

HOME INVESTMENT PARTNERSHIP ACT LOAN AGREEMENT

BY AND AMONG

SAN BERNARDINO COUNTY;

AND

RIALTO METROLINK SOUTH HOUSING PARTNERS, L.P.,

Dated as of March 15, 2022

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HOME INVESTMENT PARTNERSHIP ACT LOAN AGREEMENT
(Rialto Metrolink South Housing Partners, L.P.)

This HOME Investment Partnership Act Loan Agreement (the "Agreement") is entered into as of March 15, 2022 (the "Effective Date"), by and between San Bernardino County, a political subdivision of the State of California (the "County") and Rialto Metrolink South Housing Partners, L.P., a California limited partnership (the "Borrower"), with reference to the following facts, understandings and intentions of the parties:

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Article 1 of this Agreement. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals.

B. The Rialto Housing Authority (the "Authority") and the Borrower entered into that certain June 28, 2016 Affordable Housing, Financing and Disposition and Project Agreement, and subsequent amendments, pursuant to which Authority agreed to fund the acquisition, predevelopment and construction, and sell to Borrower specified real property located in in the City of Rialto, San Bernardino County, State of California (the "Property"). The Property consists of a 1.59 acre site as more fully described on Exhibit A-1 attached hereto and incorporated herein by this reference ("Project Site"). Borrower is to develop a 55-unit affordable rental project on the Project Site for Very Low and Low-Income Households ("Project"). The Project, as well as any additional improvements on the Property, will be the "Project Improvements."

C. The County has received Home Investment Partnerships Act funds from the United States Department of Housing and Urban Project ("HUD") pursuant to the Cranston-Gonzales National Housing Act of 1990 ("HOME Funds"). The HOME Funds must be used by the County in accordance with 24 C.F.R. Part 92 (the "HOME Regulations"). Borrower desires to borrow from the County and the County desires to lend Borrower Two Million Two Hundred and Fifty Thousand Dollars (\$2,250,000) of HOME Investment Partnerships Act funds ("HOME Funds") to fund eligible activities for the Project as allowed under 24 C.F.R. 92.206 through 24 C.F.R. 92.209 (the "County Loan"). The County Loan will be evidenced by the Promissory Note and secured by the Deed of Trust, as defined below.

D. The Borrower intends to finance the costs of developing the Project with sources that may include, but are not limited to, the County Loan, the Authority Loan, and Tax Credit Funds. This Agreement shall govern the disbursement of the County Loan for the development costs associated with the Project.

E. The County Loan is being made to finance construction costs associated with the Project Improvements in order to help achieve financial feasibility for the Project. The Project will increase the supply of affordable rental housing in San Bernardino County. Due to the assistance provided to the Borrower pursuant to this Agreement, the County has classified 9 units as HOME-Assisted Units (each such unit a "HOME-Assisted Unit"). The HOME-Assisted Units are required to be three-bedroom units. The rent for the HOME-Assisted Units shall not exceed

30% of 50% of the area median income. The HOME-Assisted Units shall be fixed units and are to be intermingled throughout the Project and of comparable quality to all other Units and must meet the Uniform Federal Accessibility Standards and Section 3.8(f) below. The balance of the Units is to be made available to, and occupied by, Very Low and Low-Income Households pursuant to the terms of the Regulatory Agreement.

F. The amount of the "County Assistance" consisting of the County Loan, provided pursuant to this Agreement does not exceed the amount of County Assistance necessary for the construction and operation of the Project, as restricted by this Agreement, financially feasible.

G. Pursuant to the California Environmental Quality Act and its implementing guidelines, the County (in its capacity as "lead agency"), prepared, reviewed and following a duly noticed public hearing approved the Mitigated Negative Declaration (the "Mitigated Negative Declaration") on June 22, 2021, for the Project, of which the transactions contemplated by this Agreement are a part.

H. In December 2021, pursuant to the National Environmental Policy Act, the City of Rialto as the responsible entity prepared an Environmental Assessment and made the finding that the Project will not result in a significant impact on the quality of the human environment (the "FONSI"). In accordance with NEPA, prior to approval of this Agreement, County staff prepared and circulated for public review an environmental assessment and notice of intent to adopt the FONSI for this Agreement and the development contemplated by this Agreement. The County thereafter approved the FONSI, on January 18, 2022, after concluding that any mitigation measures set forth in the mitigated FONSI will mitigate any significant environmental impacts associated with the development contemplated by this Agreement to a level of insignificance.

THEREFORE, the County and the Borrower agree as follows:

ARTICLE 1.
DEFINITIONS AND EXHIBITS

Section 1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following definitions shall apply throughout this Agreement.

(a) "Affiliate" " means an entity that is controlling or controlled by Borrower. For the purposes of this definition "Control" means (1) direct or indirect management or control of the managing member or members in the case of a limited liability company; (2) direct or indirect management or control of a general partner or general partners in the case of a partnership; and (3) direct or indirect control of a majority of the directors in the case of a corporation.

(b) "Agreement" means this HOME Investment Partnerships Act Loan Agreement, including the attached Exhibits and all subsequent operating memoranda and amendments to this Agreement.

(c) "Annual Operating Expenses" with respect to a particular calendar year means the following costs reasonably and actually incurred for operation and maintenance of the

Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles:

- (1) Property taxes and assessments imposed on the Project;
- (2) Debt service and associated fees currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Project) on loans associated with the development of the Project and approved by the County in the Approved Financing Plan;
- (3) Property management fees (including deferred payments of previously approved property management fees to the extent deferral is required by a Project lender or Borrower's limited partner and is approved in writing by the County) and reimbursements on-site property management office expenses, and salaries of property management and maintenance personnel payable to a property manager approved by the County pursuant to the Regulatory Agreement, not to exceed amounts which are standard in the industry, and pursuant to a management contract approved by the County pursuant to the Regulatory Agreement;
- (4) Premiums for property damage and liability insurance;
- (5) Any annual license or certificates of occupancy fees required for operation of the Project;
- (6) Annual regulatory compliance monitoring fee of \$7,500 payable to the County;
- (7) Security services;
- (8) Advertising and marketing costs;
- (9) Cash deposited into reserves for capital replacements of the Project in an amount to be approved by the County as part of the Approved Financing Plan, as the same may increase during the Term with the approval of the County pursuant to Section 3.16;
- (10) Cash deposited into an operating reserve in an amount to be approved by the County as part of the Approved Financing Plan, as the same may increase during the Term with the approval of the County pursuant to Section 3.16, and annual operating budgets, but with the operating reserve capped at six (6) months of gross rent from the Project (as such rent may vary from time to time);
- (11) Asset management fee and, for the first fifteen (15) years of the Term, a partnership management fee, in the amount approved by the County as part of the Approved Financing Plan;
- (12) Utility services not paid for directly by Tenants, including without limitation, water, sewer, and trash collection;

(13) Maintenance and repair, including pest control, landscaping, grounds maintenance, painting and decorating, cleaning, common systems repair, janitorial supplies and services,

(14) Social services fees in the amount approved by the County as part of the Approved Financing Plan;

(15) Annual audit fees, inspection fees, or monitoring fees required in relation to any Approved Financing;

(16) Extraordinary operating costs specifically approved by the County in its reasonable discretion; and

(17) Payments of deductibles in connection with casualty insurance claims not normally paid from reserves, the amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves,

(18) Reasonable accounting fees and legal fees; and

(19) Other ordinary and reasonable operating expenses approved by the County in its reasonable discretion and not listed above.

(20) Annual Operating Expenses shall exclude the following: depreciation, amortization, depletion, or other non-cash expenses or, any amount expended from a reserve account.

(d) "Annual Payment" has the meaning set forth in Section 2.7(a).

(e) "Approved Financing" means the loans, grants, and other financing to be secured by the Borrower, and approved by the County for the purpose of financing the costs of the Project which shall be consistent with the Approved Financing Plan, which at the time of this Agreement is intended to include:

(1) A construction loan in the approximate amount of sixteen million two hundred thirty-nine thousand eight hundred twenty dollars (\$16,239,820) (the "Construction Loan");

(2) Permanent loans in the approximate amount of six hundred twenty-one thousand dollars (\$621,000) and eight hundred fifty-eight thousand dollars (\$858,000) or such other amount approved in the Affordable Housing Financing Plan (collectively, the "Permanent Loan");;

(3) Low Income Housing Tax Credits, Tax Credit Investor limited partner capital contribution in the approximate amount of seventeen million four hundred thirty-five thousand five hundred seventy-three dollars (\$17,435,573), or such other amount approved in the Affordable Housing Financing Plan (the "Tax Credit Investor Equity"); and

(4) the Authority Loan.

(f) "Approved Financing Plan" means the Financing Plan approved by the County as of the date of this Agreement, attached to this Agreement as Exhibit G, incorporated herein by this reference, as the same may be amended pursuant to Section 3.16.

(g) "Assignment Agreement" means the agreement, evidencing the Borrower's assignment of all rights in and to certain plans, specifications and other work product as security for the Loan Documents.

(h) "Authority Loan" means the Hard Money Loan of four million five hundred fifty thousand dollars (\$4,550,000) and Purchase Money Loan of three million thirty thousand dollars (\$3,030,000), as defined in the Affordable Housing, Financing & Disposition & Project Agreement, as may be amended from time to time, entered into by and between the Authority and the Borrower on June 28, 2016.

(i) "Bid Package" means the package of documents Borrower's general contractor is required to distribute to potential bidders as part of the process of selecting subcontractors for the Major Trades for the Project. The Bid Package is to include the following: (1) an invitation to bid; (2) copy of the proposed construction contract; (3) a form of bid guarantee that is reasonably acceptable to the County; and (4) all Construction Plans.

(j) "Board of Supervisors" means San Bernardino County's Board of Supervisors.

(k) "Borrower" means Rialto Metrolink South Housing Partners, L.P., a California limited partnership, and its permitted successors and assigns; and may also herein be referred to as the Partnership.

(l) "CEQA" means The California Environmental Quality Act, California Public Resources Code §21000- §21177, as amended.

(m) "Certificate of Completion" means the final Certificate of Completion issued by the County, or comparable County sign-off on the completion of construction of the Project Improvements. The form of Certificate of Completion is attached hereto as Exhibit H and incorporated herein by this reference.

(n) "Certificate of Occupancy" means the final certificate of occupancy, or equivalent document is issued by the City to certify completion of the construction of the Project Improvements.

(o) "Certified Access Specialist" means a certified access specialist registered with the State of California Department General Services Division of State Architect and who has met the requirements of Government Code Section 4459.5.

(p) "Close of Escrow" means the date the Deed of Trust is recorded against the Borrower's interest in the Property.

(q) "Commencement of Construction" means the date on which the construction commences on the Project, which commencement may include grading work.

(r) "Completion Component" has the meaning set forth in Section 2.6.

(s) "Completion Date" means the date that all of the following have occurred: (1) the Certificate of Occupancy is issued by the City of Rialto; (2) the Notice of Completion is issued by the County to certify completion of the construction of the Project Improvements; (3) the final disbursement of HOME funds for the Project has been made; (4) the County has verified the Project complies with the property standards set forth in 24 CFR 92.251, and all other requirements in Subpart F of the HOME Regulations; and (5) all project completion information has been entered by the County into the Integrated Disbursement and Information System (IDIS). County shall process completion information promptly after receiving complete information from the Borrower.

(t) "Completion of Construction" means the date the Certificate of Completion for the Project is issued by the County.

(u) "Conceptual Site Plan" means the schematic documents showing the basic physical characteristics of the Project and the location of improvements on the Property, including preliminary building plans and section and elevations of the Project. The Conceptual Site Plan is attached hereto as Exhibit A-2, incorporated herein by this reference.

(v) "Construction Component" has the meaning set forth in Section 2.6.

(w) "Construction Contract" means the construction contract approved by the County pursuant to the terms of Section 3.4 hereof.

(x) "Construction Loan" has the meaning set forth in Section 1.1(e)(i).

(y) "Construction Plans" means all construction documentation upon which Borrower and the General Contractor rely in constructing the Project Improvement (including the units in the landscaping, parking, and common areas) as approved by the County, as applicable, and includes, but is not limited to, final architectural drawings, landscaping plans and specifications, final elevations, building plans and specifications, and scope of construction working drawings. Construction Plans shall also mean the Plans and Specifications approved by the County.

(z) "Construction Closing" means the date upon which the financing necessary for the construction of the Project Improvements closes, and any deeds of trust related to such financing, are recorded against the Property.

(aa) "County" means San Bernardino County, a political subdivision of the State of California.

(bb) "County Executive Officer" means the County's Chief Executive Officer.

(cc) "County Loan" means the loan, made from the County to the Borrower pursuant to the terms of this Agreement, in an amount not to exceed Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000) of County HOME funds.

(dd) "County's Prorata Share of Lender's Share of Residual Receipts" means, as determined at the Close of Escrow, the percentage resulting from dividing the County Loan funds disbursed to the Borrower in accordance with this Agreement by the sum of such County Loan funds, and any other residual receipts loans included as Approved Financing and disbursed to the Borrower in accordance with the applicable agreements.

(ee) "Deed of Trust" means the deed of trust that will encumber the Borrower's interest in the Property to secure repayment of the Promissory Note, substantially in the form attached hereto as Exhibit E.

(ff) "Default Rate" has the meaning set forth in Section 2.2(b).

(gg) "Developer Fee" means the fee paid to the Borrower as developer or any Affiliates thereof, in the amount and for the purposes set forth in Section 3.17.

(hh) "Escrow" means the escrow established with the Title Company.

(ii) "Event of Default" has the meaning set forth in Section 6.1.

(jj) "Final Cost Certification" has the meaning set forth in Section 4.2.

(kk) "Gross Revenue" with respect to a particular calendar year, means all revenue, income, receipts, and other consideration actually received from operation and leasing of the Project, including but not limited to:

(1) all rents, fees and charges paid by tenants, 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 resulting in actual income;

(2) The proceeds of business interruption or similar insurance, subject to the rights of Senior Lenders

(3) Any payment received in consideration for the leasing or other use of any portion of the Project;

(4) Subject to the rights of Senior Lenders, the proceeds of casualty insurance to the extent not utilized to repair or rebuild the Project (or applied toward the cost of recovering such proceeds);

(5) Subject to the rights of Senior Lenders, condemnation awards for a taking of part or all of the Project for a temporary period; and

(6) Gross Revenue shall exclude tenants' security deposits, loan proceeds, capital contributions or other similar advances.

(ll) "Guarantor" means both of the following:

(1) National Community Renaissance of California, a California nonprofit public benefit corporation; and

(2) The Related Development Company of California, LLC, a California limited liability company. The guaranty provided by The Related Development Company of California, LLC, is limited to the amount of the Developer Fee.

(mm) "Hazardous Materials" means any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations, except such of the foregoing as may be customarily used in construction of projects like the Project or kept and used in and about residential property of this type.

(nn) "Hazardous Materials Claim" means any and all claims made by any third party against the Borrower or the Project relating to the damage, contribution, cost recovery compensation, loss, injury, enforcement, cleanup, or removal resulting from any Hazardous Materials or other governmental or regulatory actions instituted, completed or threatened against the Borrower or the Project pursuant to Hazardous Materials Laws.

(oo) "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Project or any portion thereof.

(pp) "HCD" means the California Department of Housing and Community Development.

(qq) "HOME-Assisted Units" means the 9 units classified as HOME-Assisted Units (each such unit a "HOME-Assisted Unit"). The HOME-Assisted Units consist of three-bedroom units and the rent shall not exceed 30% of 50% of the area median income. The HOME Assisted Units shall be fixed units and are to be intermingled throughout the Project and of comparable quality to all other Units and must meet the Uniform Federal Accessibility Standards.

(rr) "HOME Funds" means Home Investment Partnerships Act funds from HUD pursuant to the Cranston-Gonzales National Housing Act of 1990 (42 U.S.C. 12705 et. seq). The HOME Funds must be used by the County in accordance with 24 C.F.R. Part 92.

(ss) "HOME Term" means the period beginning on the date of this Agreement and ending on the twentieth (20th) anniversary of the Completion Date.

(tt) "HOME Regulations" has the meaning set forth in Recital C.

(uu) "HUD" means the United States Department of Housing and Urban Project.

(vv) "Investor Limited Partner" means the limited partner entity admitted to the Borrower and benefiting from federal Low Income Housing Tax Credits established pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

(ww) "Lender's Share of Residual Receipts" means fifty percent (50%) of the Residual Receipts.

(xx) "Loan Documents" shall mean, collectively, this Agreement, the Promissory Note, the Deed of Trust, the Regulatory Agreement.

(yy) "Low Income Household" means a household with an income that does not exceed eighty percent (80%) of area median income, adjusted for actual household size.

(zz) "Low Income Housing Tax Credits" means the low income housing tax credits granted pursuant to Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Sections 50199, et seq.

(aaa) "Major Trades" means the following construction trades for which the general contractor must bid out work: mechanical, roofing, concrete, electrical, plumbing, and framing trades.

(bbb) "Management Agent" means a management agent retained by the Borrower and approved by the County in accordance with the provisions of Section 4.11 to manage the Project.

(ccc) "Management Plan" shall have the meaning specified in Section 4.10 below.

(ddd) "Marketing Plan" has the meaning set forth in Section 3.18 below.

(eee) "NEPA" means the National Environmental Policy Act of 1969, as amended (42 U.S.C. 4321-4347).

(fff) "Net Excess Proceeds" means the portion of the Approved Financing for the construction of the Project that is not required to pay the costs of acquisition or construction of the Project (including but not limited to the funding of reserves and repayment of construction financing). Net Excess Proceeds, if any, shall be determined pursuant to the procedure set forth in Section 2.7.

(ggg) "Notice of Completion" means the Notice of Completion executed by Borrower in the form specified in California Civil Code Section 8182.

(hhh) "Official Records" means the official records of the San Bernardino County, California.

(iii) "Parties" means the County and the Borrower, and the term Party shall refer to each of them individually.

(jjj) "Partnership" means Rialto Metrolink South Housing Partners, L.P., a California limited partnership, a partnership created for the purpose of syndicating the Low Income Housing Tax Credits, which will own the Project and is herein also referred to as the Borrower.

(kkk) "Partnership Agreement" means that certain amended and restated agreement of limited partnership of the Borrower that will be executed concurrent with the Close of Escrow, meeting the requirements hereof.

(lll) "Permanent Closing" means the date that all deeds of trust (or assignments of deeds of trust) associated with the Permanent Financing (as shown on the Approved Financing Plan), have been recorded against the Borrower's interest in the Property, or if previously recorded, are converted to permanent loan deeds of trust, which shall also be referenced as the "Conversion Date".

(mmm) "Permanent Financing" means the sources of approved permanent financing for the Project as listed in the Approved Financing Plan for the Project approved by the County pursuant to Section 3.16 and as may be amended.

(nnn) "Permitted Limited Partner" has the meaning set forth in Section 6.5.

(ooo) "Permitted Transfer" has the meaning set forth in Section 4.17.

(ppp) "Plans and Specifications" means the plans and specifications for construction of the Project Improvements.

(qqq) "Project" means the Property and the Project Improvements.

(rrr) "Project Improvements" means the fifty-five (55) units of affordable multi-family rental housing used in accordance with this Agreement, including one (1) manager's unit, all common areas, amenities, appurtenances, improvement easements, buildings and fixtures associated with the Project.

(sss) "Project Site" has the meaning set forth in Recital B, above.

(ttt) "Promissory Note" shall mean the promissory note that will evidence the Borrower's obligation to repay the County Loan as set forth in this Agreement, substantially in the form of Exhibit D.

(uuu) "Property" has the meaning set forth in Recital B, above.

(vvv) "Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants that will be recorded against the Borrower's interest in the Property and will restrict the Project and use of the Property to affordable housing, the form of which is attached hereto as Exhibit C.

(www) "Residual Receipts" in a particular calendar year shall mean the amount by which Gross Revenue exceeds Annual Operating Expenses.

(xxx) "Risk Management" means the San Bernardino County's Department of Risk Management.

(yyy) "Schedule of Performance" means the summary schedule of actions to be taken by the Parties pursuant to this Agreement to achieve the disposition of the various parcels and the development of the Project, as such may be modified pursuant to Section 3.1. The Schedule of Performance is attached to this Agreement as Exhibit B.

(zzz) "Senior Lender" has the meaning set forth in Section 2.5 below.

(aaaa) "Statement of Residual Receipts" means an itemized statement of Residual Receipts, in the form attached here to as Exhibit F, incorporated herein by this reference. The first Statement of Residual Receipts will cover the period that begins on the Completion Date and ends on December 31st of that same year. Subsequent statements of Residual Receipts will cover the twelve-month period that ends on December 31 of each year.

(bbbb) "Tax Credit Funds" means the proceeds from the sale of a limited partnership interest in the Partnership to a Tax Credit Investor in the anticipated amount set forth in the Approved Financing Plan, or such other amount as may be approved by the County in an amendment to the Approved Financing Plan.

(cccc) "TCAC" means the California Tax Credit Allocation Committee.

(dddd) "Tenant" means the tenant household that occupies a Unit in the Project.

(eeee) "Term" means the period of time that commences on the date of this Agreement, and expires, unless sooner terminated in accordance with this Agreement, on the fifty-fifth (55th) anniversary of the Completion Date, but in no event later than December 31, 2079.

(ffff) "Title Company" means the Newport Beach, California office of Fidelity National Title Company, located at 4400 MacArthur Blvd., Suite 200, Newport Beach, CA 92660.

(gggg) "Transfer" has the meaning set forth in Section 4.17.

(hhhh) "Unit" shall mean one of the rental units included in the Project, other than the one (1) manager's unit.

(iiii) "Very-Low Income Household" means a household with an income that does not exceed fifty percent (50%) of area median income, adjusted for actual household size.

Section 1.2 Exhibits. The following exhibits are attached to and incorporated in the Agreement:

- Exhibit A-1: Legal Description of Property
- Exhibit A-2: Conceptual Site Plan
- Exhibit B: Schedule of Performance
- Exhibit C: Regulatory Agreement

Exhibit D:	Promissory Note
Exhibit E:	Deed of Trust
Exhibit F:	Statement of Residual Receipts Report
Exhibit G:	Approved Financing Plan
Exhibit H:	Form of Certificate of Completion
Exhibit I:	Certificate of Continuing Program Compliance
Exhibit J:	Section 3 Compliance
Exhibit K:	Completion Guaranty

ARTICLE 2.
COUNTY LOAN PROVISIONS

Section 2.1 County Loan. The County shall provide the County Loan to the Borrower as predevelopment, construction, and permanent financing for the Project in the principal amount not to exceed Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000). The Borrower's obligation to repay the County Loan shall be evidenced by the Promissory Note and secured by the Assignment Agreement, which shall be executed by the Borrower concurrently herewith.

Section 2.2 Interest.

(a) Subject to the provisions of Section 2.2(b) below, the County Loan shall bear three percent (3%) simple interest.

(b) Upon the occurrence of a Default by Borrower that remains uncured after expiration of the applicable cure period, at the County's option, the principal amount of the County Loan shall be immediately due and payable, and shall bear interest at the lesser of ten percent (10%) per annum or the maximum rate permitted by law (the "Default Rate"), which will accrue, as of the date of Default and continue until such time as the County Loan funds are repaid in full or the Default is cured. In this regard, payments received from the Borrower shall be applied first to interest accrued and the remaining balance, if any, to principal.

Section 2.3 Use of County Loan.

(a) Allowable Uses. The Borrower may use the County Loan to fund the predevelopment, construction and permanent financing of the Project consistent with the Approved Financing Plan and consistent with eligible activities requirements under 92.206 through 24 C.F.R. 92.209 and 24 C.F.R. 301(b). Borrower shall use the County Loan only to fund costs associated with the affordable residential portions of the Project.

(b) Prior Incurred Costs. No portion of the County Loan shall be used to fund costs incurred more than twenty-four (24) months prior to the Effective Date or for any costs not allowed under 24 C.F.R. 92.206.

(c) Other Uses Prohibited. The Borrower shall not use the County Loan funds for any other purpose without the prior written consent of the County.

(d) Use in Compliance with Regulations and Notice. During the entire Term, the Borrower shall comply with the applicable HOME Regulations, the Regulatory Agreement and this Agreement in the use of the County Loan funds.

Section 2.4 Security.

(a) Assignment of Documents. The Borrower's obligations under this Agreement shall be secured by the Assignment of Documents, in a form to be provided by the County, to be executed by the Borrower pursuant to this Section. The Assignment of Documents shall become effective upon an uncured Event of Default as defined in Section 6.1 below. The County shall not have any obligation under any contracts or agreements assigned pursuant to the Assignment of Documents until it expressly agrees in writing to be bound by such contracts or agreements. Upon an Event of Default that has not been cured pursuant to this Agreement, the County may use any of the documents, assigned to the County under an Assignment of Documents, for any purpose for which the Borrower could have used them for construction of the Project.

(b) During Construction. The Deed of Trust will secure the County Loan. At the Close of Escrow, the Deed of Trust shall be recorded against the Borrower's interest in the Property. Borrower shall secure its obligation to repay the County Loan, as evidenced by the Promissory Note, by executing the Deed of Trust, and causing or permitting it to be recorded as a lien against the Property in lien priority approved by the County in such relationship to the other Approved Financing liens as the County approves. The Deed of Trust will be recorded in a lien position junior to the City's deed of trust and regulatory agreement. Borrower shall also cause or permit the Regulatory Agreement to be recorded the Property, in a lien position junior to the City's deed of trust and regulatory agreement.

Section 2.5 Subordination.

(a) Any agreement by the County to subordinate the Deed of Trust and/or Regulatory Agreements to an encumbrance securing and/or evidencing Approved Financing (each such Approved Financing, a "Senior Loan"), will be subject to the satisfaction of each of the following conditions:

(1) All of the proceeds of the proposed Senior Loan, less any transaction costs, are used to provide acquisition, construction and/or permanent financing for the Project, or any combination thereof;

(2) The proposed lender of a Senior Loan (each a "Senior Lender") must be a state or federally chartered financial institution, a nonprofit corporation or a public entity that is not affiliated with Borrower;

(3) Borrower demonstrates to the County's satisfaction that subordination of the Deed of Trust and/or Regulatory Agreement is necessary to secure adequate acquisition, construction and/or permanent financing to ensure the viability of the Project, including the operation of the Project as affordable housing, as required by the Loan Documents. To satisfy this requirement, Borrower must provide to the County, in addition to any other information reasonably required by the County, evidence demonstrating that the proposed

amount of the Senior Loan is necessary to provide adequate construction and/or permanent financing to ensure the viability of the Project, and adequate financing for the Project would not be available without the proposed subordination;

(4) The subordination agreement(s) is structured to minimize the risk that the Deed of Trust and/or Regulatory Agreement will be extinguished as a result of a foreclosure by the Senior Lender or other holder of the Senior Loan. To satisfy this requirement, the subordination agreement must provide the County with adequate rights to cure any defaults by Borrower, including: (i) providing the County or its successor with copies of any notices of default at the same time and in the same manner as provided to Borrower; and (ii) providing the County with a cure period of at least sixty (60) days to cure any default;

(5) The subordination(s) of the County Loan is effective only during the original term of the Senior Loan and any extension of its term that is approved in writing by the County;

(b) No subordination may limit the effect of the Deed of Trust and/or the Regulatory Agreement before a foreclosure, nor require the consent of the Senior Lender prior to the County exercising any remedies available to the County under the Loan Documents; and

(c) Upon a determination by the County Executive Officer that the conditions in this Section have been satisfied, the County Executive Officer or his/her designee, will be authorized to execute the approved subordination agreement without the necessity of any further action or approval by the Board of Supervisors. Execution of any subordination agreement will evidence and constitute the determination of the County that all requirements of this Section 2.5 have been satisfied or waived.

(d) Notwithstanding anything to the contrary contained in the Loan Documents, with prior 30-days written notice to County, Borrower may refinance the Senior Loan with a non-profit, commercial, governmental or institutional lender without the prior consent of the County ("Refinanced Senior Indebtedness"), and the County hereby agrees to subordinate the lien of its Deed of Trust and the Regulatory Agreement to the Refinanced Senior Indebtedness and the lien of any deed of trust or mortgage securing the Refinanced Senior Indebtedness, provided that the principal balance of the Refinanced Senior Indebtedness does not exceed the then outstanding principal balance of the Senior Loan plus the costs incurred in securing the Refinanced Senior Indebtedness, the Refinanced Senior Indebtedness does not increase the interest rate of the Senior Loan, and the Refinanced Senior Indebtedness does not change the term of the Senior Loan.

Section 2.6 Conditions Precedent to Disbursement of Loan Funds.

(a) The disbursements made pursuant to this Section 2.6 may not exceed the amount of the County Loan and shall only be requested at such time they are needed by the Borrower to pay eligible costs. The County shall disburse the County Loan into Escrow in two components: (i) a "Construction Component" in the amount Two Million Twenty-Five Thousand Dollars (\$2,025,000) and (ii) a "Completion Component" in the amount of Two Hundred Twenty-Five Thousand Dollars (\$225,000). The division of the County Loan between the Construction Component and the Completion Component may be readjusted by the County

Executive Officer on behalf of the County without the need for formal amendment of this Agreement. The County will disburse the Construction Component at the Construction Closing subject to the conditions precedent set forth in subsection (b) below (but in no event before the Construction Closing) and the Completion Component at Permanent Closing subject to the conditions precedent set forth in subsection (c).

(b) Construction Component. The County is not obligated to make a disbursement of the Construction Component prior to the Construction Closing, or to take any other action under the Loan Documents unless the following conditions precedent are satisfied prior to each such disbursement of the County Loan funds:

(1) There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default under this Agreement, or any other financing agreements or contracts between the County and Borrower or its Affiliates relating to the Project;

(2) This Agreement has been executed by the Borrower and the County and delivered to the County;

(3) Borrower has delivered to the County a copy of Borrower's organizational documents and a corporate authorizing resolution authorizing Borrower's execution of this Agreement and the transactions contemplated by this Agreement;

(4) Borrower has caused to be executed and delivered to the County the Loan Documents and any other instruments, and policies required under the Loan Documents;

(5) The County has received and approved any necessary updates to the Approved Financing Plan;

(6) The County has received and approved the general contractor's construction contract that the Borrower has entered or proposed to enter for construction of the Project Improvements as required under the terms of Section 3.4 of this Agreement, including evidence that the Major Trades have been properly bid, and, if applicable, all contractors and subcontractors have registered with the DIR in compliance with Labor Code Section 1771.1;

(7) County has approved or received copies of the Plans and Specifications for the Project, provided the foregoing shall not be a condition to the Construction Closing or closing of the Loan;

(8) The County has received copies of labor and material payment and performance bonds or alternative security as required pursuant to Section 3.5 below;

(9) Borrower has obtained all permits and approvals necessary for the construction of the Project Improvements, (or a permit ready letter indicating the Project is entitled to receive such building permits subject to the payment of fees therefor) necessary to perform the construction work pursuant to the terms of this Agreement;

(10) The Borrower has submitted a certification from the architect or the Certified Access Specialist certifying that the HOME-Assisted Units have been designed in compliance with Section 3.8(f) of this Agreement or has provided the County with other evidence that the Project has been designed to comply with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794, et seq.) and the Uniform Federal Accessibility Standards (UFAS);

(11) Borrower has executed a Partnership Agreement approved by the County, with the Investor Limited Partner, in which the Investor Limited Partner is obligated to provide Borrower the Tax Credit Investor Equity;

(12) Borrower has closed, or is concurrently closing, on the Construction Loan and is eligible to receive the proceeds of all construction loans and has received, or is concurrently receiving, the amount of Tax Credit Investor Equity stated as the first installment in the Partnership Agreement;

(13) The County has received reasonable evidence that the local match requirements set forth in 24 C.F.R. Section 92.218 et seq., have been satisfied pursuant to Section 4.1 of this Agreement;

(14) Borrower has furnished the County with evidence of the insurance coverage meeting the requirements of Section 4.18 below;

(15) The Deed of Trust and the Regulatory Agreement have been recorded against the Borrower's interest in the Property in the Office of the Recorder of the San Bernardino County in a lien position approved by the County, in accordance with the terms of this Agreement, and recorded copies have been arranged to be delivered to the County;

(16) Borrower is in compliance with the Schedule of Performance;

(17) All environmental review necessary for the construction of the Project has been completed, and Borrower has provided the County evidence of compliance with all CEQA and NEPA mitigation measures;

(18) There exists no material adverse change in the financial condition of Borrower from that shown by the financial statements and other data and information furnished by Borrower to the County prior to the date of this Agreement;

(19) The County has determined the undisbursed proceeds of the County Loan, together with other funds or firm commitments for funds that the Borrower has obtained, or reasonably expects to obtain, in connection with the acquisition and construction of the Project, are not less than the amount the County determines is necessary to pay for the acquisition and construction of the Project and to satisfy all of the covenants contained in this Agreement and the Regulatory Agreement;

(20) A title insurer reasonably acceptable to the County is unconditionally and irrevocably committed to issuing an LP-10 2006 ALTA Lender's Policy of title insurance insuring the priority of the Deed of Trust in the amount of the County Loan, subject only to such exceptions and exclusions as may be reasonably acceptable to the County,

and containing such endorsements as the County may reasonably require. The Borrower shall provide whatever documentation (including an indemnification agreement), deposits or surety is reasonably required by the title company in order for the Deed of Trust to be senior in lien priority to any mechanics liens in connection with any start of construction that has occurred prior to the recordation of the Deed of Trust against the Property in the Office of the Recorder of the San Bernardino County;

(21) The County has received a written draw request from the Borrower, including certification that the condition set forth in Section 2.6(b)(i) continues to be satisfied, and setting forth the proposed uses of funds consistent with the Approved Financing Plan for the Project, the amount of funds needed, and, where applicable, a copy of the bill or invoice covering a cost incurred or to be incurred;

(c) Completion Component. The County is not obligated to make a disbursement of the Completion Component at Permanent Closing, or to take any other action under the Loan Documents unless the following conditions precedent are satisfied prior to each such disbursement of the County Loan funds:

(1) All requirements set forth in Section 2.6(b) have been and continue to be satisfied and there exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default under this Agreement;

(2) The County has received satisfactory evidence that the Units are rented to eligible tenants at the required rents in compliance with the requirements of this Agreement and the Regulatory Agreement;

(3) The Borrower has satisfied all conditions for the receipt of the completion installment of the Tax Credit Investor Equity, consistent with Borrower's Partnership Agreement;

(4) The County has issued the Certificate of Completion for the Project and the Notice of Completion has been recorded against title to the Property;

(5) The County has received from Borrower current evidence of the insurance coverage meeting the requirements of Section 4.18 below;

(6) The County has received and approved a report setting forth: (i) the income, household size, race, and ethnicity of Tenants of the HOME-Assisted Units; (ii) the unit size, rent amount and utility allowance for all HOME-Assisted Units; and (iii) the accessible units in the Project pursuant to Section 3.8;

(7) The County has received a draft of the Final Cost Certification for the Project from Borrower showing all uses and sources;

(8) The County has received from Borrower and approved a form of Tenant lease;

(9) The County has received from Borrower and approved the Marketing Plan;

(10) The County has received from the Borrower evidence of marketing for any vacant units in the Project such as copies of flyers, list of media ads, list of agencies and organizations receiving information on availability of units, as applicable;

(11) The County has received from Borrower all relevant contract activity information (including items included in Exhibit J of this Agreement, incorporated herein by this reference) and MBE/WBE requirements;

(12) Borrower has submitted a certification from the architect or a County approved Certified Access Specialist certifying that the Project has been constructed in compliance with Section 3.8(f) of this Agreement or has provided the County with other evidence that the Project, as built, complies with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794, et seq.) and the Uniform Federal Accessibility Standards (UFAS);

(13) The County has received from Borrower a copy of the management agreement and contact information for the property manager of the Project and the name and phone number of the on-site property manager;

(14) If Borrower is required to pay prevailing wages under the Davis-Bacon Act (40 U.S.C. 3141-3148), the Borrower has submitted copies of all certified payrolls to the County, and any identified payment issues have been resolved, or Borrower is working diligently to resolve any such issues;

(15) If Borrower is required to pay prevailing wages under the California Labor Code, the Borrower has submitted copies of all certified payrolls and provided the County all information required by Labor Code Section 1773.3, and any identified payment issues have been resolved, or Borrower is working diligently to resolve any such issues; and

(16) The County has received a written draw request from Borrower, including (1) certification that the conditions set forth in Section 2.6 continue to be satisfied, (2) certification that the proposed use of funds is consistent with the Approved Financing Plan, (3) the amount of funds needed, and, (4) where applicable, a copy of the bill or invoice covering a cost incurred or to be incurred. When a disbursement is requested to pay any contractor in connection with improvements on the Property, the written request must be accompanied by: (1) certification by the Borrower's architect reasonably acceptable to the County that the work for which disbursement is requested has been completed (although the County reserves the right to inspect the Property and make an independent evaluation); and (2) lien releases and/or mechanics lien title insurance endorsements reasonably acceptable to the County.

(d) The Borrower hereby agrees and acknowledges that the County will have forty-five days (45) days from the date the County receives a completed draw request to disburse funds under this Section 2.6.

(e) All funds to be disbursed pursuant to this Agreement shall be available to be disbursed to a Senior Lender, if and to the extent, the Senior Lender takes over the

construction of the Improvement, the Senior Lender agrees to be bound to the terms hereof and the Senior Lender has cured any Event of Default of the Borrower.

(f) Notwithstanding any other provisions of this Agreement, the County shall have no further obligation to disburse any portion of the County Loan to Borrower under this Agreement following: (i) termination of this Agreement; (ii) notification by the County to the Borrower of an Event of Default (excluding any Event of Default of the County) under terms of this Agreement until such time as the Event of Default has been cured.

Section 2.7 Repayment Schedule. The County Loan shall be repaid as follows:

(a) Annual Payments. Commencing on the May 1 following Completion of Construction, and on each May 1 of each year thereafter for the Term, the Borrower shall make repayments of the County Loan in the amount of the County's Pro Rata Share of Lender's Residual Receipts for the previous calendar year (each, an "Annual Payment"). Payment of the County's Pro Rata Share of the Lender's Residual Receipts shall be credited first against unpaid accrued interest generated pursuant to Section 2.2 above, and then against outstanding principal, and shall be accompanied by the Borrower's Statement of Residual Receipts (including the independent auditor's report regarding the auditor's review of Annual Operating Expenses required by this Section). On or prior to the date that Borrower pays its Annual Payment, the Borrower shall provide the County in the form attached hereto as Exhibit F, within sixty (60) days following the end of each calendar year, the Statement of Residual Receipts for the relevant period, for the subject property and the status of all reserve funds, including without limitation:

(1) A report showing the actual income and expenditures with respect to the Project for the immediately preceding calendar year;

(2) A statement from the independent public accountant that audited the Borrower's financial records for the relevant period;

(3) The calculation of Annual Operating Expenses, Gross Revenue, and Residual Receipts and the status of all reserve funds, including without limitation, an annual audited financial statement for the Project prepared by a certified public accountant approved by the County which statement must confirm that Borrower's calculation of the Lenders' Share of Residual Receipts is accurate based on Gross Revenue and Annual Operating Expenses; and

(4) Any additional documentation reasonably required by the County to substantiate Borrower's calculation of Lenders' Share of Residual Receipts.

(b) Special Repayment For Un-leased Units. As required under 24 C.F.R. 92.252, if the Borrower fails to lease any one of the HOME-Assisted Units within eighteen (18) months of the Completion of Construction of the Project, the Borrower shall pay to the County a proportionate share of the indebtedness of Borrower to the County under this Agreement and the Note attributable to each of the HOME-Assisted Units (up to the amount of HOME funds invested in the HOME-assisted Unit) that has remained un-leased for the entire eighteen (18) month period, together with any accrued interest thereon calculated pursuant to Section 2.2, which amount shall be immediately due and payable. Amounts required to be repaid pursuant to

this subsection that are not immediately repaid as required hereunder as a result of the limitations set forth by Senior Lenders shall be added to the outstanding principal of the County Loan and become part of the secured obligation of the Borrower.

(c) Special Repayments from Net Excess Proceeds. Subject to the rights of Senior Lenders and approval by the California Tax Credit Allocation Committee, and to the extent of additional subordinate loan proceeds, equity or surplus development sources following the Final Cost Certification, no later than ten (10) days after the date the Borrower receives its final Tax Credit Investor Equity contribution, the Borrower shall pay to the County, subject to the last sentence of this paragraph, one-hundred percent (100%) of the Net Excess Proceeds, as a special repayment of the County Loan. Notwithstanding anything to the contrary, the County Executive Officer is authorized to approve a reduced special repayment from Net Excess Proceeds of the County Loan pursuant to this subsection in the event the County Executive Officer determines in the County Executive Officer's sole and absolute discretion that such funds are required to pay project costs reasonably incurred by the Borrower and approved by the County pursuant to the Approved Financing Plan (including as needed to capitalize the Supplemental Replacement Reserve or the Capitalized Operating Reserve). Any amounts required to be paid hereunder, shall be apportioned among subordinate lenders, to the extent required by such subordinate lender's loan documents.

(d) Determination of Net Excess Proceeds. The amount of the Net Excess Proceeds shall be determined by the Borrower and submitted to the County for approval on the date the Borrower submits the final cost audit for the Project to TCAC. The Borrower shall also submit to the County any additional documentation sufficient to verify the amount of the Net Excess Proceeds. The County shall reasonably approve or disapprove the Borrower's determination of the amount of the Net Excess Proceeds in writing within sixty (60) days of the receipt of the Borrower's cost audit and supplemental documentation. If the County disapproves the Borrower's determination of the amount of Next Excess Proceeds, the County shall specify in writing the reasons for the disapproval. If the Borrower's determination is disapproved by the County, the Borrower shall re-submit documentation to the County until the County approval is obtained. The County's share of the Net Excess Proceeds shall be due the County from the Borrower within ten (10) days after the Borrower receives the final equity contribution from its Tax Credit Investor.

(e) Payment in Full. Borrower shall pay all outstanding principal and accrued interest on the County Loan, in full, on the earliest to occur of: (1) an Event of Default; and (2) the expiration of the Term.

(f) Prepayment. The Borrower shall have the right to prepay the County Loan at any time without premium or penalty. However, this Agreement and the Regulatory Agreement shall remain in effect for their entire respective terms, regardless of any prepayment or timely payment of the County Loan.

Section 2.8 Non-Recourse.

(a) Except as provided below, upon recordation of the Deed of Trust against the Property, neither Borrower, nor any partner of Borrower, will have any direct or indirect personal liability for payment of the principal of, and interest on, the County Loan or the

performance of the covenants of Borrower under the Deed of Trust. Following recordation of the Deed of Trust, the sole recourse of the County with respect to the principal of, or interest on, the Promissory Note and defaults by Borrower in the performance of its covenants under the Deed of Trust will be to the property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall:

(1) Limit or impairs the enforcement of all the rights and remedies of the County against all such security for the Promissory Note;

(2) Be deemed in any way to impair the right of County to assert the unpaid principal amount of the Promissory Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto;

(3) Be deemed in any way to limit the rights of the County to obtain specific performance by the Borrower of its covenants under the Loan Documents, other than the covenants to pay the County principal and interest due under the Promissory Note.

(b) The foregoing limitation of liability is intended to apply only to the obligation to repay the principal of, and payment of interest on the Promissory Note and the performance of Borrower's obligations under the Deed of Trust. Except as hereafter set forth; nothing contained herein is intended to relieve Borrower of its obligation to indemnify the County under this Agreement, or liability for:

(1) Fraud or willful misrepresentation of the Borrower;

(2) The failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges);

(3) The fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust; and/or

(4) The misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain; or by reason of damage, loss, or destruction to any portion of the Property.

ARTICLE 3. CONSTRUCTION OF THE IMPROVEMENTS

Section 3.1 Schedule of Performance.

Borrower shall perform the tasks described in the Schedule of Performance no later than the dates set forth in the Schedule of Performance, subject to Section 8.8. The Schedule of Performance may be modified in writing by Borrower and the County Executive Officer on behalf of the County without the need for formal amendment of this Agreement or further

approval by the Board of Supervisors.

Section 3.2 Permits and Approvals.

Borrower shall obtain all permits and approvals necessary for the construction of the Project no later than the date set forth in the Schedule of Performance. The applications for permits and approvals shall be consistent with and incorporate the approved Plans and Specifications.

Section 3.3 Bid Package.

No later than thirty (30) days prior to Borrower's proposed date for advertising the Bid Package, Borrower shall submit to the County a copy of Borrower's general contractor's proposed Bid Package. The County Executive Officer, or his/her designee, shall approve or disapprove the Bid Package within fifteen (15) days after receipt of the Bid Package by the County. If the County rejects the proposed Bid Package the reasons therefore must be given to Borrower. Borrower will then have fifteen (15) days to review and approve Borrower's new or corrected Bid Package. The provisions of this Section will continue to apply until a proposed Bid Package has been approved by the County. Borrower may not publish a proposed Bid Package until it has been approved by the County.

Section 3.4 Construction Contract.

(a) No later than the date set forth in the Schedule of Performance, the Borrower shall submit to the County for its limited approval the proposed construction contract for the Project. All construction and professional services are to be performed by persons or entities licensed or otherwise authorized in the State of California. The County's review and approval shall be limited exclusively to a determination whether: (i) the guaranteed maximum construction cost or stipulated sum set forth in the construction contract is consistent with the Approved Financing Plan; (ii) the Major Trades were properly bid and that the contract is with National Community Renaissance of California, as contractor; or a contractor approved by the County; (iii) the construction contract contains provisions consistent with Sections 3.8(c), 3.9, and 3.10 of this Agreement; and (iv) the construction contracts require a retention of ten percent (10%) of hard costs until completion of the Project; or as approved by the County at its sole discretion, provided that that Borrower may release retention for the following trades prior to completion of the Project: demolition, grading, structural concrete, foundations, framing, dry utilities, sewer, sanitary sewage, storm drainage, water, general contractor's insurance, general conditions, window materials, appliances, lot materials, window coverings, termite treatment, and erosion control.

(b) The County's approval of the construction contract for the Project shall in no way be deemed to constitute approval of or concurrence with any other term or condition of the construction contract, except as such term or condition may be required by this Agreement.

(c) Upon receipt by the County of the proposed construction contract, the County shall promptly review same and approve it within ten (10) days if the contract satisfies the limited criteria set forth above. If the construction contract is not approved by the County, the County shall set forth in writing and notify the Borrower of the County's reasons for

withholding such approval. The Borrower shall thereafter submit a revised construction contract for County approval, which approval shall be granted or denied in ten (10) days in accordance with the criteria and procedures set forth above. Any construction contract executed by the Borrower for the Project shall be in a form approved by the County.

(d) Borrower and their contractors shall use best efforts to coordinate with the local County Workforce Project Department (WDD) and any other entity identified by the County (including but not limited to the Housing Authority), to maximize the practicable opportunity to participate in the construction of the Project. Borrower shall, at a minimum, make contact with the County WDD and provide project information for local hire opportunities. Documentation of such notifications must be maintained by Borrower and available to the County as requested.

Section 3.5 Construction Bonds.

(a) As a condition precedent to the first draw request under the Construction Component of the County Loan, the Borrower shall deliver to the County copies of labor and material bonds and performance bonds for the construction of the Project in an amount equal to one hundred percent (100%) of the scheduled cost of the construction of the Project. The bonds required under this Section 3.5 shall be issued by a surety licensed to do business in California and reasonably acceptable to the County. Such bonds must name the County as a co-obligee.

(b) The County shall either reasonably approve or disapprove the submitted proposed Construction Bonds within fifteen (15) days from the date the County receives the Construction Bonds. If the proposed Construction Bonds are not approved by the County, then the County shall notify the Borrower in writing of the reasons for disapproval and the required revisions to the previously submitted Construction Bonds. The Borrower shall thereafter submit revised proposed Construction Bonds within fifteen (15) days of the notification of disapproval. The County shall either approve or disapprove the submitted revised Construction Bonds within fifteen (15) days of the date such revised Construction Bonds are received by the County. The County shall approve the initial or revised Construction Bonds if they meet the standards set forth in subsection (a) above. Such County-approved bonds shall be delivered to the County prior to, or in conjunction with, the Construction Closing.

(c) Notwithstanding the foregoing, the County shall consider other reasonable forms of security for the completion of the construction of the Project Improvements, including (1) from either the Borrower or the Borrower's general contractor, in lieu of such Construction Bonds described in this section provided that: (A) the Investor and all lenders set forth on the Approved Financing Plan have agreed to such other security, and (B) the County has the same enforcement rights under such security as the Investor and all lenders set forth in the Approved Financing Plan; or (2) delivery of the executed Completion Guaranty Agreement, executed by the Guarantor and in the form attached hereto as Exhibit K. If and to the extent the Senior Lender or limited partner requires additional guaranties from the Related Development Company of California, LLC, the Related Development Company of California agrees to provide to County the equivalent guaranties, naming the County as a beneficiary to the guaranty. Further, if the Senior Lender or limited partner requires payment and performance bonds, Borrower hereby agrees to name the County as an additional insured.

Section 3.6 Commencement of Construction.

Borrower shall cause the Commencement of Construction of the Project no later than the date set forth in the Schedule of Performance, which in no event shall be any later than twelve (12) months from the Effective Date.

Section 3.7 Completion of Construction.

(a) The Developers shall diligently prosecute to completion the construction of the Project no later than the date set forth in the Schedule of Performance, but in no event later than July 31, 2024, unless the County and the Borrower agree to extend such date pursuant to Section 8.8.

(b) For purposes of this Agreement, "Completion of Construction" means the following:

(1) Borrower shall diligently prosecute construction of the Project to completion and shall cause the completion of the construction of the Project no later than the date set forth in the Schedule of Performance, subject to Section 8.8 hereof.

(2) Borrower shall record a Notice of Completion within ten (10) days of completion of construction of the Project and provide the County a copy of the recorded Notice of Completion.

Section 3.8 Construction Pursuant to Plans and Laws; Prevailing Wages; Accessibility.

(a) Changes. Borrower shall construct the Project substantially in accordance with the conceptual site plans and the Plans and Specifications and the terms and conditions of the land use permits and approvals and building permits, including any variances granted. Borrower shall notify the County in a timely manner of any changes in the work required to be performed under this Agreement, including any additions, changes, or deletions to the Construction Plans. Consent to any additions, changes, or deletions to the work do not relieve or release Borrower from any other obligations under this Agreement, or relieve or release Borrower or its surety from any surety bond.

(b) Compliance with Laws. To the extent applicable, Borrower shall cause all work performed in connection with the Project to be performed in compliance with all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter including without limitation and to the extent applicable, (1) the property standards set out in 24 C.F.R. 5.701 et seq. and 24 C.F.R. 92.251 or adopted by the County in conformance therewith; and (2) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work will proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and Borrower shall be responsible to the agency for the procurement and maintenance thereof, as may be required of Borrower and all entities engaged in work on the Project.

(c) Prevailing Wages. To the extent required by law, in the construction of the Project, Borrower shall and shall cause its respective contractors and subcontractors to pay prevailing wages in performing the development activities as may be required under federal Davis-Bacon Act (40 USC 3141-3148) and the labor compliance provisions in the attached Exhibit H incorporated herein by this reference, and pursuant to Labor Code Sections 1720 et seq. (the "Prevailing Wage Requirements"), and the implementing regulations of the Department of Industrial Relations (the "DIR"), to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the DIR and comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., 1810-1815, and implementing regulations of the DIR. To the extent Prevailing Wage Requirements are applicable, Borrower shall and shall cause its respective contractors and subcontractors to keep and retain such records as are necessary to determine if such prevailing wages have been paid as required pursuant to Labor Code Sections 1720 et seq., and that apprentices have been employed as required by Labor Code Section 1777.5 et seq., and shall, from time to time upon the request of the County provide to the County such records and other documentation reasonably requested by the County. Copies of the currently applicable per diem prevailing wages are available from the County. To the extent Prevailing Wage Requirements are applicable, Borrower shall post the applicable prevailing rates of per diem wages at the project site. To the extent Prevailing Wage Requirements are applicable, Borrower shall cause its respective contractors and subcontractors to be registered as set forth in Labor Code Section 1725.5. In addition, and only to the extent Prevailing Wage Requirements are applicable, Borrower shall cause its respective contractors and subcontractors to do all the following:

(1) All calls for bids, bidding materials and the construction contract documents for the Project must specify that: (i) No contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the Project unless registered with the DIR pursuant to Labor Code Section 1725.5; and (ii) The Project is subject to compliance monitoring and enforcement by the DIR;

(2) To the extent required by law: (i) Borrower is required to provide the County all information required by Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within two (2) days of the award of the contract (<https://www.dir.ca.gov/pwc100ext/>); (ii) Borrower shall cause its respective contractors to post job site notices, as prescribed by applicable DIR regulations; and (iii) Borrower shall cause its respective contractors to furnish payroll records required by Labor Code Section 1776 directly to the Labor Commissioner, at least monthly in the electronic format prescribed by the Labor Commissioner.

(d) Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the County and its board members, officers and employees against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractors and subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq. and prevailing wage requirements of the federal Davis-Bacon Act (40 USC 3141-3148), to employ apprentices pursuant to Labor Code Sections 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the

performance of the development activities or any other work undertaken or in connection with the Property. The requirements in this subsection survive the repayment of the County Loan, and the reconveyance of the Deed of Trust.

(e) The prime contractor and all subcontractors shall be required to pay their laborers and mechanics employed under this Agreement, a wage not less than minimum wage classification, as specified in the applicable Federal law when the contract amount for the prime contract exceeds \$2,000. The prime contractor is responsible for ensuring subcontractor compliance with Davis-Bacon Act and related requirements. Federal Labor Standards Provisions (HUD 4010) apply to the Project. A weekly certified payroll submitted through LCP Tracker (as defined in Exhibit J) is required during the term of construction of the Project. Payment of disbursement components may be delayed when certified payrolls are not properly submitted.

(f) For purposes of this Section 3.8, the "initial construction" of the Project shall mean the work required in order to construct such improvements and obtain the Certificate of Completion for the Project.

(g) Accessibility Requirements. The Borrower shall construct the Project to comply with all applicable federal and state disabled persons accessibility requirements including but not limited to the Federal Fair Housing Act, Section 504 of the Construction Act of 1973, Title II and/or Title III of the Americans with Disabilities Act of 1990, Title 24 of the California Code of Regulations and the Uniform Federal Accessibility Standards ("UFAS"). In compliance with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794, et seq.), a minimum of three (3) Units, representing five percent (5%) of the Units in the Project, shall be constructed to be readily accessible and usable by households with a mobility impaired member and a minimum of two (2) Units, representing two percent (2%) of the Units in the Project) shall be constructed and to be readily accessible and usable by households with a hearing or visually impaired member. All Units in the Project shall also be built to comply with the Uniform Federal Accessibility Standards under 49 C.F.R. 31528.

Section 3.9 Equal Opportunity.

(a) During the construction of the Project there shall be no discrimination on the basis of race, color, creed, religion, sex, sexual orientation, gender identity, marital status, national origin or ancestry, or source of income, in the hiring, firing, promoting or demoting of any person engaged in the construction work.

(b) In providing services supported in whole or in part with federal financial assistance, and in their outreach activities related to such services, program participants shall not discriminate against current or prospective program beneficiaries on the basis of religion, a religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice. A faith-based organization that is a recipient or subrecipient of HOME funds is eligible to use such funds as provided under the regulations of this part without impairing its independence, autonomy, expression of religious beliefs, or religious character. Such organization will retain its independence from federal, state, and local government, and may continue to carry out its mission, including the definition, development, practice, and expression of its religious beliefs, provided that it does not use direct program funds to support or engage in any explicitly religious activities, including activities that involve overt religious content, such as

worship, religious instruction, or proselytization, or any manner prohibited by law. Among other things, faith-based organizations may use space in their facilities to provide program-funded services, without removing or altering religious art, icons, scriptures, or other religious symbols. In addition, a HOME program-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents.

(c) Nothing in this Section prohibits the Borrower from requiring Units in the Project to be available to and occupied by income eligible households in accordance with the Regulatory Agreements.

Section 3.10 Minority and Women-Owned Contractors.

Borrower shall use its best efforts to afford minority-owned and women-owned business enterprises the maximum practicable opportunity to participate in the construction of the Project. Borrower shall, at a minimum, notify applicable minority-owned and women-owned business firms located in San Bernardino County of bid opportunities for the construction of the Project. A listing of minority owned and women owned businesses located in the County and neighboring counties is available from the County. Documentation of such notifications must be maintained by Borrower and available to the County as requested.

Section 3.11 Progress Reports.

(a) From the date of commencement of construction and until such time as Borrower has received a Certificate of Completion for the Project, Borrower shall provide the County with quarterly progress reports regarding the status of the construction of the Project.

(b) The Borrower shall provide any information reasonably requested by the County in connection with the Project.

Section 3.12 Construction Responsibilities.

(a) Borrower is responsible for the coordination and scheduling of the work to be performed so that commencement and completion of the construction of the Project will take place in accordance with this Agreement.

(b) Borrower is solely responsible for all aspects of Borrower's conduct in connection with the Project, including (but not limited to) the quality and suitability of the Plans and Specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the County with reference to the Project is solely for the purpose of determining whether Borrower is properly discharging its obligations to the County, and may not be relied upon by Borrower or by any third parties as a warranty or representation by the County as to the quality of the design or construction of the Project.

Section 3.13 Certificates of Completion.Promptly after completion of the Project, and upon written request from the Borrower, in accordance with those provisions of this Agreement relating solely to the obligations of the Borrower to construct the Project; and the County's determination that the Borrower various obligations with regards to completion of the Project under this Agreement have been met; the County will provide the Borrower with one or more Certificates of Completion for the Project. If upon the written request from the Borrower, the County determines, at its sole discretion, that the requesting Borrower is not entitled to a Certificate of Completion, the County shall within twenty (20) days of such request, provide such Borrower with a written response stating with specificity the obligations required to be completed as a condition for issuing the Certificate of Completion. If the County fails to issue or fails to provide a written response stating with specificity the reasons the County will not issue a Certificate of Completion to a requesting Borrower within twenty (20) days of a request hereunder, then the requesting Borrower shall be deemed to be entitled to receive such Certificate of Completion.

(b) Such Certificates of Completion shall be conclusive evidence that the covenants in this Agreement with respect to the obligations of Borrower to construct their portions of the Project described in such certificates and the dates for the beginning and completion thereof have been met; provided, however, such certifications shall not be conclusive evidence regarding Borrower satisfaction of the prevailing wage requirements of Section 3.8(c) above. Such Certificates of Completion shall be in the form attached hereto as Exhibit H. Such certifications and determinations shall not constitute evidence of compliance with or satisfaction of any obligation of the Borrower to any holder of a deed of trust securing money loaned to finance any portion of the Project or any part thereof and shall not be deemed a notice of completion under the California Civil Code.

Section 3.14 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or a stop notice affecting the County Loan is served on the County or any other lender or other third party in connection with the Project, then Borrower shall, within twenty (20) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the County a surety bond in sufficient form and amount, or provide the County with other assurance satisfactory to the County that the claim of lien or stop notice will be paid or discharged.

(b) If Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section or obtain a surety bond, then in addition to any other right or remedy, the County may (but is under no obligation to) discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternately, the County may require Borrower to immediately deposit with the County the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The County may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

(c) Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction work on the Project for a continuous period of thirty (30) days or more, and take all other steps necessary to forestall the assertion of claims of lien against the Property. Borrower authorizes the County, but the County has no obligation, to record any

notices of completion or cessation of labor, or any other notice that the County deems necessary or desirable to protect its interest in the Project.

Section 3.15 Inspections.

(a) The Borrower shall permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection of the Project by the County and by public authorities during reasonable business hours upon forty-eight (48) hours' written notice for the purposes of determining compliance with this Agreement, provided, however, that nothing in this Agreement shall entitle the County to enter an occupied unit in the Project without notice to the tenant thereof, which the Borrower shall deliver on behalf of the County, and permission from such tenant to the extent such permission is required by law. Such inspections do not relieve the Borrower, or its contractors, from any applicable requirement to obtain other County inspections in connection with the construction of the Project Improvements.

(b) After the completion of an inspection the County shall deliver a copy of the inspection report to the Borrower. If the County determines as a result of such inspection that there are any life-threatening health and safety related deficiencies, Borrower has the obligation to correct such deficiencies immediately, in accordance with 24 C.F.R. 92.251. If the County determines as a result of the inspection that there are any deficiencies for any of the inspectable items in the Project, the Borrower shall correct such deficiencies within fifteen (15) days from the delivery of the inspection report or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Borrower must begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible. In addition, the Borrower acknowledges that the County may re-inspect the Project to verify all deficiencies have been corrected or rely on third party documentation submitted by the Borrower for non-hazardous deficiencies in conformance with 24 C.F.R. 92.504(d).

Section 3.16 Approved Financing Plan.

As of the date of this Agreement, the County has approved the Approved Financing Plan set forth in Exhibit G. Borrower shall submit any proposed or required amendments to the Approved Financing Plan, along with evidence that the changes to the Approved Financing Plan are reasonable and necessary, to the County for approval within fifteen (15) days of the date Borrower receives information indicating that actual costs of the Project materially vary or will vary from the costs shown on the Approved Financing Plan, which approval shall not be unreasonably withheld or delayed. Written consent of the County will be required to amend the Approved Financing Plan. The County will make best efforts to respond in writing within seven (7) days after receipt of a proposed amendment to the Approved Financing Plan.

Section 3.17 Developer Fee.

(a) The maximum cumulative Developer Fee that may be paid to any entity or entities providing development services to the Project, whether paid up-front or on a deferred basis, may not exceed One Million Eight Hundred Thousand (\$1,800,000) and as approved by the County. For the purposes of this Agreement "Developer Fee" has the meaning set forth in California Code of Regulations, Title 4, Section 10302. Except for the Developer Fee and amounts payable to the General Contractor under the Construction Contract, no compensation

from any source shall be received by or be payable to the Borrower or any affiliate of the Borrower in connection with the provision of development and construction management services for the acquisition and construction of the Project.

(b) Cost savings at completion. Subject to the rights of Senior Lenders, pursuant to Section 2.7(d), the Borrower may request to reduce the outstanding balance of the deferred Developer Fee subject to the County's reasonable approval. Although no County approval is required in order to increase the deferred Developer Fee from the amount listed in Section 3.17(a), the Borrower shall notify the County of any change to the amount of deferred Developer Fee.

Section 3.18 Marketing Plan.

(a) No later than six (6) months prior to the projected date of the Completion of Construction of the Project Improvements, Borrower shall submit to the County for approval its plan for marketing the Project to income-eligible households as required pursuant to the Regulatory Agreement, including information on affirmative marketing efforts and compliance with fair housing laws and 24 C.F.R. 92.351(a) (the "Marketing Plan").

(b) Upon receipt of the Marketing Plan, the County will promptly review the Marketing Plan and will approve or disapprove it within fifteen (15) business days after submission. If the Marketing Plan is not approved, Borrower shall submit a revised Marketing Plan within fifteen (15) business days. Borrower shall follow this procedure for resubmission of a revised Marketing Plan until the Marketing Plan is approved by the County.

(c) If after five (5) months after the Completion of Construction any HOME-Assisted Unit remains unoccupied, the Borrower shall submit a detailed report of the ongoing marketing efforts, and if deemed appropriate by the County, any necessary amendments or updates to the Marketing Plan aimed at ensuring any unoccupied HOME-Assisted Unit is promptly leased. If any of the HOME-Assisted Units remain unoccupied eleven (11) months after the Completion of Construction, the Borrower shall submit a detailed report of the ongoing marketing efforts and submit to the County an update to the Marketing Plan. Failure to lease all of the HOME-Assisted Units to an eligible tenant within eighteen (18) months of Completion of Construction shall trigger the special repayment pursuant to Section 2.7(b).

ARTICLE 4. LOAN REQUIREMENTS

Section 4.1 HOME Match and Per Unit Subsidy Requirement.

(a) The Borrower shall ensure that the County Loan is matched with a minimum of four-hundred fifty-thousand dollars (\$450,000) in other, non-federal sources to be used to fund the construction of the Project.

(b) The total amount of the County Loan may not exceed the maximum per unit subsidy for HOME-Assisted Units amount established under 24 C.F.R. §92.250. The County has determined that the applicable maximum per unit subsidy applicable to the HOME-

Assisted Units at the time of this Agreement is two hundred seventy-six thousand four hundred and eighty-two dollars (\$276,482) per unit.

Section 4.2 Financial Accountings and Post-Completion Audits.

(a) No later than ninety (90) days following Completion of Construction of the Project and issuance of the Certificate of Completion for the Project, Borrower shall provide to the County a financial accounting of all sources and uses of funds for the Project. No later than one hundred eighty (180) days following Completion of Construction of the Project, or such other period as may be allowed by TCAC for a similar requirement, Borrower shall submit to the County a copy of the cost certification report prepared by the Borrower's accountant and submitted to TCAC showing the sources and uses of all funds utilized for the Project Improvements. However, if the cost certification report prepared by the Borrower's accountant and submitted to TCAC will not be available to submit to the County within one hundred eighty (180) days following Completion of Construction of the Project, Borrower shall submit to the County an audited financial report showing the sources and uses of all funds utilized for the Project Improvements.

(b) This requirement may be satisfied by providing the Final Cost Certification to the County. "Final Cost Certification" means the Final Cost Certification Sources and Uses of Funds prepared by Borrower for the Project that: (1) Borrower submits to TCAC; and (2) has been prepared using generally accepted accounting procedures in effect in the United States from time to time, consistently applied.

Section 4.3 Annual Operating Budget.

At the beginning of each year of the Term, Borrower shall provide to the County an annual budget for the operation of the Project.

Section 4.4 Information.

Borrower shall provide any information related to the Project reasonably requested by the County in connection with the Project, including (but not limited to) any information required by HUD in connection with Borrower's use of the County Loan funds.

Section 4.5 Records.

(a) Borrower shall keep and maintain at the Project, or at the corporate offices of the Borrower's general partner, or elsewhere with the County's written consent, full, complete and appropriate books, records and accounts relating to the Project, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail Borrower's calculation of Residual Receipts, and disbursements of Residual Receipts. Books, records and accounts relating to Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement. All applicable financial documents are to be kept and maintained in accordance with generally accepted accounting principles consistently applied. All such books, records, and accounts shall at reasonable times be open to and available for inspection and copying by HUD, the County, its auditors or other authorized representatives at reasonable intervals during normal business hours and forty-eight hours' prior written notice to Borrower.

Borrower shall preserve such records for a period of not less than five (5) years after the creation of such records in compliance with all HUD records and accounting requirements. Copies of all tax returns and other reports that Borrower may be required to furnish to any governmental agency are to be open for inspection by the County at all reasonable times at the place that the books, records and accounts of Borrower are kept. If any litigation, claim, negotiation, audit exception, monitoring, inspection or other action relating to the use of the County Loan is pending at the end of the record retention period stated herein, then Borrower shall retain the records until such action and all related issues are resolved. The records are to include all invoices, receipts, and other documents related to expenditures from the County Loan funds. Borrower shall cause records to be accurate and current and in such a form as to allow the County to comply with the record keeping requirements contained in 24 C.F.R. 92.508. Such records are to include but are not limited to:

- (1) Records providing a full description of the activities undertaken with the use of the County Loan funds;
- (2) Records demonstrating compliance with County and HUD property standards and lead-based paint requirements, including, as applicable, the Uniform Physical Conditions Standards established by HUD pursuant to 24 C.F.R. 5.703;
- (3) Records documenting compliance with the fair housing, equal opportunity, and affirmative fair marketing requirements;
- (4) Financial records as required by 24 C.F.R. 92.505, and Uniform Grant Guidance (2 C.F.R. Part 200);
- (5) Records demonstrating compliance with the Tenant Selection Plan requirements pursuant to 24 C.F.R. 92.253(d), and HOME affordability and income requirements;
- (6) Records demonstrating compliance with MBE/WBE requirements;
- (7) Records demonstrating compliance with 24 C.F.R. Part 75 which implements Section 3 of the Housing Project Act of 1968 (including those in Exhibit J of this Agreement);
- (8) Records demonstrating compliance with applicable relocation requirements, which must be retained for at least five (5) years after the date by which persons displaced from the property have received final payments;
- (9) Records demonstrating compliance with applicable labor requirements including certified payrolls from Borrower's general contractor evidencing that applicable prevailing wages have been paid.
- (10) Records demonstrating compliance with 24 C.F.R. 8.20.

(b) The County shall notify Borrower of any records it deems insufficient. Borrower has fifteen (15) calendar days after the receipt of such a notice to correct any

deficiency in the records specified by the County in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Borrower must begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

Section 4.6 County Audits.

(a) Each year, Borrower shall provide the County with a copy of Borrower's annual audited financial statements, which is to include information on all of Borrower's activities, in addition the Borrower's general partners shall submit audited financial statements and the Borrower and the Borrower's general partners shall submit all other financial information pertaining to the Project as is reasonably requested by the County determined by the County as necessary for compliance with the requirements of 24 C.F.R. 504(d). Borrower shall also follow audit requirements of the Single Audit Act and Uniform Grant Guidance (UGG) 2 C.F.R. Part 200.

(b) The receipt by the County of any statement pursuant to subsection (a) above or any payment by the Borrower or acceptance by the County of any loan repayment for any period shall not bind the County as to the correctness of such statement or such payment. In addition, within three (3) years after the receipt of any such statement the County or any designated agent or employee of the County at any time, upon three (3) business days' prior written notice, is entitled to audit the Residual Receipts of the Project, and all of Borrower's books, records, and accounts pertaining to the Project, excluding any privileged or confidential materials. Such audit is to be conducted during normal business hours at the principal place of business of Borrower and other places where records are kept. Immediately after the draft completion of an audit, the County shall deliver a copy of the results of the audit to Borrower. If it is determined as a result of such audit that there has been a deficiency in a loan repayment to the County, then such deficiency will become immediately due and payable with interest at the Default Rate from the date the deficient amount should have been paid. In addition, if any audit conducted pursuant to this Section 4.6 determines that Residual Receipts have been understated for any fiscal year by more than five percent (5%) and the County is entitled to any additional County Loan repayment as a result of said understatement, then the Borrower shall pay, in addition to the amounts set forth above, all of the reasonable costs and expenses incurred by the County in connection with the audit and review of Borrower's accounts or records. In addition, upon the occurrence of an uncured Event of Default, the County or any designated agent or employee of the County at any time, upon three (3) business days' prior written notice, is entitled to audit all of books, records, and accounts pertaining to any of the Sponsor's development activities, excluding any privileged or confidential materials.

(c) If Borrower contests the draft conclusions of any audit, Borrower shall have thirty (30) days to provide the County and its auditor with a detailed explanation of its position and supporting documentation. The County and its auditor shall consider Borrower's position in good faith. At any party's request, Borrower and the County (and/or their respective auditors or accountants) shall meet to resolve factual or interpretive disputes, following which the County shall notify Borrower of final audit conclusions. Borrower shall be deemed to have acceded to such conclusions unless Borrower within fifteen (15) days notifies the County of its objection, in which event either party would have such rights and remedies as provided in this Agreement and by applicable law. The County's cost of any review or contest pursuant to this paragraph shall be borne by Borrower unless the final audit determines that any understatement

of Residual Receipts by Borrower in any fiscal year was less than five percent (5%). Notwithstanding anything to the contrary herein, the Borrower shall bear its own costs to review or contest findings made hereunder.

Section 4.7 HOME Requirements.

(a) Borrower shall comply with all applicable laws and regulations governing the use of the HOME Loan funds as set forth in 24 C.F.R. Part 92, including the requirements of the Regulatory Agreement. In the event of any conflict between this Agreement and applicable laws and regulations governing the use of the County Loan funds, the applicable laws and regulations govern. During the HOME Term, these requirements are federal requirements, implemented by the County; thereafter, these requirements are deemed local County requirements.

(b) The laws and regulations governing the use of the County Loan funds include (but are not limited to) the following, each to the extent applicable:

(1) Eligible Project Costs. Restrictions on funding only eligible project costs as defined under 24 C.F.R. 92.206 (subject to Section 2.3 above).

(2) Environmental and Historic Preservation. 24 C.F.R. Part 50 and 24 C.F.R. Part 58 et seq., which prescribes procedures for compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321-4361), and the additional laws and authorities listed at 24 C.F.R. 58.5.

(3) Applicability of Super Circular. The applicable policies, guidelines, and requirements of Title 2, C.F.R Part 200- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

(4) Debarred, Suspended or Ineligible Contractors and Participants. The prohibition on the use of debarred, suspended, or ineligible contractors and participants set forth in 24 C.F.R. Part 2424.

(5) Civil Rights, Housing and Community Project, and Age Discrimination Acts. The requirements set forth in 24 C.F.R. §5.105(a), including but not limited to, the Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100 et seq.; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107; title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1; the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and implementing regulations at 24 CFR part 146; section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title; title II of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq.; 24 CFR part 8; Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107 (3 CFR, 1964-1965 Comp., p. 339; 3 CFR, 1966-1970 Comp., p. 684; 3 CFR, 1966-1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p. 264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60; Executive Order 11625, as amended by

Executive Order 12007 (3 CFR, 1971-1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development); and Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p. 393 and 3 CFR, 1987 Comp., p. 245) (Women's Business Enterprise), and Title VIII of the Civil Rights Act of 1968 as amended; Section 104(b) and Section 109 of Title I of the Housing and Community Project Act of 1974 as amended; Executive Order 13672 concerning Gender Identity.

(6) Lead-Based Paint. The requirement of the Lead-Based Paint Poisoning Prevention Act, as amended (42 U.S.C. 4821 et seq.), the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. 4851 et seq.), and implementing regulations at 24 C.F.R. Part 35 et seq. and 24 C.F.R. 92.355.

(7) Relocation. The requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.), and implementing regulations at 49 C.F.R. Part 24; 24 C.F.R. 570.606; Section 104(d) of the Housing and Community Project Act of 1974 and implementing regulations at 24 C.F.R. 42 et seq.; 24 C.F.R. 92.353; and California Government Code Section 7260 et seq. and implementing regulations at 25 California Code of Regulations Sections 6000 et seq. If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, then Borrower shall comply with all applicable local, state, and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. If and to the extent applicable, Borrower shall prepare and submit a relocation plan to the County for approval. Borrower is solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with such relocation laws. Borrower shall indemnify, defend (with counsel reasonably chosen by the County), and hold harmless the County against all claims that arise out of relocation obligations to residential tenants, homeowners, or businesses permanently or temporarily displaced by the Project.

(8) Discrimination against the Disabled. The requirements of the Fair Housing Act (42 U.S.C. 3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), the Uniform Federal Accessibility Standards (24 C.F.R. 8.20, et seq. 8.51) and federal regulations issued pursuant thereto, which prohibit discrimination against the disabled in any federally assisted program, the requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157) and the applicable requirements of Title II and/or Title III of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.), and federal regulations issued pursuant thereto.

(9) Clean Air and Water Acts. The Clean Air Act, as amended, 42 U.S.C. 7401 et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 C.F.R. Part 1500, as amended from time to time.

(10) Uniform Administrative Requirements. The provisions of 2 C.F.R. 200 regarding Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards.

(11) Training Opportunities. The requirements of Section 3 of the Housing and Urban Project Act of 1968, as amended, 12 U.S.C. 1701u ("Section 3") and implementing regulations 24 C.F.R. 135 et seq., requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project. Borrower agrees to include the following language in all subcontracts executed under this Agreement:

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

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

(C) Pursuant to Section 3, to the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations Developer shall ensure:

(1) that employment and training opportunities arising in connection with the Development are provided to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the Development is located. Where feasible, priority for opportunities and training described above should be given to: (i) Section 3 workers residing within the service area or the neighborhood of the project, and (ii) participants in YouthBuild programs; and

(2) that contracts for work awarded in connection with the Development are provided to business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the Development is located. Where feasible, priority for opportunities and training described above should be given to: (i) Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the Development, and (ii) participants in YouthBuild programs.

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

(E) The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 C.F.R. Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 C.F.R. Part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 C.F.R. Part 135.

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

(G) Developer will be considered to have complied with the Section 3 requirements, in the absence of evidence to the contrary, if it certifies that it has followed the prioritization of effort set forth in subsection (1) above, and meets or exceeds the applicable Section 3 benchmark as described in 24 C.F.R. 75.23(b).

(H) Developer shall maintain records of its Section 3 activities and cause such records to be accurate and current and in a form that allows the City to comply with the reporting requirements of 24 C.F.R. 75.25.

(I) Noncompliance with HUD's regulations in 24 C.F.R. Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

(J) As applicable, with respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible: (i) preference and opportunities for training and employment shall be given to Indians; and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

(12) Labor Standards. The labor requirements set forth in 24 C.F.R. 92.354; the prevailing wage requirements of the Davis-Bacon Act and implementing rules and regulations (40 U.S.C. 3141-3148); the Copeland "Anti-Kickback" Act (40 U.S.C. 276(c)) which requires that workers be paid at least once a week without any deductions or rebates except permissible deductions; the Contract Work Hours and Safety Standards Act – CWHSSA (40 U.S.C. 3701-3708) which requires that workers receive "overtime" compensation at a rate of 1.5 times their regular hourly wage after they have worked forty (40) hours in one (1) week; and Title 29, Code of Federal Regulations, Subtitle A, Parts 1, 3 and 5 are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended.

(13) Drug Free Workplace. The requirements set forth in 24 C.F.R. §5.105(d), including but not limited to, the requirements of the Drug Free Workplace Act of 1988 (P.L. 100-690, 41 U.S.C. 701, et seq.) and HUD's implementing regulations at 24 C.F.R. Part 2429.

(14) Anti-Lobbying; Disclosure Requirements. The requirements set forth in 24 C.F.R. §5.105(b), including but not limited to, the disclosure requirements and prohibitions of 31 U.S.C. 1352 and implementing regulations at 24 C.F.R. Part 87 and the requirements for funding competitions established by the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531 et seq.).

(15) Historic Preservation. The historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. Section 470) and the procedures set forth in 36 C.F.R. Part 800. If archeological, cultural, or historic period resources are discovered during construction, all construction work must come to a halt and Borrower shall immediately notify the County. Borrower shall not alter or move the discovered material(s) until all appropriate procedures for "post-review discoveries" set forth in Section 106 of the National Historic Preservation Act have taken place, which include, but are not limited to, consultation with the California State Historic Preservation Officer and evaluation of the discovered material(s) by a qualified professional archeologist.

(16) Flood Disaster Protection. The requirements of the Flood Disaster Protection Act of 1973 (P.L. 93-234) (the "Flood Act"). No portion of the assistance provided under this Agreement is approved for acquisition or construction purposes as defined under Section 3(a) of the Flood Act, for use in an area identified by HUD as having special flood hazards which is not then in compliance with the requirements for participation in the national flood insurance program pursuant to Section 201(d) of the Flood Act. The use of any assistance provided under this Agreement for such acquisition or construction in such identified areas in communities then participating in the National Flood Insurance Program is subject to the mandatory purchase of flood insurance requirements of Section 102(a) of the Flood Act. If the Property is located in an area identified by HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, as amended, 42 U.S.C. 4001 et seq., the property owner and its successors or assigns must obtain and maintain, during the ownership of the Property, such flood insurance as required with respect to financial assistance for acquisition or construction purposes under Section 102(s) of the Flood Act. Such provisions are required notwithstanding the fact that the construction on the Property is not itself funded with assistance provided under this Agreement.

(17) Religious Organizations. If the Borrower is a religious organization, as defined by the HOME requirements, the Borrower shall comply with all conditions prescribed by HUD for the use of HOME funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 C.F.R. 92.257.

(18) HUD Regulations. Any other HUD regulations present or as may be amended, added, or waived in the future pertaining to the County Loan funds including but not limited to HUD regulations as may be promulgated regarding subrecipients.

(19) Physical Needs Assessment. The Borrower shall conduct, or caused to be conducted, a physical needs assessment on the Project once every five (5) years from the date that the Construction of the Project is completed. The Borrower shall comply with all HUD requirements for conducting and documenting the physical needs assessment and shall provide the County with a copy of all documentation related to each physical needs assessment conducted, or caused to be conducted, by the Borrower. Borrower may pay for such physical needs assessment from the annual regulatory compliance monitoring fee funds paid pursuant to Section 1.1(c).

(20) Housing Counseling. Compliance with the requirements of 24 C.F.R. §5.111, any housing counseling, including homeownership counseling or rental housing counseling, as defined in 24 C.F.R. §5.100, required under or provided in connection with any program administered by HUD shall be provided only by organizations and counselors certified by the Secretary under 24 CFR part 214 to provide housing counseling, consistent with 12 U.S.C. 1701x.

(21) VAWA Requirements. The requirements of the Violence Against Women Act at 24 C.F.R. part 5, subpart L. The owner of HOME-assisted rental housing must provide the notice and certification form described in 24 CFR 5.2005(a) to the applicant for a HOME-Assisted Unit at the time the applicant is admitted to a HOME-Assisted Unit, or denied admission to a HOME-Assisted Unit based on the owner's tenant selection policies and criteria. The owner of HOME-assisted rental housing must also provide the notice and certification form described in 24 CFR 5.2005 with any notification of eviction from a HOME-Assisted Unit.

Section 4.8 Hazardous Materials.

(a) Borrower shall keep and maintain the Property in compliance with, and may not cause or permit the Property to be in violation of, any federal, state or local laws, ordinances or regulations relating to industrial hygiene or to the environmental conditions on, under or about the Property including, but not limited to, soil and ground water conditions. Borrower may not use, generate, manufacture, store or dispose of on, under, or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations (collectively referred to hereinafter as "Hazardous Materials") except such of the foregoing as may be customarily used in construction of projects like the Project or kept and used in and about residential property of this type.

(b) Borrower shall immediately advise the County in writing if at any time it receives written notice of: (1) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or the Property pursuant to any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials, ("Hazardous Materials Law"); (2) all claims made or threatened by any third party against Borrower or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (1) and (2) above are hereinafter referred to as "Hazardous Materials Claims"); and (3)

Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be classified as "border-zone property" (as defined in California Health and Safety Code Section 25117.4) under the provision of California Health and Safety Code, Section 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Law.

(c) The County has 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 Borrower. Borrower shall indemnify and hold harmless the County and its board members, supervisors, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property including without limitation: (1) all foreseeable consequential damages; (2) the costs of any required or necessary repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans and (3) all reasonable costs and expenses incurred by the County in connection with clauses (1) and (2), including but not limited to reasonable attorneys' fees and consultant's fees. This indemnification applies whether or not any government agency has issued a cleanup order. Losses, claims, costs, suits, liability, and expenses covered by this indemnification provision include, but are not limited to: (A) losses attributable to diminution in the value of the Property; (B) loss or restriction of use of rentable space on the Property; (C) adverse effect on the marketing of any rental space on the Property; and (D) penalties and fines levied by, and remedial or enforcement actions of any kind issued by any regulatory agency (including but not limited to the costs of any required testing, remediation, repair, removal, cleanup or detoxification of the Property and surrounding properties). This obligation to indemnify will survive termination of this Agreement.

(d) Without the County's prior written consent, which will not be unreasonably withheld, Borrower may not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Property (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims.

Section 4.9 Maintenance and Damage.

(a) During the course of both construction and operation of the Project, Borrower shall maintain the Project in good repair and in a neat, clean and orderly condition, consistent with quality affordable housing developments owned or operated by Borrower's Affiliates. If there arises a condition in contravention of this requirement, and if Borrower has not cured such condition within thirty (30) days after receiving written notice from the County of such a condition, if Borrower is incapable of curing a default within such thirty (30) day period, the County will give the Borrower ninety (90) days to cure such default provided Borrower has commenced to cure within such thirty (30) day period and is diligently proceeding to cure such default through the end of such period, then in addition to any other rights available to the County, the County may perform all acts necessary to cure such condition, and to establish or

enforce a lien or other encumbrance against the Property, subject to the provisions provided in subsection (b) below.

(b) Subject to the requirements of Senior Lenders, and if economically feasible in the County's judgment after consultation with Borrower, if any improvement now or in the future on the Property is damaged or destroyed, then Borrower shall, at its cost and expense, diligently undertake to repair or restore such improvement consistent with the Plans and Specifications approved by the County with such changes as have been approved by the County. Such work or repair is to be commenced no later than the later of one hundred twenty (120) days, or such longer period approved by the County in writing, after the damage or loss occurs or thirty (30) days following receipt of the insurance proceeds, and is to be completed within one (1) year thereafter. Any insurance proceeds collected for such damage or destruction are to be applied to the cost of such repairs or restoration and, if such insurance proceeds are insufficient for such purpose, then Borrower shall make up the deficiency. If Borrower does not promptly make such repairs then any insurance proceeds collected for such damage or destruction are to be promptly delivered by Borrower to the County as a special repayment of the County Loan, subject to the rights of HUD and the Senior Lenders, as applicable.

Section 4.10 Management Plan and Procedures.

(a) No later than the date set forth in the Schedule of Performance, the Borrower shall submit to the County an initial proposed Management Plan for the Project which shall identify the name and qualifications of a proposed management agent, and include a proposed management agreement and written guidelines or procedures for tenant selection, operation and management of the Project, and implementation of the income certification and reporting requirements of the Regulatory Agreement (collectively, the "Management Plan"). The County shall approve or disapprove the Management Plan in writing within fifteen (15) calendar days following the County's receipt of the complete Management Plan, which approval shall not be unreasonably denied. If the Management Plan is disapproved by the County, the County shall deliver a written notice to the Borrower setting forth, in reasonable detail, the reasons for such disapproval. The Borrower shall have fifteen (15) calendar days following the receipt of such notice to submit a revised Management Plan.

(b) The provisions of this Section relating to time periods for approval, disapproval, and resubmission of the new Management Plan shall continue to apply until the Management Plan has been approved by the County; provided, however, that if the County's reasonable approval of the Management Plan has not been obtained by the date set forth in the Schedule of Performance the County may terminate this Agreement.

Section 4.11 Management Agent; Periodic Reports.

(a) Management Agent. The Project shall at all times be managed by an experienced Management Agent reasonably acceptable to the County, with demonstrated ability to operate residential facilities like the Project in a manner that will provide decent, safe, and sanitary housing. The Borrower shall submit to the County for approval the name and qualifications of a proposed management agent. For any change in the Management Agent, the Borrower shall submit for the County's approval the identity of any proposed Management Agent. The Borrower shall also submit such additional information about the background,

experience and financial condition of any proposed Management Agent as is reasonably necessary for the County to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the County shall approve the proposed Management Agent by notifying the Borrower in writing. National Community Renaissance of California, a California nonprofit public benefit corporation, is hereby approved as the initial management agent.

(b) Performance Review. The County reserves the right to conduct a periodic review of the management practices and financial status of the Project within thirty (30) days after each anniversary of the issuance of the Certificate of Completion. The purpose of each periodic review will be to enable the County to determine if the Project is being operated and managed in accordance with the requirements and standards of this Agreement. The Borrower shall cooperate with the County in such reviews.

(c) Books, Records and Reports. For purposes of such periodic reviews, the Borrower and the Management Agent shall make available to the County for inspection all books and records with respect to the Project. In addition, the Borrower shall provide the County with: (i) by not later than thirty (30) days prior to commencement of each calendar year, the annual budget for the upcoming calendar year; (ii) within ninety (90) days following the end of each calendar year, a report showing the actual income and expenditures with respect to the Project for the immediately preceding calendar year and the status of all reserve funds; and (iii) within one hundred twenty (120) days following the end of each calendar year, a copy of the Borrower's federal income tax filings for the calendar year.

(d) Replacement of Management Agent. If, as a result of a periodic review, the County determines in its reasonable judgment that the Project is not being operated and managed in accordance with any of the requirements and standards of this Agreement and the Regulatory Agreement, the County shall deliver notice to the Borrower of such operational issues which notice shall describe the County's findings with specificity and the County may in same notice, notify the Borrower its intention to cause replacement of the Management Agent, subject to the rights of partners of the Partnership. Within thirty (30) days of receipt by the Borrower of such written notice, County staff and the Borrower, and any partners of the Partnership, shall meet in good faith to consider methods for improving the financial and operating status of the Project, including, without limitation, replacement of the Management Agent.

(e) If, after such meeting, County staff recommends in writing the replacement of the Management Agent, with the reasonable concurrence of the partners of the Partnership, the Borrower shall promptly dismiss the then Management Agent, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in subsection (a) above and approved by the County pursuant to subsection (a) above.

(f) Any contract for the operation or management of the Project entered into by the Borrower shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section shall constitute an Event of Default under Section 6.1 of this Agreement.

Section 4.12 Approval of Management Plan Modifications.

Pursuant to Section 4.10, County is to review and approve the initial written Management Plan for the Project. Each year thereafter, within sixty (60) days of the end of the calendar year, the Borrower shall submit to the County any proposed changes to the Management Plan. The County shall approve or disapprove the proposed changes to the Management Plan in writing within fifteen (15) calendar days following the County's receipt of the request to amend the Management Plan, which approval shall not be unreasonably denied. If the change to the Management Plan is disapproved by the County, the County shall deliver a written notice to the Borrower setting forth, in reasonable detail, the reasons for such disapproval. The Borrower shall have fifteen (15) calendar days following the receipt of such notice to submit a revised Management Plan modification in any way necessary to ensure that such policies comply with the provisions of this Agreement. The County's approval of the amendments to the Management Plan shall not be unreasonably withheld.

Section 4.13 Fees and Taxes.

Borrower is solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Project, and shall pay such charges prior to delinquency, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with generally accepted accounting principles.

Section 4.14 Notice of Litigation.

Borrower shall promptly notify the County in writing of any litigation related to the Project, and any litigation related to the Borrower for which the amount claimed or at issue is in excess of Fifty Thousand Dollars (\$50,000), and of any claims or disputes that involve a material risk of such litigation.

Section 4.15 Operation of Project as Affordable Housing.

(a) Promptly after completion of construction Borrower shall operate the Project as an affordable housing development consistent with: (1) HUD's requirements for use of the HOME Funds; (2) the Regulatory Agreement; and (3) any other regulatory requirements imposed on Borrower including but not limited to regulatory agreements associated with the Authority Loan, and Low Income Housing Tax Credits provided by TCAC.

(b) Before leasing any HOME-Assisted Unit in the Project, Borrower shall submit its proposed form of lease agreement for the County's review and approval. The Lease must not contain any provision which is prohibited by 24 C.F.R. 92.253(b) and any modifications thereto. The initial term of the lease for any Unit in the Project is to be for no less than one (1) year, except by mutual agreement between Borrower and the Tenant. Any Borrower termination of a lease agreement for any unit in the Project or refusal to renew must be in conformance with 24 C.F.R. 92.253(c), and must be preceded by not less than sixty (60) days written notice to the Tenant by Borrower specifying the grounds for the action.

(c) Before leasing any HOME-Assisted Unit in the Project, Borrower shall provide the County, for its review and approval, with Borrower's written tenant selection plan (the "Tenant Selection Plan"), which plan shall be in compliance with the requirements of 24 C.F.R. 92.253(d), and the Marketing Plan.

(d) Borrower shall evaluate the income eligibility of each Tenant household in Units pursuant to the County's approved Tenant certification procedures within sixty (60) days before the household's expected occupancy of one of the Units. For all HOME-Assisted Units, Borrower shall certify or cause the property manager to certify each Tenant household's income on an annual basis.

(e) Borrower shall maintain all documents setting forth the household income of each household occupying a Unit, and the total amount for rent, utilities, and related services charged to each household occupying the Project, as prescribed by the Regulatory Agreement and all other recorded regulatory restrictions.

Section 4.16 Nondiscrimination.

(a) Borrower herein covenants by and for itself, its heirs, executors, administrators, successors and assigns, and all persons claiming under or through them, that there will be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age (except for lawful senior housing in accordance with state and federal law), familial status, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor may Borrower or any person claiming under or through Borrower 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. Borrower shall comply with Executive Orders 11246, 11375, 11625, 12138, 12431, 12250, 13672, Title VII of the Civil Rights Act of 1964, the California Fair Housing and Employment Act and other applicable Federal, State and local laws and regulations and policies relating to equal employment and contracting opportunities, including laws and regulations hereafter enacted. The foregoing covenant will run with the land.

Section 4.17 Transfer.

(a) Definition. For purposes of this Agreement, "Transfer" means any sale, assignment, or transfer, whether voluntary or involuntary, of: (1) any rights and/or duties under this Agreement; and/or (2) any interest in the Project, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Project is transferred and Borrower retains title. The term "Transfer" excludes the leasing of a Unit in the Project to an occupant in compliance with the Regulatory Agreement, and the leasing of any unrestricted units. The County Executive Officer is authorized to execute assignment and assumption agreements on behalf of the County to implement any approved Transfer.

(b) Prohibition. Except as expressly permitted in this Agreement, the Borrower represents and agrees that the Borrower shall not make or create, or suffer to be made

or created, any Transfer, either voluntarily or by operation of law without the prior written approval of the County.

(1) The limitations on Transfers set forth in this Section shall apply throughout the Term.

(2) Any Transfer made in contravention of this Section shall be void and shall be deemed to be a default under this Agreement whether or not the Borrower knew of or participated in such Transfer.

(c) Permitted Transfers. Notwithstanding the foregoing, the following are permitted Transfers approved by the County (each a "Permitted Transfer"):

(1) The grant of the security interests in the Project for Approved Financing.

(2) The Borrower anticipates syndicating partnership interests based in part on the Low Income Housing Tax Credits that will be generated by the Project. The County hereby approves the admission of an Investor Limited Partner into the Borrower, provided that: (i) all documents associated with the admission of an Investor Limited Partner to the Borrower, including the Partnership Agreement, are submitted to the County for review and approval, which approval shall not be unreasonably withheld or delayed; (ii) that the Partnership Agreement and other partnership documents are consistent with and do not conflict with the Loan Documents and the Approved Financing Plan; and (iii) the partnership documents provide for capital contributions by the Investor Limited Partner in the partnership in amounts not less than those set forth in the Approved Financing Plan or as otherwise approved by the County in its reasonable discretion. The County hereby approves the admission of Wells Fargo Affordable Housing Community Development Corporation as Investor Limited Partner.

(3) In the event the Borrower admits an Investor Limited Partner, the County hereby approves future Transfers of the limited partner interest in the partnership provided that: (i) such Transfers do not affect the timing and amount of the limited partner capital contributions provided for in the Partnership Agreement last approved by the County pursuant to Section 4.17(c)(2); and (ii) either (A) in subsequent Transfers, an affiliate of the initial Investor Limited Partner retains a membership or partnership interest and serves as a managing member or managing general partner of the successor limited partner; or (B) in subsequent Transfers the initial limited partner remains liable for all unpaid capital contributions. Notwithstanding anything to the contrary, once all capital contributions provided for in the Partnership Agreement have been made, the limited partner interest in the Borrower may be transferred with prior written notice to the County.

(4) The removal, or withdrawal in lieu of removal, of any of Borrower's general partners for cause pursuant to the Partnership Agreement shall not require the County's consent or constitute a default under this Agreement. Notwithstanding anything to the contrary set forth in this Agreement or any of the Loan Documents, in the event that any general partner of Borrower is removed by the limited partner of Borrower, or withdraws in lieu of being removed, for cause following default under the Borrower's Partnership Agreement, the County hereby approves the transfer of such general partner interest to an affiliate of the Investor

Limited Partner of Borrower (which affiliate is not a 501(c)(3) tax-exempt public benefit corporation) to act as the interim replacement general partner for a period of time not longer than one hundred twenty (120) days, with the understanding and agreement that the replacement general partner following the interim general partner shall be approved in advance and in writing by the County, which approval shall not be unreasonably withheld, provided that: (i) all documents associated with the removal of the general partner, including the Partnership Agreement, are submitted to the County for review and approval, which approval shall not be unreasonably withheld or delayed; (ii) that the Partnership Agreement and other partnership documents are consistent with and do not conflict with the Loan Documents and the approved Financing Plan.

(d) During the term of the County Loan, subject to Section 2.5(d) hereof, Borrower will not refinance, re-syndicate, take out a line of credit or otherwise further encumber the property or restructure the debt constituting the Approved Financing without prior notification and approval of the County. Notwithstanding anything to the contrary, Borrower will make best efforts to provide written notification to the County at least one hundred twenty (120) days **prior to submittal** of applications, and in no event will provide written notification to the County no later than ninety (90) days **prior to the closing**, for refinancing, tax credits, lines of credit and any other application in which the property may be used as security.

Section 4.18 Insurance Requirements.

(a) Borrower shall maintain the following insurance coverage throughout the Term of the County Loan written by insurers authorized to do business in the State of California and with a minimum "Best" Insurance Guide rating of "A-VII". If the Borrower uses existing coverage to comply with these requirements and that coverage does not meet the specified requirements, the Borrower agrees to amend, supplement, or endorse the existing coverage to do so. The type(s) of insurance required is determined by the scope of the contract services.

(b) Without in anyway affecting the indemnity herein provided and in addition thereto, the Borrower shall secure and maintain throughout the contract term the following types of insurance with limits as shown:

(1) Workers' Compensation/Employers Liability.

(A) Workers' Compensation A program of Workers' Compensation insurance or a state-approved, self-insurance program in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with \$250,000 limits covering all persons including volunteers providing services on behalf of the Borrower and all risks to such persons under this Agreement.

(B) If Borrower has no employees, it may certify or warrant to the County that it does not currently have any employees or individuals who are defined as "employees" under the Labor Code and the requirement for Workers' Compensation coverage will be waived by the Director of Risk Management.

(C) With respect to borrowers that are non-profit corporations organized under California or federal law, volunteers for such entities are required to be covered by Workers' Compensation insurance.

(2) Comprehensive General Liability. General Liability Insurance covering all operations performed by or on behalf of Borrower providing coverage for bodily injury and property damage with a combined single limit of not less than One Million Dollars (\$1,000,000), per occurrence. The policy coverage must include:

- (A) Premises operations and mobile equipment.
- (B) Products and completed operations.
- (C) Broad form property damage (including completed operations).
- (D) Explosion, collapse, and underground hazards.
- (E) Personal injury.
- (F) Contractual liability.
- (G) \$2,000,000 general aggregate limit.

(3) Comprehensive Automobile Liability.

(A) Primary insurance coverage must be written on ISO Business Auto coverage form for all owned, hired and non-owned automobiles or symbol I (any auto).

(B) The policy must have a combined single limit of not less than One Million Dollars (\$1,000,000) for bodily injury and property damage, per occurrence.

(C) If the Borrower is transporting one or more non-employee passengers in performance of contract services, the automobile liability policy must have a combined single limit of Two Million Dollars (\$2,000,000) for bodily injury and property damage per occurrence.

(D) If the Borrower owns no autos, a non-owned auto endorsement to the General Liability policy described above is acceptable.

(4) Builders' Risk/Property Insurance. Builders' Risk insurance during the course of construction, and upon completion of construction, property insurance covering the Project, in form appropriate for the nature of such property, covering all risks of loss, excluding earthquake, for one hundred percent (100%) of the replacement value, with deductible, if any, acceptable to the County, naming the County as a Loss Payee, as its interests may appear. Flood insurance must be obtained if required by applicable federal regulations.

(5) Commercial Crime. Commercial crime insurance covering all officers and employees, for loss of Loan proceeds caused by dishonesty, in an amount approved by the County, naming the County a Loss Payee, as its interests may appear.

(c) Borrower shall cause any general contractor, agent, or subcontractor working on the Project under direct contract with Borrower or subcontract to maintain insurance of the types and in at least the minimum amounts described in subsections (1), (2), and (3) above, meeting all of the general requirements of subsections (e) and (f) below and naming the County as an additional insured. The Borrower agrees to monitor and review all such coverage and assumes all responsibility ensuring that such coverage is provided as required here.

(d) An umbrella (over primary) or excess policy may be used to comply with limits or other primary coverage requirements. When used, the umbrella policy must apply to bodily injury/property damage, personal injury/advertising injury and must include a "dropdown" provision providing primary coverage for any liability not covered by the primary policy. The coverage must also apply to automobile liability.

(e) The required insurance must be provided under an occurrence form, and Borrower shall maintain the coverage described in subsections (a) continuously throughout the Term. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit must be three times the occurrence limits specified above.

(f) Comprehensive General Liability and Comprehensive Automobile Liability insurance policies must be endorsed to name as an additional insured the County and its officers, agents, employees and members of the Board of Supervisors. The additional insured endorsements must not limit the scope of coverage for the County to vicarious liability but must allow coverage for the County to the full extent provided by the policy. Such additional insured coverage must be at least as broad as Additional Insured (Form B) endorsement form ISO, CG 2010.11 85.

(g) All policies and bonds are to contain: (1) the agreement of the insurer to give the County at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (2) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the County; (3) a provision that no act or omission of Borrower shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; and (4) a waiver by the insurer of all rights of subrogation against the County and its authorized parties in connection with any loss or damage thereby insured against.

(h) Construction contracts for projects over Three Million Dollars (\$3,000,000) and less than Five Million Dollars (\$5,000,000) require limits of not less than Five Million Dollars (\$5,000,000) in General Liability and Auto Liability coverage.

(i) The Borrower shall require the carriers of required coverages to waive all rights of subrogation against the County, its officers, employees, agents, volunteers, contractors and subcontractors. All general or auto liability insurance coverage provided shall not prohibit

the Borrower and Borrower's employees or agents from waiving the right of subrogation prior to a loss or claim. The Borrower hereby waives all rights of subrogation against the County.

(j) All policies required herein are to be primary and non-contributory with any insurance or self-insurance programs carried or administered by the County.

(k) The Borrower shall furnish Certificates of Insurance to the County Department administering the contract evidencing the insurance coverage prior to the close of Escrow, additional endorsements, as required shall be provided prior to the commencement of performance of services hereunder, which certificates shall provide that such insurance shall not be terminated or expire without thirty (30) days written notice to the Department, and Borrower shall maintain such insurance from the time Borrower commences performance of services hereunder until the completion of such services. Within fifteen (15) days following the close of Escrow, the Borrower shall furnish a copy of the Declaration page for all applicable policies and will provide complete certified copies of the policies and endorsements immediately upon request.

(l) The Borrower agrees to ensure that coverage provided to meet these requirements is applicable separately to each insured and there will be no cross liability exclusions that preclude coverage for suits between the Borrower and the County or between the County and any other insured or additional insured under the policy.

(m) Any and all deductibles or self-insured retentions in excess of Ten Thousand Dollars (\$10,000) shall be declared to and approved by Risk Management.

(n) In the event that any policy of insurance required in this Section does not comply with the requirements, is not procured, or is canceled and not replaced, the County has the right but not the obligation or duty to obtain such insurance it deems necessary and any premiums paid by the County will be promptly reimbursed by Borrower or County disbursements to Borrower will be reduced to pay for the County purchased insurance.

(o) Insurance requirements are subject to periodic review by the County. The Director of Risk Management or designee is authorized, but not required, to reduce, waive or suspend any insurance requirements whenever Risk Management determines that any of the required insurance is not available, is unreasonably priced, or is not needed to protect the interests of the County. In addition, if Risk Management determines that heretofore unreasonably priced or unavailable types of insurance coverage or coverage limits become reasonably priced and available, the Director of Risk Management or designee is authorized, but not required, to change the above insurance requirements to require additional types of insurance coverage or higher coverage limits, provided that any such change is reasonable in light of past claims against the County, inflation, or any other item reasonably related to the County's risk. Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. Borrower agrees to execute any such amendment within thirty (30) days of receipt. Any failure, actual or alleged, on the part of the County to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of the County.

Section 4.19 Anti-Lobbying Certification.

(a) Borrower certifies, to the best of Borrower's knowledge or belief, that:

(1) No federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement;

(2) If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying, in accordance with its instructions.

(b) This certification is a material representation of fact upon which reliance was placed when this Agreement was made or entered into. Submission of this certification is a prerequisite for making or entering into this Agreement imposed by Section 1352, Title 31, U. S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than Ten Thousand Dollars (\$10,000) and no more than One Hundred Thousand Dollars (\$100,000) for such failure.

Section 4.20 Covenants Regarding Approved Financing.

(a) Borrower shall promptly pay the principal and interest when due on any Approved Financing.

(b) Borrower shall promptly notify the County in writing of the existence of any default under any documents evidencing Approved Financing, including formally declared defaults and defaults that have not been formally declared by the lender but the existence of the potential default has been communicated to the Borrower by the lender in writing or otherwise, and provide the County copies of any notice of default.

(c) Borrower may not materially amend, modify, supplement, cancel or terminate any of the documents evidencing Approved Financing without the prior written consent of the County, which consent shall not be unreasonably withheld, conditioned or delayed.

(d) Borrower may not incur any indebtedness of any kind other than Approved Financing or encumber the Project with any liens (other than liens for Approved Financing approved by the County or as otherwise allowed under the County approved Partnership Agreement) without the prior written consent of the County.

Section 4.21 Affordability and Project Monitoring.

(a) Throughout the Term, the Borrower shall comply with all applicable record keeping and monitoring requirements set forth in (24 C.F.R. Section 92.508) of the HOME Regulations and shall annually complete and submit to County a Certification of Continuing Program Compliance in the form attached hereto as Exhibit I, and incorporated herein.

(b) Representatives of the County (and HUD or its authorized representatives) shall be entitled to enter the Property upon at least forty-eight (48) hours' notice at reasonable times to monitor compliance with this Agreement, to inspect the records of the Project with respect to the HOME-Assisted Units, and to conduct an independent audit of such records. The Borrower agrees to cooperate with the County in making the Property available for such inspection. If for any reason the County is unable to obtain the Borrower's consent to such an inspection, the Borrower understands and agrees that the County may obtain, at the Borrower's expense, an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. The Borrower agrees to maintain records in a business-like manner and to make such records available to the County upon forty-eight (48) hours' notice at reasonable times. Unless the County otherwise approves, such records shall be maintained for the most recent five years until five years after the expiration of the HOME Term.

(c) Throughout the Term, the Borrower grants the County inspection rights as set forth in Section 3.15 above, and Borrower shall make best efforts to allow the County to comply with all applicable physical monitoring requirements set forth in (24 C.F.R. Section 92.504(d) and 24 C.F.R. 92.251) of the HOME Regulations.

(d) The County will enforce a per-unit affordability monitoring charge on all HOME assisted developments. HOME assisted developments will be charged as follows:

- 1-20 HOME-Assisted units = \$35.00 per unit/ annually
- 20+ HOME-Assisted units = \$25.00 per unit/ annually

(e) The County will enforce a physical inspection charge on all HOME assisted developments. The inspection charge for HOME assisted development will be the lesser of: (1) Five Thousand Dollars (\$5,000) per inspection; or (2) the actual costs incurred by the County to secure a qualified third party, independent of the Borrower, to conduct the physical inspections in accordance with the requirements set forth in this Agreement, and any related staffing costs incurred by the County in association therewith. The amounts due under subsections (d) and (e) shall be credited against the \$7,500 annual regulatory compliance monitoring fee paid to the County.

(f) The Borrower shall pay such charge within seven (7) days of receipt of an invoice from the County.

(g) The County reserves the right to waive or defer a portion of the monitoring charge if a development is unable to pay these costs. All waivers must be submitted in writing, with adequate supporting financial documentation, for review by the County EDA Administrator.

Section 4.22 Crime-Free Multi-Housing Unit Program Participation.

For the entire Term, the Borrower shall cause the property managers to participate in the San Bernardino County Sheriff Department's Crime Free Multi-Housing Unit Program, wherein specialized training and other resources are provided to multi-family property owners and managers to reduce the potential for onsite criminal activity. Completion of the Department's four (4) training phases and a Final Certification (Phase V) shall be achieved and maintained by the on-site property manager.

ARTICLE 5.
REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1 Representations and Warranties.

Borrower hereby represents and warrants to the County as follows and acknowledges, understands, and agrees that the representations and warranties set forth in this Article 5 are deemed to be continuing during all times when any or all of the County Loan remains outstanding. The Borrower shall immediately advise the County in writing if there is any material change relating to any matters set forth or referenced in the items set forth below:

(a) Organization. Borrower is duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted. Copies of the documents evidencing the organization of the Borrower delivered to the County are true and correct copies of the originals.

(b) Authority of Borrower. Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered 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 Borrower enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to 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 whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a breach of or a default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. The construction of the Project will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

(g) Pending Proceedings. Borrower is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or the Project, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Borrower, materially affect Borrower's ability to repay the County Loan or impair the security to be given to the County pursuant hereto.

(h) Title to Land. At the time of recordation of the Deed of Trust, Borrower will have good and marketable title to the Project and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and liens ancillary to the Approved Financing and liens in favor of the County or approved in writing by the County.

(i) Financial Statements. The financial statements of Borrower and other financial data and information furnished by Borrower to the County fairly and accurately present the information contained therein. As of the date of this Agreement, there has not been any material adverse change in the financial condition of Borrower from that shown by such financial statements and other data and information.

(j) Sufficient Funds. Borrower holds or reasonably expects to receive firm financial commitments for sufficient funds to complete the acquisition of the Property and the construction of the Project in accordance with the Plans and Specifications approved by the County.

(k) Taxes. Borrower and its subsidiaries have filed all federal and other material tax returns and reports required to be filed, and have paid all federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their income or the Property otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with generally accepted accounting principles. There is no proposed tax assessment against Borrower or any of its subsidiaries that could, if made, be reasonably expected to have a

material adverse effect upon the Property, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Borrower and its subsidiaries, taken as a whole, which would be expected to result in a material impairment of the ability of Borrower to perform under any Loan Document to which it is a party, or a material adverse effect upon the legality, validity, binding effect or enforceability against Borrower of any Loan Document.

ARTICLE 6.
DEFAULT AND REMEDIES

Section 6.1 Events of Default.

(a) Subject to Section 8.8, each of the following constitutes an "Event of Default" by Borrower under this Agreement:

(1) Failure to Construct. Failure of Borrower to obtain permits, commence, and prosecute to completion, construction of the Project within the times set forth in the Schedule of Performance, subject to extensions for reasons of force majeure under Section 8.8.

(2) Failure to Make Payment. Failure to repay the principal and any interest on the County Loan within ten (10) days of when such payment is due pursuant to the Loan Documents.

(3) Failure to Comply with the Management Plan. Failure to comply with the Management Plan approved by the County and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the County to the Borrower, which notice provides reasonable detail of the default and the required cure for such default.

(4) Failure to Comply with the Marketing Plan. Failure to comply with the Marketing Plan approved by the County and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the County to the Borrower, which notice provides reasonable detail of the default and the required cure for such default.

(5) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents, and Borrower fails to cure such default within forty-five (45) days after receipt of written notice thereof from the County to Borrower, if Borrower is incapable of curing a default within such forty-five (45) day period, the County will give the Borrower one hundred twenty (120) days to cure such default provided Borrower has commenced to cure within such forty-five (45) day period and is diligently proceeding to cure such default through the end of such period; provided, however, that if a different period or notice requirement is specified under any other section of this Article 6, the specific provisions shall control.

(6) Default Under Other Loans. A default is declared under any other financing for the Project by the lender of such financing and such default remains uncured following any applicable notice and cure period.

(7) Insolvency. A court having jurisdiction makes or enters any decree or order: (1) adjudging Borrower to be bankrupt or insolvent; (2) approving as properly filed a petition seeking reorganization of Borrower, or seeking any arrangement for Borrower under the 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 Borrower in bankruptcy or insolvency or for any of their properties; (4) directing the winding up or liquidation of Borrower if any such decree or order described in clauses (1) to (4), inclusive, is unstayed or undischarged for a period of ninety (90) calendar days; or (5) Borrower admits in writing its inability to pay its debts as they fall due or will have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (1) to (4), inclusive.

(8) Assignment; Attachment. Borrower assigns its assets for the benefit of its creditors or suffers a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon is returned or released within ninety (90) calendar days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution.

(9) Suspension; Termination. Borrower or its general partner shall have: (1) the operation of their business voluntarily or involuntarily suspended by the State of California, (2) voluntarily stopped or terminated the operation of their business; (3) the Borrower shall have the operation of the partnership voluntarily or involuntarily dissolved, suspended or terminated by the State of California.

(10) Liens on Property and the Project. Any claim of lien (other than liens approved in writing by the County) is filed against the Project or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the County Loan and the continued maintenance of said claim of lien or notice to withhold for a period of thirty (30) days, without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the County.

(11) Unauthorized Transfer. Any Transfer other than as permitted pursuant to Section 4.17.

(12) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the County in connection with any of the Loan Documents, proves to have been incorrect in any material respect when made.

(13) Failure to Timely Lease. Failure of Borrower to lease all of the HOME-Assisted Units within eighteen (18) months of the Completion of Construction of the Project unless Borrower makes the repayment required under Section 2.7(b) above.

(14) Applicability to General Partner. The occurrence of any of the events set forth in subsection (vii), subsection (viii), or subsection (ix) in relation to Borrower's managing general partner.

Section 6.2 Remedies.

(a) Upon the occurrence of an Event of Default and following the expiration of all applicable notice and cure periods the County: (1) is relieved of any obligation to make or continue the County Loan; and (2) has the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

(A) Acceleration of Note. The County may cause all indebtedness of Borrower to the County under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The County may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the County as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the Deed of Trust. Borrower is liable to pay the County on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the County in connection with the collection of the County Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the County Loan.

(B) Assignment of Documents. Subject to the rights of Senior Lenders, the County may exercise all rights under the Assignment of Documents executed in connection with the Loan Documents. Subject to the rights of Senior Lenders, the Borrower shall promptly deliver to the County copies of all Plans and Specifications for the Project, all permits and approvals obtained in connection with the Project, and all applications for permits and approvals not yet obtained but needed in connection with the Project.

(C) Specific Performance. The County has the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts on things that may be unlawful or in violation of the provisions of the Loan Documents.

(D) Termination. The County has the right to terminate this Agreement and, at its sole option, to seek any remedies at law or equity available hereunder.

(E) Right to Cure at Borrower's Expense. The County has the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the County Loan. However, if the Borrower is in good faith contesting a claim of default under a loan or grant and the County's interest is not imminently threatened by such default, in the County's sole judgment, the County shall not have the right to cure such default. Borrower shall reimburse the County for any funds advanced by the County to cure a monetary default by Borrower upon demand therefor, together with interest thereon at the Default Rate from the date of expenditure until the date of reimbursement.

Section 6.3 Right of Contest.

Borrower may contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute an Event of Default hereunder. Any such contest is to be prosecuted diligently and in a manner unprejudicial to the County or the rights of the County hereunder.

Section 6.4 Remedies Cumulative.

No right, power, or remedy given to the County by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy will be cumulative and in addition to every other right, power, or remedy given to the County by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the County to exercise any such rights and remedies will operate as a waiver thereof, nor does any single or partial exercise by the County of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

Section 6.5 Limited Partner Cure Rights.

In addition to the provisions of Section 8.13 below, the County agrees to provide any limited partner of Borrower who has requested written notice from the County, including Wells Fargo Affordable Housing Community Development Corporation ("Permitted Limited Partner") a duplicate copy of all notices of default that the County may give to or serve in writing upon Borrower pursuant to the terms of the Loan Documents, at the address provided to the County, provided, the County shall have no liability to the Permitted Limited Partner for its failure to do so. The Permitted Limited Partner shall have the right, but not the obligation, to cure any Default of Borrower set forth in such notice, during any applicable cure period described in the Loan Documents, and the County will accept tender of such cure as if delivered by Borrower. If the Permitted Limited Partner is unable to cure a default because Borrower's general partner is in bankruptcy and/or because the cure requires removal of the general partner of Borrower and the Permitted Limited Partner is proceeding diligently to remove the general partner of Borrower in order to effect a cure of the Default, the cure period will be extended for such reasonable time as is necessary for the Permitted Limited Partner to effect a cure of the Default, but in no event longer than 60 days after the date of receipt by the Permitted Limited Partner of written notice of the default.

ARTICLE 7.
GENERAL PROVISIONS

Section 7.1 Relationship of Parties.

Nothing contained in this Agreement is to be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the County and Borrower or its agents, employees or contractors, and Borrower will at all times be deemed an independent contractor and to be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regard to the construction and operation of the Project, Borrower is solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and must include requirements in each contract that contractors are solely responsible for similar matters relating to their employees. Borrower is solely responsible for its own acts and those of its agents and employees.

Section 7.2 No Claims.

Nothing contained in this Agreement creates or justifies any claim against the County by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the lease of the Property, the construction or operation of the Project, and Borrower shall include similar requirements in any contracts entered into for the construction or operation of the Project.

Section 7.3 Discretion Retained By County.

The County's execution of this Agreement in no way limits the discretion of the County in the permit and approval process in connection with the construction of the Project.

Section 7.4 Indemnification.

The Borrower agrees to indemnify, defend (with counsel reasonably approved by County) and hold harmless the County and its authorized officers, employees, agents and volunteers ("Indemnities") from any and all claims, actions, losses, damages, and/or liability arising out of this contract from any cause whatsoever, including the acts, errors or omissions of any person and for any costs or expenses incurred by the County on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of Indemnities, except as provided in the following sentence. The Borrower's indemnification obligation applies to the County's "active" as well as "passive" negligence but does not apply to the County's "gross negligence" or "willful misconduct" within the meaning of Civil Code Section 2782. This indemnification provision is not intended to and does not limit, negate, modify, nullify, or change the nonrecourse provisions of this Agreement or any other agreement, document, instrument, certificate or covenant executed by Borrower. The provisions of this Section will survive the expiration of the Term and the reconveyance of the Deed of Trust.

Section 7.5 Non-Liability of County Officials, Employees and Agents.

No board member, official, employee or agent of the County is personally liable to Borrower in the event of any default or breach by the County or for any amount that may become due to Borrower or its successor or on any obligation under the terms of this Agreement.

Section 7.6 No Third-Party Beneficiaries.

There are no third-party beneficiaries to this Agreement.

Section 7.7 Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 7.7(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 financial interest or financial 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. Borrower shall exercise due diligence to ensure that the prohibition in this Section 7.7(a) is followed.

(b) The conflict of interest provisions of Section 7.7(a) above apply to any person who is an employee, agent, consultant, officer of the County, or any immediate family member of such person, or any elected or appointed official of the County, or any person related within the third (3rd) degree of such person.

(c) In accordance with California Government Code Section 1090 and the Political Reform Act, California Government Code section 87100 et seq., no person who is a director, officer, partner, trustee or employee or consultant of Borrower, or immediate family member of any of the preceding, may make or participate in a decision, made by the County or a County 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 Borrower. Interpretation of this section is governed by the definitions and provisions used in the Political Reform Act, California Government Code Section 87100 et seq., its implementing regulations manual and codes, and California Government Code Section 1090.

(d) Borrower shall comply with the conflict of interest provisions set forth in 24 C.F.R. 92.356.

ARTICLE 8.
GENERAL PROVISIONS

Section 8.1 Notices, Demands and Communications. Formal notices, demands, and communications between the County and the Borrower shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested or delivered personally, to the principal office of the County and the Borrower as follows:

County: Community Development and Housing Agency
 San Bernardino County
 385 North Arrowhead Ave Third Floor
 San Bernardino, CA 92415-0043
 Attn: Community Development and Housing Director

with a copy to:
 Goldfarb & Lipman, LLP
 1300 Clay Street, 11th Floor
 Oakland, CA 94612
 Attn: Rafael Yaquian

Borrower:
 Rialto Metrolink South Housing Partners, L.P.
 18201 Von Karman Ave. Suite 900,
 Irvine, CA 92612
 Attn: Frank Cardone

Copy to: National Community Renaissance of California
9421 Haven Avenue
Rancho Cucamonga, CA 91730
Attn: Chief Financial Officer

Copy to: LBI Metro South LLC
c/o LaBarge Industries, LLC
3105 East Guasti Road, Suite 100
Ontario, California 91761
Attn: Joshua LaBarge

Copy to: HPI Rialto, LLC
c/o Housing Partners I, Inc.
715 East Brier Drive
San Bernardino, CA 92408
Attn: Anthony Perez

Copy to: Bocarsly Emden Cowan Esmail & Arndt LLP
633 W. 5th Street, 64th Floor
Los Angeles, CA 90071
Attn: Lance Bocarsly

Copy to: Gresham Savage LLP
550 E. Hospitality Lane, Suite 300
San Bernardino, CA 92408
Attn: Robert R. Ritter

Investor Limited Partner:

Wells Fargo Affordable Housing Community Development Corporation
550 S. Tryon Street
23rd Floor, D1086-239
Charlotte, NC 28202-4200
Attention: Director of Tax Credit Asset Management

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected party may from time to time designate by mail as provided in this Section.

Section 8.2 Amendments.

No alteration or variation of the terms of this Agreement is valid unless made in writing by the Parties. The County Executive Officer is authorized to execute on behalf of the County amendments to the Loan Documents or amended and restated Loan Documents as long as any material change in the amount or terms of this Agreement is approved by the Board of Supervisors.

Section 8.3 County Approval.

The County has authorized the County Executive Officer to execute the ancillary Loan documents and deliver such approvals or consents as are required by this Agreement, and to execute estoppel certificates concerning the status of the County Loan and the existence of Borrower defaults under the Loan Documents, including subordination agreements substantially consistent with the terms of Section 2.5 above.

Section 8.4 Applicable Law and Venue.

This Agreement is governed by the laws of the State of California. Any action brought claiming a breach of this Agreement or interpreting this Agreement shall be brought and venued in San Bernardino County, California

Section 8.5 Parties Bound.

Except as otherwise limited herein, this Agreement binds and inures to the benefit of the parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and to bind Borrower and its successors and assigns in the Property and the Project for the entire Term, and the benefit hereof is to inure to the benefit of the County and its successors and assigns.

Section 8.6 Attorneys' Fees.

If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing party will have the right to recover its reasonable attorneys' fees and costs of suit from the other party.

Section 8.7 Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions will continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 8.8 Force Majeure.

In addition to specific provisions of this Agreement, performance by either party will not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, pandemics, epidemics, quarantine restrictions, freight embargoes, lack of transportation, court order, governmental restrictions or priority; litigation (including suits filed by third parties concerning or arising out of this Agreement), or any other similar causes (other than the Borrower's inability to obtain financing for the Project Improvements) beyond the control or without the fault of the party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the party claiming such extension is sent to the other within ten (10) days from the commencement of the cause and such extension of time is not rejected in writing by the other party within ten (10) days

of receipt of the notice. In no event will the County be required to agree to cumulative delays in excess of one hundred eighty (180) days be allowed under this Section.

Section 8.9 Waivers.

Any waiver by the County of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the County to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement does not operate as a waiver or release from any of its obligations under this Agreement. Consent by the County to any act or omission by Borrower may not be construed to be consent to any other or subsequent act or omission or to waive the requirement for the County's written consent to future waivers.

Section 8.10 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and are to be disregarded in interpreting any part of the Agreement's provisions.

Section 8.11 Entire Understanding of the Parties.

The Loan Documents constitute the entire agreement of the Parties with respect to the County Loan.

Section 8.12 Multiple Originals; Counterpart.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 8.13 Limited Partner Rights.

The County agrees to the following provisions for the benefit of the Borrower's Investor Limited Partner:

- (a) The County will give the Investor Limited Partner a copy of any written notice that the County gives to Borrower under this Agreement and the other Loan Documents;
- (b) The County will give the Investor Limited Partner ten (10) days after the Investor Limited Partner's receipt of such notice to cure a non-payment of any sum due under the Loan Documents;
- (c) The County will give the Investor Limited Partner thirty (30) days after the Investor Limited Partner's receipt of such notice to cure any other default under this Agreement and other Loan Documents;
- (d) If a default is incapable of being cured within thirty days, the County will give the Investor Limited Partner sixty (60) days to cure such default provided the Investor Limited Partner has commenced to cure such default and is diligently proceeding to cure such default through the end of such period;

(e) If the Investor Limited Partner makes any such payment or otherwise cures such default, the County will accept such action as curing such Default as if such payment or cure were made by Borrower;

(f) The County will permit insurance and condemnation proceeds to be used to rebuild the Project provided that: (1) sufficient funds are provided from other sources to effectively rebuild the Affordable Project to a lawful multifamily housing complex, and (2) subject to the rights of any Senior Lenders, the County shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as the County may impose.

Section 8.14 Action by the County. Except as may be otherwise specifically provided in this Agreement or any other of the Loan Documents, whenever any approval, notice, direction, finding, consent, request, waiver, or other action by the County is required or permitted under this Agreement or any other of the Loan Documents, such action shall be given, made, taken, refused, denied or withheld by the County Executive Officer, at the County Executive Officer's reasonable discretion (unless some other standard is expressly stated), or by any person who shall have been designated in writing to the Borrowers by the County Executive Officer, without further approval by the County Board. Any such action shall be in writing.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the County and the Borrower have executed this Agreement in multiple copies on or as of the date first above written.

BORROWER:

RIALTO METROLINK SOUTH HOUSING PARTNERS, L.P., a California limited partnership

By: RELATED/RIALTO METROLINK
SOUTH DEVELOPMENT CO., LLC,
a California limited liability company,
its administrative general partner

By: _____ Date: _____
Frank Cardone, its President

By: CORE RIALTO METRO SOUTH MGP, LLC, a California limited liability company, its managing general partner

By: National Community Renaissance of
California, a California nonprofit public
benefit corporation, its sole member and
manager

By: _____ Date: _____
Michael Finn, its Chief Financial Officer

By: HPI RIALTO, LLC, a California limited liability company, its co-general partner

By: Housing Partners I, Inc., a California
nonprofit public benefit
corporation, its sole member

By: _____ Date: _____
Lee McDougal, its President

By: LBI Metro South LLC, a California
Limited liability company
its co-general partner

By: LaBarge Industries, LLC, a Delaware
limited liability company, its sole member

By: _____ Date: _____
Josh LaBarge, its Manager

COUNTY:

SAN BERNARDINO COUNTY, a political subdivision of the
State of California

By: _____
Curt Hagman, Chairperson Board of Supervisors

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN
DELIVERED TO THE CHAIR OF THE BOARD

Lynna Monell
Clerk of the Board of Supervisors
of the San Bernardino County

By: _____
Deputy

APPROVED AS TO LEGAL FORM:

THOMAS BUNTON County Counsel

By: _____
Suzanne Bryant,
Deputy County Counsel

EXHIBIT A-1

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF RIALTO IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL B OF CERTIFICATE OF COMPLIANCE NO. 57, IN THE CITY OF RIALTO IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, RECORDED SEPTEMBER 7, 1988 AS INSTRUMENT NO. 88-298796 OF OFFICIAL RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

PARCEL 2 OF PARCEL MAP NO. 8173, IN THE CITY OF RIALTO, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 88, PAGES 67 AND 68 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THE EAST 50 FEET OF PARCEL 2 OF SAID PARCEL MAP NO 8173.

ALSO PARCEL 3 OF PARCEL MAP NO. 8173, IN THE CITY OF RIALTO, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 88, PAGES 67 AND 68 OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THAT PORTION OF SAID LAND GRANTED TO THE CITY OF RIALTO IN DEED RECORDED JANUARY 03, 2019 AS INSTRUMENT NO. 2019-0002832 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM ALL MINERALS CONTAINED IN THE ABOVE DESCRIBED LAND, INCLUDING, WITHOUT LIMITING THE GENERALITY THEREOF, OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS WELL AS METALLIC OR OTHER SOLID MINERALS, PROVIDED THAT SANTA FE SHALL NOT HAVE THE RIGHT TO GO UPON OR USE THE SURFACE OF SAID LAND, OR ANY PART THEREOF, FOR THE PURPOSE OF DRILLING FOR, MINING, OR OTHERWISE REMOVING, ANY OF SAID MINERALS, SANTA FE MAY, HOWEVER, AND HEREBY RESERVES THE RIGHT TO, REMOVE ANY OF SAID MINERALS FROM SAID LAND BY MEANS OF WELLS, SHAFTS, TUNNELS, OR OTHER MEANS OF ACCESS TO SAID MINERALS WHICH MAY BE CONSTRUCTED, DRILLED OR DUG FROM OTHER LAND, PROVIDED THAT THE EXERCISE OF SUCH RIGHTS BY SANTA FE SHALL IN NO WAY INTERFERE WITH OR IMPAIR THE USE OF THE SURFACE OF THE LAND HEREBY CONVEYED OR OF ANY IMPROVEMENTS THEREON, AS RESERVED AND EXCEPTED IN THE DEED FROM THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION RECORDED MAY 10, 1982 AS INSTRUMENT NO. 82-090875 OF OFFICIAL RECORDS.

APNS (0131-021-42-0-000, 0131-021-40-0-000)



Consultant

Client/Owner
Rialto Metrolink South Housing Partners, L.P.
 18201 VON KARMAN AVENUE, SUITE 900, IRVINE, CA 92612

Project
RIALTO METROLINK SOUTH
 164 WEST BONNIE VIEW DRIVE RIALTO, CA 92376

Key Plan

Issues and Revisions

No	Date	Revisions
12.16.21	50% DD	PROGRESS
01.21.22	100% DD	PROGRESS
02.22.2022	1st	CITY SUBMITTAL

Project Name
 RIALTO METROLINK SOUTH (RMS)

Project Number 21106
 Plot Date 02.22.2022
 Computer File
 Drawn By Author
 Scale As indicated
 Sheet Title

SITE PLAN

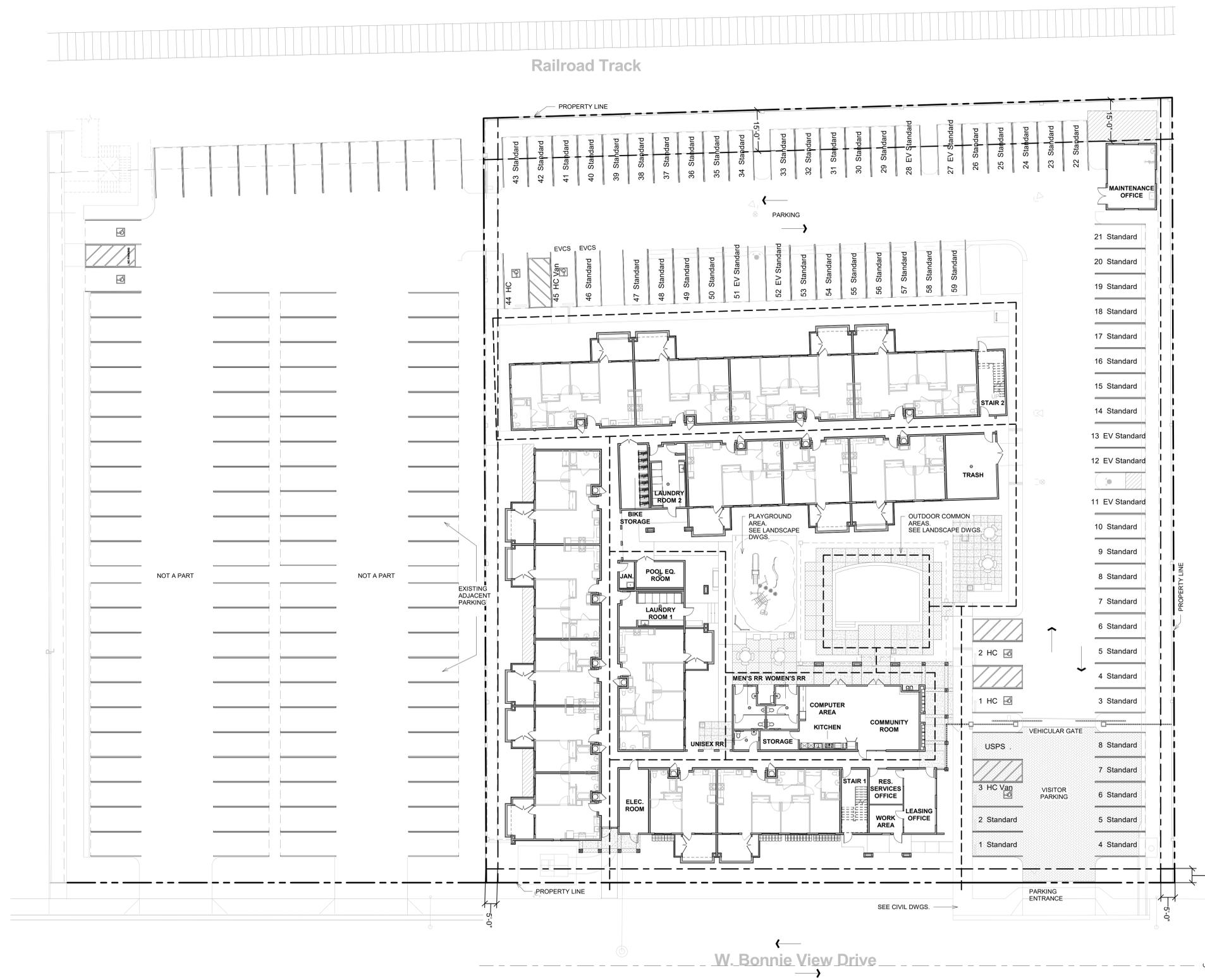
Sheet Number

A1-0

NOT FOR CONSTRUCTION

EXHIBIT A-2

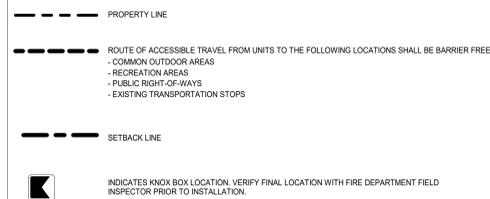
CONCEPTUAL SITE PLAN



SITE PLAN SCALE: 1/16" = 1'-0" 1

- SITE PLAN GENERAL NOTES**
- THIS SITE PLAN IS FOR REFERENCE ONLY. AN ARCHITECTURAL PLAN FOR GENERAL LAYOUT AND IDENTIFICATION PURPOSES ONLY.
 - FOR HORIZONTAL CONTROL, INCLUDING ACCESSIBLE RAMPS, SURFACE PARKING STALLS, CURB CUTS, ETC., SEE CIVIL DRAWINGS.
 - ALL PROPERTY LINES, EASEMENTS, AND BUILDINGS, EXISTING AND PROPOSED ARE SHOWN ON THIS PLAN BUT MUST BE VERIFIED WITH THE CIVIL PLANS.
 - SURFACE WATER MUST DRAIN AWAY FROM BUILDING. SEE CIVIL AND LANDSCAPE PLANS FOR DRAINAGE DESIGN.
 - FOR 'FIRE LANE' DESIGN, SEE CIVIL AND LANDSCAPE DRAWINGS.
 - FOR HARDSCAPE, PLANTING AND SITE FENCING, SEE LANDSCAPE DRAWINGS.
 - SITE WALLS ARE DESIGNED BY OTHERS.
 - SITE AND BUILDING SIGNAGE IS DESIGNED BY OTHERS AND INSTALLED BY THE GENERAL CONTRACTOR.
 - DECORATIVE SITE LIGHTING IS DESIGNED BY OTHERS.
 - ACCESS CONTROL DEVICES: WHEN ACCESS CONTROL DEVICES INCLUDING BARS, GRATES, GATES, ELECTRIC OR MAGNETIC LOCKS OR SIMILAR DEVICES, WHICH WOULD INHIBIT RAPID FIRE DEPARTMENT EMERGENCY ACCESS TO THE SITE OR BUILDING ARE INSTALLED, SUCH DEVICES SHALL BE APPROVED BY THE FIRE CODE OFFICIAL. ALL ACCESS CONTROL DEVICES SHALL BE PROVIDED WITH AN APPROVED MEANS FOR DEACTIVATION OR UNLOCKING BY THE FIRE DEPARTMENT. ACCESS CONTROL DEVICES SHALL ALSO COMPLY WITH CHAPTER 18 EGRESS, (KNOX BOX LOCATION SHALL BE AT 8 FEET ABOVE FINISHED FLOOR, OR FIRE ACCESS WALKWAY OR ROAD), CPC SECTION 504.4.

- SITE PLAN GENERAL NOTES**
- EACH VAN ACCESSIBLE PARKING SPACE SHALL BE 17 FEET (5181 MM) WIDE MINIMUM, AND SHALL PROVIDE EITHER OF THE FOLLOWING:
 - A 12-FOOT (3658 MM) WIDE MINIMUM PARKING AREA AND A 5-FOOT (1524 MM) WIDE MINIMUM LOADING AND UNLOADING ACCESS AISLE.
 - A 9-FOOT (2743 MM) WIDE MINIMUM PARKING AREA AND AN 8-FOOT (2438 MM) WIDE MINIMUM LOADING AND UNLOADING ACCESS AISLE.
 ACCESS AISLES SHALL BE LOCATED ON THE PASSENGER SIDE OF THE VEHICLE WITH THE VEHICLE PARKED IN THE FORWARD POSITION, AND SHALL EXTEND THE FULL REQUIRED LENGTH OF THE PARKING SPACES THEY SERVE.
 - THE MINIMUM LENGTH OF EACH SPACE SHALL BE 18 FEET (5486 MM).
 - THE LOADING AND UNLOADING ACCESS AISLE SHALL BE MARKED BY A BORDER PAINTED BLUE, WITHIN THE BLUE BORDER, HATCHED LINES A MAXIMUM OF 36 INCHES (914 MM) ON CENTER SHALL BE PAINTED A COLOR CONTRASTING WITH THE PARKING SURFACE, PREFERABLY BLUE OR WHITE. THE WORDS "NO PARKING" SHALL BE PAINTED ON THE GROUND WITHIN EACH LOADING AND UNLOADING ACCESS AISLE. THIS NOTICE SHALL BE PAINTED IN WHITE LETTERS NO LESS THAN 12 INCHES (305 MM) HIGH AND LOCATED SO THAT IT IS VISIBLE FROM THE ADJACENT VEHICULAR WAY.



SITE PLAN GENERAL NOTES

SITE PLAN GENERAL NOTES

LEGEND

EXHIBIT B

SCHEDULE OF PERFORMANCE

This Schedule of Performance sets forth the schedule for various activities under the Agreement to which this exhibit is attached. The description of items in this Schedule of Performance is meant to be descriptive only, and shall not be deemed to modify in any way the provisions of the Agreement to which such items relate. Times for performance are subject to Force Majeure, as further provided in Section 8.8 of the Agreement, and the notice and cure rights as further provided in Section of the Agreement.

As provided in the Agreement, this Schedule of Performance may only be modified in a writing executed by all Parties, in accordance with Section 3.1 of the Agreement.

ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
<u>Land Use Entitlements.</u> The Developers shall cause the Governmental Approvals to be obtained.	Completed.
<u>Tax Credit Application.</u> Partnership shall complete and submit a 9% Tax Credit application to TCAC.	Not later than July 1, 2021. Deemed completed.
<u>Tax Credit Reservation.</u> Partnership receives an allocation of credits from TCAC.	Within 120 days of submittal of a successful application. Deemed completed.
<u>Partnership/Submission of Grading Permit.</u> Partnership shall submit to County a copy of the Grading Permit.	On or before the Close of Escrow.
<u>Partnership/Submission of 50% Construction Documents 1st Plan Check Submittal Set.</u> Partnership shall submit to County a copy of the 50% Construction Documents 1 st Plan Check Submittal Set.	On or before the Close of Escrow.
<u>Partnership/Submission of Final Construction Documents.</u> Partnership shall	The earlier of: (1) City issuance of Building Permit or (2) July 29th, 2022.

submit to County the final 100% Construction Documents..	
Management Plan. Partnership submits an initial proposed Management Plan to the County for approval.	On or before the Close of Escrow.
County Approved Management Plan. County to approve Management Plan.	Not later than fifteen (15) business days after receipt of a complete Management Plan from Partnership.
Partnership/Project Financing. Partnership shall submit to Executive Director for approval updates to the Approved Financing Plan.	Attached to this Agreement, but subject to further modifications and inclusion in the County Estoppel required to be signed at the Close of Escrow.
Construction Contract. Partnership shall submit Construction Contract to County for approval.	Not less than fifteen (15) days prior to the Close of Escrow.
Construction Contract Approval. The County shall approve, conditionally approve, or disapprove of the Construction Contract.	Not later than ten (10) days after receipt of Construction Contract from Partnership.
Insurance Requirements. Partnership to furnish insurance coverage meeting the requirements.	On or before the Close of Escrow.
Close of Escrow. The Affordable Developer has closed all construction financing and has provided evidence reasonably acceptable to the County that the Affordable Developer is prepared to commence construction of the Project.	March 28 th , 2022 or as otherwise required by TCAC.
Building Permits. Partnership shall obtain Building Permits.	Not later than 120 days after Close of Escrow.

<p><u>Commence Construction.</u> Partnership shall commence construction.</p>	<p>No later than ten (10) days after March 28th, 2022, but in no event later than June 28th, 2022 (subject to Force Majeure and other extension under the Agreement.)</p>
<p><u>Completion of Construction.</u> Developers shall complete construction of the development.</p>	<p>Not later than 24 months after the Close of Escrow, but in no event later than July 31st, 2024, (subject to Force Majeure and other extension under the Agreement.)</p>
<p><u>Special Repayment of Net Excess Proceeds.</u> The Affordable Developer shall pay Net Excess Proceeds, as a special repayment of the County Loan, in accordance to section 4(C) of the Home Loan Agreement.</p>	<p>No later than ten (10) days after the date the Affordable Developer receives its final Tax Credit Investor Equity contribution</p>
<p><u>Certificate(s) of Completion.</u> County will provide the Developers with one or more Certificate(s) of Completion.</p>	<p>Promptly after completion and upon written request from the Developers, and the County's determination that the Developers' various obligations with regards to completion under this Agreement have been met.</p>

Exhibit F
Statement of Residual Receipts Report

FORM OF RESIDUAL RECEIPTS REPORT

Residual Receipts Report
for the Year Ending _____

Date Prepared: _____, 20__

Please complete the following information and execute the certification at the bottom of this form.

Annual Operating Income

Please report Annual Operating Income for the year ending _____ on the following lines:

Rent Payments received (including Section 8 tenant assistance payments, if any) (1) \$ _____

Interest Income (do not include interest income from replacement and operating reserves nor interest income on tenant security deposits) (2) \$ _____

Additional Income Related to Project Operations (for example, vending machine income, tenant forfeited deposits, laundry income not paid to the residents' association, business interruption insurance casualty insurance, not used to rebuild) (3) \$ _____

Total Annual Operating Income (Add lines 1, 2, and 3) (4) \$ _____

Operating Expenses

Please report Operating Expenses incurred in relation to the operations of the Project for the year ending _____, on the following lines:

Operating and Maintenance Expenses (5) \$ _____

Utilities (6) \$ _____

Fees and licenses (7) \$ _____

Property management Expenses and On-Site Staff Payroll (8) \$ _____

Administrative Expenses Incurred by Project

Property/Possessory Interest Taxes	(9)	\$ _____
Insurance	(10)	\$ _____
Other Expenses Related to Operations of the Project	(11)	\$ _____

Total Annual Operating Expenses (Add Lines 5, 6, 7, 8, 9, 10, and 11)	(12)	\$ _____
Net Operating Income (Subtract Line 12 from Line 4)	(13)	\$ _____

Do not include expense unrelated to the Project's operations, such as depreciation, amortization, accrued principal and interest expense on deferred payment debt, or capital expenditures paid from withdrawals from the Replacement Reserves or other reserve accounts.

Additional Cash Flow Payments

Obligated Debt Service Payments (as approved by the County and other parties that may have such approval rights)	(14)	\$ _____
Scheduled Deposits Capital and Operating Reserves (as approved by the County)	(15)	\$ _____
Additional Payment Obligations (i.e. Partnership Related Fees, additional Resident Services, Deferred Developer Fee, repayments on loans by partners, unpaid Tax Credit amounts, as approved by the County to have priority over Residual Receipt Payment to County)	(16)	\$ _____
Total Additional Cash Flow Payments (Add lines 14, 15 and 16)	(17)	\$ _____
Residual Receipts for Year Ending _____ (Subtract Line 17 from Line 13)	(18)	\$ _____
Percentage of Residual Receipts to be Paid to the County	(19)	\$ _____
Amount Payable to the County (Multiply Line 18 by Line 19)	(20)	\$ _____

The following certification should be executed by the Executive Director or Chief Financial Officer of the Borrower, or the Managing General Partner of the Borrower.

I certify that the information provided in this form is true, accurate, and correct in all respects.

Date

By: _____
(Print Name)

Its: _____
(Title)

UNIT DISTRIBUTION

Rialto Metrolink South - Closing Pro forma (v14)

Related Companies of California

Printed on 3/3/22 at 8:26 PM

Number Of Units	Income Category	Restrictive Rent	SF	Gross Rent	Utility Allowance	Net Rent	Net Rent Per SqFt	Monthly Rent	Annual Rent	Unit %	Total Square Footage
1 Bedroom											
2	30%	H&SC	515	\$435	\$38	\$397	\$0.77	\$794	\$9,528	4%	1,030
3	40%	TCAC	515	\$592	\$38	\$554	\$1.08	\$1,662	\$19,944	5%	1,545
10	50%	H&SC	515	\$726	\$38	\$688	\$1.34	\$6,880	\$82,560	18%	5,150
8	60%	H&SC	515	\$871	\$38	\$833	\$1.62	\$6,664	\$79,968	15%	4,120
23											
2 Bedrooms											
2	30%	H&SC	747	\$523	\$44	\$479	\$0.64	\$958	\$11,496	4%	1,494
3	40%	TCAC	747	\$711	\$44	\$667	\$0.89	\$2,001	\$24,012	5%	2,241
6	50%	H&SC	747	\$871	\$44	\$827	\$1.11	\$4,962	\$59,544	11%	4,482
3	60%	H&SC	747	\$1,046	\$44	\$1,002	\$1.34	\$3,006	\$36,072	5%	2,241
1	Manager		747	\$0	\$0	0	n/a	\$0	\$0	2%	747
15											
3 Bedrooms											
2	30%	H&SC	983	\$604	\$51	\$553	\$0.56	\$1,106	\$13,272	4%	1,966
3	40%	TCAC	983	\$822	\$51	\$771	\$0.78	\$2,313	\$27,756	5%	2,949
6	50%	H&SC	983	\$1,007	\$51	\$956	\$0.97	\$5,736	\$68,832	11%	5,898
6	60%	H&SC	983	\$1,209	\$51	\$1,158	\$1.18	\$6,948	\$83,376	11%	5,898
17											
Unit Distribution Summary											
Summary			Income	Units	Total %	Unit Size		Units	Total %		
Total SF		39,761	30% AMI	6	11%	Studio		0	0%		
Avg. Unit SF		723	35% AMI	0	0%	1 Bedroom		23	42%		
Monthly Rent		\$43,030	40% AMI	9	17%	2 Bedrooms		15	27%		
Annual Rent		\$516,360	45% AMI	0	0%	3 Bedrooms		17	31%		
Avg. Rent (excl. manager's)		\$797	50% AMI	22	41%	4 Bedrooms		0	0%		
Avg. Rent PSF (excl. manager's)		\$1.10	60% AMI	17	31%	Total		55	100%		
Bedrooms		104	Market	0	0%						
			Subtotal	54	100%						
			Manager	1							
			Total	55							

PROJECT BASED SECTION 8 HOUSING CHOICE VOUCHERS CALCULATION

Rialto Metrolink South - Closing Pro forma (v14)

Related Companies of California

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Last Chang 6/7/2021 5:06 PM

	Total Units	PBS8 Units	Monthly				Annual
			Per Unit Gross HASCB Payment Standard (a)	Per Unit Gross Rents (b)	Per Unit Net Overhang (a) - (b)	Total Overhang	Total Overhang
1 Bedroom							
30% TC	2	2	1,300	435	865	1,730	20,760
35% TC	0	-	1,300	518	782	-	-
40% TC	3	2	1,300	592	708	1,416	16,992
45% TC	0	-	1,300	666	634	-	-
50% TC	10	-	1,300	726	574	-	-
60% TC	8	-	1,300	871	429	-	-
2 Bedrooms							
30% TC	2	2	1,555	523	1,032	2,064	24,768
35% TC	0	-	1,555	622	933	-	-
40% TC	3	2	1,555	711	844	1,688	20,256
45% TC	0	-	1,555	799	756	-	-
50% TC	6	-	1,555	871	684	-	-
60% TC	3	-	1,555	1,046	509	-	-
Manager	1	-	1,555	-	1,555	-	-
Total	55	8				6,898	82,776

Less Vacancy	5.00%	(345)	(4,139)
Less Management Fee (N/A, Management Fee is a PUPM Cost)	0.00%	-	-
Less PBS Monitoring Fee		(144)	(1,728)
Net Overhang		6,409	76,909
DCR			1.15
Interest Rate			4.80%
Term (months)			240
Loan Amount			858,782
Maximum Loan Amount (Rounded Down)			858,000
Actual Loan Amount			858,000
Annual Payment			66,817

ANNUAL OPERATING EXPENSE BUDGET

Rialto Metrolink South - Closing Pro forma (v14)

Related Companies of California

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	Project Budget (55 units)
RENTING	
Advertising	500
Misc. Renting	350
TOTAL RENTING	850
ADMINISTRATION	
Office	4,500
Legal	5,000
Audit	10,000
Telephone/Computer	10,750
Tenant Relations	2,500
Misc. Administrative	12,100
TOTAL ADMINISTRATION	44,850
MANAGEMENT FEE	
Contract Management	39,600
TOTAL MANAGEMENT	39,600
OPERATING	
Electricity	6,450
Water	26,000
Gas	0
Sewer	35,500
Exterminating	2,500
Rubbish Removal	22,000
Misc. Operating	5,850
TOTAL OPERATING	98,300
MAINTENANCE	
Security	0
Grounds	11,750
Repairs	7,000
Elevator	6,000
Unit Turns	4,000
Misc. Maintenance	2,500
TOTAL MAINTENANCE	31,250
SALARIES AND BENEFITS	
Office Salaries	53,350
Maintenance Salaries	42,640
Payroll Taxes and Benefits	26,000
TOTAL SALARIES AND BENEFITS	121,990
TAXES AND INSURANCE	
Real Estate Taxes	6,500
Business Taxes and Licenses	1,000
Insurance	37,000
Misc. Taxes and Insurance	0
TOTAL TAXES AND INSURANCE	44,500
RESERVES AND OTHER EXPENSES	
Replacement Reserves	16,500
Operating Reserves	0
PBS8 Housing Authority Monitoring Fee	1,728
County HOME Loan Annual Monitoring Fee	7,500
Social Programs	19,800
TOTAL RESERVES AND OTHER COSTS	45,528
TOTAL OPERATING EXPENSES	426,868
Per Unit Operating Expenses	7,761

DEVELOPMENT COSTS & ELIGIBLE BASIS DETERMINATION

Rialto Metrolink South - Closing Pro forma (v14)

Related Companies of California

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	55 units Budget	TCAC % Eligible	TCAC Eligible Basis
ACQUISITION COSTS			
Purchase Price	3,030,000	0%	0
Donated value of land	100	0%	0
TOTAL ACQUISITION COSTS	3,030,100		0
PROFESSIONAL FEES			
Architecture & Engineering	1,657,000	100%	1,657,000
Other Professional / Consulting	259,000	100%	259,000
TOTAL PROFESSIONAL FEES	1,916,000		1,916,000
FEES AND PERMITS			
City/County Fees and Permits	1,874,000	100%	1,874,000
Utility Fees/Costs	415,000	100%	415,000
TOTAL FEES AND PERMITS	2,289,000		2,289,000
CONSTRUCTION COSTS			
	0	0%	0
Demolition	0	0%	0
Off-site improvements	459,401	100%	459,401
Miscellaneous costs	0	0%	0
Site improvements	3,163,262	100%	3,163,262
Vehicular access and parking	0	100%	0
Common area	2,876,144	100%	2,876,144
Residential structures	6,849,958	100%	6,849,958
Other Construction (2019 CBC & ZNE PV)	409,750	100%	409,750
Contractor Contingency	506,793	100%	506,793
General Conditions	855,918	100%	855,918
Contractor Overhead	302,425	100%	302,425
Contractor Profit	838,800	100%	838,800
Contractor Insurance	160,485	100%	160,485
Bonds	0	100%	0
Hard cost contingency (required)	821,147	100%	821,147
Residential Structures - Non GC	0	100%	0
Construction Management	80,000	100%	80,000
TOTAL CONSTRUCTION COSTS	17,324,083		17,324,083
FINANCING COSTS			
Acquisition Loan Costs	0	0%	0
Gap Loan Costs	50,000	100%	50,000
Construction Loan Costs	125,000	7%	8,495
Construction Loan Fees	122,000	7%	8,291
Construction Period Interest	200,000	100%	200,000
Post-Construction Interest	560,000	0%	0
Permanent Loan Costs	0	0%	0
Permanent Loan Fees	7,000	0%	0
Bond Issuance Costs	0	0%	0
TCAC Fees	107,000	0%	0
Misc. Finance Costs	65,000	0%	0
TOTAL FINANCING COSTS	1,236,000		266,786
OTHER COSTS			
Furnishings, Fixtures & Equipment	215,000	100%	215,000
Marketing Costs	140,000	0%	0
Legal Fees	200,000	10%	20,000
Property Taxes	75,000	75%	56,250
Soft Cost Contingency	104,294	100%	104,294
Relocation Expenses	0	0%	0
Accounting / Audit / Insurance	282,000	79%	222,000
Developer fees - new construction	1,800,000	100%	1,800,000
Developer fees - acquisition	0	100%	0
Other Costs / Reserves	133,196	0%	0
TOTAL OTHER COSTS	2,949,490		2,417,544
TOTAL DEVELOPMENT COSTS	28,744,673		24,213,413
/ TOTAL ELIGIBLE BASIS			
TOTAL BASIS REDUCTION (Amount over Adjusted Threshold Basis Limit or Voluntary Exclusion)			(8,525,319)
TOTAL REQUESTED UNADJUSTED ELIGIBLE BASIS			15,688,094
High Cost Area Adjustment			130%
TOTAL ADJUSTED ELIGIBLE BASIS			20,394,522
Applicable Fraction			100%
TOTAL QUALIFIED BASIS			20,394,522
Total Credit Reduction	0%		0
TOTAL ADJUSTED QUALIFIED BASIS			20,394,522

TAX CREDIT CALCULATION

Rialto Metrolink South - Closing Pro forma (v14)
Related Companies of California
 Printed on 3/3/22 at 8:26 PM

Total Project Cost	\$28,744,673
Total Permanent Sources	<u>(11,309,100)</u>
Funding Shortfall	\$17,435,573
Total Qualified Basis	\$20,394,522
Annual Federal Credits - Calculated	\$1,835,507
Annual Federal Credits - Awarded	\$1,835,507
Total Federal Credits (10 Years)	\$18,355,070
Federal Tax Credit Price	\$0.950
Federal Tax Credit Investor Equity	\$17,435,573
Total Tax Credit Investor Equity (Federal + State+ Acquisition)	\$17,435,573

Threshold Basis Limits	(Year 2021)	(0)	Units	Limit	Total
Efficiency			0	228,930	0
1 Bedroom			23	263,954	6,070,942
2 Bedrooms			15	318,400	4,776,000
3 Bedrooms			17	407,552	6,928,384
4 Bedrooms			0	454,038	0
			<u>55</u>		<u>17,775,326</u>
Special Features Threshold Basis Limit Increases					
10% Increase: 95% of the project's upper floor units are serviced by an elevator					0
20% Increase: State or Federal Prevailing Wage Requirement					0
7% Increase: New Construction with Parking beneath Residential Units					0
2% Increase: Day Care Center					0
2% Increase: Special Needs Populations					0
Total Percentage Increase to Unadjusted Eligible Basis (Combined not to exceed 39%)					0
10% Increase: Energy Efficiency/Resource Conservation/Indoor Air Quality					0
Seismic Upgrading or Environmental Mitigation (15% unadj. eligible basis max.)					0
Development Impact Fees					1,489,017
Bond Deals					
1% Increase: Every 1% of the project's units between 35% and 50% AMI					0
2% Increase: Every 1% of the project's units at or below 35% AMI					0
Adjusted Threshold Basis Limit					<u>\$19,264,343</u>
Total Eligible Basis					\$24,213,413
Over /(Under) Basis Limit					\$4,949,071

SOURCES AND USES OF FUNDS

Rialto Metrolink South - Closing Pro forma (v14)
Related Companies of California
 Printed on 3/7/22 at 9:26 AM

Construction Sources and Uses

Construction Sources	
Construction Loan	16,239,820
RRs Development Loan - City of Rialto	4,550,000
Tax Credit Equity	1,743,557 10% of tax credit equity
RRs Acquisition Loan - City of Rialto	3,030,000
RRs Development Loan - County San Bernardino	2,025,000
GP Equity	100
Deferred Developer Fee	1,000,000
Deferred Operating Deficit Reserve	133,196
Deferred TCAC Monitoring Fees	23,000
Total Construction Sources	28,744,673
Construction Uses	
Total Development Cost	28,744,673
Amount Over/(Under)	0

Permanent Sources and Uses

Sources	
Tax Credit Equity	17,435,573
Permanent Financing	621,000
RRs Development Loan - City of Rialto	4,550,000
RRs Acquisition Loan - City of Rialto	3,030,000
Tranche B Loan - PBS8	858,000
RRs Development Loan - County San Bernardino	2,250,000
GP Equity	100
Total Permanent Sources	28,744,673
Uses	
Total Development Cost	28,744,673
Amount Over/(Under)	0

STABILIZED CASH FLOW ANALYSIS
Rialto Metrolink South - Closing Pro forma (v14)
Related Companies of California
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Wells Fargo 2%/3% 15-Year Cash Flow

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
INCOME															
Gross Rental Income	516,360	526,687	537,221	547,965	558,925	570,103	581,505	593,135	604,998	617,098	629,440	642,029	654,869	667,967	681,326
PBS8 Overhang	82,776	84,432	86,120	87,843	89,599	91,391	93,219	95,084	96,985	98,925	100,903	102,922	104,980	107,080	109,221
Laundry Income	3,300	3,366	3,433	3,502	3,572	3,643	3,716	3,791	3,866	3,944	4,023	4,103	4,185	4,269	4,354
Vacancy @ 5.0%	(30,122)	(30,724)	(31,339)	(31,965)	(32,605)	(33,257)	(33,922)	(34,600)	(35,292)	(35,998)	(36,718)	(37,453)	(38,202)	(38,966)	(39,745)
Effective Gross Income	572,314	583,760	595,436	607,344	619,491	631,881	644,519	657,409	670,557	683,968	697,648	711,601	725,833	740,349	755,156
EXPENSES															
Administrative	(44,850)	(46,196)	(47,581)	(49,009)	(50,479)	(51,993)	(53,553)	(55,160)	(56,815)	(58,519)	(60,275)	(62,083)	(63,945)	(65,864)	(67,840)
Management Fee	(39,600)	(40,392)	(41,200)	(42,024)	(42,864)	(43,722)	(44,596)	(45,488)	(46,398)	(47,326)	(48,272)	(49,238)	(50,222)	(51,227)	(52,251)
Operating	(98,300)	(101,249)	(104,286)	(107,415)	(110,638)	(113,957)	(117,375)	(120,897)	(124,523)	(128,259)	(132,107)	(136,070)	(140,152)	(144,357)	(148,688)
Maintenance	(31,250)	(32,188)	(33,153)	(34,148)	(35,172)	(36,227)	(37,314)	(38,434)	(39,587)	(40,774)	(41,997)	(43,257)	(44,555)	(45,892)	(47,268)
Salaries	(121,990)	(125,650)	(129,419)	(133,302)	(137,301)	(141,420)	(145,662)	(150,032)	(154,533)	(159,169)	(163,944)	(168,863)	(173,929)	(179,146)	(184,521)
Taxes (escalated at 3.00%)	(7,500)	(7,725)	(7,957)	(8,195)	(8,441)	(8,695)	(8,955)	(9,224)	(9,501)	(9,786)	(10,079)	(10,382)	(10,693)	(11,014)	(11,344)
Insurance	(37,000)	(38,110)	(39,253)	(40,431)	(41,644)	(42,893)	(44,180)	(45,505)	(46,870)	(48,277)	(49,725)	(51,217)	(52,753)	(54,336)	(55,966)
Renting	(850)	(876)	(902)	(929)	(957)	(985)	(1,015)	(1,045)	(1,077)	(1,109)	(1,142)	(1,177)	(1,212)	(1,248)	(1,286)
Social Programs	(19,800)	(20,394)	(21,006)	(21,636)	(22,285)	(22,954)	(23,642)	(24,352)	(25,082)	(25,835)	(26,610)	(27,408)	(28,230)	(29,077)	(29,949)
PBS8 Housing Authority Monitoring Fee	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)
County HOME Loan Annual Monitoring Fee	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
Replacement Reserves	(16,500)	(16,995)	(17,505)	(18,030)	(18,571)	(19,128)	(19,702)	(20,293)	(20,902)	(21,529)	(22,175)	(22,840)	(23,525)	(24,231)	(24,958)
Total Operating Expenses	75% (426,868)	(439,001)	(451,490)	(464,346)	(477,580)	(491,202)	(505,224)	(519,657)	(534,515)	(549,810)	(565,554)	(581,761)	(598,445)	(615,619)	(633,299)
NET OPERATING INCOME	145,446	144,759	143,945	142,998	141,912	140,680	139,295	137,752	136,042	134,158	132,093	129,839	127,388	124,730	121,858
DEBT SERVICE															
Permanent Financing	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)	(39,098)
Tranche B Loan - PBS8	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)	(66,817)
Cash Flow After Debt Service	39,531	38,845	38,030	37,083	35,997	34,765	33,380	31,837	30,127	28,244	26,179	23,925	21,473	18,815	15,943
DCR	1.37	1.37	1.36	1.35	1.34	1.33	1.32	1.30	1.28	1.27	1.25	1.23	1.20	1.18	1.1505

Exhibit H

FORM OF CERTIFICATE OF COMPLETION

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL DOCUMENT TO:

NAME

STREET
ADDRESS

CITY, STATE &
ZIP CODE

SPACE ABOVE FOR RECORDER'S USE ONLY

Certificate of Completion

Title of Document



**THIS AREA FOR
RECORDER'S
USE ONLY**

**THIS COVER SHEET ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(\$3.00 Additional Recording Fee Applies)**

CERTIFICATE OF COMPLETION
(Rialto Metrolink South)

Pursuant to Section 3.13 of that certain HOME Loan Agreement dated as of March 15, 2022, as such may be amended (the "Loan Agreement"), entered into by and between San Bernardino County (the "County"), and Rialto Metrolink South Housing Partners, L.P., a California limited partnership (the "Partnership"), the County certifies that the Partnership, fee owner of certain real property more particularly described in Exhibit A (the "Property") has met its obligations under Article 3 of the Loan Agreement regarding the construction of certain improvements on the Property, and has met its various obligations specified in Article 3.

[NOTE: County to confirm obligations in enumerated articles and sections have been met prior to issuing Certificate of Completion.]

This Certificate of Completion shall serve as conclusive evidence that the Partnership has completed construction and development of all the improvements on the Property, including on-site and off-site improvements, required under Article 3 of the Loan Agreement and has met its various obligations thereunder. **[NOTE: County to confirm obligations in enumerated articles and sections have been met prior to issuing Certificate of Completion.]**

All other rights, remedies and controls of the County with respect to the requirements of the Loan Agreement not listed above, shall continue for the Term of the Loan Agreement or as otherwise specified therein.

This Certificate of Completion shall not constitute evidence of compliance with, or satisfaction of, any obligation of the Partnership to any holder of a Security Financing Interest, including, but not limited to, the holder of a deed of trust securing money loaned to finance the Property, or any part thereof, and shall not be deemed to be either a notice of completion under the California Civil Code or a certificate of occupancy. This Certificate of Completion shall not constitute evidence of compliance with the prevailing wage requirements of California Labor Code Sections 1720 et seq., or the requirements set forth in Section 3.8 of the Loan Agreement.

Capitalized terms used in this Certificate of Completion which are not defined herein shall have the meanings given such terms in the Loan Agreement.

[Signature Page Follows]

COUNTY:

SAN BERNARDINO COUNTY, a political subdivision
of the State of California

By: _____
Chief Executive Officer

APPROVED AS TO LEGAL FORM:
THOMAS D. BUNTON
County Counsel

By: _____
Suzanne Bryant, Deputy County Counsel

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

The land is situated in the State of California, County of San Bernardino, and is described as follows:

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

STATE OF CALIFORNIA)

COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Name: _____
Name: Notary Public



County of San Bernardino Project Compliance Report

Property Name: _____ Reporting Period: _____ Date: _____
 Onsite Manager Name: _____ Phone Number: _____ Property Owner Name: _____ Phone Number: _____
 E-mail address: _____ E-mail address: _____
 Property Address: _____ Funding Source: _____
 Total Number of Units: _____ Total Number of Restricted Units: _____ Accessible Units in Project: _____ Accessible Units as a Percentage: _____ # of Sensory Accessible Units: _____
 Number of High HOME rent units: _____ Number of Low HOME rent units: _____ Number of vacant restricted units: _____

Unit No.	# of Bdrms	Tenant Name	Low/High HOME Unit	Household Size	Head of Household (See Codes)	Hispanic Y or N	Female HOH Y or N	Race of HOH (see codes)	Monthly Gross Income	Tenant Portion (\$)	Utility Allowance (\$)	Gross Rent Amount (\$)	Section 8 Subsidy (\$)	% of Median Income	Move-In	Move-Out	Recert. Date
1												\$ -					
2												\$ -					
3												\$ -					
4												\$ -					
5												\$ -					
6												\$ -					
7												\$ -					
8												\$ -					
9												\$ -					
10												\$ -					
11												\$ -					
12												\$ -					
13												\$ -					
14												\$ -					
15												\$ -					
16												\$ -					
17												\$ -					
18												\$ -					
19												\$ -					
20												\$ -					
21												\$ -					
22												\$ -					

EXHIBIT " I "

I certify that all information stated herein, as well as the information provided in any accompaniment herewithin, is true and accurate

Name (Please Print): _____ Management Company Name: _____ Position: _____
 Signature: _____ Date: _____ Phone Number: _____ E-mail address: _____



County of San Bernardino Project Compliance Report

	Unit No.	# of Bdrms	Tenant Name	Low/High HOME Unit	Household Size	Head of Household (See Codes)	Hispanic Y or N	Female HOH Y or N	Race of HOH (see codes)	Monthly Gross Income	Tenant Portion (\$)	Utility Allowance (\$)	Gross Rent Amount (\$)	Section 8 Subsidy (\$)	% of Median Income	Move-In	Move-Out	Recert. Date
23													\$ -					
24													\$ -					
25													\$ -					
26													\$ -					
27													\$ -					
28													\$ -					
29													\$ -					
30													\$ -					
31													\$ -					
32													\$ -					
33													\$ -					
34													\$ -					
35													\$ -					
36													\$ -					
37													\$ -					
38													\$ -					
39													\$ -					
40													\$ -					
41													\$ -					
42													\$ -					
43													\$ -					
44													\$ -					
45													\$ -					
46													\$ -					
47													\$ -					
48													\$ -					
49													\$ -					
50													\$ -					
51													\$ -					



County of San Bernardino Project Compliance Report

	Unit No.	# of Bdrms	Tenant Name	Low/High HOME Unit	Household Size	Head of Household (See Codes)	Hispanic Y or N	Female HOH Y or N	Race of HOH (see codes)	Monthly Gross Income	Tenant Portion (\$)	Utility Allowance (\$)	Gross Rent Amount (\$)	Section 8 Subsidy (\$)	% of Median Income	Move-In	Move-Out	Recert. Date
52													\$ -					
53													\$ -					
54													\$ -					
55													\$ -					
56													\$ -					
57													\$ -					
58													\$ -					
59													\$ -					
60													\$ -					
61													\$ -					
62													\$ -					
63													\$ -					
64													\$ -					
65													\$ -					
66													\$ -					
67													\$ -					
68													\$ -					
69													\$ -					
70													\$ -					
71													\$ -					
72													\$ -					
73													\$ -					
74													\$ -					
75													\$ -					

Exhibit J



**Community Development
and Housing**

SECTION 3 PLAN

**Relative to the
Housing and Urban Development Act of 1968
12 U.S.C. 1701(u)**

***Community Development and
Housing
385 N. Arrowhead Avenue, Third Floor
San Bernardino, CA 92415-0043***



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I. Overview

A. Section 3 Purpose

Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701(u)) (“Section 3”) requires the San Bernardino Community Development and Housing Department (“County”) to ensure that employment, training, contracting and other economic and business opportunities generated by certain Department of Housing and Urban Development (“HUD”) financial assistance, to the greatest extent feasible, is directed to public housing residents and other low- and very low-income persons, particularly recipients of government housing assistance, and business concerns.

B. Implementing Authority

Section 3 regulations are promulgated at the Code of Federal Regulations, Title 24, Part 75, made part of this Section 3 Plan by reference.

C. Applicability

As a federal participating jurisdiction, the County receives Community Development Block Grant (“CDBG”) and Home Investment Partnerships Program (“HOME”) funds on an annual basis from HUD. These funds activate Section 3 and applies to any such jurisdiction, and any of its organizations, subrecipients, or other entities receiving in excess of \$200,000 combined from HUD in any one year. The County occasionally may receive additional funding that may contain a Section 3 requirement.

Section 3 requirements apply to:

1. All housing rehabilitation, housing construction, and public construction projects resulting in federally-funded contracts partially or fully funded by HUD funds and issued by the County in excess of \$200,000 per project; and
2. Provide financial assistance through the Lead Hazard Control and Healthy Home Program where the total amount exceeds a threshold of \$100,000.
3. When the project necessitates the employment of additional personnel through individual hiring or the awarding of contracts and subcontracts.

If developers, contractors, and subcontractors need to hire new personnel or subcontract portions of Section 3 covered work, they must, to the greatest extent feasible, direct their employment and/or subcontracting opportunities to Section 3 businesses and Section 3 Worker and/or Targeted Section 3 Worker.

D. Section 3 Definitions

Terms used in this Plan are defined in Exhibit “A” attached hereto.

II. Section 3 Plan

A. Objective

The County has developed this Section 3 Plan in order to identify the goals, objectives, and actions that will be implemented to ensure compliance in its own operations and those of its developers, subrecipients, contractors, and subcontractors with the requirements of Section 3 and the Section 3 regulations at 24 CFR Part 75.

B. Policy

It is the policy of the County to utilize, and to require the County's developers, subrecipients, contractors, and subcontractors to utilize, to the greatest extent feasible, Section 3 businesses and Section 3 workers and/or Targeted Section 3 Worker in contracts partially or wholly funded with HUD funds.

C. Goals

With respect to the use of HUD funds on Section 3 covered projects, the County has established the following Section 3 goals for itself and its developers, subrecipients, contractors, and subcontractors:

1. Facilitate the award of Section 3 covered contracts to Section 3 businesses.
2. Facilitate the training and employment of Section 3 residents through programs offered by the San Bernardino County Workforce Development Department ("WDD") and Housing Authority of the County of San Bernardino ("HACSB").
3. Ensure developer, subrecipient, contractor and subcontractor awareness of, and compliance with, Section 3 responsibilities.
4. Facilitate Developers and Contractors understand the HUD Benchmarks for Section 3 covered contracts:
 - To the greatest extent feasible provide Section 3 business concerns contracting opportunities.
 - Twenty-five (25) percent (25%) or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers.and
 - Five (5) percent (5%) or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers.

D. Outreach

The following methods are used by the County to identify and notify Section 3 businesses and Section 3 residents regarding Section 3 covered contracts:

1. Maintain a Section 3 webpage at: <https://sbcountycdha.com> which provides general information about Section 3 and currently available Section 3 contracting and employment opportunities.

2. The San Bernardino County Purchasing Department will maintain a list of certified Section 3 businesses through the ePro business registration at: <https://wp.sbcounty.gov/purchasing>

The list of Section 3 business will be available upon request at info@cdh.sbcounty.gov

3. Provide notice of Section 3 contracting opportunities through advertisements in local newspapers, Notices of Funding Availability, or other documentation.
4. Engage in outreach efforts to identify and secure bids from Section 3 business concerns by conducting a search on the Business Registry HUD portal. The website link is available at: <https://portalapps.hud.gov/Sec3BusReg/BRegistry/RegisterBusiness> .
5. Encourage developers, contractors, and subcontractors to utilize the Section 3 Opportunity Portal to search and post employment and contracting opportunities. The website link is available at: <https://hudapps.hud.gov/OpportunityPortal>
6. Provide Section 3 residents a registration website link and maintain information of Section 3 residents and provide, upon request, employment resource information to bidders on all Section 3 covered contracts. The website link is available at: <https://wp.sbcounty.gov/workforce/>
7. Provide notice of Section 3 contracting opportunities to HACSB on projects and request that information regarding same be placed in HACSB owned housing developments within the Section 3 covered project area.
8. WDD and HACSB will participate in pre-construction meetings for the practicable opportunity for Section 3 businesses/individuals to participate in the construction of the project. Upon request, WDD and HACSB will provide resources for Section 3 employment opportunities. Documentation of participation by subject contractors is required and must be provided to the County.

E. Certification of Section 3 Businesses

1. Section 3 businesses must meet one of the following criteria, documented within the last six-month period:
 - It is at least 51 percent (51%) owned and controlled by low- or very low-income persons ; or
 - It is a business at least 51 percent (51%) owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing; or
 - Over 75 percent (75%) of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers.
2. Businesses obtain certification as a Section 3 business as follows:
 - Business-Self-Certification (see Business-Certification form Exhibit I-1).
 - Certification at time of bid submittal.

Businesses may, when submitting a bid proposal, or at any time thereafter, register in the San Bernardino County Purchasing Department ePro business registration at:

<http://countyline.sbcounty.gov/Purchasing/> complete and submit the “Section 3 Business Certification Form” attached hereto as Exhibit “I-1” and available on San Bernardino County Community Development and Housing website at: <https://sbcountycdha.com>

A self-certified low bidder on a Section 3 covered contract will be required to produce documentation certifying the business’s Section 3 status prior to the business being awarded the contract.

The sample “Section 3 Business Certification Form” is part of the bid package for Section 3 covered projects.

F. Certification of Section 3 Worker

1. Section 3 worker is any worker who currently fits, or when hired within the past five years meets at least one of the following criteria:
 - Worker’s income for the previous or annualized calendar year is below the income limit established by HUD; or
 - The worker is employed by a Section 3 business concern; or
 - Participant in a HUD Youth Build program.
2. A Section 3 worker seeking certification shall submit a self-certification “Section 3 Worker/Targeted Worker Eligibility Form” (see Exhibit C) form to the recipient contractor or subcontractor, that the person is a Section 3 worker or Targeted Section 3 worker as defined in 24 CFR Part 75.
3. Section 3 workers can register on the WDD website at: <https://wp.sbcounty.gov/workforce/> Completing the registration will place the Section 3 applicant in a database and provide employment resources and services of the department to the applicant.
4. The WDD website maintains an employment database and provides businesses/contractors seeking Section 3 employees with the necessary verifications and resources during the recruitment process.

G. Certification of Section 3 Target Worker

1. A Section 3 Targeted worker must meet at least one of the following criteria:
 - Employed by a Section 3 Business Concern; or
 - Who currently fits or when hired fit one of the following definitions, as documented in the previous five years:
 - ✓ A Section 3 worker living in the project’s services area or neighborhood of the project; or
 - ✓ A current YouthBuild participant

H. Developers and Subrecipients Receiving HUD Funds for Section 3 Covered Projects

Developers or subrecipients receiving HUD funding from the County for Section 3 covered projects shall, as part of the County business/contractor/developer loan and regulatory agreements, commit

to complying with Section 3 requirements, and shall cause its contractors and subcontractors to comply with the requirements set forth in 24 C.F.R. Section 75.19, regardless of whether Section 3 language is included in the recipient or subrecipient or their agreements.

I. Procurement and Contracting for Section 3 Covered Projects

1. Section 3 businesses and non-Section 3 businesses that bid for, and enter into, Section 3 covered contracts with the County must comply with the Section 3 requirements as set forth in 24 CFR Part 75.
2. Regardless of whether new employment or contracting opportunities are contemplated by developers, subrecipients, and contractors for Section 3 covered projects, Section 3 of CFR Part 75 must be included in all notices to bid and in all contracts between the County, City, developers, subrecipients, and contractors. The developer, subrecipient and contractor are required to include the Section 3 requirements in all contracts with their contractors, subcontractors and any sub-tier subcontractors.
3. All businesses responding to a Notice To Bid for Section 3 covered projects, if awarded, shall submit a "SECTION 3 RESOURCE PARTICIPATION CERTIFICATE" and a "CONTRACTOR'S SECTION 3 ACTION AND OUTCOME PLAN" both attached hereto as Exhibit "C" that will indicate whether the bidder will hire new employees or subcontract for sections of the work associated with the Section 3 covered project, and if so, establish a commitment and method for complying with the Section 3 requirements and related Section 3 employment and contracting goals.
4. Prior to the beginning of work and at the conclusion of work, contractors and subcontractors will be required to certify that they will and have made best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers in the following priority order:
 - Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) or the neighborhood in which the assistance is provided; and
 - Youthbuild programs.
5. Prior to the beginning of work and at the conclusion of work, contractors and subcontractors must certify that they will and have made their best efforts to prioritize employment and training opportunities to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the project is located. The priority order is described below:
 - Section 3 workers residing within the service area or the neighborhood of the project, and
 - Participates in YouthBuild programs
6. Encourage local business to register on the HUD Business Registry and direct contractors to the HUD Section 3 Business Registry <https://www.hud.gov/section3businessregistry>.
7. Inform contractors about the HUD Section 3 Opportunity Portal <https://hudapps.hud.gov/OpportunityPortal/>.

J. Internal Section 3 Complaint Procedure

In an effort to resolve complaints due to non-compliance through an internal process, the County encourages submittal of such complaints to its Section 3 Coordinator, Housing Project Manager I (Labor Compliance Administrator) as follows:

1. Complaints of non-compliance should be filed in writing and must contain the name of the complainant and brief description of the alleged violation of 24 CFR 75.
2. Complaints must be filed within thirty (30) calendar days after the complainant becomes aware of the alleged violation.
3. An initial review of written complaint and discussion with the complainant will assist to determine the validity of the complaint. If the complaint is found to be valid further investigation will be conducted. The Section 3 Coordinator will conduct an informal, but thorough investigation affording all interested parties, an opportunity to submit testimony and/or evidence pertinent to the complaint.
4. The Section 3 Coordinator will provide written documentation detailing the findings of the investigation of the alleged violation. The County will review the findings for accuracy and completeness before it is released to complainant. The findings will be made available no later than thirty (30) days after the filing of the complaint.

If complainants wish to have their concerns considered outside of the County process, a complaint may be filed with:

Assistant Secretary for Fair Housing and Equal Opportunity
United States Department of Housing and Urban Development
451 Seventh Street, SW
Washington, DC 20410

The complaint must be received no later than 180 days from the date of the action or omission upon which the complaint is based, unless the time for filing is extended by the HUD Assistant Secretary for good cause shown.

K. Reporting Requirements

1. The County will project Section 3 accomplishments upon the set-up of a new construction activity type that meets threshold requirements in IDIS.
2. Upon completion of a construction activity type County will report in IDIS whether Section 3 benchmarks were met. If benchmarks are not met, County will report on the qualitative efforts undertaken to meet those benchmarks.
3. Developers and contractors shall submit a Section 3 Report form to the County before and at the completion of a Section 3 covered project. The form will contain the following information. If Developer and/or contractors do not meet the benchmarks as defined in 24 CFR part 75 the contractor will be asked to provide documentation of the efforts taken to meet the numerical goals.
 - Number of total project labor hours
 - Number of Section 3 Worker Labor Hours
 - Number of Targeted Section 3 Worker Labor Hours

4. Developers and contractors shall submit a "SECTION 3 RESOURCE PARTICIPATION CERTIFICATE" and a "CONTRACTOR'S SECTION 3 ACTION AND OUTCOME PLAN" form to the County before the completion of a Section 3 covered project.
5. When Section 3 benchmarks (as described above) are not met, Developer and contractor shall submit a "SECTION 3 OUTREACH EFFORTS" with substantiated efforts.

L. Amendment of Section 3 Plan

From time to time the Director of Community Development and Housing may amend this Section 3 Plan with the approval of County Counsel.

EXHIBIT "A"
SECTION 3 DEFINITIONS

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

Developer: The developer as used in the definition of "(Sub)Recipient."

Housing Authority: Public housing agency.

The Housing Authority of the County of San Bernardino (HACSB): The Housing Authority of the County of San Bernardino, a separate legal entity, which administers funding for families assisted under its various housing programs in accordance with the U.S. Housing Act of 1937.

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

Housing Development: Low-income housing owned, developed, and/or operated by public housing agencies in accordance with HUD's public housing program regulations codified in 24 CFR Chapter IX.

Low-income: Single persons and families whose incomes do not exceed 80% of the median income for the area, as determined by the HUD Secretary, with adjustments for smaller and larger families, except that the HUD Secretary may establish income ceilings higher or lower than 80% of the median for the area on the basis of the HUD Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families.

Labor Hours: means the number of paid hours worked by persons on a Section 3 project or by persons employed with funds that include public housing financial assistance.

Public Construction: Includes infrastructure work such as extending water and sewer lines, sidewalk repairs, site preparation, utility upgrades, etc.

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

Section 3 Covered Assistance:

1. Public housing development assistance provided pursuant to Section 5 of the 1937 Act;
2. Public housing operating assistance provided pursuant to Section 9 of the 1937 Act;
3. Public housing modernization assistance provided pursuant to Section 14 of the 1937 Act;
4. Assistance provided under any HUD housing or community development program that is expended for work arising in connection with housing rehabilitation, construction, or other public construction project (which includes other buildings or improvements, regardless of ownership).

Section 3 Covered Contracts: A contract or subcontract awarded by a recipient or contractor for work generated by the expenditure of Section 3 covered assistance, or for work arising in connection with a Section 3 covered project. Section 3 covered contracts do not include contracts awarded under HUD's procurement program, which are governed by the Federal Acquisition Regulation (FAR). Section 3 covered contracts also do not include contracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a Section 3 covered contract.

Section 3 Covered Project: The housing construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction projects which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

Section 3 Worker: Is a worker who currently fits or when hired within the past five years meets at least one of the following criteria: (i) worker's income for the previous or annualized calendar year is below the income limit established by HUD or (ii) worker is employed by a Section 3 business concern or (iii) worker is YouthBuild participant.

Section 3 Targeted Worker: Is Section 3 worker that also meets at least one of the following criteria: (i) Employed by a Section 3 business concern or (ii) living in the project's service area or (iii) is a YouthBuild participant.

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

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

Very low-income: Single persons and families whose income do not exceed 50% of the median family income for the area, as determined by the HUD Secretary with adjustments for smaller and larger families, except that the HUD Secretary may establish income ceilings higher or lower than 50% of the median for the area on the basis of the HUD Secretary's findings that such variations are necessary because of unusually high or low family incomes.

Youthbuild Programs: Means programs that receive assistance under Subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provides disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low- and very low-income families.

EXHIBIT "B"
SECTION 3 BUSINESS CERTIFICATION FORM
(begins next page)



SECTION 3 BUSINESS CERTIFICATION

Name of Business:

Address:

City: State: CA Zip Code:

Name of Business Owner:

Phone Number(s):

E-Mail Address:

Name of Preferred Contact:

Phone Number of Preferred Contact (if different from above):

Type of Business: Sole Proprietorship Partnership Corporation Joint Venture

Certification Regarding Status as a Section 3 Business Concern
The undersigned certifies that the company principal(s), and any authorized personnel have read the County's *Section 3 Plan*. Before contract award, business must submit additional documentation to verify Section 3 eligibility and demonstrate capability. For further information regarding Section 3 Business Concern can be found at [24 CFR 75.5](#)

"Section 3 Business Concern" means a business wherein (mark one):
 At least 51% or more owned and controlled by low-or very-low income person (Refer to income guidelines found on page 2); or
 At least 51% of the business is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing; or
 At least 75% of labor hours performed for the business over a the prior three-month period are performed by Section 3 workers.

Owner hereby declares under penalty of perjury in the State of California that the foregoing declaration of "Section 3 Business Certification" is true and correct.

OWNER SIGNATURE TITLE

PRINT NAME DATE

EXHIBIT: I-1

SECTION 3 BUSINESS CERTIFICATION INSTRUCTIONS

All Section 3 Businesses **MUST** complete and **SUBMIT** both the **SECTION 3 BUSINESS CERTIFICATION** and additional documentation to verify Section 3 eligibility and demonstrate capability before contract award.

INTRODUCTION:

San Bernardino County through the Department of Community Development and Housing is the recipient of Housing and Urban Development (HUD) funding for financial assistance of housing as well as community development activities. These programs require compliance with Section 3 of the Housing and Urban Development Act of 1968. Section 3 requires that employment and other economic opportunities be directed toward low- and very-low income persons, particularly those who are recipients of federal assistance for housing, and to business concerns that employ these qualifying residents.

The **Section 3 Plan** handbook is available at: <https://sbcountycdha.com> The *Plan* is a guide to understand Section 3 business and employment goals related to a project. It is intended to assist businesses in complying with Section 3 requirements but does not supersede the contract provisions.

SECTION 3 BUSINESS CERTIFICATION INSTRUCTIONS:

- Complete the “Business Information” section in the middle of the form.
- Business owner signs and dates the signature block section.
- Business owner mails original, signed, hard copy to:

Department of Community Development and Housing
Attention: Housing Project Manager I
385 N. Arrowhead Ave., Third Floor
San Bernardino, CA 92415-0043

Section 3 Income Limits for the State of California (Riverside – San Bernardino Counties)

SAN BERNARDINO COUNTY 2021 INCOME LIMITS

EFFECTIVE JANUARY 1, 2020

HOUSEHOLD SIZE	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
INCOME:								
Extremely Low 30%	\$16,600	\$19,000	\$21,960	\$26,500	\$31,040	\$35,580	\$40,120	\$44,660
Very Low 50%	\$27,650	\$31,600	\$35,550	\$39,500	\$42,700	\$45,850	\$49,000	\$52,150
Low 80%	\$44,250	\$50,600	\$56,900	\$63,200	\$68,300	\$73,350	\$78,400	\$83,450

HUD website: <https://www.huduser.gov/portal/datasets/il.html>

EXHIBIT: I-1 Attachment

EXHIBIT C
CONTRACTOR SECTION 3 PLAN
(begins next page)



SECTION 3 RESOURCE PARTICIPATION CERTIFICATE

PROJECT NAME: _____ PROJECT CODE: _____

PROJECT ADDRESS: _____

CONTRACTOR NAME: _____

PLEASE CHECK ONE OF THE FOLLOWING: PRIME CONTRACTOR SUBCONTRACTOR SUB-TIER

The undersigned certifies that the company principal(s), and any authorized personnel have read the County's Section 3 Plan and will contact the Housing Authority of the County of San Bernardino (HACSB) and San Bernardino County Workforce Development Department (WDD). After contacting and receiving information from HACSB and WDD, the Contractor and HACSB and WDD must sign and date their signature block section of this form.

Housing Authority of the County of San Bernardino

CONTACT INFORMATION: HACSB – Evan Miles (909) 890-5374 emiles@hacsb.com

Contractor has contacted the Housing Authority of the County of San Bernardino and has received information to participate in the practicable opportunity for Business and Employment Services including Section 3 business/residents to participate in the construction of the project.

I hereby declare under penalty of perjury in the State of California that the above information and statements contained are true and correct.

HOUSING AUTHORITY SIGNATURE

DATE

COMMENTS:

Workforce Development Department

CONTACT INFORMATION: WDD - Curtis Compton (909) 948-6625 CCompton@wdd.sbcounty.gov

Contractor has contacted the San Bernardino County Workforce Development Department and has received information to participate in the practicable opportunity for Business and Employment Services including Section 3 business/residents to participate in the construction of the project.

I hereby declare under penalty of perjury in the State of California that the above information and statements contained are true and correct.

WORKFORCE DEVELOPMENT SIGNATURE

DATE

COMMENTS:

Name

Title

Date



SECTION 3 ACTION AND OUTCOME PLAN

PROJECT NAME: _____ PROJECT CODE: _____

PROJECT ADDRESS: _____

CONTRACTOR NAME: _____

PLEASE CHECK ONE OF THE FOLLOWING: PRIME CONTRACTOR SUBCONTRACTOR SUB-TIER

Contractor must complete and submit this form FOLLOWING the completion of the SECTION 3 RESOURCE PARTICIPATION CERTIFICATE. Contractor must provide information in EACH of the following sections and may attach additional sheets.

Outreach Efforts - Outcome: Section 3 Businesses

- Contractor will subcontract all or a portion of the work on this project: Yes No
Contractor must describe the Outreach Efforts and Outcomes taken to outreach to provide opportunities to qualified Section 3 Businesses:

Table with 2 columns: Action (Describe): and Outcome (Summarize results of the actions taken):

Outreach Efforts - Outcome: Section 3 Workers/Targeted Workers

- Contractor will subcontract all or a portion of the work on this project: Yes No
Contractor must describe the Outreach Efforts and Outcomes taken to employ Section 3 Workers/Targeted Workers:

Table with 2 columns: Action (Describe): and Outcome (Summarize the results):

Contractor Certifications

- 1. Contractor has received a copy of San Bernardino County Section 3 Plan and the 24 CFR Part 75 regulations.
2. Contractor shall include the Labor Compliance Contract Addendum (LCCA - which includes the 24 CFR Part 75 regulations) in all of Contractor's executed Subcontractor contracts for this Project.
3. Contractor shall comply with the County's Section 3 Plan, and this Contractor's Section 3 Outreach Efforts and Outcome Plan.
4. Contractor will, to the greatest extent feasible, comply with the numerical Section 3 benchmarks set forth in the County's Section 3 Plan for this project or subcontracting any of the work on this project.
5. Contractor will complete the HUD Section 3 Information tab on all employees (new and current) in LCPTracker.

I hereby declare under penalty of perjury in the State of California that the above information and statements contained in the Contractor's Section 3 Action and Outcome Plan are true and correct.

Name Title Date



Community Development and Housing Department

SECTION 3 Worker/Targeted Worker Eligibility Form

Company Name:			
Employee Name:			
Employee Address:	City:		
State:	Zip Code:		
Date of Hire:	Phone Number:		

The purpose of HUD's Section 3 program is to provide employment, training and contracting opportunities to low-income individuals, particularly those who are recipients of government assistance for housing or other public assistance programs. Your response is voluntary, confidential, and has no effect on your employment.

A Section 3 worker seeking certification shall self-certify and submit this form to the recipient contractor or subcontractor, that the person is a Section 3 worker or Targeted Section 3 Workers as defined in 24 CFR Part 75.

Section 3 Worker eligibility qualification:

Individual Income for the previous or annualized calendar year is below the income limits established by HUD for the area where you currently reside.

Individual Income							
	Less than \$10,000		\$10,001 - \$20,000		\$20,001 - \$30,000		\$30,001 - \$40,000
	\$40,001 - \$50,000		\$50,001 - \$60,000		\$60,001 - \$70,000		More than \$70,001

- I am currently employed by a Section 3 business concern.
- I am a Youthbuild participant (Section 3 Target Worker eligibility).

Section 3 Targeted Worker eligibility qualifications:

- Currently Employed by a Section 3 business concern
- Currently fits or when hired meets at least one of the following categories, as documented within the past five years:
- Living within the service area or the neighborhood of the project; or
- I am a Youthbuild participant.

I affirm that the information on this form is true, complete, and correct to the best of my knowledge and belief. I hereby certify, under penalty of law, that the following information is correct to the best of my knowledge.

SIGNATURE

DATE

PRINT NAME

FOR EMPLOYER ADMINISTRATIVE USE ONLY

- Is the employee a Section 3 worker based upon their self-certification? YES NO
- Is the employee a Targeted Section 3 worker based upon their self-certification? YES NO
- Was this an applicant who was hired as a result of the Section 3 project? YES NO

EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS



Community Development and Housing

SECTION 3 CUMULATIVE REPORT

Company Name:	
Address:	City:
State:	Zip Code:
<input type="checkbox"/> Initial Report	
<input type="checkbox"/> Progress Report	Reporting Period:
<input type="checkbox"/> Final Report	

Section 3 Reporting:

Total number of hours estimated/worked: _____

Total number of labor hours estimated/worked by Section 3 Worker: _____

Total number of labor hours estimated/worked by Section 3 Targeted worker: _____

Section 3 Benchmarks:

- 1) Section 3 Labor Hours/Total Labor Hours = 25%
And
- 2) Targeted Section 3 Laborer Hours/Total Labor Hours = 5%

- The following qualitative activities mark will be pursued in effort to meet Section 3 requirements:
- If Section 3 benchmark were **NOT** met mark all qualitative activities pursued to meet Section 3 requirements:
 - Engaged in outreach efforts to generate job applicants who are Targeted Section 3 workers.
 - Provided training or apprenticeship opportunities.
 - Provided technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching).
 - Provided or connected Section 3 workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services.
 - Held one or more job fairs.
 - Provided or referred Section 3 workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, child care).
 - Provided assistance to apply for/or attend community college, a four-year educational institution, or vocational/technical training.
 - Assisted Section 3 workers to obtain financial literacy training and/or coaching.
 - Engaged in outreach efforts to identify and secure bids from Section 3 business concerns.
 - Provided technical assistance to help Section 3 business concerns understand and bid on contracts.
 - Divided contracts into smaller jobs to facilitate participation by Section 3 business concerns.
 - Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
 - Promoted use of business registries designed to create opportunities for disadvantaged and small businesses.
 - Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.

I affirm that we have made/will make best efforts to follow the prioritization of efforts requirements as follows 1) Section 3 workers residing within the services area of the neighborhood of the project, and 2) Participated in Youthbuild program. I hereby certify, under penalty of law, that the above statement is correct to the best of my knowledge.

Signature: _____ Date _____

Print Name: _____