riverside Housing Development Corporation (RHDC) is a non-profit, affordable housing development organization created in 1991. Their mission includes renovating blighted properties and making them available for purchase or lease to low-income households. Since 2004, they have acquired, rehabilitated, and managed over 300 multi-family units, primarily in the cities of Riverside and Moreno Valley and in unincorporated Riverside County in east Hemet. RHDC recently completed a major renovation just outside the City limits on Orange Blossom Drive near Stanford. RHDC continues to acquire and revitalize additional properties in this neighborhood successfully. Overall, using their expertise and team approach, RHDC has acquired, rehabilitated, and managed 175 units in the past 24 months to transform neighborhoods and improve the quality of life in many communities.

Burke Williams and Sorenson (using their affordable housing experts) prepared the necessary

documents in close coordination with City staff, Civic Stone, HUD and RHDC to initiate the revitalization project previously approved by the City to achieve NSP compliance and revitalize Mobley Lane.

DISCUSSION:

RHDC will assist the City in completing its requirements of NSP 1 and 3 by expending NSP funds of approximately \$900,000 of NSP funds required for multi family rental housing and approximately \$300,000 in NSP 1 and 3 Program Income funds. In doing so, the city will realize renovation of the NSP units and HHA units at Mobley, meet or exceed NSP regulations, and receive professional project management. The 44 renovated units will be available for Hemet residents, veterans, disabled person, senior citizens and the general public. The renovated project will have for the first time, on site management and an increase in tenant amenities including laundry facilities, open space, play areas, private patios and secure garages. RHDC is committed to participating in the City's Crime Free Multi Family Housing Program, Neighborhood Watch and sponsor and participate in community events. This partnership will ensure that the city fulfills its NSP requirements and will not have to return NSP funds to HUD.

RHDC and NSP administration continues to collaborate with the City's Community Investment Department and Community Development Department to ensure the highest quality results, mutual satisfaction and completion of NSP requirements in renovating the 11 buildings.

Documents to be executed by the HHA Chairperson or Interim Executive Director include: the Disposition and Development Agreement (DDA), Loan Agreement, and Regulatory Agreement.

COORDINATION AND REVIEW:

This recommendation was prepared and coordinated with the Department of Community Development, Community Investment, NSP Program Administrator and City Attorney's Office.

INTEGRATION OF COUNCIL GOALS / STRATEGIC PLAN:

The recommendation supports the City's goals of leveraging grant funds, revitalizing neighborhoods, improving the housing stock and creating jobs.

FISCAL IMPACT:

Proceeding as recommended will require no monies form the City's general fund. The project will be funded exclusively with approximately \$900,000 of NSP funds required for multi family rental housing and approximately \$300,000 in NSP 1 and 3 Program Income funds Failure to proceed with the recommended action may result in the city being required to return all NSP 1 and NSP 3 grant funds to HUD.

ALTERNATIVE(S):

None proposed.

CONCLUSION:

That the Hemet Housing Authority:

1. Authorize the Interim Executive Director and Chairperson of the Hemet Housing Authority of the City of Hemet to execute all agreements, in substantially the same form as presented to effect the revitalization program and transfer real property as recommended; and
2. Authorize the Interim Executive Director to make non-substantive changes to the revitalization plan documents as needed to affect the revitalization project.

Attachments:

1. Disposition and Development Agreement (DDA)
2. Regulatory Agreement
3. Promissory Note

Recommended By:



John Jansons
Community Investment Director

Approved By:



Ronald E. Bradley
Interim Executive Director

DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT

by and between

THE HEMET HOUSING AUTHORITY

and

RIVERSIDE HOUSING DEVELOPMENT CORPORATION

_____, 2013

DRAFT

THIS DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT (this “**Agreement**”) is entered into effective as of _____, 2013 (“**Effective Date**”) by and between the Hemet Housing Authority, a public corporation organized and existing pursuant to the California Housing Authorities Law (Health and Safety Code § 34200 *et seq.*) (“**Authority**”) and Riverside Housing Development Corporation, a California nonprofit public benefit corporation (“**Developer**”). The Authority and the Developer are collectively referred to herein as the “**Parties**.”

RECITALS

A. The Authority is the owner of the following real property located within the City of Hemet, Riverside County, California, and more particularly described in Exhibits A-1 and A-2 attached hereto (the “**Property**”):

598 Mobley Lane (Assessor’s Parcel No. 443-090-025)
599 Mobley Lane (Assessor’s Parcel No. 443-090-032)
575 Mobley Lane (Assessor’s Parcel No. 443-090-033)

550 Mobley Lane (Assessor’s Parcel No. 443-090-023)
622 Mobley Lane (Assessor’s Parcel No. 443-090-026)
670 Mobley Lane (Assessor’s Parcel No. 443-090-028)
647 Mobley Lane (Assessor’s Parcel No. 443-090-030)
623 Mobley Lane (Assessor’s Parcel No. 443-090-031)
551 Mobley Lane (Assessor’s Parcel No. 443-090-034)
527 Mobley Lane (Assessor’s Parcel No. 443-090-035)
503 Mobley Lane (Assessor’s Parcel No. 443-090-036)

B. Developer has proposed to acquire the Property and rehabilitate and manage the improvements located thereon as an affordable residential rental development in two phases as more particularly described herein. Phase 1 consists of the acquisition of the portion of the Property located at 598, 599 and 575 Mobley Lane, known as Riverside County Assessor’s Parcel Nos. 443-090-025, -032, and -033, and more particularly described in Exhibit A-1 attached hereto (the “**Phase 1 Property**”) and the rehabilitation of twelve (12) affordable residential units located thereon (the “**Phase 1 Project**”). Phase 2 consists of the acquisition of the remainder of the Property located at 550, 622, 670, 647, 623, 551, 527 and 503 Mobley Lane (the “**Phase 2 Property**”), the rehabilitation of twenty-nine (29) affordable residential units (including one (1) manager’s unit) located thereon, and the construction and installation of common area improvements and parking garages on both the Phase 1 Property and the Phase 2 Property (collectively, the “**Phase 2 Project**”). The Parties contemplate that in connection with the closing for the Phase 2 Project, the Phase 1 Property and the improvements located thereon will be conveyed to an Approved Partnership (defined below) that will acquire the Phase 2 Property, assume the obligations of Developer under this Agreement and the other Authority Documents, undertake the financing and development of the Phase 2 Project, and own and operate both the Phase 1 Project and the Phase 2 Project.

C. Upon satisfaction of the conditions precedent set forth in this Agreement and subject to the terms and conditions set forth herein, the Authority will convey the Property to Developer, and will provide financing to assist in financing rehabilitation of the improvements located thereon.

D. Concurrently with the execution of this Agreement, among other documents, Developer will execute: a secured promissory note to evidence Developer's obligation to repay the loan Authority will provide for the Phase 1 Project, a deed of trust that will provide Authority with a security interest in the Phase 1 Property, and an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants that will require rents for the Phase 1 residential units to be affordable to very low-income households for a term of not less than fifty-five (55) years. Counterpart documents will be executed in connection with the conveyance of the Phase 2 Property and financing of the Phase 2 Project, and if an Approved Partnership acquires the Phase 1 Property, the Parties may amend and restate this Agreement and the other Authority Documents to reflect the terms and conditions applicable to the Phase 2 Project.

E. A material inducement to Authority to enter into this Agreement is the agreement by Developer to rehabilitate the Improvements within the time periods specified herein and in accordance with the provisions hereof, and the Authority would be unwilling to enter into this Agreement in the absence of an enforceable commitment by Developer to take such actions and complete such work in accordance with such provisions and within such time periods.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows.

ARTICLE I

DEFINITIONS; EXHIBITS

1.1 Definitions. The following terms shall have the meanings set forth in the Sections referenced below whenever used in this Agreement and the Exhibits attached hereto. Additional terms are defined in the Recitals and text of this Agreement.

“**Affordable Rent**” is defined in the Regulatory Agreement.

“**Applicable Laws**” is defined in Section 5.15.

“**Approved Partnership**” is defined in Section 7.3.

“**Area Median Income**” is defined in the Regulatory Agreement.

“**Assignment Agreement**” is defined in Section 9.13.

“**Authority**” means the Hemet Housing Authority, a public corporation organized and existing pursuant to the California Housing Authorities Law (Health and Safety Code § 34200 *et seq.*).

“Authority Documents” means collectively, this Agreement, the Note, the Deed of Trust, the Regulatory Agreement, the Memorandum and the Grant Deed.

“Authority’s Permitted Exceptions” is defined in Section 3.7.

“Authorized Representative” means the Authority’s _____ [insert title of person authorized to act on behalf of Authority].

“Certificate of Completion” is defined in Section 5.12.

“City” means the City of Hemet, a municipal corporation.

“Claims” is defined in Section 5.14.

“Closing Date” or **“Close of Escrow”** shall be the date that escrow closes for the Loan and the conveyance of the Phase 1 Property.

“Conditions of Approval” is defined in Section 5.4.

“Construction Plans” is defined in Section 5.6.

“Deed of Trust” is defined in Section 3.7.

“Developer” means the Riverside Housing Development Corporation, a California nonprofit public benefit corporation.

“Developer’s Permitted Exceptions” is defined in Section 3.1.

“Environmental Laws” is defined in Section 6.11.2.

“Grant Deed” is defined in Section 3.1.

“Hazardous Material” is defined in Section 6.11.1.

“Improvements” means the improvements located on the Property including without limitation, the residential dwelling units to be rehabilitated pursuant to this Agreement.

“Indemnitees” is defined in Section 5.14.

“Lender’s Title Policy” is defined in Section 3.7.

“Loan” is defined in Section 4.1.

“Memorandum” is defined in Section 2.2.

“Note” is defined in Section 4.1.

“Official Records” means the Official Records of Riverside County.

“Owner’s Title Policy” is defined in Section 3.8.

“Partnership Agreement” is defined in Section 7.3.

“Phase 1” means Developer’s acquisition of the Phase 1 Property and rehabilitation of the Improvements located thereon in accordance with this Agreement.

“Phase 2” means Developer’s or an Approved Partnership’s acquisition of the Phase 2 Property and rehabilitation of the Improvements located thereon in accordance with this Agreement.

“Phase 1 Financing Plan” is defined in Section 2.5.1.

“Phase 2 Financing Plan” is defined in Section 2.5.2.

“Phase 1 Project” is defined in Recital B.

“Phase 2 Project” is defined in Recital B.

“Phase 1 Property” is defined in Recital B and described in Exhibit A-1.

“Phase 2 Property” is defined in Recital B and described in Exhibit A-2.

“Project” means collectively the Phase 1 Project and the Phase 2 Project.

“Property” is defined in Recital A and means, collectively, the Phase 1 Property and the Phase 2 Property.

“Regulatory Agreement” is defined in Section 3.7.

“Repurchase Option” is defined in Section 9.9.

“Title Report” is defined in Section 3.1.

“Transfer” is defined in Section 7.2.

1.2 Exhibits. The following Exhibits are attached hereto and incorporated into this Agreement by this reference:

- A-1 Legal Description of the Phase 1 Property
- A-2 Legal Description of the Phase 2 Property
- B Form of Promissory Note – Phase 1
- C Form of Deed of Trust – Phase 1
- D Form of Regulatory Agreement – Phase 1
- E-1 Phase 1 Financing Plan

- E-2 Phase 1 Financing Plan
- F Form of Certificate of Completion
- G Form of Memorandum of Option and Loan Agreement
- H Form of Grant Deed

ARTICLE II

REPRESENTATIONS; EFFECTIVE DATE; PROJECT SCOPE; FINANCING PLAN

2.1 Developer's Representations. Developer covenants that until the expiration or earlier termination of this Agreement, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 2.1 not to be true, Developer shall immediately give written notice of such fact or condition to Authority. Developer acknowledges that Authority shall rely upon Developer's representations made herein notwithstanding any investigation made by or on behalf of Authority.

(a) Organization. Developer is a nonprofit public benefit corporation, duly organized and in good standing under the laws of the State of California and tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

(b) Authority of Developer. Developer has full power and authority to execute and deliver this Agreement and all other documents or instruments executed and delivered by Developer, or to be executed and delivered by Developer, pursuant to or in connection with this Agreement, and to perform and observe the terms and provisions of all of the foregoing

(c) Authority of Persons Executing Documents. This Agreement and all other documents or instruments executed and delivered by Developer, or to be executed and delivered by Developer, pursuant to or in connection with to this Agreement, have been executed and delivered, or will be executed and delivered, by persons who are duly authorized to execute and deliver the same for and 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 Agreement and all other documents or instruments executed and delivered by Developer, or to be executed and delivered by Developer, pursuant to or in connection with this Agreement, have been duly taken or will have been duly taken (to the extent such actions are required) as of the date of execution and delivery of such documents.

(d) Valid and Binding Agreements. This Agreement and all other documents or instruments which have been executed and delivered by Developer or will be executed and delivered by Developer pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered, constitute, legal, valid and binding obligations of Developer, enforceable in accordance with their respective terms, subject to laws affecting creditors' rights and principles of equity.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement or any other documents or instruments executed and delivered by Developer, or

to be executed or delivered by Developer, pursuant to or in connection with this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency binding on Developer, or any provision of the organizational documents of Developer, or will conflict with or constitute a breach of or a default under any agreement to which Developer is a party, or will result in the creation or imposition of any lien upon any assets or property of Developer, other than liens established pursuant hereto.

(f) Pending Proceedings. Except as disclosed in writing to the Authority prior to execution of this Agreement, Developer is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and, to the best of its knowledge, there are no claims, actions, suits or proceedings pending or, to the knowledge of Developer, threatened against or affecting Developer or the Property, at law or in equity, before or by any court, board, commission or agency. Developer is not the subject of a bankruptcy or insolvency proceeding.

2.2 Effective Date; Memorandum. The obligations of Developer and Authority hereunder shall be effective as of the Effective Date which date is set forth in the preamble to this Agreement. Concurrently with the execution of this Agreement, the Parties shall execute a Memorandum of this Agreement (“**Memorandum**”) substantially in the form attached hereto as Exhibit G which shall be recorded in the Official Records.

2.3 Project Scope. The Phase 1 Project will include the rehabilitation of twelve (12) units of affordable multi-family housing on the Phase 1 Property consisting of ten (10) three-bedroom units and two (2) two-bedroom units. The Phase 2 Project will include the rehabilitation of twenty-nine (29) units of affordable multi-family housing (including one (1) manager’s unit) on the Phase 2 Property; the rehabilitation or construction of parking facilities for both the Phase 1 residential units and the Phase 2 residential units, and the installation and development of common facilities including laundry facilities and open space. The Phase 2 residential units will include twenty-two (22) three-bedroom units, six (6) two-bedroom units, and one (1) two-bedroom manager’s unit.

2.4 Design Review; Conditions of Approval. [confirm] Prior to the Authority’s consideration of this Agreement, Developer submitted preliminary design documents including elevations and schematic drawings for the Project to City and Authority staff for review and approval. On _____, 20__ the City approved design documents for the Project and adopted Conditions of Approval for the Project. Developer agrees that it shall develop the Project in accordance therewith.

2.5 Financing Plan.

2.5.1 Phase 1. Developer has previously submitted to Authority, and the Authority has approved, Developer’s plan for financing the Phase 1 Project (the “**Phase 1 Financing Plan**”). The Phase 1 Financing Plan is attached hereto as Exhibit E-1.

2.5.2 Phase 2. Developer shall submit for Authority review Developer’s plans for construction and permanent financing of the Phase 2 Project (the “**Phase 2 Financing**”).

Plan”). The Phase 2 Financing Plan shall indicate all sources of funds necessary to pay, when due, the estimated costs of the Phase 2 Project, including without limitation acquisition costs and hard and soft construction costs, and shall be accompanied by evidence that all such funds have been firmly committed by Developer, equity investors or lending institutions, subject only to commercially reasonable conditions. The Phase 2 Financing Plan shall include development and operating pro formas which set out in detail Developer’s plan for financing the costs of acquisition, rehabilitation and operation of the Phase 2 Project.

Authority staff shall promptly review the proposed Phase 2 Financing Plan, and acting through the Authorized Representative, the Authority shall approve such plan in writing within fifteen (15) business days following receipt provided that the plan conforms to the requirements of this Section. If the Authority does not approve the Phase 2 Financing Plan, the Authority shall set forth its objections in writing and notify Developer of the reasons for its disapproval. Developer shall thereafter submit a revised Phase 2 Financing Plan that addresses the reasons for disapproval, and the Authority shall grant Developer a reasonable extension of the time deadlines set forth in this Agreement as required to restructure the Phase 2 Financing Plan, subject to the outside time limit for completion set forth in Section 5.1 below. Authority’s approval of the Phase 2 Financing Plan shall be a condition precedent to Authority’s obligation to convey the Phase 2 Property to Developer. The approved Phase 2 Financing Plan shall be attached to this Agreement as Exhibit E-2.

2.5.2.1 Tax Credit Funds. Developer will use best efforts to submit an application to the California Tax Credit Allocation Committee (“TCAC”) for a preliminary tax credit reservation in the Spring of 2014 for the Phase 2 Project, and, if necessary will submit an application for TCAC’s second round for 2014. Upon award of a preliminary reservation from TCAC, Developer shall exercise diligent good faith efforts to obtain a funding commitment from a reputable equity investor. Procurement of a TCAC preliminary reservation and receipt of an equity investor’s funding commitment reasonably acceptable to Authority shall be conditions precedent to the Authority’s obligation to convey the Phase 2 Property to Developer.

If Developer does not receive an allocation of tax credits in the first or second TCAC round of funding for the year 2014, Developer shall apply for tax credits in the first TCAC round of funding for the year 2015 (the “**Additional Round**”). If Developer does not receive a TCAC commitment in the Additional Round, then the Authority shall confer with the Developer in good faith for a period not to exceed ninety (90) days (commencing on the date the Developer is notified that the Project did not obtain a TCAC commitment in the Additional Round) to determine if a feasible and mutually acceptable alternative arrangement can be made to finance the Phase 2 Project. If Developer does not receive an allocation of tax credits in the Additional Round and the Parties do not reach agreement upon an alternative financing plan during such period, then upon delivery of written notice to Developer, the Authority shall have the right to terminate any obligation that may be construed to have arisen under this Agreement relating to conveyance of the Phase 2 Property or financing the Phase 2 Project.

2.5.3 Modifications. Proposed modifications to the Phase 1 Financing Plan or the Phase 2 Financing Plan shall be submitted to the Authority for review and approval. Authority

staff shall promptly review such proposed modifications, and acting through its Authorized Representative, the Authority shall approve such modifications in writing within fifteen (15) business days following receipt provided that the modifications conform to the requirements of this Agreement. If the Authority does not approve proposed modifications, the Authority shall set forth its objections in writing and notify Developer of the reasons for its disapproval. Developer shall thereafter submit a revised Financing Plan that addresses the reasons for disapproval.

2.5.4 Neighborhood Stabilization Program (NSP) Funds. Developer acknowledges that the Loan will be funded with funds provided through the Neighborhood Stabilization Program (NSP), and that the Authority may (but has no obligation to) provide additional NSP funds for the Phase 2 Project. Developer pledges to comply with all requirements associated with the receipt and use of NSP funds, including without limitation, all terms and conditions set forth in that certain _____ agreement dated as of _____, 20__ and executed by and among Authority and _____ (the “**NSP Agreement**”). Developer agrees to indemnify, defend (with counsel approved by Authority) and hold the Indemnitees harmless from and against any and all Claims arising in connection with any breach of any term or condition of the NSP Agreement by Developer or any affiliate of Developer (including any Approved Partnership) or any contractor, subcontractor, agent or employee of Developer or any affiliate of Developer or Approved Partnership. Developer’s indemnification obligations under this Section 2.5.4 shall not extend to Claims resulting solely from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 2.5.4 shall survive the issuance of a Certificate of Completion for the Project and the expiration or earlier termination of this Agreement and/or the NSP Agreement. It is further agreed that the Authority does not and shall not waive any rights against Developer that it may have by reason of this indemnity and hold harmless agreement because of the acceptance by Authority, or the deposit with Authority by Developer, of any of the insurance policies described in this Agreement.

2.5.5 Loan and Grant Documents. Developer shall submit to the Authority for its approval, copies of all loan and/or grant documents for the financing sources identified in the Phase 1 Financing Plan and the Phase 2 Financing Plan.

ARTICLE III

DISPOSITION OF THE PROPERTY; CONDITIONS PRECEDENT TO CLOSING

3.1 Purchase and Sale of Property. Provided that all conditions precedent set forth in this Agreement have been satisfied or waived, Authority shall sell to Developer, and Developer shall purchase from Authority, the fee interest in the Phase 1 Property in accordance with and subject to the terms, covenants and conditions of this Agreement, free and clear of all exceptions to title except: (a) the provisions and effects of the Authority Documents, (b) applicable building and zoning laws and regulations, (c) any lien for current taxes and assessments or taxes and assessments accruing subsequent to recordation of the Grant Deed, (d) exceptions as shown on the preliminary title report for the Property (“**Title Report**”) as reasonably approved by

Developer, and (e) such other conditions, liens, encumbrances, restrictions, easements and exceptions as Developer may approve in writing, which approval shall not be unreasonably withheld. All of the foregoing are collectively hereinafter referred to as “**Developer’s Permitted Exceptions.**” Conveyance of the Property shall be effectuated by grant deed substantially in the form attached hereto as Exhibit H (the “**Grant Deed**”).

3.2 Purchase Price. Authority shall sell the Phase 1 Property to Developer for the sum of One Dollar (\$1.00) (the “**Purchase Price**”).

3.3 Escrow. Authority and Developer shall open escrow at the office of _____ Title Company located at _____, or such other title company as the Parties may agree upon (“**Title Company**” or “**Escrow Agent**”) in order to consummate the conveyance of the Phase 1 Property to Developer and the closing of escrow for the transactions contemplated hereby.

3.4 Costs of Closing and Escrow. Developer shall pay all title insurance premiums for policies Developer elects to purchase in connection with the acquisition of the Property and the financing of the Project, and Developer shall pay all recording fees, transfer taxes, escrow fees and closing costs incurred in connection with the acquisition of the Property and the financing of the Project. Developer shall pay for the cost of any lender’s policy of title insurance that Authority elects to acquire in connection with the transactions contemplated hereby. Property taxes and assessments shall be prorated as of the Closing Date. Authority and Developer shall provide Escrow Agent with a copy of this Agreement, which together with such supplemental instructions as Authority or Developer may provide and which are consistent with the intent of this Agreement or which are otherwise mutually agreed upon by Authority and Developer, shall serve as escrow instructions for the Closing. Developer’s expenses described in this Section may be paid with proceeds of the Loan or by other sources of financing.

3.5 Closing. The Closing Date shall be a date that is mutually acceptable to the Parties, consistent with Section 5.1, and which shall occur within thirty (30) days following the Developer’s satisfaction or Authority’s waiver of all conditions precedent to conveyance of the Property as set forth in Sections 3.7 and 3.8. Prior to the Close of Escrow, Developer shall deposit into escrow the Authority Documents to which Developer is a party, executed and acknowledged as applicable and Developer’s share of closing costs. Provided that all conditions precedent to Close of Escrow have been satisfied or waived, Authority shall deposit into escrow the executed Grant Deed and executed copies of the Authority Documents to which Authority is a party. On the Closing Date the Escrow Agent shall cause the Grant Deed, the Memorandum, the Deed of Trust and the Regulatory Agreement to be recorded in the Official Records.

3.6 Review of Title. Authority shall provide or cause Title Company to provide Developer with a copy of the Title Report within sixty (60) days following the Effective Date. Developer shall notify Authority of any objections Developer has to exceptions to title (“**Title Exceptions**”) within ten (10) business days following Developer’s receipt of the Title Report. Developer’s failure to object within such period shall be deemed to be approval of the condition of title to the Property. If Developer objects to any Title Exception, Authority shall use reasonable efforts at Authority’s expense to remove from title or otherwise satisfy each such

exception in a form that is reasonably satisfactory to Developer no later than fourteen (14) days prior to the Closing Date.

3.7 Authority's Conditions to Closing. Authority's obligations to convey the Phase 1 Property to Developer and fund the Loan are conditioned upon the satisfaction of the terms and conditions set forth in this Section 3.7, unless any such condition is waived in writing by the Authority acting in the discretion of its Authorized Representative. Additional requirements pertaining to disbursement of Loan proceeds are set forth in Section 4.6.

(a) No Default. There shall exist no condition, event or act which would constitute a material breach or default under this Agreement or any other Authority Document, or which, upon the giving of notice or the passage of time, or both, would constitute such a material breach or default.

(b) Representations. All representations and warranties of Developer contained herein or in any other Authority Document or certificate delivered in connection with the transactions contemplated by this Agreement shall be true and correct in all material respects as of the Close of Escrow.

(c) Due Authorization and Good Standing. Developer shall have delivered to Authority: (i) a certificate of good standing, certified by the Secretary of State, indicating that Developer is properly organized and authorized to do business in the State of California; (ii) copies of Developer's articles of incorporation and bylaws, each certified by Developer's corporate Secretary as accurate, complete, and in full force and effect; (iii) verification of Developer's tax-exempt status; and (iv) a certified resolution authorizing Developer's execution of and performance under this Agreement and the other Authority Documents.

(d) Execution, Delivery and Recordation of Documents. Developer shall have executed, acknowledged as applicable, and delivered to Authority this Agreement, and all other documents required in connection with the transactions contemplated hereby, including without limitation a promissory note substantially in the form attached hereto as Exhibit B (the "**Note**"), a deed of trust substantially in the form attached hereto as Exhibit C (the "**Deed of Trust**"), an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants substantially in the form attached hereto as Exhibit D (the "**Regulatory Agreement**"), and a Memorandum of Option and Loan Agreement ("**Memorandum**") substantially in the form attached hereto as Exhibit G. Concurrently with the Closing, the Memorandum, the Deed of Trust and the Regulatory Agreement shall be recorded in the Official Records.

(e) Lender's Title Policy. The Title Company shall, upon payment of the premium therefor, be ready to issue an ALTA Lender's Policy of Title Insurance for the benefit and protection of Authority ("**Lender's Title Policy**") in the amount of the Loan (and in Authority's election, the Authority's reversionary interest in the Phase 1 Property), insuring that the Deed of Trust and the Regulatory Agreement are recorded subject only to title exceptions and such other defects, liens, conditions, encumbrances, restrictions, easements and exceptions as Authority may reasonably approve in writing (collectively, "**Authority's Permitted Exceptions**") and containing such endorsements as Authority may reasonably require.

(f) Financing Plan. Authority shall have approved the Phase 1 Financing Plan, including without limitation, the construction and operating budgets for the Phase 1 Project.

(g) Approval of Financing Documents; Evidence of Availability of Funds. Authority shall have approved the loan and/or grant documents for all financing sources for the Phase 1 Project, and Developer shall have provided evidence reasonably satisfactory to Authority that (i) all conditions to the release and expenditure of the initial draw of funds from each source described in the approved Phase 1 Financing Plan as a source of construction financing for the Phase 1 Project have been met and that such funds will be available, and (ii) all construction financing (including draws subsequent to the initial draw of funds) will be available upon the satisfaction of the conditions set forth in the applicable documents.

(h) Construction Contract, Plans, Budget and Schedule. Authority shall have approved the general contractor, the construction budget and schedule, and the construction contract for the Phase 1 Project, and City and Authority shall have approved the final Construction Plans and specifications for the Project. Developer shall have delivered an executed copy of the construction contract for the Phase 1 Project to the Authority.

(i) Permits. Developer shall have delivered evidence satisfactory to Authority that Developer has obtained all permits (including without limitation building permits) required to rehabilitate the Project, or that the receipt of such permits is subject only to such conditions as Authority shall reasonably approve.

(j) Insurance; Payment and Performance Bonds. Developer shall have provided evidence satisfactory to Authority that Developer has obtained insurance coverage meeting the requirements set forth in Article X, and shall have provided to Authority copies of payment bonds and performance bonds pursuant to Section 5.18.

3.8 Developer's Conditions to Closing. Developer's obligation to proceed with the acquisition of the Property is subject to the satisfaction or Developer's waiver of the following conditions:

(a) No Default. Authority shall not be in default under the terms of this Agreement, and all representations and warranties of Authority contained herein shall be true and correct in all material respects;

(b) Execution of Documents. Authority shall have executed and acknowledged the Grant Deed, the Memorandum, the Regulatory Agreement, and all other Authority Documents to which the Authority is a party, and shall have delivered such documents into escrow; and

(c) Owner's Title Policy. The Title Company shall, upon payment of the premium therefor, be ready to issue an Owner's Title Insurance Policy for the benefit and protection of Developer ("**Owner's Title Policy**") showing title to the Property vested in Developer, subject only to Developer's Permitted Exceptions and containing such endorsements

as Developer may reasonably require, with the cost of such Owner's Title Policy to be paid by Developer.

ARTICLE IV

AUTHORITY FINANCIAL ASSISTANCE

4.1 Loan and Note; Use of Loan Proceeds. In order to increase the affordability of the Phase 1 Project, Authority agrees to provide a construction/permanent loan to Developer in the principal amount of One Million, Two Thousand Dollars (\$1,200,000) (the "**Loan**") upon the terms and conditions and for the purposes set forth in this Agreement. The Loan shall be evidenced by a secured promissory note in the amount of the Loan dated as of the Closing Date and executed by Developer substantially in the form attached hereto as Exhibit B (the "**Note**").

Provided that Developer has complied with all conditions precedent to disbursement of the Loan set forth in Section 4.6, the proceeds of the Loan ("**Loan Proceeds**") shall be disbursed pursuant to approved draw requests as described in Section 4.6 (vii). The Parties agree that Authority shall disburse the Loan Proceeds only for the purpose of funding rehabilitation of the Phase 1 Project improvements; provided however, Authority may, in the exercise of Authority's discretion, approve use of Excess Proceeds (as defined in the Note) for the Phase 2 Project.

4.1.1 Phase 2 Financing; Assumption of Obligations by Approved Partnership. If Authority agrees to provide financing for the Phase 2 Project, Developer or an Approved Partnership in which Developer or an affiliate of Developer is the managing general partner, shall: (i) assume Developer's obligations under this Agreement and the other Authority Documents pursuant to an assignment and assumption agreement in form approved by Authority, and (ii) execute and deliver such additional instruments as Authority shall reasonably require, including without limitation, an additional promissory note and deed of trust to evidence and secure repayment of such financing.

4.2 Interest Rate; Payment Dates; Cost Savings; Maturity Date. The outstanding principal balance of the Note will bear interest at a rate equal to three percent (3%) simple annual interest. Annual payments shall be due and payable on a residual receipts basis in accordance with the formula set forth in the Note. The entire outstanding principal balance of the Loan together with accrued interest and all other sums due under the Authority Documents shall be payable in full on the date (the "**Maturity Date**") which is the earlier of (i) the fifty-fifth (55th) anniversary of the date the City issues the final certificate of occupancy or equivalent for the Phase 1 Project, or (ii) the fifty-seventh (57th) anniversary of the Loan origination date.

If the Loan is assumed by an Approved Partnership, unless the Authority has agreed to permit Excess Proceeds to be used for the Phase 2 Project, within ten (10) business days after the Approved Partnership's receipt of its investor limited partner's capital contribution following the issuance of the IRS Form 8609 for the Phase 2 Project, a one-time payment in the amount of Excess Proceeds (as defined in the Note) shall be paid to the Authority as a reduction of the outstanding principal balance of the Note.

4.3 Security. As security for repayment of the Note, Developer shall execute the Deed of Trust in favor of Authority as beneficiary pursuant to which Authority shall be provided a lien against the Phase 1 Property and the improvements located thereon. The Deed of Trust shall be dated as of the Closing Date, shall be substantially in the form attached hereto as Exhibit C, and shall be recorded in the Official Records on the Closing Date. The Deed of Trust may be subordinated only to such liens and encumbrances consistent with the approved Phase 1 Financing Plan as Authority shall approve in writing.

4.4 Prepayment; Acceleration.

(a) Prepayment. Developer shall have the right to prepay the Loan at any time and from time to time, without penalty or premium, provided that any prepayment of principal must be accompanied by interest accrued but unpaid to the date of prepayment. Prepayments shall be applied first to accrued but unpaid interest and then to principal. Any such prepayment shall have no effect upon Developer's obligations under the Regulatory Agreement which shall survive for the full term of the Regulatory Agreement.

(b) Due On Transfer or Encumbrance. Unless Authority agrees otherwise in writing, the entire unpaid principal balance and all interest and other sums accrued under the Note shall be due and payable upon the Transfer absent the prior written consent of Authority of all or any part of or interest in the Property or the Project except as otherwise permitted pursuant to this Agreement.

(c) Default. The Authority shall have the right to accelerate the Maturity Date and declare all sums payable under the Note immediately due and payable upon the expiration of all applicable cure periods following the occurrence of an Event of Developer Default.

4.5 Nonrecourse. Except as expressly provided in Section 3.9 of the Note, the Note shall be non-recourse to Developer.

4.6 Conditions to Disbursement of Loan Proceeds. Authority's obligation to disburse the Loan Proceeds is conditioned upon the satisfaction of all of the conditions set forth in Section 3.7 and all of the following conditions:

- (i) Conveyance of the Phase 1 Property to Developer;
- (ii) Recordation of the Deed of Trust, the Regulatory Agreement and the Memorandum in the Official Records;
- (iii) Developer's delivery to Authority of evidence reasonably satisfactory to Authority that there are no mechanics' liens or stop notices related to the Property or the Project, and Developer's provision to Authority of full waivers or releases of lien claims if required by Authority;
- (iv) Developer's delivery to Authority of certified copies of updated versions of any documents listed in Section 3.7 that have been amended or modified since the date of delivery to the Authority;

(v) Developer's construction financing for the Project shall have closed or shall close concurrently with Authority's disbursement of funds for construction;

(vi) Developer's delivery to Authority, and Authority approval of such other documents related to the development and financing of the Project as Authority may reasonably request; and

(vii) Authority's receipt of a written requisition from Developer specifying the amount and use of the requested funds, accompanied by copies of third-party invoices, evidence of Developer's payment for services rendered in connection with the work (if applicable), and such other documentation as Authority may reasonably require, and Authority's inspection and approval of the work that is the subject of the requisition.

4.7 No Obligation to Disburse Proceeds Upon Default. Notwithstanding any other provision of this Agreement, the Authority shall have no obligation to disburse or authorize the disbursement of any portion of the Loan Proceeds following:

(i) the failure of any of Developer's representations and warranties made in this Agreement or in connection with the Loan to be true and correct in all material respects;

(ii) the termination of this Agreement; or

(iii) the occurrence of an Event of Default under any Authority Document which remains uncured beyond any applicable cure period, or the existence of any condition, event or act which upon the giving of notice or the passage of time or both would constitute an Event of Default under any Authority Document.

ARTICLE V

DEVELOPMENT AND USE OF THE PROPERTY

5.1 Development Schedule. Subject to force majeure, Developer shall commence rehabilitation of the Phase 1 Project by not later than _____, 2013, and shall diligently prosecute to completion the rehabilitation of the Phase 1 Improvements to enable City to issue final certificates of occupancy for all residential units in the Phase 1 Project within _____ (___) months following commencement of construction, with construction targeted to be completed by not later than _____, 2014. Developer shall use diligent and commercially reasonable efforts to perform Developer's obligations under this Agreement within the times periods set forth herein, and if no such time is provided, within a reasonable time, designed to permit issuance of final certificates of occupancy for all residential units in the Phase 1 Project by the date specified in this Section 5.1. Subject to force majeure and the City's issuance of permits and approvals, Developer's failure to commence or complete rehabilitation of the Improvements in accordance with the time periods specified in this Section 5.1 shall be an Event of Developer Default hereunder.

5.1.1 Phase 2 Project. Subject to force majeure, and Developer's ability to obtain an allocation of federal low-income tax credits for the Phase 2 Project, Developer shall commence rehabilitation of the Phase 2 Project by not later than _____, 20__, and shall diligently prosecute to completion the rehabilitation of the Phase 2 Improvements to enable City to issue final certificates of occupancy for all residential units in the Phase 2 Project within _____ (__) months following commencement of construction, with construction targeted to be completed by not later than _____, 20__. If Developer demonstrates a good faith effort to secure financing for the Phase 2 Project, but is unable to do so, the Authority may determine in its reasonable discretion that the time period for commencement of construction set forth in this Section 5.1.1 shall be extended.

5.2 Cost of Acquisition and Construction. Except as expressly set forth herein, Developer shall be solely responsible for all direct and indirect costs and expenses incurred in connection with the acquisition of the Property, including without limitation appraisal fees, title reports and any environmental assessments Developer elects to undertake. Except as expressly set forth herein, all costs of designing, developing and rehabilitating the Improvements and compliance with the Conditions of Approval, including without limitation all off-site and on-site improvements required by City in connection therewith, shall be borne solely by Developer and shall not be an obligation of the Authority. Developer's expenses described in this Section may be paid with proceeds of the Loan or by other sources of financing.

5.3 Permits and Approvals; Payment of Fees; Cooperation. Developer acknowledges that the execution of this Agreement by the Authority does not constitute City approval for the purpose of the issuance of building permits, does not relieve Developer from the obligation to apply for and to obtain from the City and all other agencies with jurisdiction over the Property, all necessary approvals, entitlements, and permits for the rehabilitation of the Project (including without limitation the approval of architectural plans, the issuance of any certificates regarding historic resources required in connection with the development of the Property (if any), and the approval of the Project in compliance with CEQA and if applicable, NEPA), nor does it limit in any manner the discretion of the City or any other agency in the approval process. Prior to the Close of Escrow, Developer shall have obtained all entitlements, permits, licenses and approvals required for the rehabilitation of the Phase 1 Project, including without limitation, building permits and use permits or shall provide evidence satisfactory to Authority that receipt of such permits and approvals is subject only to such conditions as Authority may reasonably approve. Developer shall pay when due all customary and reasonable fees and charges in connection with the processing of all applicable permits and approvals. Developer shall not commence construction work on the Project prior to issuance of building permits required for such work. Authority staff shall work cooperatively with Developer to assist in coordinating the expeditious processing and consideration of all permits, entitlements and approvals necessary for the development and operation of the Project as contemplated by this Agreement.

5.4 Conditions of Approval. Developer shall develop the Property in accordance with the terms and conditions of this Agreement and in compliance with the terms and conditions of all approvals, entitlements and permits that the City or any other governmental body or agency with jurisdiction over the Project or the Property has granted or issued as of the date hereof or may hereafter grant or issue in connection with development of the Project, including without limitation, all mitigation measures imposed in connection with environmental review of the

Project and all conditions of approval imposed in connection with any entitlements, approvals or permits (all of the foregoing approvals, entitlements, permits, mitigation measures and conditions of approval are hereafter collectively referred to as the “**Conditions of Approval**”).

5.5 Fees. Developer shall be solely responsible for, and shall promptly pay when due, all customary and usual fees and charges of City and all other agencies with jurisdiction over development of the Property in connection with obtaining building permits and other approvals for the Project, including without limitation, those related to the processing and consideration of amendments, if any, to the current entitlements, any related approvals and permits, environmental review, architectural review, historic review, and any subsequent approvals for the Project. Developer’s expenses described in this Section may be paid with proceeds of the Loan or by other sources of financing.

5.6 Construction Plans. Developer shall submit to City’s Building Department detailed construction plans for each phase of the Project (the “**Construction Plans**”). As used herein “**Construction Plans**” means all construction documents upon which Developer and Developer’s contractors shall rely in rehabilitating the Improvements (including the landscaping, parking, and common areas) and shall include, without limitation, the site development plan, final architectural drawings, landscaping, exterior lighting and signage plans and specifications, materials specifications, final elevations, and building plans and specifications. The Construction Plans shall be based upon the scope of development set forth herein and upon the approvals issued by the City for the Project, and shall not materially deviate therefrom without the express written consent of Authority.

5.7 Construction Pursuant to Plans. Developer shall develop each component of the Project in accordance with the approved Construction Plans, the Conditions of Approval, and all other permits and approvals granted by the City pertaining to the Project. Developer shall comply with all directions, rules and regulations of any fire marshal, health officer, building inspector or other officer of every governmental agency having jurisdiction over the Property or the Project. Each element of the work shall proceed only after procurement of each permit, license or other authorization that may be required for such element by any governmental agency having jurisdiction. All design and construction work on the Project shall be performed by licensed contractors, engineers or architects, as applicable.

5.8 Change in Construction Plans. If Developer desires to make any material change in the approved Construction Plans, Developer shall submit the proposed change in writing to the City and the Authority for their written approval, which approval shall not be unreasonably withheld or delayed if the Construction Plans, as modified by any proposed change, conform to the requirements of this Agreement and any approvals issued by the City after the Effective Date. Unless a proposed change is approved by Authority within thirty (30) days, it shall be deemed rejected. If rejected, the previously approved Construction Plans shall continue to remain in full force and effect. Any change in the Construction Plans required in order to comply with applicable codes shall be deemed approved, so long as such change does not substantially nor materially change the architecture, design, function, use, or amenities of the Project as shown on the latest approved Construction Plans. Nothing in this Section is intended to or shall be deemed to modify the City’s standard plan review procedures.

5.9 Rights of Access. For the purpose of ensuring that the construction of the Project is completed in compliance with this Agreement, Developer shall permit representatives of the Authority to enter upon the Property following 24 hours written notice (except in the case of emergency in which case such notice as may be practical under the circumstances shall be provided).

5.10 Authority Disclaimer. Developer acknowledges that the Authority is under no obligation, and the Authority neither undertakes nor assumes any responsibility or duty to Developer or to any third party, to in any manner review, supervise, or inspect the progress of rehabilitation or the operation of the Project. Developer and all third parties shall rely entirely upon its or their own supervision and inspection in determining the quality and suitability of the materials and work, the performance of architects, subcontractors, and material suppliers, and all other matters relating to the rehabilitation and operation of the Project. Any review or inspection undertaken by the Authority is solely for the purpose of determining whether Developer is properly discharging its obligations under this Agreement, and shall not be relied upon by Developer or any third party as a warranty or representation by the Authority as to the quality of the design or rehabilitation of the Improvements or otherwise.

5.11 Defects in Plans. The Authority shall not be responsible to Developer or to any third party for any defect in the Construction Plans or for any structural or other defect in any work done pursuant to the Construction Plans. Developer shall indemnify, defend (with counsel approved by Authority) and hold harmless the Indemnitees from and against all Claims arising out of, or relating to, or alleged to arise from or relate to defects in the Construction Plans or defects in any work done pursuant to the Construction Plans whether or not any insurance policies shall have been determined to be applicable to any such Claims. Developer's indemnification obligations set forth in this Section shall survive the expiration or earlier termination of this Agreement and the recordation of a Certificate of Completion. It is further agreed that Authority does not, and shall not, waive any rights against Developer which it may have by reason of this indemnity and hold harmless agreement because of the acceptance by Authority, or Developer's deposit with Authority of any of the insurance policies described in this Agreement. Developer's indemnification obligations pursuant to this Section shall not extend to Claims arising due to the gross negligence or willful misconduct of the Indemnitees.

5.12 Certificate of Completion for Project. Promptly after completion of rehabilitation of each phase of the Project, issuance of a final Certificate of Occupancy by the City for all residential units in such phase, and the written request of Developer, the Authority will provide a certificate substantially in the form attached hereto as Exhibit F ("**Certificate of Completion**") so certifying, provided that at the time such certificate is requested all applicable work has been completed for the applicable phase. The Certificate of Completion shall be conclusive evidence that Developer has satisfied its obligations regarding the rehabilitation of the applicable phase of the Project. At Developer's option the Certificate of Completion shall be recorded in the Official Records. The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a deed of trust or mortgage securing money loaned to finance the Project or any part thereof and shall not be deemed a notice of completion under the California Civil Code, nor shall such Certificate provide evidence that Developer has satisfied any obligation that survives the expiration of this Agreement.

5.13 Equal Opportunity. There shall be no discrimination on the basis of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the hiring, firing, promoting or demoting of any person engaged in construction work on the Property, and Developer shall direct its contractors and subcontractors to refrain from discrimination on such basis.

5.14 Prevailing Wage Requirements. If required by applicable federal and state law, Developer and its contractors, subcontractors and agents shall comply with the federal Davis Bacon Act and implementing regulations and with California Labor Code Section 1720 *et seq.* and the regulations adopted pursuant thereto (all of the foregoing, collectively, “**Prevailing Wage Laws**”), and shall be responsible for carrying out the requirements of such provisions. If applicable, Developer shall submit to Authority a plan for monitoring payment of prevailing wages and at Developer’s expense shall implement such plan and comply with all applicable reporting and recordkeeping requirements.

Developer shall indemnify, defend (with counsel approved by Authority) and hold the Authority and the City and their respective elected and appointed officers, officials, employees, agents, consultants, and contractors (all of the foregoing, collectively, the “**Indemnitees**”) harmless from and against all liability, loss, cost, expense (including without limitation attorneys’ fees and costs of litigation), claim, demand, action, suit, judicial or administrative proceeding, penalty, deficiency, fine, order, and damage (all of the foregoing collectively “**Claims**”) which directly or indirectly, in whole or in part, are caused by, arise in connection with, result from, relate to, or are alleged to be caused by, arise in connection with, or relate to, the payment or requirement of payment of prevailing wages (including without limitation, all claims that may be made by contractors, subcontractors or other third party claimants pursuant to Labor Code Sections 1726 and 1781) or the requirement of competitive bidding in connection with the Project, the failure to comply with any state or federal labor laws, regulations or standards in connection with this Agreement, including but not limited to the Prevailing Wage Laws, or any act or omission of Developer related to this Agreement with respect to the payment or requirement of payment of prevailing wages or the requirement of competitive bidding, whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that Authority does not and shall not waive any rights against Developer which it may have by reason of this indemnity and hold harmless agreement because of the acceptance by Authority, or Developer’s deposit with Authority of any of the insurance policies described in this Agreement. The provisions of this Section 5.14 shall survive the expiration or earlier termination of this Agreement and the issuance of a Certificate of Completion for the Project. Developer’s indemnification obligations set forth in this Section shall not apply to Claims arising solely from the gross negligence or willful misconduct of the Indemnitees.

5.15 Compliance with Laws. Developer shall carry out and shall cause its contractors and subcontractors to carry out the rehabilitation of the Improvements in conformity with all applicable federal, state and local laws, rules, ordinances and regulations (“**Applicable Laws**”), including without limitation, all applicable federal and state labor laws and standards, Section 3 of the Housing and Community Development Act of 1974, as amended (if applicable), applicable provisions of the California Public Contracts Code, the City’s zoning and development standards, building, plumbing, mechanical and electrical codes, all other provisions

of the City's Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation, the Americans with Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.* Developer shall indemnify, defend (with counsel approved by Authority) and hold harmless the Indemnitees from and against any and all Claims arising in connection with the breach of Developer's obligations set forth in this Section whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that Authority does not and shall not waive any rights against Developer which it may have by reason of this indemnity and hold harmless agreement because of the acceptance by Authority, or Developer's deposit with Authority of any of the insurance policies described in this Agreement. Developer's indemnification obligations set forth in this Section shall not apply to Claims arising solely from the gross negligence or willful misconduct of the Indemnitees. Developer's defense and indemnification obligations set forth in this Section 5.15 shall survive the expiration or earlier termination of this Agreement and the issuance of a Certificate of Completion for the Project.

5.16 Liens and Stop Notices. Until the later of the date of reconveyance of the Deed of Trust or the expiration of the term of the Regulatory Agreement, Developer shall not allow to be placed on the Property or any part thereof any lien or stop notice on account of materials supplied to or labor performed on behalf of Developer. If a claim of a lien or stop notice is given or recorded affecting the Project or the Property or any part thereof, Developer shall within twenty (20) days of such recording or service: (a) pay and discharge (or cause to be paid and discharged) the same; or (b) effect the release thereof by recording and delivering (or causing to be recorded and delivered) to the party entitled thereto a surety bond in sufficient form and amount; or (c) provide other assurance satisfactory to Authority that the claim of lien or stop notice will be paid or discharged.

5.17 Right of Authority to Satisfy Liens on the Property. If Developer fails to satisfy or discharge any lien or stop notice on the Property or any part thereof pursuant to and within the time period set forth in Section 5.16 above, the Authority shall have the right, but not the obligation, to satisfy any such liens or stop notices at Developer's expense and without further notice to Developer and all sums advanced by Authority for such purpose shall be part of the indebtedness secured by the Deed of Trust. In such event Developer shall be liable for and shall immediately reimburse Authority for such paid lien or stop notice. Alternatively, the Authority may require Developer to immediately deposit with Authority the amount necessary to satisfy such lien or claim pending resolution thereof. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against Developer. Developer shall file a valid notice of cessation or notice of completion upon cessation of construction work on the Property for a continuous period of thirty (30) days or more, and shall take all other reasonable steps to forestall the assertion of claims or liens against the Property. The Authority may (but has no obligation to) record any notices of completion or cessation of labor, or any other notice that the Authority deems necessary or desirable to protect its interest in the Property.

5.18 Performance and Payment Bonds. Prior to commencement of construction work on each phase of the Project, Developer shall cause its general contractor to deliver to the Authority copies of payment bond(s) and performance bond(s) issued by a reputable insurance company licensed to do business in California, each in a penal sum of not less than one hundred

percent (100%) of the scheduled cost of construction of such Project component. The bonds shall name the Authority as co-obligee.

5.19 Insurance Requirements. Developer shall maintain and shall cause its contractors to maintain all applicable insurance coverage specified in Article X.

5.20 Affordable Housing. Developer covenants and agrees for itself, its successors and assigns that the Phase 1 Property will be subject to recorded covenants that will restrict use of the Phase 1 Property to operation of an affordable rental residential development and that for a term of not less than fifty-five (55) years commencing upon the issuance of the final certificate of occupancy for the Phase 1 Project, all of the residential units in the Phase 1 Project shall be available at Affordable Rents to households whose income is no greater than fifty percent (50%) of Area Median Income.

5.20.1 Phase 2 Project. Developer covenants and agrees for itself, its successors and assigns that the Phase 2 Property will be subject to recorded covenants that will restrict use of the Phase 2 Property to operation of an affordable rental residential development and that for a term of not less than fifty-five (55) years commencing upon the issuance of the final certificate of occupancy for the Phase 2 Project, all of the residential units in the Phase 2 Project (including the manager's unit) shall be available at Affordable Rents to households whose income is no greater than sixty percent (60%) of Area Median Income.

5.21 Intentionally omitted. [Preference for Displacees, Local Residents and Employees].

5.22 Intentionally omitted. [Relocation.] [Confirm Property is vacant.]

5.23 Maintenance. Commencing upon Developer's acquisition of the Phase 1 Property and the Phase 2 Property, as applicable, Developer shall at its own expense, maintain the Property and the Improvements, including the landscaping and common areas, in good physical condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions in conformity with all Applicable Laws. Without limiting the foregoing, Developer agrees to maintain the Property and the Improvements (including without limitation, landscaping, driveways, parking areas, and walkways) in a condition free of all waste, nuisance, debris, unmaintained landscaping, graffiti, disrepair, abandoned vehicles/appliances, and illegal activity, and shall take all reasonable steps to prevent the same from occurring on the Property. Developer shall prevent and/or rectify any physical deterioration of the Improvements and shall make all repairs, renewals and replacements necessary to keep the Property and the Improvements in good condition and repair.

5.24 Taxes and Assessments. Commencing upon Developer's acquisition of the Phase 1 Property and the Phase 2 Property, as applicable, Developer shall pay all real and personal property taxes, assessments and charges and all franchise, income, payroll, withholding, sales, and other taxes assessed against the Property and/or the Improvements, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Property or Improvements; provided, however, Developer shall have the right to contest in good faith, any such taxes, assessments, or charges. In the event the Developer exercises its right to contest any tax, assessment, or charge, the Developer, on final determination of the proceeding

or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges and interest.

5.25 Obligation to Refrain from Discrimination. Developer shall not restrict the rental, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or the Improvements, or any portion thereof, on the basis of race, color, religion, creed, sex, sexual orientation, disability, marital status, ancestry, or national origin of any person. Developer covenants for itself and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or the Improvements, or part thereof, nor shall Developer or any person claiming under or through Developer 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 in, of, or for the Property or Improvements, or part thereof. Developer shall include such provision in all deeds, leases, contracts and other instruments executed by Developer, and shall enforce the same diligently and in good faith.

All deeds, leases or contracts made or entered into by Developer, its successors or assigns, as to any portion of the Property or the Improvements shall contain the following language:

(a) In Deeds, the following language shall appear:

“(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee 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 in the property herein conveyed. The foregoing covenant shall run with the land.

“(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).”

(b) In Leases, the following language shall appear:

“(1) The lessee herein covenants by and for the lessee and lessee’s heirs, personal representatives and assigns, and all persons claiming under the lessee or through the lessee, that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the property herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination of segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the property herein leased.

“(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).”

(c) In Contracts, the following language shall appear:

“There shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to selection, location, number, use or occupancy of tenants, lessee, subtenants, sublessees or vendees of the land.”

ARTICLE VI

CONDITION OF THE SITE; ENVIRONMENTAL MATTERS

6.1 Access to Site; Inspections. Prior to the Close of Escrow, Developer and Developer’s authorized representatives may enter upon and conduct further reviews and assessments of the physical and environmental condition of the Property and the condition of the existing improvements. Authority may require Developer to execute a right of entry agreement satisfactory to Authority prior to entry onto the Property for such purpose and shall require Developer to provide proof of liability insurance acceptable to Authority. Developer’s inspection, examination, survey and review of the Property shall be at Developer’s sole expense.

Developer shall provide Authority with copies of all reports and test results promptly following completion of such reports and testing. Developer hereby agrees to notify the Authority twenty four (24) hours in advance of its intention to enter the Property and will provide workplans, drawings, and descriptions of any intrusive sampling it intends to do. Developer must keep the Property in a safe condition during its entry. Developer shall repair, restore and return the Property to its condition immediately preceding Developer's entry thereon at Developer's sole expense. Developer will not permit any mechanics liens, stop notices or other liens or encumbrances to be placed against the Property prior to Close of Escrow. Without limiting any other indemnity provisions set forth in this Agreement, Developer shall indemnify, defend (with counsel approved by Authority) and hold the Indemnitees harmless from and against all Claims resulting from or arising in connection with entry upon the Property by Developer or Developer's agents, employees, consultants, contractors or subcontractors pursuant to this Section 6.1. Developer's indemnification obligations set forth in this Section 6.1 shall survive the Close of Escrow and the termination of this Agreement.

6.2 Environmental Disclosure. [Insert description of any known conditions, e.g. regarding lead and asbestos.] To the extent the Authority has copies of investigation reports concerning the Property or the Improvements, it will provide copies to Developer upon request; but the Parties acknowledge that Authority will not be conducting a public records search of any regulatory agency files—although the Authority urges Developer to do so to satisfy itself regarding the environmental condition of the Property. By execution of this Agreement, Developer: (i) acknowledges its receipt of the foregoing notice respecting the environmental condition of the Property; (ii) acknowledges that it will have an opportunity to conduct its own independent review and investigation of the Property prior to the Close of Escrow; (iii) agrees to rely solely on its own experts in assessing the environmental condition of the Property and its sufficiency for its intended use; and (iv) waives any and all rights Developer may have to assert that the Authority failed to disclose information about the environmental condition of the Property.

6.3 Property Sold "AS IS." Developer specifically acknowledges that the Authority is selling and Developer is purchasing the Property on an "AS IS", "WHERE IS" and "WITH ALL FAULTS" basis and that Developer is not relying on any representations or warranties of any kind whatsoever, express or implied, from Authority, its employees, board members, agents, or brokers as to any matters concerning the Property. The Authority makes no representations or warranties as to any matters concerning the Property, including without limitation: (i) the quality, nature, adequacy and physical condition of the property, including, but not limited to, the structural elements, foundation, roof, appurtenances, access, landscaping, parking facilities, and the electrical, mechanical, HVAC, plumbing, sewage, and utility systems, facilities and appliances, (ii) the quality, nature, adequacy, and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Property, (iv) the development potential of the Property, and the Property's use, habitability, merchantability, or fitness, suitability, value or adequacy of the Property for any particular purpose, (v) the zoning or other legal status of the property or any other public or private restrictions on use of the Property, (vi) the compliance of the Property or its operation with any Environmental Laws, covenants, conditions and restrictions of any governmental or quasi-governmental entity or of any other person or entity, (vii) the presence or removal of

Hazardous Material, substances or wastes on, under or about the Property or the adjoining or neighboring property; (viii) the quality of any labor and materials used in any improvements on the Property, (ix) the condition of title to the Property, (x) the leases, service contracts, or other agreements affecting the Property, or (xi) the economics of the operation of the Property.

6.4 Developer to Rely on Own Experts. Developer understands that notwithstanding the delivery by Authority to Developer of any materials, including, without limitation, third party reports, Developer will rely entirely on Developer's own experts and consultants and its own independent investigation in proceeding with the acquisition of the Property.

6.5 Release by Developer. Effective upon the Close of Escrow, Developer WAIVES, RELEASES, REMISES, ACQUITS AND FOREVER DISCHARGES the Indemnitees and any person acting on behalf of the Authority, from any and all Claims, direct or indirect, known or unknown, foreseen or unforeseen, which Developer now has or which may arise in the future on account of or in any way arising out of or in connection with the physical condition of the Phase 1 Property, the presence of Hazardous Material in, on, under or about the Phase 1 Property, or any law or regulation applicable thereto including, without limiting the generality of the foregoing, all Environmental Laws.

DEVELOPER ACKNOWLEDGES THAT DEVELOPER IS FAMILIAR WITH SECTION 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 FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

BY INITIALING BELOW, DEVELOPER EXPRESSLY WAIVES THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE WITH RESPECT TO THE FOREGOING RELEASE:

Developer's initials: _____

6.6 Developer's Post-Closing Obligations. Developer hereby covenants and agrees that:

(1) Developer shall not knowingly permit the Property or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Material or otherwise knowingly permit the presence or release of Hazardous Material in, on, under, about or from the Property with the exception of limited amounts of cleaning supplies and other materials customarily used in construction, rehabilitation, use or maintenance of residential properties similar in nature to the Project, and used, stored and disposed of in compliance with Environmental Laws.

(2) Developer shall keep and maintain the Property and each portion thereof in compliance with, and shall not cause or permit the Project or the Property or any portion of either to be in violation of, any Environmental Laws.

(3) Upon receiving actual knowledge of the same, Developer shall immediately advise Authority in writing of: (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Developer, or the Property pursuant to any applicable Environmental Laws; (ii) any and all claims made or threatened by any third party against the Developer or the Property relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Material; (iii) the presence or release of any Hazardous Material in, on, under, about or from the Property; or (iv) Developer's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Project classified as "Border Zone Property" under the provisions of California Health and Safety Code, Sections 25220 *et seq.*, or any regulation adopted in connection therewith, that may in any way affect the Property pursuant to any Environmental Laws or cause it or any part thereof to be designated as Border Zone Property. The matters set forth in the foregoing clauses (i) through (iv) are hereinafter referred to as "**Hazardous Materials Claims**"). The Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claim.

(4) Without the Authority's prior written consent, which shall not be unreasonably withheld or delayed, Developer shall not take any remedial action in response to the presence of any Hazardous Material in, on, under, or about the Property (other than in emergency situations or as required by governmental agencies having jurisdiction in which case the Authority agrees to provide its consent), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claim. Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys' fees in connection therewith paid by Developer.

6.7 Environmental Indemnity. To the greatest extent allowed by law, Developer shall indemnify, defend (with counsel approved by Authority) and hold Indemnitees harmless from and against all Claims resulting, arising, or based directly or indirectly in whole or in part, upon (i) the presence, release, use, generation, discharge, storage or disposal of any Hazardous Material on, under, in or about the Property, or the transportation of any such Hazardous Material to or from, the Property, or (ii) the failure of Developer, Developer's employees, agents, contractors, subcontractors, or any person acting on behalf of or as the invitee of any of the foregoing to comply with Environmental Laws, unless caused by the Authority's active or passive negligence. The foregoing indemnity shall further apply to any residual contamination in, on, under or about the Property or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Material, and irrespective of whether any of such activities were or will be undertaken in accordance with Environmental Laws.

Developer's obligation to indemnify the Indemnitees shall not be limited or impaired by any of the following: (i) any amendment or modification of any Authority Document; (ii) any extensions of time for performance required by any Authority Document; (iii) any provision in any of the Authority Documents limiting Authority's recourse to property securing the Secured Obligations (as defined in the Deed of Trust), or limiting the personal liability of Developer, or any other party for payment of all or any part of the Loan; (iv) the accuracy or inaccuracy of any representation and warranty made by Developer under this Agreement or by Developer or any other party under any Authority Document, (v) the release of Developer or any other person, by Authority or by operation of law, from performance of any obligation under any Authority Document; (vi) the release or substitution in whole or in part of any security for the Loan; and (vii) Authority's failure to properly perfect any lien or security interest given as security for the Loan.

The provisions of this Section 6.7 shall be in addition to any and all other obligations and liabilities that Developer may have under applicable law, and each Indemnitee shall be entitled to indemnification under this Section without regard to whether Authority or that Indemnitee has exercised any rights against the Property or any other security, pursued any rights against any guarantor or other party, or pursued any other rights available under the Authority Documents or applicable law. The obligations of Developer to indemnify the Indemnitees under this Section shall survive any repayment or discharge of the Loan, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the lien of the Deed of Trust.

6.8 Disclosure. Developer represents and warrants that except as disclosed to Authority in writing, as of the date hereof to the best knowledge of Developer: (i) the Property is free and has always been free of Hazardous Materials and is not and has never been in violation of any Hazardous Materials Law; (ii) there are no buried or partially buried storage tanks located on the Property; (iii) Developer has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property are or have ever been in violation of any Hazardous Materials Law or informing Developer that the Property is subject to investigation or inquiry regarding Hazardous Materials on the Property or the potential violation of any Hazardous Materials Law; (iv) there is no monitoring program required by the Environmental Protection Agency or any other governmental agency concerning the Property; (v) no toxic or hazardous chemicals, waste, or substances of any kind have ever been spilled, disposed of, or stored on, under or at the Property, whether by accident, burying, drainage, or storage in containers, tanks, holding areas, or any other means; (vi) the Property has never been used as a dump or landfill; and (vii) Developer has disclosed to Authority all information, records, and studies in Developer's possession or reasonably available to Developer relating to the Property concerning Hazardous Materials.

Developer hereby acknowledges and agrees that (i) this Section is intended as the Authority's written request for information (and the Developer's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5(d)(2), and (ii) each representation and warranty in this Agreement or any of the other Authority Documents (together with any indemnity applicable to a breach of any such representation and warranty) with respect to the environmental condition of the property is

intended by the Authority and the Developer to be an “environmental provision” for purposes of California Code of Civil Procedure Section 736.

6.9 Authority’s Rights. In the event that any portion of the Property is determined to be “environmentally impaired” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an “affected parcel” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the Authority’s or the Trustee’s rights and remedies under the Deed of Trust, the Authority may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Property and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against the Developer to judgment, and (b) any other rights and remedies permitted by law. For purposes of determining the Authority’s right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Developer shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and the Developer knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) reasonable attorneys’ fees, incurred by the Authority in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the default rate specified in the Note, until paid, shall be added to the indebtedness secured by the Deed of Trust and shall be due and payable to the Authority upon its demand made at any time following the conclusion of such action.

6.10 No Limitation. Developer hereby acknowledges and agrees that Developer's duties, obligations and liabilities under this Agreement are in no way limited or otherwise affected by any information the Authority may have concerning the Property and/or the presence in, on, under or about the Property of any Hazardous Material, whether the Authority obtained such information from the Developer or from its own investigations.

6.11 Definitions.

6.11.1 **“Hazardous Material”** means any chemical, compound, material, mixture, or substance that is now or may in the future be defined or listed in, or otherwise classified pursuant to any Environmental Laws (defined below) as a “hazardous substance”, “hazardous material”, “hazardous waste”, “extremely hazardous waste”, “infectious waste”, “toxic substance”, “toxic pollutant”, or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, or toxicity. The term “hazardous material” shall also include asbestos or asbestos-containing materials, radon, chrome and/or chromium, polychlorinated biphenyls, petroleum, petroleum products or by-products, petroleum components, oil, mineral spirits, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable as fuel, perchlorate, and methy tert butyl ether, whether or not defined as a hazardous waste or hazardous substance in the Environmental Laws.

6.11.2 "**Environmental Laws**" means any and all federal, state and local statutes, ordinances, orders, rules, regulations, guidance documents, judgments, governmental authorizations or directives, or any other requirements of governmental authorities, as may presently exist, or as may be amended or supplemented, or hereafter enacted, relating to the presence, release, generation, use, handling, treatment, storage, transportation or disposal of Hazardous Material, or the protection of the environment or human, plant or animal health, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. § 9601), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*), the Toxic Substances Control Act (15 U.S.C. § 2601 *et seq.*), the Oil Pollution Act (33 U.S.C. § 2701 *et seq.*), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 *et seq.*), the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 *et seq.*), the Toxic Mold Protection Act (Cal. Health & Safety Code § 26100, *et seq.*), the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 *et seq.*), the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 *et seq.*), the Hazardous Materials Release Response Plans & Inventory Act (Cal. Health & Safety Code § 25500 *et seq.*), and the Carpenter-Presley-Tanner Hazardous Substances Account Act (Cal. Health and Safety Code, Section 25300 *et seq.*).

ARTICLE VII

LIMITATIONS ON CHANGE IN OWNERSHIP, MANAGEMENT AND CONTROL OF DEVELOPER

7.1 Identity of Developer; Changes Only Pursuant to this Agreement. Developer and its principals have represented that they possess the necessary expertise, skill and ability to carry out the development of the Project pursuant to this Agreement. The qualifications, experience, financial capacity and expertise of Developer and its principals are of particular concern to the Authority. It is because of these qualifications, experience, financial capacity and expertise that the Authority has entered into this Agreement with Developer. No voluntary or involuntary successor, assignee or transferee of Developer shall acquire any rights or powers under this Agreement, except as expressly provided herein.

7.2 Prohibition on Transfer. Prior to the expiration of the term of the Regulatory Agreement, Developer shall not, except as expressly permitted by this Agreement, directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (collectively, "**Transfer**") of the whole or any part of the Property, the Project, the Improvements, or this Agreement, without the prior written approval of Authority which approval shall not be unreasonably withheld. Any such attempt to assign this Agreement without the Authority's consent shall be null and void and shall confer no rights or privileges upon the purported assignee. In addition to the foregoing, prior to the expiration of the term of the Regulatory Agreement, except as expressly permitted by this Agreement, Developer shall not undergo any significant change of ownership without the prior written approval of Authority. For purposes of this Agreement, a "significant change of

ownership” shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Developer, taking all transfers into account on a cumulative basis; provided however, neither the admission of an investor limited partner, nor the transfer by the investor limited partner to subsequent limited partners shall be restricted by this provision.

7.3 Permitted Transfers. Notwithstanding any contrary provision hereof, the prohibitions set forth in this Article shall not be deemed to prevent: (i) the granting of temporary easements or permits to facilitate development of the Property; (ii) the dedication of any property required pursuant to this Agreement; (iii) the lease of individual residences to tenants for occupancy as their principal residence in accordance with the Regulatory Agreement; (iv) assignments creating security interests for the purpose of financing the acquisition, construction or permanent financing of the Project in accordance with the approved Financing Plan as it may be updated with Authority approval, and subject to the requirements of Article VIII, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (v) a Transfer to a tax-exempt entity under the direct control of or under common control with Developer; (vi) a Transfer to a limited partnership in which a tax-exempt affiliate of Developer is the managing general partner (“**Approved Partnership**”); (vii) the admission of limited partners and any transfer of limited partnership interests in accordance with the Approved Partnership’s agreement of limited partnership (the “**Partnership Agreement**”); (viii) the removal of the general partner of an Approved Partnership by the investor limited partner for a default under the Partnership Agreement, provided that the replacement general partner is an entity reasonably satisfactory to Authority; or (ix) the transfer of the general partner’s interest to a nonprofit entity that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 as amended, provided such replacement general partner is reasonably satisfactory to Authority.

7.4 Requirements for Proposed Transfers. The Authority may, in the exercise of its sole discretion, consent to a proposed Transfer of this Agreement, the Property, the Improvements or part thereof if all of the following requirements are met (provided however, the requirements of this Section 7.4 shall not apply to Transfers described in clauses (i), (ii), (iii), (iv) and (vii) of Section 7.3):

(i) The proposed transferee demonstrates to the Authority’s satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be reasonably determined by the Authority to competently complete and manage the Project and to otherwise fulfill the obligations undertaken by the Developer under this Agreement.

(ii) The Developer and the proposed transferee shall submit for Authority review and approval all instruments and other legal documents proposed to effect any Transfer of all or any part of or interest in the Property, the Improvements or this Agreement together with such documentation of the proposed transferee’s qualifications and development capacity as the Authority may reasonably request.

(iii) The proposed transferee shall expressly assume all of the rights and obligations of the Developer under this Agreement and the other Authority Documents arising after the effective date of the Transfer and all obligations of Developer arising prior to the

effective date of the Transfer (unless Developer expressly remains responsible for such obligations) and shall agree to be subject to and assume all of Developer's obligations pursuant to the Conditions of Approval and all other conditions, and restrictions set forth in this Agreement.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to the Authority in form recordable in the Official Records.

(v) The final form of the Partnership Agreement and any subsequent amendments that affect the Authority's economic interests under this Agreement or the Authority Documents shall be subject to the Authority's review and approval.

Consent to any proposed Transfer may be given by the Authority's Authorized Representative unless the Authorized Representative, in his or her discretion, refers the matter of approval to the Authority's governing board. If the Authority has not rejected a proposed Transfer or requested additional information regarding a proposed Transfer in writing within thirty (30) days following Authority's receipt of written request by Developer, the proposed Transfer shall be deemed approved.

7.5 Effect of Transfer without Authority Consent.

7.5.1 In the absence of specific written agreement by the Authority, no Transfer by Developer shall be deemed to relieve the Developer or any other party from any obligation under this Agreement.

7.5.2 It shall be an Event of Developer Default hereunder entitling Authority to pursue remedies including without limitation, termination of this Agreement and/or foreclosure under the Deed of Trust if without the prior written approval of the Authority, Developer assigns or Transfers this Agreement, the Improvements, or the Property, or any part thereof in violation of Article VII. This Section 7.5.2 shall not apply to Transfers described in clauses (i), (ii), (iii), (iv) and (vii) of Section 7.3.

7.6 Recovery of Authority Costs. Within ten (10) days following Authority's delivery to Developer of an invoice detailing such costs, Developer shall reimburse Authority for all Authority costs, including but not limited to reasonable attorneys' fees, incurred in reviewing instruments and other legal documents proposed to effect a Transfer of this Agreement, the Property or the Improvements, or part thereof, and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee.

ARTICLE VIII

SECURITY FINANCING AND RIGHTS OF MORTGAGEES

8.1 Mortgages and Deeds of Trust for Development. Mortgages and deeds of trust, or any other reasonable security instrument are permitted to be placed upon the Property or the Improvements only for the purpose of securing loans for the purpose of financing the acquisition of the Property, the design and rehabilitation of the Improvements, and other expenditures

reasonably necessary for the rehabilitation of the Project pursuant to this Agreement. Developer shall not enter into any conveyance for such financing that is not contemplated in the applicable Financing Plan as it may be updated with Authority approval, without the prior written approval of the Authorized Representative or his or her designee. As used herein, the terms “mortgage” and “deed of trust” shall mean any security instrument used in financing real estate acquisition, construction and land development.

8.2 Subordination. The Authority agrees that Authority will not withhold consent to reasonable requests for subordination of the Deed of Trust and Regulatory Agreement to deeds of trust provided for the benefit of lenders identified in the applicable Financing Plan as it may be updated with Authority approval, provided that the instruments effecting such subordination include reasonable protections to the Authority in the event of default, including without limitation, extended notice and cure rights and the rights set forth in Section 8.6 below.

8.3 Holder Not Obligated to Construct. The holder of any mortgage or deed of trust authorized by this Agreement shall not be obligated to complete rehabilitation of the Improvements or to guarantee such completion. Nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

8.4 Notice of Default and Lender Right to Cure. Whenever Authority delivers any notice of default hereunder, Authority shall concurrently deliver a copy of such notice to each holder of record of any mortgage or deed of trust secured by the Property or the Improvements, provided that Authority has been provided with the address for delivery of such notice. Authority shall have no liability to any such holder for any failure by the Authority to provide such notice to such holder. Each such holder shall have the right, but not the obligation, at its option, to cure or remedy any such default or breach within the cure period provided to Developer extended by an additional sixty (60) days. In the event that possession of the Property or the Improvements (or any portion thereof) is required to effectuate such cure or remedy, the holder shall be deemed to have timely cured or remedied the default if it commences the proceedings necessary to obtain possession of the Property or Improvements, as applicable, within the applicable cure period, diligently pursues such proceedings to completion, and after obtaining possession, diligently completes such cure or remedy. A holder who chooses to exercise its right to cure or remedy a default or breach shall first notify Authority of its intent to exercise such right prior to commencing to cure or remedy such default or breach. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect the same) without first having expressly assumed in writing Developer’s obligations to Authority under this Agreement. The holder in that event must agree to complete, in the manner provided in this Agreement, the Project and the Improvements and submit evidence reasonably satisfactory to Authority that it has the development capability on staff or retainer and the financial capacity necessary to perform such obligations. Any such holder properly completing the Project pursuant to this Section shall assume all rights and obligations of Developer under this Agreement.

8.5 Failure of Holder to Complete Improvements. In any case where, six (6) months after default by Developer in completion of rehabilitation of the Improvements, the holder of record of any mortgage or deed of trust has not exercised its option to rehabilitate the Improvements, or having first exercised such option, has not proceeded diligently with such work, Authority shall be afforded those rights against such holder that it would otherwise have against Developer under this Agreement.

8.6 Authority Right to Cure Defaults. In the event of a breach or default by Developer under a mortgage or deed of trust secured by the Property or the Improvements, Authority may cure the default, without acceleration of the subject loan, following prior notice thereof to the holder of such instrument and Developer. In such event, Developer shall be liable for, and Authority shall be entitled to reimbursement from Developer for all costs and expenses incurred by Authority associated with and attributable to the curing of the default or breach and such sum shall constitute a part of the indebtedness secured by the Deed of Trust.

8.7 Holder to be Notified. Developer agrees to use best efforts to ensure that each term contained herein dealing with security financing and rights of holders shall be either inserted into the relevant deed of trust or mortgage or acknowledged and accepted in writing by the holder prior to its creating any security right or interest in the Property or the Improvements.

8.8 Modifications to Agreement. Authority shall not unreasonably withhold its consent to modifications of this Agreement requested by Project lenders or investors provided such modifications do not alter Authority's substantive rights and obligations under this Agreement.

8.9 Estoppel Certificates. Either Party shall, at any time, and from time to time, within fifteen (15) days after receipt of written request from the other Party, execute and deliver to such Party a written statement certifying that, to the knowledge of the certifying Party: (i) this Agreement is in full force and effect and a binding obligation of the Parties (if such be the case), (ii) this Agreement has not been amended or modified, or if so amended, identifying the amendments, and (iii) the requesting Party is not in default in the performance of its obligations under this Agreement, or if in default, describing the nature of any such defaults.

ARTICLE IX

DEFAULTS, REMEDIES AND TERMINATION

9.1 Event of Developer Default. The following events shall constitute an event of default on the part of Developer hereunder ("**Event of Developer Default**"):

(a) Developer fails to commence or complete rehabilitation of the Phase 1 Project within the time period set forth in Section 5.1, or subject to force majeure, abandons or suspends rehabilitation of the Phase 1 Project prior to completion for a period of thirty (30) days or more;

(b) Developer fails to pay when due the principal and interest payable under the Note and such failure continues for ten (10) days after Authority notifies Developer thereof in writing;

(c) A Transfer occurs, either voluntarily or involuntarily, in violation of Article VII;

(d) Developer fails to maintain insurance as required pursuant to this Agreement, and Developer fails to cure such default within five (5) days;

(e) Developer fails to pay prior to delinquency taxes or assessments due on the Phase 1 Property or fails to pay when due any other charge that may result in a lien on the Phase 1 Property, and Developer fails to cure such default within thirty (30) days of the date of delinquency, but in all events prior to the date upon which the holder of any such lien has the right to foreclose thereon;

(f) A default arises under any loan secured by a mortgage, deed of trust or other security instrument recorded against the Phase 1 Property and remains uncured beyond any applicable cure period such that the holder of such security instrument has the right to accelerate repayment of such loan;

(g) Any representation or warranty contained in this Agreement or in any application, financial statement, certificate or report submitted to the Authority in connection with this Agreement or Developer's request for the Loan proves to have been incorrect in any material and adverse respect when made and continues to be materially adverse to the Authority;

(h) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Developer or any general partner of an Approved Partnership that has acquired the Property or part thereof: (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Developer or any general partner of such Approved Partnership in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Developer or any general partner of such Approved Partnership ; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due;

(i) A court of competent jurisdiction shall have made or entered any decree or order (1) adjudging the Developer to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of the Developer or seeking any arrangement for Developer under bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the Developer in bankruptcy or insolvency or for any of its properties, or (4) directing the winding up or liquidation of the Developer, in each case if such decree, order, petition, or appointment is not removed or rescinded within ninety (90) days;

(j) Developer shall have assigned its assets for the benefit of its creditors (other than pursuant to a mortgage loan) or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or

executed upon shall have been returned or released within ninety (90) days after such event (unless a lesser time period is permitted for cure pursuant to paragraphs (h) or (i) above or pursuant to any other mortgage on the Property, in which event such lesser time period shall apply under this subsection as well) or prior to any sooner sale pursuant to such sequestration, attachment, or execution;

(k) The Developer shall have voluntarily suspended its business or Developer shall have been dissolved or terminated;

(l) An event of default arises under any Authority Document and remains uncured beyond any applicable cure period; or

(m) Developer defaults in the performance of any term, provision, covenant or agreement contained in this Agreement other than an obligation enumerated in this Section 9.1 and unless a shorter cure period is specified for such default, the default continues for ten (10) days in the event of a monetary default or thirty (30) days in the event of a nonmonetary default after the date upon which Authority shall have given written notice of the default to Developer; provided however, if the default is of a nature that it cannot be cured within thirty (30) days, a Event of Developer Default shall not arise hereunder if Developer commences to cure the default within thirty (30) days and thereafter prosecutes the curing of such default with due diligence and in good faith to completion.

9.2 Authority Default. An event of default on the part of Authority (“**Event of Authority Default**”) shall arise hereunder if Authority fails to keep, observe, or perform any of its covenants, duties, or obligations under this Agreement, and the default continues for a period of sixty (60) days after written notice thereof from Developer to Authority, or in the case of a default which cannot with due diligence be cured within sixty (60) days, Authority fails to commence to cure the default within sixty (60) days of such notice and thereafter fails to prosecute the curing of such default with due diligence and in good faith to completion.

9.3 Authority’s Right to Terminate Agreement. If an Event of Developer Default shall occur and be continuing beyond any applicable cure period, then Authority shall, in addition to other rights available to it under law or this Agreement, have the right to terminate this Agreement. If Authority makes such election, Authority shall give written notice to Developer and to any mortgagee entitled to such notice specifying the nature of the default and stating that this Agreement shall expire and terminate on the date specified in such notice, and upon the date specified in the notice, this Agreement and all rights of Developer under this Agreement, shall expire and terminate.

9.4 Authority’s Remedies and Rights Upon an Event of Developer Default. Upon the occurrence of an Event of Developer Default and the expiration of any applicable cure period, Authority shall have all remedies available to it under this Agreement or under law or equity, including, but not limited to the following, and Authority may, at its election, without notice to or demand upon Developer, except for notices or demands required by law or expressly required pursuant to the Authority Documents, exercise one or more of the following remedies:

- (a) Accelerate and declare the balance of the Note and interest accrued thereon immediately due and payable;
- (b) Seek specific performance to enforce the terms of the Authority Documents;
- (c) Foreclose on the Property pursuant to the Deed of Trust;
- (d) Terminate this Agreement pursuant to Section 9.3; and
- (e) Pursue any and all other remedies available under this Agreement or under law or equity to enforce the terms of the Authority Documents and Authority's rights thereunder.

9.5 Developer's Remedies Upon an Event of Authority Default. Upon the occurrence of an Event of Authority Default, in addition to pursuing any other remedy allowed at law or in equity or otherwise provided in this Agreement, Developer may bring an action for equitable relief seeking the specific performance of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of such terms and conditions, and/or seeking to obtain any other remedy consistent with the purpose of this Agreement, and may pursue any and all other remedies available under this Agreement or under law or equity to enforce the terms of the Authority Documents and Developer's rights thereunder.

9.6 Remedies Cumulative; No Consequential Damages. Except as otherwise expressly stated in this Agreement, 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 time, of any other rights or remedies for the same or any other default by the other Party. Notwithstanding anything contrary provision of this Agreement, a Party's right to recover damages shall be limited to actual damages and shall exclude consequential damages.

9.7 Inaction Not a Waiver of Default. No failure or delay by either Party in asserting any of its rights and remedies as to any default shall operate as a waiver of such default or of any such rights or remedies, nor deprive either Party of its rights to institute and maintain any action or proceeding which it may deem necessary to protect, assert or enforce any such rights or remedies in the same or any subsequent default.

9.8 Right of Reverter. If following conveyance of the Phase 1 Property to Developer, Developer (i) fails to begin rehabilitation of the Phase 1 Improvements within the time specified in Section 5.1 as such date may be extended pursuant to the terms hereof, (ii) abandons or suspends construction work for a period of sixty (60) days after written notice from Authority, (iii) fails to complete rehabilitation of the Phase 1 Improvements by the time specified in Section 5.1 as such date may be extended pursuant to the terms hereof, or (iv) directly or indirectly, voluntarily or involuntarily Transfers the Phase 1 Property or part thereof or this Agreement in violation of Article VII, the Authority may re-enter and take possession of the Phase 1 Property or any portion thereof with all improvements thereon without payment or compensation to Developer, and revert in the Authority the estate theretofore conveyed to the Developer. The interest created pursuant to this Section 9.8 shall be a "power of termination" as defined in

California Civil Code Section 885.010, and shall be separate and distinct from the Authority's option to purchase the Phase 1 Property under the same or similar conditions specified in Section 9.9. Authority's rights pursuant to this Section 9.8 shall not defeat, render invalid or limit any mortgage or deed of trust permitted by this Agreement or any rights or interests provided in this Agreement for the protection of the holders of such mortgages or deeds of trust.

Upon revesting in the Authority of title to the Phase 1 Property or any portion thereof as provided in this Section 9.8, the Authority shall use its best efforts to resell the Phase 1 Property or applicable portion thereof and as soon as possible, in a commercially reasonable manner to a qualified and responsible party or parties (as determined by the Authority) who will assume the obligation of completing the Phase 1 Project in accordance with the uses specified for such property in this Agreement and in a manner satisfactory to the Authority. Upon such resale of the Phase 1 Property or any portion thereof, the sale proceeds shall be applied as follows:

(a) First, to reimburse the Authority for all costs and expenses incurred by Authority, including but not limited to salaries of personnel and legal fees incurred in connection with the recapture and resale of the Phase 1 Property; all taxes and assessments payable prior to resale, and all applicable water and sewer charges; any payments necessary to discharge any encumbrances or liens on the Phase 1 Property at the time of revesting of title thereto in the Authority or to discharge or prevent from attaching any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer, its successors or transferees; any expenditures made or obligations incurred with respect to the completion of the Phase 1 Project or any part thereof on the Phase 1 Property; and any other amounts owed to the Authority by Developer and its successors or transferee.

(b) Second, to reimburse the Authority for damages to which it is entitled under this Agreement by reason of the Developer's default.

(c) Third, to reimburse the Developer, its successor or transferee, up to the amount equal to:

(1) The payment made to the Authority for the Phase 1 Property; plus

(2) The fair market value of any new improvements constructed by Developer and existing on the Phase 1 Property at the time of Authority's exercise of its rights under this Section; less

(3) Any gains or income withdrawn or made by the Developer from the Phase 1 Property or applicable portion thereof or the improvements thereon.

Notwithstanding the foregoing, the amount calculated pursuant to this subsection (c) shall not exceed the fair market value of the Phase 1 Property or applicable portion thereof, together with the improvements thereon as of the date of the default or failure which gave rise to the Authority's exercise of the right of reverter.

(4) Any balance remaining after such reimbursements shall be retained by the Authority.

The rights established in this Section 9.8 are to be interpreted in light of the fact that the Authority will convey the Phase 1 Property to the Developer for completion of the Phase 1 Project as specified herein and not for speculation.

9.9 Option to Purchase, Enter and Possess. The Authority shall have the additional right at its option to purchase, enter and take possession of the Phase 1 Property with all improvements thereon (the "**Repurchase Option**"), if after conveyance of the Phase 1 Property, Developer (i) fails to begin rehabilitation of the Phase 1 Improvements within the time specified in Section 5.1 as such date may be extended pursuant to the terms hereof, (ii) abandons or suspends construction of the Phase 1 Project for a period of sixty (60) days after written notice from Authority, (iii) fails to complete rehabilitation of the Phase 1 Project by the time specified in Section 5.1 as such date may be extended pursuant to the terms hereof, or (iv) directly or indirectly, voluntarily or involuntarily Transfers the Phase 1 Property or part thereof or this Agreement in violation of Article VII.

To exercise the Repurchase Option, the Authority shall pay to the Developer cash in an amount equal to:

(i) The purchase price paid to the Authority by the Developer for the Phase 1 Property; plus

(ii) The fair market value of any new improvements constructed on the Phase 1 Property by Developer and existing on the Phase 1 Property at the time of exercise of the Option; less

(iii) Any gains or income withdrawn or made by the Developer from the applicable portion of the Property or the improvements thereon; less

(iv) The value of any liens or encumbrances on the applicable portion of the Property which the Authority assumes or takes subject to; less

(v) Any damages to which the Authority is entitled under this Agreement by reason of Developer's default.

In order to exercise the Repurchase Option, Authority shall give Developer notice of such exercise, and Developer shall, within thirty (30) days after receipt of such notice, provide Authority with a summary of all of Developer's costs incurred as described in this Section. Within thirty (30) days of Authority's receipt of such summary, Authority shall pay into an escrow established for such purpose cash in the amount of all sums owing pursuant to this Section 9.9, and Developer shall execute and deposit into such escrow a grant deed transferring to Authority all of Developer's interest in the Phase 1 Property, or portion thereof, as applicable and the improvements located thereon.

9.10 Memorandum of Right of Reverter/Option to Purchase. The parties shall cause a memorandum or memoranda of the rights granted the Authority in Sections 9.8 and 9.9 of this Agreement to be recorded in the Official Records at the time of the Close of Escrow for conveyance of the Property to Developer. In addition, the rights afforded Authority pursuant to Sections 9.8 and 9.9 may be described in the Grant Deed. The Authority will not withhold consent to reasonable requests for subordination of the Repurchase Option to deeds of trust provided for the benefit of construction lenders identified in the Financing Plan provided that the instruments effecting such subordination include reasonable protections to the Authority in the event of default, including without limitation, extended notice and cure rights.

9.11 Rights of Mortgagees. Any rights of the Authority under this Article IX shall not defeat, limit or render invalid any mortgage or deed of trust permitted by this Agreement or any rights provided for in this Agreement for the protection of holders of such instruments. Any conveyance or reverter of the Property to the Authority pursuant to this Article IX shall be subject to mortgages and deeds of trust permitted by this Agreement.

9.12 Assignment. The Authority shall have the right to assign the Repurchase Option to the City, any other governmental entity, or a qualified nonprofit corporation.

9.13 Construction Plans. If this Agreement is terminated by mutual agreement of the Parties or by Authority as a result of an Event of Developer Default, the Developer, at no cost to the Authority, shall deliver to the Authority copies of all construction plans and studies in the Developer's possession or in the possession of the Developer's consultants related to development of the Project on the Property, including without limitation, the Construction Plans, subject only to the rights of senior lenders identified in the Financing Plan as it may be updated with Authority approval. If the Authority utilizes the Construction Plans or studies, the Authority shall indemnify the Developer for any claims arising from such use. If Authority requires, Developer shall execute and deliver to Authority an assignment agreement in form approved by Authority ("**Assignment Agreement**").

9.14 Rights of Limited Partners. If the Phase 1 Project has been transferred to an Approved Partnership, whenever Authority delivers any notice of default hereunder, Authority shall concurrently deliver a copy of such notice to the limited partner(s) in accordance with Section 11.3. The limited partner(s) shall have the same right as Developer to cure or remedy any default hereunder within the cure period provided to Developer extended by an additional sixty (60) days; provided however, if the default is of such nature that the limited partners reasonably determine that it is necessary to replace the general partner of Developer in order to cure such default, then the cure period shall be extended by an additional sixty (60) days after the removal and replacement of such general partner, provided that the limited partners have promptly commenced and diligently proceeded with all requisite actions to effect such removal and replacement.

ARTICLE X

INDEMNITY AND INSURANCE

10.1 Indemnity. Developer shall indemnify, defend (with counsel approved by Authority) and hold the Indemnitees harmless from and against any and all Claims arising directly or indirectly, in whole or in part, as a result of or in connection with the rehabilitation, development, construction, improvement, operation, ownership or maintenance of the Project or the Property, or any part thereof by Developer or Developer's contractors, subcontractors, agents, employees or any other party acting for or on behalf of Developer, or otherwise arising out of or in connection with Developer's performance or failure to perform under this Agreement, including without limitation, Claims arising or alleged to have arisen in connection with any violation of Applicable Laws in connection with the development, operation or management of the Project. Developer's indemnification obligations under this Section 10.1 shall not extend to Claims resulting solely from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 10.1 shall survive the expiration or earlier termination of this Agreement. It is further agreed that Authority does not and shall not waive any rights against Developer that it may have by reason of this indemnity and hold harmless agreement because of the acceptance by Authority, or the deposit with Authority by Developer, of any of the insurance policies described in this Agreement.

10.2 Liability, Workers Compensation, and Property Insurance.

(a) Developer (and until issuance of the final certificate of occupancy or equivalent for the Project all contractors working on behalf of Developer on the Project) shall maintain a commercial general liability policy in the amount of Two Million Dollars (\$2,000,000) each occurrence, Two Million Dollars (\$2,000,000) annual aggregate, together with Three Million Dollars (\$3,000,000) excess liability coverage, or such other policy limits as Authority may require in its reasonable discretion, including coverage for bodily injury, property damage, products, completed operations and contractual liability coverage; provided however, the coverage requirements for subcontractors shall be One Million Dollars (\$1,000,000). Such policy or policies shall be written on an occurrence basis and shall name the Indemnitees as additional insureds.

(b) Developer (and until issuance of the final certificate of occupancy or equivalent for the Project all contractors working on behalf of Developer on the Project) shall maintain a comprehensive automobile liability coverage in the amount of Two Million Dollars (\$2,000,000), combined single limit including coverage for owned and non-owned vehicles. Automobile liability policies shall name the Indemnitees as additional insureds.

(c) Developer (and if the Property has been transferred to an Approved Partnership, the general partners thereof) shall furnish or cause to be furnished to Authority evidence satisfactory to Authority that Developer (and if the Property has been transferred to an Approved Partnership, the general partners thereof), and any contractor with whom Developer (or an Approved Partnership) has contracted for the performance of work on the Property or otherwise pursuant to this Agreement, carries statutory Workers' Compensation insurance and

Employer's Liability insurance in a minimum amount of One Million Dollars (\$1,000,000) per accident.

(d) Upon commencement of construction work and continuing until issuance of the final certificate of occupancy or equivalent for the Project, Developer and all contractors working on behalf of Developer shall maintain a policy of builder's all-risk insurance in an amount not less than the full insurable cost of the Project on a replacement cost basis naming Authority as loss payee.

(e) Developer shall maintain property insurance covering all risks of loss (other than earthquake), including flood (if required) for 100% of the replacement value of the Project with deductible, if any, in an amount acceptable to Authority, naming Authority as loss payee.

(f) Companies writing the insurance required hereunder shall be licensed to do business in the State of California. Insurance shall be placed with insurers with a current A.M. Best's rating of no less than A: VII. The Commercial General Liability and comprehensive automobile policies required hereunder shall name the Indemnitees as additional insureds. Builder's Risk and property insurance shall name Authority as loss payee as its interests may appear.

(g) Prior to commencement of construction work, Developer shall furnish Authority with certificates of insurance in form acceptable to Authority evidencing the required insurance coverage and duly executed endorsements evidencing such additional insured status. The certificates shall contain a statement of obligation on the part of the carrier to notify Authority of any material adverse change, cancellation, termination or non-renewal of the coverage at least thirty (30) days in advance of the effective date of any such material adverse change, cancellation, termination or non-renewal.

The additional insured endorsements for the general liability coverage shall use Insurance Services Office (ISO) Form No. CG 20 09 11 85 or CG 20 10 11 85, or equivalent, including (if used together) CG 2010 10 01 and CG 2037 10 01; but shall not use the following forms: CG 20 10 10 93 or 03 94. Upon request by Authority's Risk Manager, Developer shall provide or arrange for the insurer to provide within thirty (30) days of the request, certified copies of the actual insurance policies or relevant portions thereof.

(h) If any insurance policy or coverage required hereunder is canceled or reduced, Developer shall, within five (5) days after receipt of notice of such cancellation or reduction in coverage, but in no event later than the effective date of cancellation or reduction, file with Authority a certificate showing that the required insurance has been reinstated or provided through another insurance company or companies. Upon failure to so file such certificate, Authority may, without further notice and at its option, procure such insurance coverage at Developer's expense, and Developer shall promptly reimburse Authority for such expense upon receipt of billing from Authority.

(i) Coverage provided by Developer shall be primary insurance and shall not be contributing with any insurance, or self-insurance maintained by Authority or City, and the

policies shall so provide. The insurance policies shall contain a waiver of subrogation for the benefit of the Authority and City. Developer shall furnish the required certificates and endorsements to Authority prior to the commencement of construction of the Project, and shall provide Authority with certified copies of the required insurance policies upon request of Authority.

(j) Deductibles/Retentions. Any deductibles or self-insured retentions shall be declared to, and be subject to approval by, Authority's Risk Manager. At the option of and upon request by Authority's Risk Manager if the Risk Manager determines that such deductibles or retentions are unreasonably high, either the insurer shall reduce or eliminate such deductibles or self-insurance retentions as respects the Indemnitees or Developer shall procure a bond guaranteeing payment of losses and related investigations, claims administration and defense expenses.

(k) Adjustments. The limits of the liability coverage and, if necessary, the terms and conditions of insurance, shall be reasonably adjusted from time to time (not less than every five (5) years after the Effective Date nor more than once in every three (3) year period) to meet any change of circumstance, including, but not limited to, changes in inflation and the litigation climate in California. Authority shall give written notice to Developer of any such adjustments, and Developer shall provide Authority with amended or new insurance certificates or endorsements evidencing compliance with such adjustments within thirty (30) days following receipt of such notice.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 No Brokers. Each Party warrants and represents to the other that no person or entity can properly claim a right to a real estate commission, brokerage fee, finder's fee, or other compensation with respect to the transactions contemplated by this Agreement. Each Party agrees to defend, indemnify and hold harmless the other Party from any claims, expenses, costs or liabilities arising in connection with a breach of this warranty and representation. The terms of this Section shall survive the close of escrow and the expiration or earlier termination of this Agreement.

11.2 Enforced Delay; Extension of Times of Performance. The time for performance of provisions of this Agreement by either Party shall be extended for a period equal to the period of any delay directly affecting the Project or this Agreement which is caused by war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, casualties, acts of God, acts of a public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, suits filed by unrelated third parties concerning or arising out of this Agreement or unseasonable weather conditions ("**Force Majeure**"). An extension of time for any of the above-specified causes will be deemed granted only if written notice by the Party claiming such extension is sent to the other Party within ten (10) calendar days from the commencement of the cause. In any event, rehabilitation of the Phase 1 Project must be completed no later than ninety (90) calendar days after the scheduled completion date pursuant to the schedule set forth in this Agreement, any unavoidable delay notwithstanding.

Times of performance under this Agreement may also be extended in writing by the mutual agreement of Developer and Authority (acting in the discretion of the Authorized Representative unless he or she determines in his or her discretion to refer such matter to the Authority's governing board). Authority and Developer acknowledge that, notwithstanding any contrary provision of this Agreement, adverse changes in economic conditions, either of the affected Party specifically or the economy generally, changes in market conditions or demand, and/or inability to obtain financing to complete the Project shall not constitute grounds of enforced delay pursuant to this Section. Each Party expressly assumes the risk of such adverse economic or market changes and/or financial inability, whether or not foreseeable as of the Effective Date.

11.3 Notices. Except as otherwise specified in this Agreement, all notices to be sent pursuant to this Agreement or any other Authority Document shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other Parties in accordance with this Section. All such notices shall be sent by:

- (i) personal delivery, in which case notice is effective upon delivery;
- (ii) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt; or
- (iii) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service.

Authority:

Hemet Housing Authority
45 E. Florida Avenue
Hemet, CA 92543
Attention: _____

Developer:

Riverside Housing Development Corporation

Attention: _____

11.4 Attorneys' Fees. If either Party fails to perform any of its obligations under this Agreement, or if any dispute arises between the Parties concerning the meaning or interpretation of any provision hereof, then the prevailing Party in any proceeding in connection with such dispute shall be entitled to the costs and expenses it incurs on account thereof and in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements.

11.5 Waivers; Modification. No waiver of any breach of any covenant or provision of this Agreement shall be deemed a waiver of any other covenant or provision hereof, and no waiver shall be valid unless in writing and executed by the waiving Party. An extension of time for performance of any obligation or act shall not be deemed an extension of the time for performance of any other obligation or act, and no extension shall be valid unless in writing and executed by the Party granting the extension. This Agreement may be amended or modified only by a written instrument executed by the Parties.

11.6 Binding on Successors. Subject to the restrictions on Transfers set forth in Article VII, this Agreement shall bind and inure to the benefit of the Parties and their respective permitted successors and assigns. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any permitted successor and assign of such Party who has acquired an interest in compliance with this Agreement or under law.

11.7 Survival. All representations made by Developer hereunder and Developer's obligations pursuant to Sections 2.54, 5.11, 5.14, 5.15, 6.1, 6.5, 6.7, 10.1 and 11.1 shall survive the expiration or termination of this Agreement.

11.8 Headings; Interpretation; Statutory References. The section headings and captions used herein are solely for convenience and shall not be used to interpret this Agreement. The Parties acknowledge that this Agreement is the product of negotiation and compromise on the part of both Parties, and the Parties agree, that since both Parties have participated in the negotiation and drafting of this Agreement, this Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it. All references in the Authority Documents to particular statutes, regulations, ordinances or resolutions of the United States, the State of California, or the City of Hemet shall be deemed to include the same statute, regulation, ordinance or resolution as hereafter amended or renumbered, or if repealed, to such other provisions as may thereafter govern the same subject.

11.9 Action or Approval. Whenever action and/or approval by Authority is required under this Agreement, the Authority's Authorized Representative or his or her designee may act on and/or approve such matter unless specifically provided otherwise, or unless the Authorized Representative determines in his or her discretion that such action or approval requires referral to Authority governing board for consideration.

11.10 Entire Agreement. This Agreement, including Exhibits A through H attached hereto and incorporated herein by this reference, together with the other Authority Documents contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior written or oral agreements, understandings, representations or statements between the Parties with respect to the subject matter hereof. If the Exhibits to this Agreement are inconsistent with this Agreement, the more restrictive requirements shall control, as determined by the Authority's Authorized Representative. In the event of a conflict between this Agreement and the other Authority Documents, the more restrictive requirements shall control, as determined by the Authorized Representative.

11.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which taken together shall constitute one instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto having additional signature pages executed by the other Party. Any executed counterpart of this Agreement may be delivered to the other Party by facsimile and shall be deemed as binding as if an originally signed counterpart was delivered.

11.12 Severability. If any term, provision, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect unless an essential purpose of this Agreement is defeated by such invalidity or unenforceability.

11.13 No Third Party Beneficiaries. Except as expressly set forth herein, nothing contained in this Agreement is intended to or shall be deemed to confer upon any person, other than the Parties and their respective successors and assigns, any rights or remedies hereunder.

11.14 Parties Not Co-Venturers; Independent Contractor; No Agency Relationship. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another. The relationship of Developer and Authority is and shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership or any other relationship. Authority neither undertakes nor assumes any responsibility or duty to Developer (except as expressly provided in this Agreement) or to any third party with respect to the Project or the Loan. Developer and its employees are not employees of Authority but rather are, and shall always be considered independent contractors. Furthermore, Developer and its employees shall at no time hold themselves out as employees or agents of Authority. Except as Authority may specify in writing, Developer shall not have any authority to act as an agent of Authority or to bind Authority to any obligation.

11.15 Time of the Essence; Calculation of Time Periods. Time is of the essence for each condition, term, obligation and provision of this Agreement. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is not a business day, in which event the period shall run until the next business day. The final day of any such period shall be deemed to end at 5:00 p.m., local time at the Property. For purposes of this Agreement, a "business day" means a day that is not a Saturday, Sunday, a federal holiday or a state holiday under the laws of the State of California.

11.16 Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws. Any action to enforce or interpret this Agreement shall be filed and heard in the Superior Court of Riverside County, California or in the Federal District Court for the Central District of California.

11.17 Inspection of Books and Records. Upon request, Developer shall permit the Authority to inspect at reasonable times and on a confidential basis those books, records and all

other documents of Developer necessary to determine Developer's compliance with the terms of this Agreement.

11.18 Political Activity. None of the funds, materials, property or services contributed by Authority to Developer under this Agreement shall be used for any partisan political activity or the election or defeat of any candidate for public office.

11.19 Non-Liability of Authority Officials, Employees and Agents. No member, official, employee or agent of the Authority or City shall be personally liable to the Developer in the event of any default or breach by the Authority or for any amount which may become due to the Developer or its successor or on any obligation under the terms of this Agreement.

11.20 Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in subsection (b) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. The Developer shall exercise due diligence to ensure that the prohibition in this Section is followed.

(b) In accordance with Government Code Section 1090 and the Political Reform Act, Government Code Section 87100 *et seq.*, no person who is a director, officer, partner, trustee or employee or consultant of the Developer, or immediate family member of any of the preceding, shall make or participate in a decision, made by the Authority or a Authority board, commission or committee, if it is reasonably foreseeable that the decision will have a material effect on any source of income, investment or interest in real property of that person or the Developer. Interpretation of this Section shall be governed by the definitions and provisions used in the Political Reform Act, Government Code Section 87100 *et seq.*, its implementing regulations manual and codes, and Government Code Section 1090.

SIGNATURES ON FOLLOWING PAGES.

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the date first written above.

DEVELOPER:

RIVERSIDE HOUSING DEVELOPMENT CORPORATION,
a California nonprofit public benefit corporation

By: _____

Print Name: _____

Title: _____

DRAFT

AUTHORITY:

HEMET HOUSING AUTHORITY, a public corporation

By: _____

Print Name: _____

Title: _____

APPROVED AS TO FORM:

Authority Counsel

Exhibit A-1

LEGAL DESCRIPTION OF THE PHASE 1 PROPERTY
(Attach legal description of the Phase 1 Property.)

Exhibit A-2

LEGAL DESCRIPTION OF THE PHASE 2 PROPERTY
(Attach legal description of the Phase 2 Property.)

Exhibit B

FORM OF PROMISSORY NOTE – PHASE 1
(Attach form of Note.)

Exhibit C

FORM OF DEED OF TRUST – PHASE 1
(Attach form of Deed of Trust.)

Exhibit D

**FORM OF AFFORDABLE HOUSING REGULATORY AGREEMENT AND
DECLARATION OF COVENANTS – PHASE 1**
(Attach form of Regulatory Agreement.)

Exhibit E-1

PHASE 1 FINANCING PLAN
(Attach approved Financing Plan for Phase 1.)

Exhibit E-2

PHASE 2 FINANCING PLAN
(Attach Financing Plan for Phase 2 when approved.)

Exhibit F

FORM OF CERTIFICATE OF COMPLETION
(Attach form of Certificate.)

Exhibit G

FORM OF MEMORANDUM OF OPTION AND LOAN AGREEMENT
(Attach form of Memorandum.)

Exhibit H

GRANT DEED
(Attach form of Grant Deed.)

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

Hemet Housing Authority
445 E. Florida Avenue
Hemet, CA 92543
Attention: _____

EXEMPT FROM RECORDING FEES PER
GOVERNMENT CODE §§6103, 27383

DRAFT

Space above this line for Recorder's use.

**AFFORDABLE HOUSING REGULATORY AGREEMENT
AND
DECLARATION OF RESTRICTIVE COVENANTS**

by and between

THE HEMET HOUSING AUTHORITY

and

**RIVERSIDE HOUSING DEVELOPMENT CORPORATION
(Mobley Lane – Phase I)**

This Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (this "**Agreement**") is entered into effective as of _____, 2013 ("**Effective Date**") by and between the Hemet Housing Authority, a public corporation organized and existing pursuant to the California Housing Authorities Law (Health and Safety Code § 34200 *et seq.*) ("**Authority**") and Riverside Housing Development Corporation, a California nonprofit public benefit corporation ("**Owner**"). The Authority and the Owner are collectively referred to herein as the "**Parties.**"

RECITALS

A. Owner is the owner of the real property located at 598, 599 and 575 Mobley Lane in the City of Hemet, California, known as Riverside County Assessor's Parcel Nos. 443-090-025, -032, and -033 and more particularly described in Exhibit A attached hereto (the "**Property**").

B. Owner intends to rehabilitate the existing improvements and operate an affordable housing development on the Property consisting of twelve (12) dwelling units and related improvements (collectively, the "**Project**") in accordance with that certain Disposition, Development and Loan Agreement (the "**Loan Agreement**") dated as of _____, 2013 and executed by and between Owner and Authority.

C. The Loan Agreement provides that the dwelling units within the Project will be required to be available at Affordable Rents (defined below) in accordance with this Agreement for a period of not less than fifty-five (55) years.

D. Subject to the conditions set forth in the Loan Agreement, the Authority has agreed to provide a loan to Owner using funds provided pursuant to the Neighborhood Stabilization Program ("**NSP**") in the amount of Nine Hundred Thousand Dollars (\$900,000) (the "**Loan**") in order to provide partial financing for the rehabilitation of the Project. The Loan is evidenced by a Secured Promissory Note executed by Owner and dated as of the date hereof (the "**Note**"), and is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date hereof and executed by Owner for the benefit of the Authority (the "**Deed of Trust**"). The Deed of Trust will be recorded in the Official Records of Riverside County ("**Official Records**") substantially concurrently herewith.

E. As a condition to its agreement to provide the Loan to Owner, Authority requires the Property to be subject to the terms, conditions and restrictions set forth herein.

F. The purpose of this Agreement is to satisfy the affordability requirements of the NSP and to regulate and restrict the occupancy and rents of the Project for the benefit of the Project occupants. The Parties intend the covenants set forth in this Agreement to run with the land and to be binding upon Owner and Owner's successors and assigns for the full term of this Agreement.

NOW THEREFORE, in consideration of the foregoing, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

1. **Definitions.** The following terms have the meanings set forth in this Section wherever used in this Agreement or the attached exhibits.

"Actual Household Size" means the actual number of persons in the applicable household.

"Adjusted for Family Size Appropriate for the Unit" shall be determined consistent with Section 50052.5(h) of the California Health and Safety Code subject to the application of federal rules associated with Project financing sources.

"Affordable Rent" means the following amounts, less a utility allowance and other fees and charges required to be paid by tenants of the Project on a non-optional basis: for units that are restricted for rental to households with incomes of not more than fifty percent (50%) of AMI ("**50% Units**"), a monthly rent that does not exceed one-twelfth of thirty percent (30%) of fifty percent (50%) of Area Median Income, Adjusted for Family Size Appropriate for the Unit.

"Area Median Income" or "AMI" means the median income for Riverside County, California, adjusted for Actual Household Size, as determined by the U.S. Department of Housing and Urban Development ("**HUD**") pursuant to Section 8 of the United States Housing Act of 1937 and as published from time to time by the State of California Department of Housing and Community Development ("**HCD**") in Section 6932 of Title 25 of the California Code of Regulations or successor provision published pursuant to California Health and Safety Code Section 50093(c).

"Claims" is defined in Section 10.

"Eligible Household" means a household for which gross household income upon initial occupancy does not exceed the maximum income level for a Restricted Unit as specified in Section 2.1.

"Indemnitees" is defined in Section 10.

"Marketing and Management Plan" is defined in Section 6.5.

"Maximum Qualifying Income" is defined in Section 2.2.

"Regulations" means Title 25 of the California Code of Regulations.

"Rent Restricted" is defined in Section 2.1.

"Restricted Unit" means a dwelling unit which is reserved for occupancy at an Affordable Rent by Eligible Households of specified household income levels as set

forth in Sections 2.1 and 2.2.

2. Use and Affordability Restrictions. Owner hereby covenants and agrees, for itself and its successors and assigns, that the Property shall be used solely for the operation of a multifamily rental housing development in compliance with the Loan Agreement and the requirements set forth herein. Owner represents and warrants that it has not entered into any agreement that would restrict or compromise its ability to comply with the occupancy and affordability restrictions set forth in this Agreement, and Owner covenants that it shall not enter into any agreement that is inconsistent with such restrictions without the express written consent of Authority.

2.1 Affordability Requirements. For a term of fifty-five (55) years commencing upon the date of the City of Hemet's issuance of a final certificate of occupancy for the Project: not less than twelve (12) of the residential units in the Project shall be both Rent Restricted (as defined below) and occupied (or if vacant, available for occupancy) by Eligible Households whose income is less than or equal to fifty percent (50%) of AMI.

In the event that recertification of tenant incomes indicates that the number of Restricted Units actually occupied by Eligible Households falls below the number reserved for each income group as specified in this Section 2.1, Owner shall rectify the condition by renting the next available dwelling unit(s) in the Project to Eligible Household(s) until the required income mix is achieved. A dwelling unit shall qualify as "**Rent Restricted**" if the gross rent charged for such unit does not exceed the Affordable Rent for the applicable household income category, subject to Section 2.2.

Notwithstanding anything to the contrary contained in this Agreement, if other Project lenders, Project investors, or regulatory agencies restrict a greater number of units than restricted by this Agreement or require stricter household income eligibility or affordability requirements than those imposed hereby, the requirements of such other lenders, investors or regulatory agencies shall prevail.

2.2 Rents for Restricted Units. Rents for Restricted Units shall be limited to Affordable Rents for households of the applicable income limit in accordance with Section 2.1. Notwithstanding the foregoing, no tenant qualifying for a Restricted Unit shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's household income increases to exceed the qualifying limit for such Restricted Unit. A household which at initial occupancy qualifies in a particular income category shall be treated as continuing to be of such income category so long as the household's gross income does not exceed one hundred forty percent (140%) of the applicable income limit. In the event the gross household income of a household that qualified at the applicable income limit at initial occupancy exceeds the applicable income limit for a unit, that unit will continue to be considered as satisfying the applicable income limit if the unit remains Rent-Restricted.

If upon recertification of tenant incomes, Owner determines that a tenant has a household income exceeding the maximum qualifying income for such tenant's unit as

set forth in Section 2.1 (“**Maximum Qualifying Income**”), the tenant shall be permitted to continue to occupy the unit, and upon expiration of the tenant's lease and upon sixty (60) days' written notice, Owner may increase the rent for such unit to the lesser of one-twelfth of thirty percent (30%) of the tenant's actual household income or the fair market rent, and Owner shall rent the next available unit to a tenant whose household income does not exceed the applicable income limit in order to achieve the affordability requirements of this Agreement.

In the event of inconsistency between the provisions of this Section 2.2 and the rules applicable to the Project in connection with low-income housing tax credits, tax-exempt bonds, or other sources of public financing provided for the Project, the rules applicable pursuant to such financing source shall prevail.

2.3 Intentionally omitted. [Manager's Unit.]

2.4 No Condominium Conversion. Owner shall not convert the Project to condominium or cooperative ownership or sell condominium or cooperative rights to the Project or any part thereof during the term of this Agreement.

2.5 Non-Discrimination; Compliance with Fair Housing Laws.

2.5.1 Intentionally omitted. [Local preference; preference for displacees.]

2.5.2 Fair Housing. Owner shall comply with state and federal fair housing laws in the marketing and rental of the units in the Project. Owner shall accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing Section 8 program or any successor thereto.

2.5.3 Non-Discrimination. Owner shall not restrict the rental, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any portion thereof, on the basis of race, color, religion, creed, sex, sexual orientation, disability, marital status, ancestry, or national origin of any person. Owner covenants for itself and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or part thereof, nor shall Owner or any person claiming under or through Owner 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 in, of, or for the Property or part thereof. Owner shall include such provision in all deeds, leases, contracts and other instruments executed by Owner, and shall enforce the same diligently and in good faith.

All deeds, leases or contracts made or entered into by Owner, its successors or assigns, as to any portion of the Property or the Improvements shall contain the following language:

(a) (1) In Deeds, the following language shall appear:

“Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee 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 in the property herein conveyed. The foregoing covenant shall run with the land.”

2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

(b) (1) In Leases, the following language shall appear:

“The lessee herein covenants by and for the lessee and lessee’s heirs, personal representatives and assigns, and all persons claiming under the lessee or through the lessee, that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the property herein leased nor shall the lessee or any person claiming under or through the lessee 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 property herein leased.”

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

(c) In Contracts

“There shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to selection, location, number, use or occupancy of tenants, lessee, subtenants, sublessees or vendees of the land.”

2.6 Intentionally omitted. [Relocation] [Please confirm the Property is vacant.]

3. Reporting Requirements; Access to Information; Inspections.

3.1 Tenant Certification. Owner or Owner's authorized agent shall obtain from each household prior to initial occupancy of each Restricted Unit, and on every anniversary thereafter, a written certificate containing all of the following in such format and with such supporting documentation as Authority may reasonably require:

- (a) The identity of each household member; and
- (b) The total gross household income.

Owner shall retain such certificates for not less than three (3) years, and upon Authority's request, shall provide copies of such certificates to Authority and make the originals available for Authority inspection.

3.2 Annual Report; Inspections. Following completion of Project rehabilitation, by not later than March 30 of each year during the term of this Agreement, Owner shall submit an annual report (“**Annual Report**”) to the Authority in form satisfactory to Authority, together with a certification that the Project is in compliance with the requirements of this Agreement. The Annual Report shall, at a minimum, include the following information for each dwelling unit in the Project: (i) unit

number; (ii) number of bedrooms; (iii) current rent and other charges; (iv) dates of any vacancies during the previous year; (v) number of people residing in the unit; (vi) total gross household income of residents; (vii) documentation of source of household income; and (viii) the information required by Section 3.1.

Owner shall include with the Annual Report, an income recertification for each household, documentation verifying tenant eligibility, and such additional information as Authority may reasonably request from time to time in order to demonstrate compliance with this Agreement. The Annual Report shall conform to the format requested by Authority; provided however, during such time that the Project is subject to a regulatory agreement restricting occupancy and/or rents pursuant to requirements imposed in connection with the use of state or federal low-income housing tax credits, Owner may satisfy the requirements of this Section that pertain to tenant income certification and rents by providing Authority with a copy of compliance reports required in connection with such financing.

In addition to the information described above, the Annual Report shall include the following:

- (1) A Project income and expense statement for the reporting period;
- (2) Proposed annual budget for the next fiscal year which sets forth Owner's estimate of operating income, operating expenses and debt service for the year, amounts payable to reserves and proposed rent adjustments;
- (3) A report on maintenance and other issues anticipated to affect the current budget needs of the Project as well as the amount in the Project's reserve accounts and the amount expected to be needed for major repairs or other needs during the new fiscal year;
- (4) Information on the status of the waiting list for units, including the number of households on the list; and
- (5) A financial audit of the books and records of the Project prepared in accordance with generally accepted auditing standards by an independent certified public accountant. Authority may require the audit to be accompanied by a supplemental report prepared in accordance with Authority's requirements.
- (6) Authority may, from time to time request additional or different information, and Owner shall promptly supply such information in the reports required hereunder.

3.3. Maintenance of Records.

- (1) Owner shall maintain all records regarding the rehabilitation of the Project for five (5) years after final payment and all other pending matters are closed.

Owner shall also maintain tenant leases, income certifications and other matters related to the leasing of the affordable units for a period of five (5) years after the final date of occupancy by the tenant.

(2) Records must be kept accurate and up-to-date. Authority shall notify Owner of any records it deems insufficient. Owner shall have fifteen (15) calendar days from such notice to correct any specified deficiency in the records, or, if more than fifteen (15) days shall be reasonably necessary to correct the deficiency, Owner shall begin to correct the deficiency within fifteen (15) days and diligently pursue the correction of the deficiency as soon as reasonably possible.

3.4 Access to Records; Inspections.

(1) Owner shall provide Authority and its authorized agents and representatives access to any books, documents, papers and records of the Project for the purpose of making audits, examinations, excerpts and transcriptions.

(2) With 48-hours notice, during normal business hours and as often as may be deemed necessary, Authority and its authorized agents and representatives shall be permitted access to and the right to examine the Project and the Property and to interview tenants and employees of the Project, for the purpose of verifying compliance with applicable regulations and compliance with the conditions of this Agreement and the other Loan Documents (as defined in the Loan Agreement).

4. Term of Agreement.

4.1 Term of Restrictions. This Agreement shall remain in effect through the 55th anniversary of the issuance of the City of Hemet's issuance of a final certificate of occupancy or equivalent for the Project, unless the term is extended by mutual agreement of the Parties.

4.2 Effectiveness Succeeds Conveyance of Property and Repayment of Loan. This Agreement shall remain effective and fully binding for the full term hereof, as such may be extended pursuant to Section 4.1, regardless of (i) any sale, assignment, transfer, or conveyance of the Property or the Project or any part thereof or interest therein, (ii) any payment, prepayment or extinguishment of the Loan or Note, or (iii) any reconveyance of the Deed of Trust.

4.3 Reconveyance. Upon the termination of this Agreement, the Parties agree to execute and record appropriate instruments to release and discharge this Agreement; provided, however, the execution and recordation of such instruments shall not be necessary or a prerequisite to the termination of this Agreement upon the expiration of the term as such may be extended pursuant to Section 4.1.

5. Binding Upon Successors; Covenants to Run with the Land. Owner hereby subjects its interest in the Property and the Project to the covenants and restrictions set forth in this Agreement. The Authority and Owner hereby declare their express intent

that the covenants and restrictions set forth herein shall be deemed covenants running with the land and shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, transferees, and assigns of Owner and Authority, regardless of any sale, assignment, conveyance or transfer of the Property, the Project or any part thereof or interest therein. Any successor-in-interest to Owner, including without limitation any purchaser, transferee or lessee of the Property or the Project (other than the tenants of the individual dwelling units within the Project) shall be subject to all of the duties and obligations imposed hereby for the full term of this Agreement. Each and every contract, deed, ground lease or other instrument affecting or conveying the Property or the Project or any part thereof, shall conclusively be held to have been executed, delivered and accepted subject to the covenants, restrictions, duties and obligations set forth herein, regardless of whether such covenants, restrictions, duties and obligations are set forth in such contract, deed, ground lease or other instrument. If any such contract, deed, ground lease or other instrument has been executed prior to the date hereof, Owner hereby covenants to obtain and deliver to Authority an instrument in recordable form signed by the parties to such contract, deed, ground lease or other instrument pursuant to which such parties acknowledge and accept this Agreement and agree to be bound hereby.

Owner agrees for itself and for its successors that in the event that a court of competent jurisdiction determines that the covenants herein do not run with the land, such covenants shall be enforced as equitable servitudes against the Property and the Project in favor of Authority.

6. Property Management; Repair and Maintenance; Marketing.

6.1 Management Responsibilities. Owner shall be responsible for all management functions with respect to the Property and the Project, including without limitation the selection of tenants, certification and recertification of household income and eligibility, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. Authority shall have no responsibility for management or maintenance of the Property or the Project.

6.2 Management Entity. Authority shall have the right to review and approve the qualifications of the management entity proposed by Owner for the Project. The contracting of management services to a management entity shall not relieve Owner of its primary responsibility for proper performance of management duties. Authority hereby approves _____, a California _____, as the initial management entity for the Project. Upon Authority determination and delivery of written notice to Owner that Owner has failed to operate the Project in accordance with this Agreement, Authority may, subject to any applicable cure period, require Owner to contract with a qualified management agent selected by Authority, to operate the Project, or to make such other arrangements as Authority deems necessary to ensure performance of the required functions.

6.3 Repair, Maintenance and Security. Throughout the term of this

Agreement, Owner shall at its own expense, maintain the Property and the Project in good physical condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions in conformity with all applicable state, federal, and local laws, ordinances, codes, and regulations. Without limiting the foregoing, Owner agrees to maintain the Project and the Property (including without limitation, the residential units, common areas, landscaping, driveways, parking areas and walkways) in a condition free of all waste, nuisance, debris, unmaintained landscaping, graffiti, disrepair, abandoned vehicles/appliances, and illegal activity, and shall take all reasonable steps to prevent the same from occurring on the Property or at the Project. Owner shall prevent and/or rectify any physical deterioration of the Property and the Project and shall make all repairs, renewals and replacements necessary to keep the Property and the improvements located thereon in good condition and repair. Owner shall provide adequate security services for occupants of the Project.

6.3.1 Additional Requirements. All construction and rehabilitation work and professional services for the Project shall be performed by persons or entities licensed or otherwise authorized to perform the applicable work or service in the State of California and shall have a current City of Hemet business license if required under local law. To the extent allowed by state and federal laws, Owner shall limit the installation of satellite dish, antenna and other such equipment to screened locations on the Property as approved by the Authority. Owner shall diligently work to resolve complaints related to noise, parking, litter or other neighborhood concerns.

6.4 Authority's Right to Perform Maintenance. In the event that Owner breaches any of the covenants contained in Section 6.3, and such default continues for a period of ten (10) days after written notice from Authority (with respect to graffiti, debris, and waste material) or thirty (30) days after written notice from Authority (with respect to landscaping, building improvements and general maintenance), then Authority, in addition to any other remedy it may have under this Agreement or at law or in equity, shall have the right, but not the obligation, to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and the landscaped areas on the Property. All costs expended by Authority in connection with the foregoing, shall constitute an indebtedness secured by the Deed of Trust, and shall be paid by Owner to Authority upon demand. All such sums remaining unpaid thirty (30) days following delivery of Authority's invoice therefor shall bear interest at the lesser of 10% per annum or the highest rate permitted by applicable law.

6.5 Marketing and Management Plan. Not later than 45 days following commencement of rehabilitation of the Project, Owner shall submit for Authority review and approval, a plan for marketing and managing the Property ("**Marketing and Management Plan**" or "**Plan**"). The Marketing and Management Plan shall address in detail how Owner plans to market the Restricted Units to prospective Eligible Households in accordance with fair housing laws and this Agreement, Owner's tenant selection criteria, and how Owner plans to certify the eligibility of Eligible Households. The Plan shall also describe the management team and shall address how the Owner and the

management entity plan to manage and maintain the Property and the Project. The Plan shall include the proposed management agreement and the form of rental agreement that Owner proposes to enter into with Project tenants. Owner shall abide by the terms of the Marketing and Management Plan in marketing, managing, and maintaining the Property and the Project, and throughout the term of this Agreement, shall submit proposed modifications to Authority for review and approval.

In addition to the foregoing, the Marketing and Management Plan shall address the following:

(a) The actions to be taken by Owner to affirmatively market units in compliance with fair housing laws and in compliance with Authority's policies and procedures, including the policies described in Section 2.5 above;

(b) Criteria for determining tenant eligibility, including certification of household income and size, and establishing reasonable occupancy standards (which shall not exceed standards established by state and federal fair housing laws and state housing and building codes) and procedures for screening prospective tenants, including obtaining credit reports, unlawful detainer reports, landlord references, criminal background investigations and search of the California Sex Offender Registry;

(c) A requirement that eligible tenants be selected based on order of application, lottery or other reasonable method approved by Authority;

(d) A requirement that eligible applicants be notified of eligibility and be provided an estimate regarding when a unit may be available;

(e) A requirement that ineligible applicants be notified of the reason for their ineligibility;

(f) Specific procedures through which applicants deemed to be ineligible may appeal this determination;

(g) Maintenance of a waiting list of eligible applicants;

(h) Specific procedures for obtaining documentation regarding prospective tenants' incomes, as necessary, to certify that such income does not exceed income limits;

(i) Specific procedures for certification and recertification of household incomes and procedures for handling over-income tenants;

(j) A requirement that a written rental agreement (subject to Authority approval) be executed with each eligible household selected to occupy a unit;

- (k) A detailed listing of reasonable rules of conduct and occupancy which shall be in writing, shall be consistent with federal and state law, and shall be provided to each tenant upon occupancy;
- (l) Procedures for maintenance and management of the Project;
- (m) Procedures for dealing with tenant or neighborhood issues or concerns;
- (n) Procedures for maintaining a reserve account, budgeting for maintenance and repair needs as well as long-term rehabilitation needs and handling net cash flow; and
- (o) Such other requirements and criteria/procedures as Authority may determine appropriate.

6.6 Approval of Amendments. If Authority has not responded to any submission of the Management and Marketing Plan, the proposed management entity, or a proposed amendment or change to any of the foregoing within sixty (60) days following Authority's receipt of such plan, proposal or amendment, the plan, proposal or amendment shall be deemed approved by Authority.

6.7 Fees, Taxes, and Other Levies. Owner shall be responsible for payment of all fees, assessments, taxes, charges, liens and levies applicable to the Property or the Project, including without limitation possessory interest taxes, if applicable, imposed by any public entity, and shall pay such charges prior to delinquency. However, Owner shall not be required to pay any such charge so long as (a) Owner is contesting such charge in good faith and by appropriate proceedings, (b) Owner maintains reserves adequate to pay any contested liabilities, and (c) on final determination of the proceeding or contest, Owner immediately pays or discharges any decision or judgment rendered against it, together with all costs, charges and interest. The foregoing is not intended to impair Owner's ability to apply for any applicable exemption from property taxes or other assessments and fees.

6.8 Insurance Coverage. Throughout the term of this Agreement Owner shall comply with the insurance requirements set forth in Exhibit B, and shall, at Owner's expense, maintain in full force and effect insurance coverage as specified in Exhibit B.

6.9 Property Damage or Destruction. If any part of the Project is damaged or destroyed, Owner shall repair or restore the same, consistent with the occupancy and rent restriction requirements set forth in this Agreement. Such work shall be commenced as soon as reasonably practicable after the damage or loss occurs and shall be completed within one year thereafter or as soon as reasonably practicable, provided that insurance proceeds are available to be applied to such repairs or restoration within such period and the repair or restoration is financially feasible. During such time that lenders or low-income housing tax credit investors providing financing for

the Project impose requirements that differ from the requirements of this Section the requirements of such lenders and investors shall prevail.

7. Recordation; Subordination. This Agreement shall be recorded in the Official Records of Riverside County. Owner hereby represents, warrants and covenants that with the exception of easements of record, absent the written consent of Authority, this Agreement shall not be subordinated in priority to any lien (other than those pertaining to taxes or assessments), encumbrance, or other interest in the Property or the Project. If at the time this Agreement is recorded, any interest, lien, or encumbrance has been recorded against the Project in position superior to this Agreement, upon the request of Authority, Owner hereby covenants and agrees to promptly undertake all action necessary to clear such matter from title or to subordinate such interest to this Agreement consistent with the intent of and in accordance with this Section 7, and to provide such evidence thereof as Authority may reasonably request. Notwithstanding the foregoing, the Authority agrees that the Authority will not withhold consent to reasonable requests for subordination of this Agreement to deeds of trust provided for the benefit of lenders identified in the Financing Plan (as defined in the Loan Agreement) as it may be updated with Authority approval, provided that the instruments effecting such subordination include reasonable protections to the Authority in the event of default, including without limitation, extended notice and cure rights.

8. Transfer and Encumbrance.

8.1 Restrictions on Transfer and Encumbrance. During the term of this Agreement, except as permitted pursuant to the Loan Agreement or this Agreement, Owner shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (collectively, "**Transfer**") of the whole or any part of the Property, the Project, or the improvements located on the Property, without the prior written consent of the Authority, which approval shall not be unreasonably withheld. In addition, prior to the expiration of the term of this Agreement, except as expressly permitted by this Agreement or the Loan Agreement, Owner shall not undergo any significant change of ownership without the prior written approval of Authority. For purposes of this Agreement, a "significant change of ownership" shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Owner, taking all transfers into account on a cumulative basis; provided however, if the Property has been transferred to an Approved Partnership, neither the admission of an investor limited partner, nor the transfer by the investor limited partner to subsequent limited partners shall be restricted by this provision.

8.2 Permitted Transfers. Notwithstanding any contrary provision hereof, the prohibitions on Transfer set forth herein shall not be deemed to prevent: (i) the granting of easements or permits to facilitate development of the Property; (ii) the dedication of any property required pursuant to the Loan Agreement; (iii) the lease of individual dwelling units to tenants for occupancy as their principal residence in accordance with this Agreement; (iv) assignments creating security interests for the

purpose of financing the acquisition, rehabilitation, construction, or permanent financing of the Project or the Property in accordance with the Loan Agreement, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (v) a Transfer to a tax-exempt entity under the direct control of or under common control with Owner; (vi) a Transfer to a limited partnership in which a tax-exempt affiliate of Owner is the managing general partner ("**Approved Partnership**"); (vii) if the Property has been transferred to an Approved Partnership, the admission of limited partners and any transfer of limited partnership interests in accordance with the Approved Partnership's agreement of limited partnership (the "**Partnership Agreement**"); (viii) the removal of the general partner by the investor limited partner for a default under the Partnership Agreement, provided that the replacement general partner is an entity reasonably satisfactory to Authority; or (ix) the transfer of the general partner's interest to a nonprofit entity that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 as amended, provided such replacement general partner is reasonably satisfactory to Authority.

Consent to any proposed Transfer may be given by the Authority's _____ [insert title] unless the _____, in his or her discretion, refers the matter of approval to the Authority's governing board. If the Authority has not rejected a proposed Transfer or requested additional information regarding a proposed Transfer in writing within thirty (30) days following Authority's receipt of written request by Owner, the proposed Transfer shall be deemed approved.

8.2.1 Requirements for Proposed Transfers. The Authority may, in the exercise of its sole discretion, consent to a proposed Transfer of this Agreement, the Property, the Improvements or part thereof if all of the following requirements are met (provided however, the requirements of this Section 8.2.1 shall not apply to Transfers described in clauses (i), (ii), (iii), (iv) and (vii) of Section 8.2):

(i) The proposed transferee demonstrates to the Authority's satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be reasonably determined by the Authority to competently complete and manage the Project and to otherwise fulfill the obligations undertaken by the Owner under this Agreement.

(ii) The Owner and the proposed transferee shall submit for Authority review and approval all instruments and other legal documents proposed to effect any Transfer of all or any part of or interest in the Property, the Improvements or this Agreement together with such documentation of the proposed transferee's qualifications and development capacity as the Authority may reasonably request.

(iii) The proposed transferee shall expressly assume all of the rights and obligations of the Owner under this Agreement and the other Loan Documents arising after the effective date of the Transfer and all obligations of Owner arising prior to the effective date of the Transfer (unless Owner expressly remains responsible for such obligations) and shall agree to be subject to and

assume all of Owner's obligations pursuant to the Conditions of Approval and all other conditions, and restrictions set forth in this Agreement.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to the Authority in form recordable in the Official Records.

8.2.2 Effect of Transfer without Authority Consent.

8.2.2.1 In the absence of specific written agreement by the Authority, no Transfer of the Property or the Project by Owner shall be deemed to relieve the Owner or any other party from any obligation under this Agreement.

8.2.2.2 It shall be an Event of Owner Default hereunder entitling Authority to pursue remedies including without limitation, acceleration of the Loan and/or foreclosure under the Deed of Trust if without the prior written approval of the Authority, Owner assigns or Transfers this Agreement, the Improvements, or the Property in violation of Section 8. This Section 8.2.2 shall not apply to Transfers described in clauses (i), (ii), (iii), (iv) and (vii) of Section 8.2).

8.2.3 Recovery of Authority Costs. Owner shall reimburse Authority for all Authority costs, including but not limited to reasonable attorneys' fees, incurred in reviewing instruments and other legal documents proposed to effect a Transfer under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee within ten (10) days following Authority's delivery to Owner of an invoice detailing such costs.

8.3 Encumbrances. Owner agrees to use best efforts to ensure that all deeds of trust or other security instruments and any applicable subordination agreement recorded against the Property, the Project or part thereof for the benefit of a lender other than Authority ("**Third-Party Lender**") shall contain each of the following provisions: (i) Third-Party Lender shall use its best efforts to provide to Authority a copy of any notice of default issued to Owner concurrently with provision of such notice to Owner; (ii) Authority shall have the reasonable right, but not the obligation, to cure any default by Owner within the same period of time provided to Owner for such cure extended by an additional ninety (90) days; (iii) provided that Authority has cured any default under Third-Party Lender's deed of trust and other loan documents, Authority shall have the right to foreclose Authority's Deed of Trust and take title to the Project without acceleration of Third-Party Lender's debt; and (iv) Authority shall have the right to transfer the Project without acceleration of Third-Party Lender's debt to a nonprofit corporation or other entity which shall own and operate the Project as an affordable rental housing Project, subject to the prior written consent of the Third-Party Lender. Owner agrees to provide to Authority a copy of any notice of default Owner receives from any Third-Party Lender within three (3) business days following Owner's receipt thereof.

8.4 Mortgagee Protection. No violation of any provision contained herein shall defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value upon all or any portion of the Project or the Property, and the purchaser at any trustee's sale or foreclosure sale shall not be liable for any violation of any provision hereof occurring prior to the acquisition of title by such purchaser. Such purchaser shall be bound by and subject to this Agreement from and after such trustee's sale or foreclosure sale. Promptly upon determining that a violation of this Agreement has occurred, Authority shall give written notice to the holders of record of any mortgages or deeds of trust encumbering the Project or the Property that such violation has occurred.

9. Default and Remedies.

9.1 Events of Default. The occurrence of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

- (a) The occurrence of a Transfer in violation of Section 8 hereof;
- (b) Owner's failure to maintain insurance on the Property and the Project as required hereunder, and the failure of Owner to cure such default within five (5) days;
- (c) Subject to Owner's right to contest the following charges, Owner's failure to pay taxes or assessments due on the Property or the Project or failure to pay any other charge that may result in a lien on the Property or the Project, and Owner's failure to cure such default within thirty (30) days of delinquency, but in all events prior to the date upon which the holder of any such lien has the right to foreclose thereon;
- (d) A default arises under any loan secured by a mortgage, deed of trust or other security instrument recorded against the Property and remains uncured beyond any applicable cure period such that the holder of such security instrument has the right to accelerate repayment of such loan;
- (e) A default arises under the Loan Agreement, the Note, or the Deed of Trust and remains uncured beyond the expiration of any applicable cure period;
- (f) Owner's default in the performance of any term, provision or covenant under this Agreement (other than an obligation enumerated in this Subsection 9.1), and unless such provision specifies a shorter cure period for such default, the continuation of such default for ten (10) days in the event of a monetary default or thirty (30) days in the event of a non-monetary default following the date upon which Authority shall have given written notice of the default to Owner, or if the nature of any such non-monetary default is such that it cannot be cured within thirty (30) days, Owner's failure to commence to cure the default within thirty (30) days and thereafter prosecute the curing of such default with due diligence and in good faith, but in no event longer than ninety (90) days from receipt of the notice of default.

If the Property has been transferred to an Approved Partnership, the limited

partners shall have the right to cure any default of Owner hereunder upon the same terms and conditions afforded to Owner. Provided that Authority has been given written notice of the address for delivery of notices to the limited partners, Authority shall provide any notice of default hereunder to the limited partners concurrently with the provision of such notice to Owner, and as to the limited partners, the cure periods specified herein shall commence upon the date of delivery of such notice in accordance with Subsection 11.3.

9.2 Remedies. Upon the occurrence of an Event of Default and its continuation beyond any applicable cure period, Authority may proceed with any of the following remedies:

- A. Bring an action for equitable relief seeking the specific performance of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of such terms and conditions, and/or seeking declaratory relief;
- B. Accelerate and declare the balance of the Note and interest accrued thereon immediately due and payable and proceed with foreclosure under the Deed of Trust;
- C. For violations of obligations with respect to rents for Restricted Units, impose as liquidated damages a charge in an amount equal to the actual amount collected in excess of the Affordable Rent;
- D. Pursue any other remedy allowed at law or in equity.

Each of the remedies provided herein is cumulative and not exclusive. The Authority may exercise from time to time any rights and remedies available to it under applicable law or in equity, in addition to, and not in lieu of, any rights and remedies expressly provided in this Agreement.

10. Indemnity. Owner shall indemnify, defend (with counsel approved by Authority) and hold Authority and its elected and appointed officers, officials, employees, agents, and representatives (collectively, the "**Indemnitees**") harmless from and against all liability, loss, cost, expense (including without limitation attorneys' fees and costs of litigation), claim, demand, action, suit, judicial or administrative proceeding, penalty, deficiency, fine, order, and damage (all of the foregoing collectively "**Claims**") arising directly or indirectly, in whole or in part, as a result of or in connection with Owner's rehabilitation, management, or operation of the Property and the Project or any failure to perform any obligation as and when required by this Agreement. Owner's indemnification obligations under this Section 10 shall not extend to Claims resulting solely from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 10 shall survive the expiration or earlier termination of this Agreement. It is further agreed that Authority does not and shall not waive any rights against Owner that it may have by reason of this indemnity and hold harmless agreement because of the

acceptance by Authority, or the deposit with Authority by Owner, of any of the insurance policies described in this Agreement or the Loan Agreement.

11. Miscellaneous.

11.1 Amendments. This Agreement may be amended or modified only by a written instrument signed by both Parties.

11.2 No Waiver. Any waiver by Authority of any term or provision of this Agreement must be in writing. No waiver shall be implied from any delay or failure by Authority to take action on any breach or default hereunder or to pursue any remedy allowed under this Agreement or applicable law. No failure or delay by Authority at any time to require strict performance by Owner of any provision of this Agreement or to exercise any election contained herein or any right, power or remedy hereunder shall be construed as a waiver of any other provision or any succeeding breach of the same or any other provision hereof or a relinquishment for the future of such election.

11.3 Notices. Except as otherwise specified herein, all notices to be sent pursuant to this Agreement shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by:

(i) personal delivery, in which case notice is effective upon delivery;

(ii) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered upon receipt if delivery is confirmed by a return receipt; or

(iii) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service.

Authority:

Hemet Housing Authority
45 E. Florida Avenue
Hemet, CA 92543
Attention: _____

Owner:

Riverside Housing Development Corporation

Attention: _____

11.4 Further Assurances. The Parties shall execute, acknowledge and deliver to the other such other documents and instruments, and take such other actions, as either shall reasonably request as may be necessary to carry out the intent of this Agreement.

11.5 Parties Not Co-Venturers; Independent Contractor; No Agency Relationship. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another. The relationship of Owner and Authority shall not be construed as a joint venture, equity venture, partnership or any other relationship. Authority neither undertakes nor assumes any responsibility or duty to Owner (except as expressly provided in this Agreement) or to any third party with respect to the Project. Owner and its employees are not employees of Authority but rather are, and shall always be considered independent contractors. Furthermore, Owner and its employees shall at no time pretend to be or hold themselves out as employees or agents of Authority. Except as Authority may specify in writing, Owner shall not have any authority to act as an agent of Authority or to bind Authority to any obligation.

11.6 Action by the Authority. Except as may be otherwise specifically provided herein, whenever any approval, notice, direction, consent or request by the Authority is required or permitted under this Agreement, such action shall be in writing, and such action may be given, made or taken by the Authority's _____ or by any person who shall have been designated by the Authority's _____, without further approval by the Authority's governing board.

11.7 Non-Liability of Authority and Authority Officials, Employees and Agents. No member, official, employee or agent of the Authority shall be personally liable to Owner or any successor in interest, in the event of any default or breach by the Authority, or for any amount of money which may become due to Owner or its successor or for any obligation of Authority under this Agreement.

11.8 Headings; Construction; Statutory References. The headings of the sections and paragraphs of this Agreement are for convenience only and shall not be used to interpret this Agreement. The language of this Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any Party. All references in this Agreement to particular statutes, regulations, ordinances or resolutions of the United States, the State of California, the Authority, or the City of Hemet shall be deemed to include the same statute, regulation, ordinance or resolution as hereafter amended or renumbered, or if repealed, to such other provisions as may thereafter govern the same subject.

11.9 Time is of the Essence. Time is of the essence in the performance of this Agreement.

11.10 Governing Law; Venue. This Agreement shall be construed in accordance with the laws of the State of California without regard to principles of conflicts of law. Any action to enforce or interpret this Agreement shall be filed and

heard in the Superior Court of Riverside County, California or in the Federal District Court for the Central District of California.

11.11 Attorneys' Fees and Costs. If any legal or administrative action is brought to interpret or enforce the terms of this Agreement, the prevailing party shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

11.12 Severability. If any provision of this Agreement is held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not be affected or impaired thereby.

11.13 Entire Agreement; Exhibits. This Agreement, together with the Loan Agreement, the Note and the Deed of Trust contains the entire agreement of Parties with respect to the subject matter hereof, and supersedes all prior oral or written agreements between the Parties with respect thereto. Exhibits A and B, attached hereto are incorporated herein by this reference.

11.14 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

SIGNATURES ON FOLLOWING PAGES.

IN WITNESS WHEREOF, the Parties have executed this Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants as of the date first written above.

AUTHORITY:

HEMET HOUSING AUTHORITY, a public corporation

By: _____

Print Name: _____

Title: _____

APPROVED AS TO FORM:

DRAFT

Authority Counsel

OWNER:

RIVERSIDE HOUSING DEVELOPMENT CORPORATION,
a California nonprofit public benefit corporation

By: _____

Print Name: _____

Title: _____

Exhibit A

PROPERTY

(Attach legal description of Phase 1 Property.)

Exhibit B

INSURANCE REQUIREMENTS

Prior to initiating work on the Project and continuing through throughout the term of this Agreement, Owner shall obtain and maintain the following policies of insurance:

(a) a commercial general liability policy in the amount of Two Million Dollars (\$2,000,000) each occurrence, Two Million Dollars (\$2,000,000) annual aggregate, together with Three Million Dollars (\$3,000,000) excess liability coverage, or such other policy limits as Authority may require in its reasonable discretion, including coverage for bodily injury, property damage, products, completed operations and contractual liability coverage. Such policy or policies shall be written on an occurrence basis and shall name the Indemnitees as additional insureds.

(b) a comprehensive automobile liability coverage in the amount of Two Million Dollars (\$2,000,000), combined single limit including coverage for owned and non-owned vehicles and shall furnish or cause to be furnished to Authority evidence satisfactory to Authority that Owner and any contractor with whom Owner has contracted for the performance of work on the Property or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law. Automobile liability policies shall name the Indemnitees as additional insureds.

(c) Owner (and if the Property is transferred to an Approved Partnership), both the Approved Partnership and the general partners thereof) shall furnish or cause to be furnished to Authority evidence satisfactory to Authority that Owner and any contractor with whom Owner has contracted for the performance of work on the Property or otherwise pursuant to this Agreement carries statutory Workers' Compensation insurance and Employer's Liability insurance in a minimum amount of One Million Dollars (\$1,000,000) per accident.

(d) Upon commencement of rehabilitation or construction and continuing until issuance of a Certificate of Completion, Owner and all contractors working on behalf of Owner shall maintain a policy of builder's all-risk insurance in an amount not less than the full insurable cost of the Project on a replacement cost basis naming Authority as loss payee.

(e) Upon completion of Project rehabilitation or construction, Owner shall maintain property insurance covering all risks of loss (other than earthquake), including flood (if required) for 100% of the replacement value of the Project with deductible, if any, in an amount acceptable to Authority, naming Authority as loss payee.

(f) Companies writing the insurance required hereunder shall be licensed to do business in the State of California. Insurance shall be placed with insurers with a current A.M. Best's rating of no less than A: VII. The Commercial General Liability and comprehensive automobile policies required hereunder shall name the Indemnitees as

additional insureds. Builder's Risk and property insurance shall name Authority as loss payee as its interests may appear.

(g) Prior to commencement of rehabilitation or construction work, Owner shall furnish Authority with certificates of insurance in form acceptable to Authority evidencing the required insurance coverage and duly executed endorsements evidencing such additional insured status. The certificates shall contain a statement of obligation on the part of the carrier to notify Authority of any material adverse change, cancellation, termination or non-renewal of the coverage at least thirty (30) days in advance of the effective date of any such material adverse change, cancellation, termination or non-renewal.

The additional insured endorsements for the general liability coverage shall use Insurance Services Office (ISO) Form No. CG 20 09 11 85 or CG 20 10 11 85, or equivalent, including (if used together) CG 2010 10 01 and CG 2037 10 01; but shall not use the following forms: CG 20 10 10 93 or 03 94. Upon request by Authority's Risk Manager, Owner shall provide or arrange for the insurer to provide within thirty (30) days of the request, certified copies of the actual insurance policies or relevant portions thereof.

(h) If any insurance policy or coverage required hereunder is canceled or reduced, Owner shall, within fifteen (15) days after receipt of notice of such cancellation or reduction in coverage, but in no event later than the effective date of cancellation or reduction, file with Authority a certificate showing that the required insurance has been reinstated or provided through another insurance company or companies. Upon failure to so file such certificate, Authority may, without further notice and at its option, procure such insurance coverage at Owner's expense, and Owner shall promptly reimburse Authority for such expense upon receipt of billing from Authority.

(i) Coverage provided by Owner shall be primary insurance and shall not be contributing with any insurance, or self-insurance maintained by Authority, and the policies shall so provide. The insurance policies shall contain a waiver of subrogation for the benefit of the Authority. Owner shall furnish the required certificates and endorsements to Authority prior to the commencement of rehabilitation or construction work on the Project, and shall provide Authority with certified copies of the required insurance policies upon request of Authority.

(j) Deductibles/Retentions. Any deductibles or self-insured retentions shall be declared to, and be subject to approval by, Authority's Risk Manager. At the option of and upon request by Authority's Risk Manager if the Risk Manager determines that such deductibles or retentions are unreasonably high, either the insurer shall reduce or eliminate such deductibles or self-insurance retentions as respects the Indemnitees or Owner shall procure a bond guaranteeing payment of losses and related investigations, claims administration and defense expenses.

(k) Adjustments. The limits of the liability coverage and, if necessary, the terms and conditions of insurance, shall be reasonably adjusted from time to time (not

less than every five (5) years after the Effective Date nor more than once in every three (3) year period) to meet any change of circumstance, including, but not limited to, changes in the purchasing power of the dollar and the litigation climate in California. Authority shall give written notice to Owner of any such adjustments, of which Owner shall comply fully within thirty (30) days and concurrently therewith provide Authority with amended or new insurance certificates or endorsements evidencing compliance.

SECURED PROMISSORY NOTE
(Mobley Lane – Phase 1)

\$900,000

DRAFT

Hemet, California
_____, 2013

FOR VALUE RECEIVED, Riverside Housing Development Corporation, a California nonprofit public benefit corporation (“**Borrower**”), promises to pay to the Hemet Housing Authority, a public corporation organized and existing pursuant to the California Housing Authorities Law (Health and Safety Code § 34200 *et seq.*) (the “**Authority**”), in lawful money of the United States of America, the principal sum of ~~Nine Hundred Thousand Dollars (\$900,000)~~ or so much thereof as may be advanced by Authority pursuant to the Loan Agreement referred to below, together with interest on the outstanding principal balance in accordance with the terms and conditions described herein. Interest shall accrue on the outstanding principal balance of this Note at the rate of three percent (3%) simple interest per annum. Interest shall be calculated on the basis of a year of 365 days, and charged for the actual number of days elapsed.

This Secured Promissory Note (this “**Note**”) has been executed and delivered pursuant to and in accordance with a Disposition, Development and Loan Agreement executed by and between Borrower and Authority, dated as of _____, 2013 (the “**Loan Agreement**”), and is subject to the terms and conditions of the Loan Agreement, which is by this reference incorporated herein and made a part hereof. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Loan Agreement.

This Note is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“**Deed of Trust**”) dated as of the date hereof, executed by Borrower for the benefit of Authority and encumbering the property described therein. Authority shall be entitled to the benefits of the security provided by the Deed of Trust and shall have the right to enforce the covenants and agreements contained herein, in the Deed of Trust, the Loan Agreement, and the other Loan Documents, including without limitation, that certain Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants dated as of _____, 2013, and executed by and between Authority and Borrower (the “**Regulatory Agreement**”). The rent restrictions and other requirements set forth in the Regulatory Agreement shall remain effective for the full term of the Regulatory Agreement and shall survive the repayment of this Note.

1. PAYMENTS.

1.1 PAYMENT DATES; MATURITY DATE. Annual payments on this Note shall be payable on a residual receipts basis with fifty percent (50%) of all Surplus Cash (defined below) payable to Authority toward principal and accrued interest. Payments shall be credited first to any unpaid late charges and other costs and fees then due, then to accrued interest, and then to principal. In no event shall any amount due under this Note become subject to any rights, offset, deduction or counterclaim on the part of Borrower. The entire outstanding principal balance of this Note, together with interest accrued thereon and any other sums accrued hereunder

shall be payable in full on the date (the “**Maturity Date**”) which is the earlier of (i) the fifty-fifth (55th) anniversary of the date upon which the City of Hemet issues a final certificate of occupancy or equivalent for the Phase 1 Project, or (ii) the fifty-seventh (57th) anniversary of the date hereof; provided however, the Maturity Date shall not be earlier than the date of expiration or termination of any Regulatory Agreement recorded by the California Tax Credit Allocation Committee (TCAC) against the Property in connection with an allocation of Federal Low-Income Housing Tax Credits for the Phase 1 Project.

1.2 ANNUAL PAYMENTS FROM SURPLUS CASH. By no later than May 1 of each year following the issuance of a final certificate of occupancy for the Phase 1 Project, Borrower shall pay to Authority fifty percent (50%) of all Surplus Cash generated by the Phase 1 Project during the previous calendar year to reduce the indebtedness owed under this Note.

No later than March 30th of each year following the issuance of a final certificate of occupancy for the Phase 1 Project, Borrower shall provide to Authority Borrower’s calculation of Surplus Cash for the previous calendar year, accompanied by such supporting documentation as Authority may reasonably request, including without limitation, an independent audit prepared for the Phase 1 Project by a certified public accountant in accordance with generally accepted accounting principles. No later than November 1 of each year following issuance of the final certificate of occupancy for the Phase 1 Project, Borrower shall provide to Authority a projected budget for the following calendar year which shall include an estimate of Surplus Cash.

1.2.1 “**Surplus Cash**” shall mean for each calendar year during the term hereof, the amount by which Gross Revenue (defined below) exceeds Annual Operating Expenses (defined below) for the Phase 1 Project. Surplus Cash shall also include net cash proceeds realized from any refinancing of the Phase 1 Project, less fees and closing costs reasonably incurred in connection with such refinancing, and any Authority-approved uses of the net cash proceeds of the refinancing.

1.2.2 “**Gross Revenue**” shall mean for each calendar year during the term hereof, all revenue, income, receipts and other consideration actually received by Borrower from the operation and leasing of the Phase 1 Project. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants; Section 8 payments or other rental subsidy payments received for the dwelling units; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance not required to be paid to the holders of Approved Senior Loans (provided however, expenditure of such proceeds for repair or restoration of the Phase 1 Project shall be included within Annual Operating Expenses in the year of the expenditure); condemnation awards for a taking of part or all of the Property or the Improvements for a temporary period; and the fair market value of any goods or services provided to Borrower in consideration for the leasing or other use of any part of the Phase 1 Project. Gross Revenue shall include any release of funds from replacement and other reserve accounts to Borrower other than for costs associated with the Phase 1 Project. Gross Revenue shall not include tenant security deposits, loan proceeds, capital contributions or similar advances.

1.2.3 **“Annual Operating Expenses”** shall mean for each calendar year during term hereof, the following costs reasonably and actually incurred for the operation and maintenance of the Phase 1 Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property taxes and assessments; debt service currently due and payable on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Phase 1 Project) on loans which have been approved by the Authority and which are secured by deeds of trust senior in priority to the Deed of Trust (**“Approved Senior Loans”**); property management fees and reimbursements in amounts in accordance with industry standards for similar residential projects; premiums for property damage and liability insurance; utility service costs not paid for directly or indirectly by tenants; maintenance and repair costs; fees for licenses and permits required for the operation of the Phase 1 Project; organizational costs (e.g., annual franchise tax payments) and costs associated with accounting, tax preparation and legal fees of Borrower incurred in the ordinary course of business; expenses for security services; advertising and marketing costs; payment of deductibles in connection with casualty insurance claims not paid from reserves; tenant services; the amount of uninsured losses actually replaced, repaired or restored and not paid from reserves; cash deposits into reserves for capital replacements in an amount no more than [\$300] per unit per year or such greater amount as reasonably required by the holder of an Approved Senior Loan or as required by a physical needs assessment prepared by a third-party selected or approved by Authority and prepared at Borrower’s expense; if the Phase 1 Project has been transferred to an Approved Partnership (as defined in the Loan Agreement), partnership management fees payable to the general partner of the Approved Partnership and an asset management fee payable to the investor limited partner of the Approved Partnership, each payable only during the first fifteen (15) years following issuance of the IRS Form 8609 for the Phase 1 Project, and jointly payable in the maximum aggregate sum of \$35,000 per year, increasing by three percent (3%) per year; subject to the last sentence of this Section, any previously unpaid portion of the developer fee (without interest) due in accordance with the Financing Plan approved by Authority as set forth in the Loan Agreement (provided that the cumulative amount of such fee does not exceed the maximum allowable by the California Tax Credit Allocation Committee (the **“Approved Developer Fee”**)); and other ordinary and reasonable operating expenses. Notwithstanding any contrary provision of this Note or the Loan Agreement, developer fees may be included as a component of Annual Operating Expenses up to the maximum aggregate amount of Two Hundred Thousand Dollars (\$200,000).

1.2.4 EXCLUSIONS FROM ANNUAL OPERATING EXPENSES. Annual Operating Expenses shall exclude the following: developer fees and interest on any deferred developer fees (except as permitted pursuant to Section 1.2.3); contributions to Phase 1 Project operating reserves; except as provided in Section 1.2.3, debt service payments on any loan which is not an Approved Senior Loan, including without limitation, unsecured loans or loans secured by deeds of trust which are subordinate to the Deed of Trust; depreciation, amortization, depletion and other non-cash expenses; expenses paid for with disbursements from any reserve account; distributions to partners; any amount paid to Borrower, any general partner of Borrower, or any entity controlled by the persons or entities in control of Borrower or any general partner of Borrower. Notwithstanding the foregoing limitation regarding payments to Borrower and related parties, the following fees shall be included in Annual Operating Expenses, subject to applicable limitations set forth in Section 1.2.3 above, even if paid to Borrower, an affiliate of Borrower, or a partner of Borrower: fees paid to a property management agent,

resident services agent, or social services agent; partnership management fees, developer fees, asset management fees, and subject to Section 1.2.5, repayment of cash advances by Borrower or its partners to cover Phase 1 Project operating expense deficits or emergency cash needs of the Phase 1 Project. Payments to Borrower, its partners or affiliates in excess of the limitations set forth in Section 1.2.3 shall not be counted toward Annual Operating Expenses for the purpose of calculating Surplus Cash.

1.2.5 ADJUSTMENT TO OPERATING EXPENSES. Notwithstanding anything to the contrary set forth herein, for the purpose of calculating Surplus Cash, Annual Operating Expenses shall include: (a) the repayment of operating deficit loans provided by Borrower's limited partner(s) provided however, interest payable on such loans may be included in Annual Operating Expenses only in an amount equivalent to the lesser of (i) interest accrued at the actual interest rate charged for the loan, or (ii) interest accrued at a rate equal to three percent (3%) in excess of the rate of interest most recently announced by Bank of America, N.A. (or its successor bank) at its San Francisco office as its "prime rate", and (b) the amount of any tax credit adjustor that is required to be paid from Phase 1 Project cash flow.

1.3 COST SAVINGS. Within ten (10) business days after Borrower's receipt of its limited partner(s)' capital contribution following the issuance of the IRS Form 8609 for the Phase 1 Project, Borrower shall pay to the Authority as a reduction of the outstanding principal balance of this Note, a one-time payment in the amount of Excess Proceeds. "Excess Proceeds" shall mean the sum of all sources of financing received by Borrower for acquisition, construction and permanent financing of the Property and the Phase 1 Project, less the sum of actual uses as shown on the final cost certificate for the Phase 1 Project, including deferred developer fees (if any). Prior to calculating Excess Proceeds, deferred developer fees may be paid, subject to the limitation set forth in Section 1.2.3 and the Phase 1 Project replacement reserve shall be funded in an amount equal to _____ Dollars (\$ _____). Interest earned on the foregoing reserve shall become a part of such reserve and used only for the purpose for which such reserve is established.

1.4 DUE ON SALE. The entire unpaid principal balance and all interest and other sums accrued hereunder shall be due and payable upon the Transfer (as defined in Section 8.1 of the Regulatory Agreement) absent Authority consent, of all or any part of the Phase 1 Project or the Property or any interest therein other than a Transfer permitted without Authority consent pursuant to the Regulatory Agreement. Without limiting the generality of the foregoing, this Note shall not be assumable without Authority's prior written consent, which consent may be granted or denied in Authority's sole discretion. This Note may be assumed upon a Transfer of the Phase 1 Project to an Approved Partnership or to an affiliate of Borrower provided such Transfer has been approved by Authority pursuant to the Regulatory Agreement.

1.5 PREPAYMENT. Borrower may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this Note, provided that each such prepayment is accompanied by accrued interest on the amount of principal prepaid calculated to the date of such prepayment. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal. The Loan Agreement shall remain in full force for the entire term thereof regardless of any prepayment of this Note.

1.6 MANNER OF PAYMENT. All payments of principal and interest on this Note shall be made to Authority at 445 E. Florida Avenue, Hemet, CA 92543 or such other place as Authority shall designate to Borrower in writing, or by wire transfer of immediately available funds to an account designated by Authority in writing.

2. DEFAULTS AND REMEDIES.

2.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an event of default hereunder (“**Event of Default**”):

(A) Borrower fails to pay when due the principal and interest payable hereunder and such failure continues for ten (10) days after Authority notifies Borrower thereof in writing.

(B) Pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (“**Bankruptcy Law**”), Borrower (or if the Property has been transferred to an Approved Partnership, any general partner) thereof (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Borrower (or any general partner of an Approved Partnership to which the Property has been transferred) in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Borrower (or any general partner of an Approved Partnership to which the Property has been transferred); (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due.

(C) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Borrower (or any general partner of an Approved Partnership to which the Property has been transferred) in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Borrower (or any general partner of an Approved Partnership to which the Property has been transferred) or substantially all of such entity’s assets, (iii) orders the liquidation of Borrower (or any general partner of an Approved Partnership to which the Property has been transferred), or (iv) issues or levies a judgment, writ, warrant of attachment or similar process against the Property or the Phase 1 Project, and in each case the order or decree is not released, vacated, dismissed or fully bonded within ninety (90) days after its issuance.

(D) The occurrence of a Transfer in violation of Article VII of the Loan Agreement.

(E) A default arises under any debt instrument secured by a mortgage or deed of trust on the Phase 1 Project or the Property and remains uncured beyond any applicable cure period such that the holder of such instrument has the right to accelerate payment thereunder.

(F) Borrower fails to maintain insurance on the Property and the Phase 1 Project as required pursuant to the Loan Documents and Borrower fails to cure such default within five (5) days.

(G) Subject to Borrower's right to contest the following charges pursuant to the Loan Documents, if Borrower fails to pay taxes or assessments due on the Property or the Phase 1 Project or fails to pay any other charge that may result in a lien on the Property or the Phase 1 Project, and Borrower fails to cure such default within twenty (20) days, but in all events before the imposition of any such tax or other lien.

(H) If any representation or warranty contained in any Loan Document, or any certificate furnished in connection therewith, or in connection with any request for disbursement of the proceeds of the Loan proves to have been false or misleading in any material adverse respect when made and continues to be materially adverse to the Authority.

(I) An Event of Default shall have been declared under the Loan Agreement or any other Loan Document, including without limitation, the Regulatory Agreement, and remains uncured beyond the expiration of the applicable cure period.

2.2 REMEDIES. Upon the occurrence of an Event of Default hereunder, Authority may, at its option (i) by written notice to Borrower, declare the entire unpaid principal balance of this Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, (ii) exercise any and all rights and remedies available to it under applicable law, and (iii) exercise any and all rights and remedies available to Authority under this Note and the other Loan Documents, including without limitation the right to pursue foreclosure under the Deed of Trust. Borrower shall pay all reasonable costs and expenses incurred by or on behalf of Authority including, without limitation, reasonable attorneys' fees, incurred in connection with Authority's enforcement of this Note and the exercise of any or all of its rights and remedies hereunder and all such sums shall be a part of the indebtedness secured by the Deed of Trust. The rights and remedies of Authority under this Note shall be cumulative and not alternative.

2.3 DEFAULT RATE. Upon the occurrence of an Event of Default, interest shall automatically be increased without notice to the rate of the lesser of ten percent (10%) per annum or the maximum rate permitted by law (the "**Default Rate**"); provided however, if any payment due hereunder is not paid when due, the Default Rate shall apply commencing upon the due date for such payment. When Borrower is no longer in default, the Default Rate shall no longer apply, and the interest rate shall once again be the rate specified in the first paragraph of this Note. Notwithstanding the foregoing provisions, if the interest rate charged exceeds the maximum legal rate of interest, the rate shall be the maximum rate permitted by law. The imposition or acceptance of the Default Rate shall in no event constitute a waiver of a default under this Note or prevent Authority from exercising any of its other rights or remedies.

2.4 LIMITED PARTNERS RIGHT TO CURE. If the Property has been transferred to an Approved Partnership, the Approved Partnership's limited partners shall have the right to cure any default of Borrower hereunder upon the same terms and conditions afforded to Borrower. Any cure tendered by a limited partner of an Approved Partnership shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if tendered by Borrower.

3. MISCELLANEOUS.

3.1 WAIVERS; AMENDMENTS; BORROWER'S WAIVERS. No waiver by Authority of any right or remedy under this Note shall be effective unless in a writing signed by Authority. Neither the failure nor any delay in exercising any right, power or privilege under this Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by Authority will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver that may be given by Authority will be applicable except in the specific instance for which it is given. No notice to or demand on Borrower will be deemed to be a waiver of any obligation of Borrower or of the right of Authority to take further action without notice or demand as provided in this Note. There shall be no amendment to or modification of this Note except by written instrument executed by Borrower and Authority.

To the maximum extent permitted by applicable law Borrower hereby waives presentment, demand, protest, notices of dishonor and of protest and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

3.2 NOTICES. Any notice required or permitted to be given hereunder shall be given in accordance with Section 11.3 of the Loan Agreement.

3.3 SEVERABILITY. If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

3.4 GOVERNING LAW; VENUE. This Note shall be governed by the laws of the State of California without regard to principles of conflicts of laws. Any legal action filed in connection with this Note shall be filed in the Superior Court of Riverside County, California, or in the Federal District Court for the Central District of California.

3.5 PARTIES IN INTEREST. This Note shall bind Borrower and its successors and assigns and shall accrue to the benefit of Authority and its successors and assigns.

3.6 SECTION HEADINGS, CONSTRUCTION. The headings of Sections in this Note are provided for convenience only and will not affect its construction or interpretation.

3.7 RELATIONSHIP OF THE PARTIES. The relationship of Borrower and Authority under this Note is solely that of borrower and lender, and the loan evidenced by this Note and secured by the Deed of Trust will in no manner make Authority the partner or joint venturer of Borrower.

3.8 TIME IS OF THE ESSENCE. Time is of the essence with respect to every provision of this Note.

3.9 NONRECOURSE. Except as expressly provided in this Section 3.9, neither Borrower nor the general or limited partners of an Approved Partnership to which the Property

has been transferred shall have personal liability for payment of the principal of, or interest on, this Note, and the sole recourse of Authority with respect to the payment of the principal of, and interest on, this Note shall be to the Phase 1 Project, the Property and any other collateral held by Authority as security for this Note; provided however, nothing contained in the foregoing limitation of liability shall:

(A) impair the enforcement against all such security for the Loan of all the rights and remedies of the Authority under the Deed of Trust and any financing statements Authority files in connection with the Loan as each of the foregoing may be amended, modified, or restated from time to time;

(B) impair the right of Authority to bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Authority to enforce and realize upon the Deed of Trust, the interest in the Phase 1 Project and the Property created thereby and any other collateral given to Authority in connection with the indebtedness evidenced hereby and to name the Borrower as party defendant in any such action;

(C) be deemed in any way to impair the right of the Authority to assert the unpaid principal amount of the Loan as a demand for money within the meaning of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto;

(D) constitute a waiver of any right which Authority may have under any bankruptcy law to file a claim for the full amount of the indebtedness owed to Authority hereunder or to require that the Phase 1 Project and the Property shall continue to secure all of the indebtedness owed to Authority hereunder in accordance with this Note and the Deed of Trust; or

(E) limit or restrict the ability of Authority to seek or obtain a judgment against Borrower to enforce against Borrower (and if the Property has been transferred to an Approved Partnership, the Approved Partnership's general partners) to:

(1) recover under any Section of the Loan Agreement that obligates Borrower to indemnify Authority, or

(2) recover from Borrower (and if the Property has been transferred to an Approved Partnership, the Approved Partnership's general partners) compensatory damages as well as other costs and expenses incurred by Authority (including without limitation reasonable attorneys' fees and expenses) arising as a result of the occurrence of any of the following:

(a) any fraud or material misrepresentation on the part of the Borrower, (and if the Property has been transferred to an Approved Partnership, the Approved Partnership's general partners), or any officer, director or authorized representative of Borrower (and if the Property has been transferred to an Approved Partnership, the officers, directors and authorized representatives of the Approved Partnership's general partners) in connection with the request for or creation of the Loan, or in any Loan Document, or in connection with any request for any action or consent by Authority in connection with the Loan;

(b) any failure to maintain insurance on the Property and the Phase 1 Project as required pursuant to the Loan Documents;

(c) failure to pay taxes, assessments or other charges which may become liens on the Property or the Phase 1 Project;

(d) the presence of Hazardous Materials on the Property or other violation of the Borrower's obligations under Section 6.1 of the Loan Agreement or Section 7.11 of the Deed of Trust (pertaining to environmental matters);

(e) the occurrence of any act or omission of Borrower that results in waste to or of the Phase 1 Project or the Property and which has a material adverse effect on the value of the Phase 1 Project or the Property;

(f) the material misapplication of the Loan proceeds;

(g) the removal or disposal of any personal property or fixtures or the retention of rents, insurance proceeds, or condemnation awards in violation of the Deed of Trust;

(h) the material misapplication of the proceeds of any insurance policy or award resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Phase 1 Project or the Property; and

(i) the failure of Borrower to pay all amounts payable under this Note in full if Borrower Transfers the Property in violation of the Loan Agreement.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note as of the date first written above.

BORROWER:

RIVERSIDE HOUSING DEVELOPMENT CORPORATION,
a California nonprofit public benefit corporation

By: _____

Print Name: _____

Title: _____

DRAFT