

**DISPOSITION AND DEVELOPMENT AGREEMENT**

by and between the

CITY OF TEMECULA

and

TEMECULA PACIFIC ASSOCIATES,  
a California limited partnership

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## **DISPOSITION AND DEVELOPMENT AGREEMENT**

THIS DISPOSITION AND DEVELOPMENT AGREEMENT (the "Agreement") is dated as of June 25, 2019 and is entered into by and between the CITY OF TEMECULA, as successor of the housing assets of the former Temecula Redevelopment Agency (the "City"), and TEMECULA PACIFIC ASSOCIATES, A California limited partnership ("Developer").

### **RECITALS**

A. City believes it owns the land described on Exhibit "A" (the "Property"), having acquired the Property from the former redevelopment agency as a housing asset. The City is the successor to the housing assets of the former redevelopment agency, which initially acquired the Property using low/mod housing set-aside funds.

B. Developer desires to acquire the Property from City for the purpose of developing a sixty (60) unit apartment complex (the "Project") on both the Property and on adjacent property already owned by Developer that is described on Exhibit "A-1".

A material inducement to the City to enter into this Agreement is the agreement by Developer to develop the Project as provided herein, and not convey any portion of the Project until it is complete.

### **AGREEMENT**

NOW, THEREFORE, in consideration of the above recitals and of the mutual covenants contained in this Agreement, the parties hereto agree as follows:

#### 1. DEFINITIONS.

1.1 Definitions. The following capitalized terms used in this Agreement shall have the meanings set forth below:

1.1.1 "Affiliated Person" means, when used in reference to a specific person, any person that directly or indirectly controls or is controlled by or under common control with the specified person, any person that is an officer or director of, a trustee of, or a general partner, managing member or operator in, the specified person or of which the specified person is an officer, director, trustee, general partner or managing member.

1.1.2 "Agreement" means this Disposition and Development Agreement.

1.1.3 "Approved Title Exceptions" is defined in Section 2.4.1.

1.1.4 "Base Pro Forma" means the Project pro forma (with projections of Operating Expenses, Gross Revenues and Housing Rent) attached hereto as Exhibit "J".

1.1.5 "Building Permit" means, collectively, any and all permits necessary to grade the Land and construct the Project that would be issued by the City.

1.1.6 “Capital Replacement Reserve” means a reserve fund to be established by the Developer pursuant to Section 3.12 hereof.

1.1.7 “Certificate of Completion” means the certificate described in Section 3.11.

1.1.8 “City” means the City of Temecula, a municipal corporation.

1.1.9 “City Manager” means the City Manager of the City.

1.1.10 “Close of Escrow” is defined in Section 2.3.

1.1.11 “Construction Contract” is defined in Section 3.3.

1.1.12 “Debt Service” means required debt service payments and reserve deposits under the Senior Project Loan.

1.1.13 “Default” is defined in Section 5.1.

1.1.14 “Deposit” is defined in Section 2.2.

1.1.15 “Disapproved Title Exceptions” is defined in Section 2.4.1.

1.1.16 “Escrow” is defined in Section 2.3.

1.1.17 “Escrow Holder” means Commonwealth Land Title Attn: Cheryl Greer.

1.1.18 “FIRPTA Affidavit” is defined in Section 2.9.1.3.

1.1.19 “Force Majeure Delay” is defined in Section 5.7.

1.1.20 “General Contractor” is defined in Section 3.3.

1.1.21 “Grant Deed” is defined in Section 2.4.2.

1.1.22 “Gross Revenues” means the sum of: the total rental income and all other revenues or income received by the Developer or its successors or assigns in connection with the Project, including without limitation Housing Rent, laundry charges or consideration received from an entity that contracts to provide laundry services, payments in connection with Section 8 certificates, if any (including payments under such certificates that are in excess of the restricted rents provided for herein), cable income or consideration received from an entity that contracts to provide cable services, each of (i) amounts paid to Developer or any Affiliated Person on account of Operating Expenses for further disbursement by Developer or such affiliate to a third party or parties, including, without limitation, grants received to fund social services or other housing supportive services at the Project; (ii) late charges and interest paid on rentals; (iii) rents and receipts from licenses, concessions, vending machines, coin laundry, and similar sources; (iv) other fees, charges, or payments not denominated as rental but payable to Developer in connection with the rental of office, retail, storage, or other space in the Project; (v)

consideration received in whole or in part for the cancellation, modification, extension or renewal of leases; (vi) interest and other investment earnings on security deposits, reserve accounts and other Project accounts to the extent disbursed, and (vii) all other income from the Project, but does not include insurance proceeds applied to reconstruct or repair the Project.

1.1.23 "Hazardous Materials" means any chemical, material or substance now or hereafter defined as or included in the definition of hazardous substances, hazardous wastes, hazardous materials, extremely hazardous waste, restricted hazardous waste, toxic substances, pollutant or contaminant, imminently hazardous chemical substance or mixture, hazardous air pollutant, toxic pollutant, or words of similar import under any local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto applicable to the Land, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. ("CERCLA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, et seq.; and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. 6901, et seq. ("RCRA") The term Hazardous Materials shall also include any of the following: any and all toxic or hazardous substances, materials or wastes listed in the United States Department of Transportation Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR, Part 302) and in any and all amendments thereto in effect as of the Close of Escrow Date; oil, petroleum, petroleum products (including, without limitation, crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel, not otherwise designated as a hazardous substance under CERCLA; any substance which is toxic, explosive, corrosive, reactive, flammable, infectious or radioactive (including any source, special nuclear or by product material as defined at 42 U.S.C. 2011, et seq.), carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority; asbestos in any form; urea formaldehyde foam insulation; transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls; radon gas; or any other chemical, material or substance (i) which poses a hazard to the Land, to adjacent properties, or to persons on or about the Land, (ii) which causes the Land to be in violation of any of the aforementioned laws or regulations, or (iii) the presence of which on or in the Land requires investigation, reporting or remediation under any such laws or regulations.

1.1.24 "Holder" is defined in Section 4.2.

1.1.25 "Housing Rent" means the total of payments by the tenants of the Project for (a) use and occupancy of their rental unit and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all tenants, other than security deposits (until they are applied), (c) a reasonable allowance for utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity and gas, provided that the rent charged as to any affordable unit shall not exceed the affordable rent described in the Regulatory Agreement.

1.1.26 "Improvements" means all buildings, landscaping, infrastructure, utilities, and other improvements to be built on the Land, as described in the Scope of Development.

1.1.27 “Institutional Lender” means US Bank, Wells Fargo, Citibank, Chase, Rabobank, Pacific Western Bank, or if reasonably acceptable to City, any other reputable and established bank (State or Federal), savings bank (State or Federal), trust company, insurance company, credit union, pension, welfare or retirement fund or system, real estate investment trust (or an umbrella partnership or other entity of which a real estate investment trust is the majority owner), Federal or State agency regularly making or guaranteeing mortgage loans, investment bank or Fortune 500 company, or any combination of, any one or more of the entities described above.

1.1.28 “Land” means the land described on Exhibits “A” and “A-1” attached hereto.

1.1.29 “Lender” means the holder of any Security Instrument and such holder’s successors and assigns.

1.1.30 “Operating Expenses” means actual, reasonable and customary costs, fees and expenses directly incurred and for which payment has been made and which are attributable to the operation, maintenance, and management of the Project (but not any capital replacement reserves or other reserves, expenditures or capital, including without limitation the following (to the extent actual, reasonable and customary, and attributable to the operation, maintenance or management of the Project): painting, cleaning, repairs and alterations; landscaping; utilities; rubbish removal; sewer charges; real and personal property taxes and assessments; insurance premiums; security; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; actual and customary salary payable to an on-site manager which directly and exclusively benefits residents of the Project; reasonable partnership management fees if required by Developer’s partnership agreement but not to exceed \$6,000 a year, increased by 2% a year, for the general partner, and not to exceed \$5,000 increased by 2% a year for lease years 1-15, for limited partners; a management fee (“Management Fee”) to a third party property manager of not to exceed six percent (6%) of Gross Revenues; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings; reasonable and customary fees and expenses of accountants, attorneys, consultants and other professionals as incurred commencing after the completion of the Project (as evidenced by the issuance by City of a certificate of occupancy) in connection with the operation of the Project; payments of deductibles in connection with casualty insurance claims not normally paid from reserves; and payment of any tax credit adjuster payments and deferred developer fees. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. Operating Expenses shall also exclude all of the following: (i) salaries of employees of Developer or Developer’s general overhead expenses, or expenses, costs and fees paid to an Affiliated Person; (ii) any amounts paid directly by a tenant of the Project which, if incurred by Developer, would be Operating Expenses; (iii) optional or elective payments with respect to the Senior Project Loan; (iv) any payments with respect to any loan or financing other than the Senior Project Loan or a Refinancing; (v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Developer prior to completion of the Project, or any portion thereof, including, without limitation, all predevelopment and preconstruction activities conducted by Developer in connection with the Project, including, without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on site or off site work in connection therewith; (vi)

depreciation, amortization, and accrued principal and interest expense on deferred debt; and (vii) any partnership internal fees except as set forth above. The Operating Expenses shall be reported in the Annual Financial Statement and Residual Receipts Report and shall be broken out in line-item detail.

1.1.31 "Party" means any party to this Agreement, and "Parties" means all parties to this Agreement.

1.1.32 "Permitted Exceptions" is defined in Section 2.4.2.

1.1.33 "Permitted Security Instrument" means any Security Instrument (a) that encumbers only the Project; (b) a copy of which, together with the related loan documents, is promptly after execution delivered to City, (c) that is held by a Lender that is an Institutional Lender, and (d) only secures the repayment of money used to pay or reimburse the Total Development Costs or any Refinancing permitted by this Agreement.

1.1.34 "Plans and Specifications" means all drawings, landscaping and grading plans, engineering drawings, final construction drawings, and any other plans or specifications for construction of the Project.

1.1.35 "Project" means the Land and Improvements.

1.1.36 "Project Budget" is defined in Section 2.5.1.

1.1.37 "Purchase Price" is defined in Section 2.1.

1.1.38 "Refinancing" means any loan secured by a Permitted Security Instrument that Developer obtains to pay off all or a portion of an existing loan secured by a Permitted Security Instrument and costs in connection the loan.

1.1.39 "Released Parties" is defined in Section 2.8.3.

1.1.40 "Residual Receipts" for a particular Operating Year means Gross Revenues for the corresponding Operating Year less (i) Debt Service payments made during such Operating Year on the Senior Project Loan in amounts not in excess of the amounts due and payable during such Operating Year (*i.e.* not including prepayments); and (ii) Operating Expenses. All calculations of Residual Receipts shall be made annually, on or before April 15 for the preceding Operating Year, on a cash (and not accrual) basis and the components thereof shall be subject to verification and approval, on an annual basis, based upon conformity with the terms of this Agreement and the City Loan Promissory Note, by City.

1.1.41 "Schedule of Performance" means the schedule attached hereto as Exhibit "B".

1.1.42 "Scope of Development" means the description attached hereto as Exhibit "C".

1.1.43 "Senior Project Loan" means the loan or loans that Developer obtains from an Institutional Lender in an amount that is sufficient to pay and the proceeds of



which are to be used and applied solely to pay (a) the reasonable costs of obtaining such loan, and (b) the Total Project Costs. Such loan shall provide for normal and customary disbursement controls for the payment of Total Project Costs as construction of the Project progresses and normal and customary fees and expenses for a loan of similar size and purpose. Such loan may also provide for a portion of the loan to convert to a permanent loan status following completion of the Project. Any refinancing of a Senior Project Loan that either (i) does not exceed the outstanding principal balance of the loan refinanced plus refinancing loan closing costs or (ii) has Debt Service which does not exceed the Debt Service on the loan being refinanced shall also be a Senior Project Loan

1.1.44 "Title Company" shall mean the Escrow Holder (i.e., the Title Company and the Escrow Holder are the same).

1.1.45 "Total Project Costs" means all hard and soft costs of the construction of the Project, including land costs and carry costs, as set forth in the Project Budget.

1.1.46 "Transfer" is defined in Section 4.1.1.

1.1.47 "Transferee" is defined in Section 4.1.2.

1.1.48 "Withholding Affidavit" is defined in Section 2.8.1.2.

## 2. PURCHASE AND SALE OF THE PROPERTY; PURCHASE PRICE; DEPOSIT.

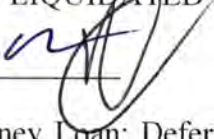
### 2.1 Purchase and Sale; Purchase Price; Deposit.

2.1.1 Purchase and Sale Purchase. In accordance with and subject to the terms and conditions hereinafter set forth, the City agrees to sell the Property to Developer, and Developer agrees to purchase the Property from the City.

2.1.2 Purchase Price. The purchase price for the Property to be paid by Developer (the "Purchase Price") shall be the fair market value of the Property based on an appraisal (or appraisal update) obtained by City from a reputable MAI appraiser at Developer's cost that is dated no earlier than six (6) months prior to the Closing Date. Said fair market value as of the date hereof is \$710,000.00. (Developer shall reimburse City for the costs of the appraisal and any update within ten days after written demand from City with evidence of the costs.) Notwithstanding anything to the contrary contained herein, the Close of Escrow shall not occur until such time as the Closing Conditions, as defined in Section 2.7 hereof, have been satisfied. At the Close of Escrow, the City shall convey title to the Property to Developer by grant deed in the form attached hereto as Exhibit "B" (the "Grant Deed").

2.1.3 Deposit. Within ten (10) business days after the date this Agreement is executed by the City and delivered to Developer, the Developer shall deposit the sum of TEN THOUSAND AND NO/100 DOLLARS (\$10,000.00) with City (the "Deposit"). The Deposit shall be held by City in a non-interest bearing account. In the event the Close of Escrow does not occur due to a default by Developer, the Deposit shall be delivered to and

retained by the City as liquidated damages for such default. If this Agreement is terminated by Developer pursuant to its terms prior to the Close of Escrow, or if the Close of Escrow occurs, then the Deposit shall be returned to Developer. DEVELOPER AND CITY AGREE THAT BASED UPON THE CIRCUMSTANCES NOW EXISTING, KNOWN AND UNKNOWN, IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO ESTABLISH CITY'S DAMAGES BY REASON OF A DEFAULT BY DEVELOPER PRIOR TO THE CLOSE OF ESCROW. ACCORDINGLY, DEVELOPER AND CITY AGREE THAT IN THE EVENT OF A DEFAULT BY DEVELOPER PRIOR TO THE CLOSE OF ESCROW, CITY SHALL BE ENTITLED TO THE DEPOSIT AS LIQUIDATED DAMAGES.

Developer Initials: 

City Initials: 

2.2 Purchase Money Loan; Deferred Fee Loan; Contingent Permanent Loan.

City shall make loans to Developer in the amount of (i) the Purchase Price; (ii) \$698,281.00 of deferred City fees (consisting of development impact fees, Quimby fees, building permit fees, public works fees, fire dept. fees); and (iii) \$1,301,719 as a permanent loan (the "City Permanent Loan") on the terms set forth in the promissory note ("City Loan Promissory Note") attached hereto as Exhibit "C"; however, the Developer acknowledges and agrees that: (a) the City's obligation to fund the City Permanent Loan is limited to funds received by the City from SERAF Repayments (as defined below) and not any other funds of the City, and (b) if the SERAF Repayments (as defined below) received by the City during fiscal years 2019-20 and 2020-21 total less than \$1,301,719, then the principal amount of the City Permanent Loan will be reduced to the actual amount of SERAF Repayments received by the City during fiscal years 2019-20 and 2020-21.

As used herein, the term "SERAF Repayments" shall mean funds to be received by the City from the Successor Agency to the Temecula Redevelopment Agency (the "Successor Agency"), which in turn shall have been received by the Successor Agency from the Riverside County Auditor-Controller's disbursements from the Redevelopment Property Tax Trust Fund pursuant to Line Item No. 4 of the Successor Agency's annual Recognized Obligation Payment Schedule as approved by the California State Department of Finance (for repayments under the Health and Safety Code Sections 33690(a), 33690.5 and 34171(d)(1)(G)).

The City Loan Promissory Note shall be secured by a deed of trust on the Project in the form attached hereto as Exhibit "D" ("City Loan Deed of Trust"). The City shall reasonably subordinate the City Loan Deed of Trust to the deed of trust securing the Senior Project Loan by a reasonable subordination agreement approved by the City Manager. The City loan shall be repaid with Residual Receipts, as described in the City Loan Promissory Note.

On or before April 15 of each calendar year, Developer shall provide the City with an annual Residual Receipts report in form and substance reasonably acceptable to City that include annual financial statements with respect to the Project that have been reviewed by an independent certified public accountant, together with an express written opinion of such independent certified public accountant that such report presents the financial position, results of operations and cash flows of the Project accurately and in accordance with tax accounting principles ("Annual Financial Report"). In the event the Residual Receipts reported or paid deviate by three percent (3%) or more from that amount determined to be owing upon review of

Developer's submittal and, an audit (and the City shall have the right to audit), Development shall reimburse City for its cost to review and shall pay the amounts owing.

2.3 Opening and Closing of Escrow. Within five (5) business days after tax credits are awarded, the City and the Developer shall cause an escrow (the "Escrow") to be opened with Escrow Holder for the sale of the Property by the City to Developer and for the closing of Senior Project Loan. The Parties shall deposit with Escrow Holder a fully executed duplicate original of this Agreement as the escrow instructions for the Escrow. The City and Developer shall provide such additional instructions as shall be necessary and consistent with this Agreement. Provided that each of the conditions to closing described in Section 2.7 have been satisfied, Escrow shall close (the "Close of Escrow") within seven (7) months after the award of tax credits, but not later than March 1, 2021. If the Close of Escrow does not occur by such date, any party not then in default may terminate this Agreement by written notice to the other and all the funds and documents deposited with Escrow Agent shall be promptly refunded or returned, as the case may be, by Escrow Agent to the depositing party, except that all escrow and title cancellation fees shall be paid by Developer.

#### 2.4 Condition of Title; Title Insurance.

2.4.1 Title Exceptions; Survey. Upon City's delivery to Developer of a copy of this Agreement executed by City, City shall obtain a preliminary title report for the Property (the "PTR") from the Title Company and shall deliver it (or cause it to be delivered to) Developer which shall include hyperlinks to copies of the title exception documents. Developer shall have thirty (30) days after delivery of the PTR to Developer to review and approve or disapprove any title exceptions in the PTR, and notify City in writing of any such title exceptions to which Developer objects.] Upon the execution of this Agreement, Developer may cause an ALTA survey ("Survey") to be performed within thirty (30) days and shall promptly deliver a copy of the Survey to the City together with any objections (if any) to any title exceptions shown on the Survey. City shall have twenty (20) days after delivery by Developer to City of a written objection to a title exception to notify Developer in writing that City will: (a) remove one or more of the applicable exception(s) or cause them to be removed by the end of the Due Diligence Period (as defined in Section 2.8.2 below) or reasonably insured over by the Title Company; (b) decline to remove exceptions (or to cause them to be reasonably insured). Failure by City to so notify Developer shall be deemed to be City's election not to remove or otherwise address the applicable title exception(s). If City notifies Developer that City will remove (or cause to be removed) one or more of such title exceptions, then City shall do so on or before the Close of Escrow (unless this Agreement is terminated by Developer under this Section or Section 2.8.2 below). If City fails to so notify Developer as to any exception, or declines to remove or insure over title exceptions, then Developer may terminate this Agreement by written notice to City. If Developer fails to so terminate this Agreement, Developer shall be deemed to have approved and accepted the applicable title exceptions (which, together with any title exceptions approved or created by Developer, are hereinafter referred to as the "Approved Title Exceptions"). As used herein, the term "Disapproved Title Exceptions" shall mean any title exceptions that City has agreed to remove, cause to be removed or cause to be "insured over".

2.4.2 At the Close of Escrow, the City shall convey title to the Property to Developer by grant deed in the form attached hereto as Exhibit "B" (the "Grant Deed"). Title to the Property shall be conveyed subject to: (i) non-delinquent current real property taxes and

assessments not yet due for the tax year during which the conveyance occurs, (ii) all Approved Title Exceptions, and (iii) the terms of this Disposition and Development Agreement and other covenants included in the Grant Deed (collectively, the "Permitted Exceptions"). After the date of the PTR, City shall not further encumber the Property without Developer's prior written consent.

2.5 City Conditions to Close of Escrow. The obligation of the City to close Escrow shall be subject to the satisfaction (or express written waiver by the City Manager) of each of the following conditions (collectively, the "City Conditions"):

2.5.1 Developer shall have submitted to the City Manager, and the City Manager shall have approved, a comprehensive project budget, showing line items for each type of expenditure and the applicable sources of funds (the "Project Budget"), together with a copy of all commitments obtained by the Developer for construction financing, permanent financing, and other financing from external sources (including tax credit equity) to assist in financing the development of the Development, certified by the Developer to be true and correct, and an audited financial statement (or other evidence in a form satisfactory to the City) demonstrating that the Developer has sufficient additional capital funds (*i.e.*, "equity") available and is committing such funds to cover the difference, if any, between costs of development of the Development and the funds available to the Developer (the "Project Budget").

2.5.2 The Developer shall have delivered to the City a copy of the construction loan documents, financial terms of which must be consistent with the Project Budget.

2.5.3 The Senior Project Loan shall close prior to or concurrently with the Close of Escrow.

2.5.4 The City Manager shall have approved the executed Construction Contract for the Project, as provided in Section 3.3 hereof.

2.5.5 The Developer shall have submitted to the City Manager a description of the legal and ownership structure of the Developer and any assignee (and its organizational documents) and the City Manager shall have approved such entity and documents.

2.5.6 The City shall have received evidence acceptable to the City Manager that the construction-related insurance required by Section 6.1 of this Agreement shall be in effect.

2.5.7 All conditions to the issuance of the Building Permit shall have been approved/issued.

2.5.8 The Developer shall have provided evidence to the City that the Developer's general contractor is experienced, creditworthy and able to construct and complete the Project (pursuant to the Construction Contract) and, unless such bonds are waived (*i.e.*, and not required) by the lender of the Senior Project Loan, evidence that the obligations of Developer's general contractor to construct the Project have been bonded, for the express benefit of Developer, Developer's construction lender and the City. If the bonding requirement applies,

Developer shall secure and deposit with the City a Performance Bond and a Labor and Material Payment Bond (in the form of AIA form A311 or A312), issued by a surety admitted to issue insurance in the State of California and otherwise acceptable to the City Manager, securing the faithful performance by the General Contractor of the completion of construction of the Improvements free of all liens and claims, within the time provided in the Schedule of Performance attached hereto. Such bond shall be in an amount equal to one hundred percent (100%) of the stipulated sum or guaranteed maximum price, as applicable. Such construction bond shall name the City as a co-obligee and may also name Developer and Developer's construction lender as co obligees. Such construction bond shall be issued by a company acceptable to the City and listed in the current United States Treasury Department circular 570 and otherwise within the underwriting limits specified for that company in such circular. All of the foregoing shall be satisfactory in form and substance to the City Manager.

2.6 Developer Conditions to Close of Escrow. The obligations of the Developer to close escrow shall be subject to the satisfaction (or waiver by Developer) of the following conditions (the "Developer Conditions"):

2.6.1 There shall have been no change to the physical condition of the Property and no new title exceptions after the date of the PTR that, in either case, would materially and adversely affect the development, use or operation of the Project.

2.6.2 City's removal (or Title Company's reasonably insuring over) all Disapproved Title Exceptions.

2.6.3 The representation of the City contained in Section 7.2 of this Agreement being true and correct.

2.6.4 The delivery by City of all documents and funds required to be delivered pursuant to Section 2.9 hereof.

2.6.5 The Title Company shall have committed to issue at the Close of Escrow an owner's title insurance policy, with any extended coverage and endorsements requested by Developer, showing fee simple title to the Land vested in Developer (or Developer's assignee as permitted by this Agreement), subject only to the Permitted Exceptions.

2.6.6 City shall have performed, observed and complied with all covenants, agreements and conditions required by this Agreement to be performed, observed and complied with on its part prior to or as of the Close of Escrow.

2.7 Costs; Escrow Holder Settlement Statement.

2.7.1 Developer shall be solely responsible for all costs and expenses related to the Survey, the costs of extended title insurance coverage and any title insurance endorsements (other than those obtained by City to "insure-over" a title exception), and fifty percent (50%) of the Escrow fees. City shall be responsible for the other fifty percent (50%) of the Escrow Fees, the costs of the standard Owner's policy of title insurance, documentary transfer taxes, and any endorsements obtained by City to "insure-over" title exceptions.

2.7.2 Escrow Holder is authorized on the Close of Escrow to pay and charge the Developer for any fees, charges and costs payable under Section 2.6.1 as set forth on the settlement statements approved by the Parties. Before such payments are made, Escrow Holder shall notify the City and Developer of the fees, charges, and costs necessary to close under the Escrow, by delivering draft settlement statements to the Parties for their mutual approval.

## 2.8 Condition of the Property.

2.8.1 “As-Is” Sale. Developer acknowledges and agrees that, except as expressly set forth herein, Developer is acquiring the Land in its “AS IS” condition, WITH ALL FAULTS, IF ANY, AND, EXCEPT AS EXPRESSLY SET FORTH HEREIN, WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED and neither City nor any agents, representatives, officers, or employees of City have made any representations or warranties, direct or indirect, oral or written, express or implied, to Developer or any agents, representatives, or employees of Developer with respect to the condition of the Property, its fitness for any particular purpose, or its compliance with any laws, and Developer is not aware of and does not rely upon any such representation to any other party. Except as expressly set forth herein, neither City nor any of its representatives is making or shall be deemed to have made any express or implied representation or warranty, of any kind or nature, as to (a) the physical, legal or financial status of the Property, (b) the Land’s compliance with applicable laws, (c) the accuracy or completeness of any information or data provided or to be provided by City, or (d) any other matter relating to the Property.

2.8.2 Delivery of Document by City; Inspections by Developer; Due Diligence Period. Within ten (10) business days after the date of this Agreement, City shall deliver to Developer copies of all material, non-privileged documents in the possession of City that pertain to the Property (the “Documents”). Upon the execution of this Agreement until the date that is ninety (90) days after the date of this Agreement (the “Due Diligence Period”), Developer and its contractors and consultants who are designated in writing to City (“Developer Designee’s”) shall have the right to enter onto the Property (without disturbing any occupants thereof) for the purpose of performing the Survey, hazardous materials inspections, soils inspections and other physical inspections and investigations; provided, however, that: (a) Developer shall deliver copies of all inspection reports to City; (b) no inspections or investigations shall damage the Property or any improvements thereon or shall be “invasive” unless the City has received a plan describing the scope of the inspection or investigation and has approved such plan in writing, which approval shall not be unreasonably withheld; (c) Developer shall immediately repair all damage caused by or related to its inspections; and (d) neither Developer nor any of Developer’s Designees shall enter the Property unless Developer has provided City reasonable written evidence (such as insurance certificates and/or copies of policies) that the activities of Developer and the Developer Designees are covered by reasonable liability insurance naming City as an additional insured. Developer shall defend, indemnify and hold City harmless from and against any and all claims, liabilities, losses, damages, costs and expenses (including, without limitation, attorneys’ fees and cost) resulting from the entry onto the Property for such purposes or for purposes of performing the Survey. If Developer disapproves to any condition of the Property or any Document, then Developer may terminate

this Agreement by written notice to City given on or prior to the end of the Due Diligence Period that describes the basis for the disapproval.

2.8.3 Releases and Waivers. Developer acknowledges and agrees that in the event Developer does not approve of the condition of the Property under Section 2.8.2, Developer's sole right and remedy shall be to terminate this Agreement under and in accordance with Section 2.8.2. Consequently, Developer hereby waives any and all objections to or complaints regarding the Property and its condition, including, but not limited to, federal, state or common law based actions and any private right of action under state and federal law to which the Land is or may be subject, including, but not limited to, CERCLA (as defined in Section 1.1.19), RCRA (as defined in Section 1.1.19), physical characteristics and existing conditions, including, without limitation, structural and geologic conditions, subsurface soil and water conditions and solid and hazardous waste and Hazardous Materials on, under, adjacent to or otherwise affecting the Property. Developer further hereby assumes the risk of changes in applicable laws and regulations relating to past, present and future environmental conditions on the Property and the risk that adverse physical characteristics and conditions, including, without limitation, the presence of Hazardous Materials or other contaminants, may not have been revealed by its investigations.

Developer and anyone claiming by, through or under Developer also hereby waives its right to recover from and fully and irrevocably releases City and its council members, board members, employees, officers, directors, representatives, agents, servants, attorneys, successors and assigns ("Released Parties") from any and all claims, responsibility and/or liability that it may now have or hereafter acquire against any of the Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to (i) the condition (including any defects, errors, omissions or other conditions, latent or otherwise, and the presence in the soil, air, structures and surface and subsurface waters of materials or substances that have been or may in the future be determined to be Hazardous Materials or otherwise toxic, hazardous, undesirable or subject to regulation and that may need to be specially treated, handled and/or removed from the Property under current or future federal, state and local laws regulations or guidelines), valuation, salability or utility of the Land, or its suitability for any purpose whatsoever, and (ii) any information furnished by the Released Parties under or in connection with this Agreement. This release includes claims of which Developer is presently unaware or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release to City. Developer specifically waives the provision of California Civil Code Section 1542, which provides as follows:

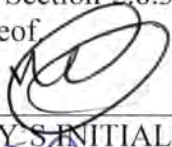
"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

In this connection and to the extent permitted by law, Developer hereby agrees, represents and warrants that Developer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown,

unanticipated and unsuspected, and Developer further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge and acquit Released Parties from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to City by Developer in exchange for City's performance hereunder.

Developer hereby agrees that, if at any time after the Close of Escrow any third party or any governmental agency seeks to hold Developer responsible for the presence of, or any loss, cost or damage associated with, Hazardous Materials in, on, above or beneath the Property or emanating therefrom, then Developer waives any rights it may have against City in connection therewith, including, without limitation, under CERCLA (as defined in Section 1.1.19 and Developer agrees that it shall not (i) implead the City, (ii) bring a contribution action or similar action against City, or (iii) attempt in any way to hold City responsible with respect to any such matter. The provisions of this Section 2.8.3 shall survive the Close of Escrow.

City has given Developer material concessions regarding this transaction in exchange for Developer agreeing to the provisions of this Section 2.8.3. City and Developer have each initialed this Section 2.8.3 to further indicate their awareness and acceptance of each and every provision hereof.

  
\_\_\_\_\_  
AGENCY'S INITIALS

  
\_\_\_\_\_  
DEVELOPER'S INITIALS

2.8.4 Environmental Indemnity. From or after the Close of Escrow, Developer shall indemnify, protect, defend and hold harmless the City, and the City's officials, officers, attorneys, employees, consultants, agents and representatives, from and against any and all claims, liabilities, suits, losses, costs, expenses and damages, including but not limited to attorneys' fees and costs, arising directly or indirectly out of any claim for loss or damage to any property, including the Property, injuries to or death of persons, or for the cost of cleaning up the Land and removing Hazardous Materials or toxic substances, materials and waste therefrom, by reason of contamination or adverse effects on the environment, or by reason of any statutes, ordinances, orders, rules or regulations of any governmental entity or agency requiring the clean up of any Hazardous Materials caused by or resulting from any Hazardous Material, or toxic substances or waste existing on or under, any portion of the Property acquired by Developer or other portion of the Land.

2.9 Deposits into Escrow by City.

2.9.1 The City hereby covenants and agrees to deliver to Escrow Holder prior to the Close of Escrow the following instruments and documents, the delivery of each of which shall be a condition of the Close of Escrow:

2.9.1.1 A Grant Deed duly executed and acknowledged by the City, in the form attached hereto as Exhibit "B".

2.9.1.2 If required by Escrow Holder, the affidavit as contemplated by California Revenue and Taxation Code 590 ("Withholding Affidavit");



2.9.1.3 If required by Escrow Holder, a Certification of Non Foreign Status in accordance with I.R.C. Section 1445 (the "FIRPTA Certificate");

2.9.1.4 A Subordination Agreement subordinating the City Deed of Trust and the Affordability Restrictions and Regulatory Agreement (Low/Mod Set Aside Fund) (but not the Affordability Restrictions and Regulatory Agreement (Density Bonus)) to the Construction Loan deed of trust, in a form reasonably approved by the City Manager.

2.9.1.5 A counterpart of a Notice of Affordability Restrictions in the form attached hereto as Exhibit "G", executed by City and acknowledged (the "Notice").

2.9.1.6 A counterpart of two (2) Affordability Restrictions and Regulatory Agreements in the forms attached hereto as Exhibit "H", duly executed by City and acknowledged ("Regulatory Agreements").

2.9.1.7 A Request for Notice, duly executed by the City and acknowledged (with respect to the Construction Loan deed of trust) (the "Request").

2.9.1.8 Such proof of the City's authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue Developer's policy of title insurance.

## 2.10 Deposits into Escrow by Developer.

2.10.1 The Developer hereby covenants and agrees to deliver to Escrow Holder prior to the Close of Escrow the following instruments and documents duly executed and acknowledged where appropriate, the delivery of each of which shall be a condition of the Close of Escrow:

2.10.1.1 The City Loan Deed of Trust, duly executed by Developer and acknowledged.

2.10.1.2 Counterparts of the Regulatory Agreements, duly executed by Developer and acknowledged.

2.10.1.3 A counterpart of the Notice, duly executed by Developer and acknowledged.

2.11 Authorization to Record Documents and Disburse Funds. Escrow Holder is hereby authorized to record the documents and disburse the funds and documents called for hereunder upon the Close of Escrow, provided each of the following conditions has then been fulfilled:

(i) The Title Company is unconditionally committed to issue in favor of Developer an owner's Policy of Title Insurance, with liability equal to the Purchase Price (or such lesser amount as shall have been requested by Developer), showing the Land vested in Developer subject only to the Permitted Title Exceptions.

(ii) The City and the Developer shall have deposited in Escrow the documents and funds required pursuant to Sections 2.9 and 2.10, and the City has confirmed that Developer shall have delivered to City an executed original of the Promissory Note in the form attached hereto as Exhibit "C".

(iii) The City and Developer have confirmed to Escrow Holder that all other City Conditions and Developer Conditions have been satisfied or expressly waived in writing by the Party benefited thereby.

Unless otherwise instructed in writing, Escrow Holder is authorized to record at the Close of Escrow any instrument delivered through this Escrow if necessary or proper for issuance of Developer's title insurance policy.

2.12 Escrow's Closing Actions. On the Close of Escrow, Escrow Holder shall:

2.12.1 Record the Grant Deed, then the Regulatory Agreements, then the Notice, then the deed of trust securing the Senior Project Loan, then the City Loan Deed of Trust, then the Request, and finally the Subordination Agreement in the Official Records of Riverside County;

2.12.2 Issue the Title Policy (or cause the Title Company to issue the Title Policy);

2.12.3 Prorate assessments, rents, and other charges as of the Close of Escrow in accordance with the settlement statements approved by the Parties and pay the costs shown thereon;

2.12.4 From funds deposited by Developer, pay costs payable by Developer as shown on the approved preliminary settlement statement approved by City and Developer settlement statement, and return any excess to Developer;

2.12.5 Prepare and deliver to both Developer and the City one signed copy of Escrow Holder's final settlement statement showing all receipts and disbursements of the Escrow; and

2.12.6 If applicable, deliver the FIRPTA Certificate and the Withholding Affidavit to Developer.

### 3. DEVELOPMENT AND RESERVES COVENANTS.

3.1 Development of the Project. Developer shall develop the Project in accordance with the Scope of Development, the Schedule of Performance, all requirements of any and all applicable federal, state and local laws, rules and regulations (including any conditions of approval required by the City in its governmental capacity), the Plans and Specifications, and all other terms, conditions and requirements of this Agreement. Developer shall comply with the Schedule of Performance in a timely manner, provided that the obligations of Developer set forth therein which are to be performed after the Close of Escrow shall be delayed by Force Majeure Delays, if applicable. Until a Certificate of Completion is issued, the

Developer shall promptly provide the City with written, detailed progress reports, as reasonably requested by the City, regarding the status of the construction of the Improvements.

3.2 City's Right to Review Plans and Specifications. In connection with construction of the Project, Developer shall comply in all respects with Plans and Specifications approved by the City. The City in its proprietary capacity (i.e., its capacity as a party to this contract, as opposed to its governmental capacity) shall have the right to review all Plans and Specifications for the Improvements prior to their submission to the City in its governmental capacity to ensure that the Improvements are constructed in accordance with the Scope of Development and the other applicable provisions of this Agreement.

3.3 Construction Contract. Developer shall retain one or more reputable and financially responsible general contractors (each, a "General Contractor") to undertake the construction of the Project. Each General Contractor shall be acceptable to and approved in writing by the City Manager (in the exercise of his sole and absolute discretion), licensed in California, shall have any other licenses required by the City, and shall be experienced in constructing the type of improvements constituting the Improvements, provided that Pacific West Builders, Inc. is hereby approved as General Contractor. On or before the date set forth in the Schedule of Performance, Developer shall enter into a written contract, in form and substance reasonably acceptable to the City Manager (the "Construction Contract"), with the General Contractor(s) for performing the work constituting the construction of all of the Project. Each such Construction Contract shall be a guaranteed maximum cost contract or stipulated sum insuring construction of the improvements for a fixed or maximum price, and shall obligate the General Contractor to commence and complete such construction in accordance with this Agreement and all applicable federal, state and local laws, rules and regulations. Each such Construction Contract shall provide for retention of at least ten percent (10%) (reduced to 5% retainage following 50% Project completion) from each progress payment (except there shall be no retention for any items excused from retention as specified in the Construction Contract) until the final payment, and said final payment shall not be paid to the General Contractor until the portion of the Project covered by such Construction Contract shall have been completed to Developer's satisfaction, and Developer shall have obtained all appropriate lien waivers from the General Contractor and its subcontractors, or bonds acceptable to Developer in form and amount, insuring against loss arising from any mechanics', laborers', materialmen's or similar liens filed against the Project.

3.4 Costs of Entitlement, Development and Construction. The Developer agrees that all costs, expenses and fees associated with the development and construction of the Project including the costs for developing and constructing the Improvements thereon (including, but not limited to, the land acquisition costs and governmental permits and approvals) shall be borne by Developer.

3.5 Rights of Access and Inspection. In addition to those rights of access to and across the Land to which the City and the City may be entitled by law, members of the staffs of the City and the City shall have a reasonable right of access to the Land, without charge or fee, at any reasonable time, upon reasonable notice to Developer (which may be telephonic notice to 208-461-0022) to inspect the work being performed at the Land in connection with the initial development of the Project but shall not be obligated to do so and City shall not be liable for any failure to disclose any information discovered by City (or that could or should have been

discovered by any City inspection). The City shall also have the right at all reasonable times to inspect and copy the books, records and all other documentation of the Developer pertaining to its obligations under this Agreement.

3.6 Local, State and Federal Laws. Developer shall carry out the construction of the Improvements on the Land in conformity with all applicable federal, state and local laws, including all applicable federal and state occupation, safety and health standards.

3.7 City and Other Governmental City Permits and Approvals. Before commencement of construction or development of any work of improvement on the Land, Developer shall (at Developer's expense) secure, or cause to be secured, the Building Permit.

3.8 No Discrimination During Construction. Developer, for itself and its successors and assigns, agrees that it shall not discriminate against any employee or applicant for employment because of age, sex, marital status, race, handicap, color, religion, creed, ancestry, or national origin in the construction of the Improvements.

3.9 Taxes, Assessments, Encumbrances and Liens. Developer shall pay when due all real property taxes and assessments assessed or levied on portions of the Land from time to time owned by Developer, commencing immediately after closing of the land acquisition.

3.10 No Agency Created. In performing this Agreement, Developer is an independent contractor and not the agent of the City. The City is not an agent of Developer. The City shall not have any responsibility whatsoever for payment to any contractor or supplier of Developer or its contractors. Developer shall not have any responsibility whatsoever for payment to any contractor or supplier of the City.

3.11 Certificate of Completion. Upon Developer's completion of the construction of the Project, Developer will apply to the City for a Certificate of Completion (which shall be substantially in the form attached hereto as Exhibit "I"). The City's issuance of the Certificate of Completion shall constitute the acknowledgement of the City that Developer has complied in all respects with its development obligations (and only the development obligations) set forth in this Article 3. Promptly following the City's issuance of a certificate of occupancy for the entire project, and provided that Developer is then in full compliance with all of its obligations under Article 3 of this Agreement, the City Manager shall execute, acknowledge and deliver the Certificate of Completion, which shall be recorded in the Official Records of Riverside County and shall include, in form reasonably acceptable to Developer, an express termination or reconveyance of the City's rights under Section 6.2.2(ii) of this Agreement and the Grant Deed. If the City Manager believes that the Developer is not in compliance with its obligations under this Article 3, the City Manager shall promptly specify the nature of such non-compliance by written notice to Developer.

3.12 Capital Replacement Reserve. Upon completion of the Project, Developer shall annually set aside \$250 per unit or such greater amount as may be required by the Senior Project Loan documents delivered to City, from the gross rents received by the Project into a separate capital replacement reserve account identified in writing to City. Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements and replacements to the accepted accounting principles. The non-availability of funds in the Capital Replacement

Reserve does not in any manner relieve or lessen Developer's obligations to undertake any and all necessary capital repairs, improvements or replacements and to continue to maintain the Project in the manner prescribed in this Agreement or the Regulatory Agreements.

4. LIMITATIONS ON TRANSFERS AND SECURITY INTERESTS.

4.1 Restriction on Transfer of Developer's Rights and Obligations. Prior to issuance of a Certificate of Completion for the Project, Developer shall not sell, assign, transfer, mortgage, lease (except for leases/rental agreement that comply with the Regulatory Agreement, and that are conditioned upon Project completion), hypothecate, or convey (collectively, a "Transfer") the Project or any part thereof or any of Developer's rights or obligations hereunder, or agree to do so, or transfer fifty percent (50%) or more of the ownership interests in Developer in a single transaction or series of transactions, without the City's prior written consent, which consent may be granted or withheld in the City's sole and absolute discretion, except that the City's consent shall not be required for the admission of one or more tax credit limited partner(s) or execution of one or more deeds of trust and related instruments securing Developer's construction loan (provided a copy is given to City), a conveyance of the Project resulting from the foreclosure thereof (or a deed in lieu of such a foreclosure). Developer acknowledges that the identity of Developer is of particular concern to the City, and it is because of Developer's identity that the City has entered into this Agreement with Developer. Except for any Transferee approved by the City pursuant to this Section 4.1, and except for any Holder (defined in Section 4.2) Project, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement prior to the issuance of a Certificate of Completion. No transfer or assignment of Developer's interest hereunder without the City's prior written approval shall be deemed to release Developer from the obligations of Developer hereunder.

4.2 Holders of Deeds of Trust. Notwithstanding any provisions of Section 4.2 to the contrary, Developer shall have the right to hypothecate its interest in the Land and the Project pursuant to one or more deeds of trust from an institutional lender, for the purpose of securing loans of funds to be used for financing the direct and indirect costs of the Project (including land development costs, reasonable and customary developer fees, loan fees and costs, and other normal and customary project costs), or for refinancing the construction financing with permanent financing. Any institutional lender of record holding any such deed of trust, whose name and address shall have been provided by Developer to City referred to herein as a "Holder."

4.3 Rights of Holders. The City shall deliver a copy of any notice or demand to Developer concerning any breach or default by Developer under this Agreement to each Holder who has previously made a written request to the City for special notice hereunder. Any notice of breach or default by Developer shall not be effective against any such Holder unless given to such Holder. Such Holder shall have the right at its option to cure or remedy any such default and to add the cost thereof to the secured debt and the lien of its security interest. If such breach or default can only be remedied or cured by such Holder upon obtaining possession, such Holder may remedy or cure such breach or default within a reasonable period of time after obtaining possession, provided such Holder seeks possession with diligence through a receiver or foreclosure. Such Holder shall not undertake or continue the construction or completion of the Improvements beyond the extent necessary to conserve or complete the Improvements. Any Holder completing the Improvements must assume all rights and obligations of Developer under

this Agreement and shall then be entitled, upon written request made to the City, to a Certificate of Completion from the City.

4.4 Noninterference with Holders. The provisions of this Agreement do not limit the right of Holders (a) to foreclose or otherwise enforce any mortgage, deed of trust, or other security instrument encumbering all or any portion of the Project, (b) to pursue any remedies for the enforcement of any pledge or lien encumbering such portions of the Project, or (c) to accept, or cause its nominee to accept, a deed or other conveyance in lieu of foreclosure or other realization. In the event of (i) a foreclosure sale under any such mortgage, deed of trust or other lien or encumbrance, (ii) a sale pursuant to any power of sale contained in any such mortgage or deed of trust, or (iii) a deed or other conveyance in lieu of any such sale, the purchaser or purchasers and their successors and assigns, and such portions of the Project shall be, and shall continue to be, subject to all of the conditions, restrictions and covenants of all documents and instruments recorded pursuant to this Agreement, including, without limitation, the restrictions set forth in the grant deed on such property from the City to Developer. The City agrees to execute such further documentation regarding the rights of any Holder as is customary with respect to construction or permanent financing, as the case may be, to the extent that such documentation is reasonably requested by any Holder and is reasonably approved by the City Manager.

4.5 Right of City to Cure. In the event of a default or breach by the Developer of a loan by a Holder prior to the completion of the Improvements, the City may, upon prior written notice to the Developer, cure the default, prior to the completion of any foreclosure. In such event the City shall be entitled to reimbursement from the Developer of all costs and expenses incurred by the City in curing the default. The City shall also be entitled to a lien upon the Project or any portion thereof to the extent of such costs and disbursements. The City agrees that such lien shall be subordinate to any lien in favor of a Holder, and the City shall execute from time to time any and all documentation reasonably requested by the Developer to effect such subordination.

4.6 Right of City to Satisfy Other Liens. After the Close of Escrow and after the Developer has had a reasonable time to challenge, cure, or satisfy any liens or encumbrances on the Project or any portion thereof, and has failed to do so, in whole or in part, the City shall, upon prior written notice to the Developer, have the right to satisfy any such lien or encumbrances; however, nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Land or any portion thereof to forfeiture or sale.

## 5. DEFAULT, REMEDIES AND TERMINATION.

5.1 Defaults. The occurrence of any or all of the following shall constitute a default ("Default") under this Agreement:

5.1.1 Developer's failure to perform its obligations on a timely basis as contained in the Schedule of Performance (as extended pursuant to Section 5.7), or any breach of this Agreement by any Party involving the payment of money, and the continuance of such

breach for a period of ten (10) days after the non defaulting Party has given written notice to the defaulting Party;

5.1.2 Except as otherwise provided in Section 5.1.1 hereof, a breach of any other term of this Agreement by any Party not involving the payment of money and failure of such Party to cure such breach within thirty (30) days after the non defaulting Party has given written notice to the defaulting Party; provided, however, if such breach is not reasonably curable within such thirty (30) day period, then such Party shall be deemed in Default only if such Party does not commence to cure such breach within such thirty (30) day period and thereafter fails to diligently prosecute such breach to completion;

5.1.3 Developer's violation of Section 4.1;

5.1.4 Developer's failure or refusal to keep in force and effect any material permit or approval with respect to construction of the Project, and Developer's failure to cure such breach within thirty (30) calendar days after notice from the City of Developer's breach; provided, however, if such breach is not reasonably curable within such thirty (30) day period, then Developer shall be deemed in Default only if Developer does not commence to cure such breach within such thirty (30) day period and thereafter fails to diligently prosecute such breach to completion; or

5.1.5 Filing of a petition in bankruptcy by or against any Party or appointment of a receiver or trustee of any property of any Party, or an assignment by any Party for the benefit of creditors, or adjudication that such Party is insolvent by a court, and the failure of such Party to cause such petition, appointment, or assignment to be removed or discharged within 180 days.

5.1.6 The failure to comply with any of the material requirements of Section 6 below;

5.1.7 If applicable under Section 2.5.18, the failure to maintain, or the cancellation of, any of the bonds described in Section 2.5.18 prior to the issuance of a Certificate of Completion.

5.1.8 The failure of Developer to apply for 9% tax credits in the second round for 2019 and both rounds for 2020 until awarded, or the failure to deliver to City evidence of an application for tax credits after the application is submitted within ten (10) days of written request from City

## 5.2 Remedies.

5.2.1 Remedies Prior to the Close of Escrow. In the event of a Default by any Party prior to the Close of Escrow, the nondefaulting Party shall have the right to terminate this Agreement (provided it is not in Default of its obligation under this Agreement), by delivering written notice thereof to the defaulting Party. Such Party may seek against the defaulting Party any available remedies at law or equity, including but not limited to, the right

to receive damages (excluding damages for lost profits) or to pursue an action for specific performance.

5.2.2 Remedies for Default After the Close of Escrow. In the event of a Default by any Party after the Close of Escrow, a non defaulting party shall be entitled to the following remedies, as applicable:

(i) A defaulting Party shall be liable to the non defaulting Party for all damages, costs and losses incurred by the non defaulting Party, and the non defaulting Party may seek against the defaulting Party any available remedies at law or equity, including but not limited to the right to receive damages or to pursue an action for specific performance; and

(ii) Prior to the issuance of the Certificate of Completion, the City shall have the following right of reversion in the event that that Developer fails to timely complete grading, timely commence vertical construction, or timely complete the Improvements, all as required by the Schedule of Performance, subject to Force Majeure Delays.

If Developer fails to timely complete grading, fails to timely commence restricted construction, or fails to timely complete the Improvements by the applicable deadlines in the Schedule of Performance (as extended by Force Majeure Delays), the City may terminate this Agreement and reenter and take possession of the Land and all Improvements thereon, and revert in the City title to the Property theretofore conveyed to the Developer (or its successors in interest) and the Improvements, take any and all actions necessary to commence and complete the enforcement of its reversionary interest, and in such event the Developer agrees to promptly take all actions and to execute all documents necessary to revert title to the Land and Improvements to the City free and clear of all liens and encumbrances created by or with the consent of Developer.

City hereby agrees that any cure of any default made or tendered by Developer's limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments showing they are limited partners. The City Manager shall, however, execute (and cause to be duly acknowledged and delivered for recordation) a reasonable subordination agreement required by the lender of the Senior Project Loan subordinating such right of reversion to the deed of trust securing the Senior Project Loan.

Upon re-vesting in the City of title to the Land and Improvements as provided in this Section, the City shall, use good faith efforts to resell the same pursuant to a disposition and development agreement, and upon such resale, the proceeds thereof shall be applied as follows:

1. First, to reimburse the City for any payment made by City to any holder of a lien on the Project or any parties thereof or interest therein to cause such lien to be released or reconveyed;



2. Second, to reimburse the City for all costs and expenses incurred by the City, including but not limited to salaries of personnel and legal fees incurred in connection with the recapture, management, and resale of the Land and Improvements and (but less any income derived by the City from any part of the Land in connection with such management); all taxes, installments of assessments payable prior to resale, and applicable water and sewer charges with respect to the Land and Improvements or any portion thereof; and expenditures made or obligations incurred with respect to the making or completion of the Project; and any amounts otherwise owed to the City by the Developer.

3. Third, to reimburse the City for other damages by reason of the Developer's default.

4. Fourth, to reimburse the Developer for:

(a) The lesser of the reasonable cost or the fair market value of the improvements the Developer has placed on the Land or applicable portion thereof at the Developer's cost (i.e., using equity and not loan funds); **less**

(b) The gains or income withdrawn or made by the Developer from the Land and Improvements.

5. Fourth, any balance remaining after such reimbursements shall be retained by the City as its property.

5.3 No Speculation. The rights established in this Article are to be interpreted in light of the fact that the City will convey the Land to Developer for development and operation of the Project thereon and not for speculation in undeveloped land or for construction of different improvements.

5.4 No Personal Liability. No representative, agent, attorney, consultant, or employee of the City shall personally be liable to the Developer or any successor in interest of Developer, in the event of any Default or breach by the City, or for any amount which may become due to Developer or any successor in interest, on any obligation under the terms of this Agreement.

5.5 Rights and Remedies are Cumulative. The rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the non defaulting Party; provided, however, that liquidated damages specified herein shall constitute the sole damages recoverable for the default giving rise to such liquidated damages.

5.6 Inaction Not a Waiver of Default. Any failures or delays by either Party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such Party of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies. The acceptance by a Party of less than the full amount due from the other party shall not constitute a waiver of such Party's right to demand and receive the full amount due, unless such Party executes a specific accord and satisfaction.

5.7 Force Majeure. Following the Close of Escrow, and notwithstanding anything to the contrary in this Agreement, nonperformance shall be excused when performance is prevented or delayed by reason of any of the following forces reasonably beyond the control of such party (a "Force Majeure Delay"): (i) failure to perform by Developer attributable to any strike, lockout or other labor or industrial disturbance (whether or not on the part of the employees of either party hereto), civil disturbance, future order claiming jurisdiction, act of the public enemy, war, riot, sabotage, blockade, embargo, inability to secure customary materials, supplies or labor through ordinary sources by reason of regulation or order of any government or regulatory body; or (ii) delay attributable to severe weather, lightning, earthquake, fire, storm, hurricane, tornado, flood, washout, explosion, or any other cause beyond the reasonable control of the party from whom performance is required, or any of its contractors or other representatives. Any prevention, delay or stoppage due to any Force Majeure Delay shall excuse the performance of the party affected for a period of time equal to any such prevention, delay or stoppage (except the obligations of either party to pay money to the other party or to close escrow) provided that the Party claiming the Force Majeure Delay notifies the other Party of the Force Majeure Delay within a reasonable time (not to exceed ten business days) after the commencement of the Force Majeure Delay.

## 6. INSURANCE; INDEMNITY.

### 6.1 Insurance.

6.1.1 From and after the Close of Escrow and for so long as title to the Land has not reverted to by the City, Developer shall obtain and maintain at no cost or expense to the City, with a reputable and financially responsible insurance company reasonably acceptable to the City, (i) after the opening of the Project for business, commercially reasonable casualty insurance for the Improvements in an amount not less than the replacement cost of the Improvements (subject to commercially reasonable deductibles) with a reasonable inflation rider; (ii) commercial broad form general liability insurance, insuring against claims and liability for bodily injury, death, or property damage arising from the construction, use, occupancy, condition, or operation of the Land, which liability insurance shall provide combined single limit protection of at least \$2,000,000 and shall include a reasonable inflation rider, contractual liability coverage and products and completed operations coverage, and (iii) commercial automobile liability insurance of at least \$1,000,000 combined single limit. Such liability insurance policies shall name the City and their council members, board members, officers, agents and employees as additional insureds.

6.1.2 Before commencement of any demolition or construction work by Developer on any portion of the Land owned by Developer, Developer shall obtain and maintain in force until completion of such work (i) "all risk" builder's risk insurance, including coverage

for vandalism and malicious mischief, in a form and amount and with a company reasonably acceptable to the City, and (ii) workers' compensation insurance covering all persons employed by Developer in connection with work on the Project, or any portion thereof. During the construction of Improvements on any portion of the Land by Developer, such builder's risk insurance shall cover improvements in place and all material and equipment at the job site furnished under contract, but shall exclude contractors', subcontractors', and construction managers' tools and equipment and property owned by contractors' and subcontractors' employees.

6.1.3 Each architect and each engineer engaged by Developer shall provide professional liability insurance with a limit of liability of at least One Million Dollars (\$1,000,000.00).

6.1.4 Developer shall also furnish or cause to be furnished to the City evidence satisfactory to the City that any contractor with whom it has contracted for the performance of work on the Land or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law.

6.1.5 With respect to each policy of insurance required above, Developer and each of Developer's general contractors, engineers and architects shall furnish to the City a certificate on the insurance carrier's form setting forth the general provisions of the insurance coverage promptly after written request by City showing the additional insureds. The certificate shall also be furnished by Developer prior to commencement of construction of any Improvements.

6.1.6 All such policies required by this Section shall contain (i) language to the effect that the policies cannot be cancelled or materially changed except after thirty (30) days' written notice by the insurer to the City, and (ii) a waiver of the insurer of all rights of subrogation against the City and the other additional insureds. All such insurance shall have deductibility limits which shall be commercially reasonable.

6.2 Indemnity. From and after the execution of this Agreement, Developer hereby agrees to indemnify, defend, protect, and hold harmless the City (as a third party beneficiary) and any and all agents, employees, representatives, council members, board members, consultants, and officers of the City, from and against all losses, liabilities, claims, damages (including foreseeable or unforeseeable consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out of pocket litigation costs and reasonable attorneys' fees) and demands of any nature whatsoever, related directly or indirectly to, or arising out of or in connection with:

- (i) the validity of this Agreement;
- (ii) the development and construction by Developer of the Improvements on the Land or the use, ownership, management, occupancy, or possession of the Land during Developer's period of ownership of the Land;
- (iii) any breach or Default by Developer hereunder (subject to any liquidated damages provisions otherwise contained in this Agreement);

(iv) any of Developer's activities on the Land (or the activities of Developer's agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors, or independent contractors on the Land), regardless of whether such losses and liabilities shall accrue or are discovered before or after termination or expiration of this Agreement, except to the extent such losses or liabilities are caused by the gross negligence or willful misconduct of the City. The City may in its discretion, and at their own cost, participate in the defense of any legal action naming the City. The provisions of this Section shall survive the Close of Escrow or the termination of this Agreement; or

(v) claims for prevailing wages under or violation of California Labor Code Sections 1720 et seq.

## 7. REPRESENTATIONS AND WARRANTIES.

7.1 Developer Representations. Developer represents and warrants to the City as of the date of this Agreement and as of the Close of Escrow that:

(i) Developer is a limited partnership validly existing and in good standing under the laws of the State of California.

(ii) Developer has duly authorized the execution and performance of this Agreement and the execution and performance of all of the closing documents set forth herein.

(iii) Developer's execution and performance of this Agreement and the closing documents will not violate any provision of the Developer's partnership agreement or any deed of trust, lease, contract, agreement, instrument, order, judgment or decree by which Developer is bound.

(iv) The Developer has not engaged a broker with respect to the purchase of the Land contemplated herein.

7.2 City Representation. The City hereby represents and warrants to the Developer that the City has not engaged a broker with respect to the purchase of the Land as contemplated herein.

## 8. GENERAL PROVISIONS.

8.1 Notices. All notices and demands shall be given in writing by certified mail, postage prepaid, and return receipt requested, or by reputable overnight messenger. Notices shall be considered given upon the earlier of (a) one business day following deposit or delivery with a nationally recognized overnight courier delivery charges prepaid, or (b) upon delivery or attempted delivery as shown on the return receipt if sent by certified mail. Notices shall be addressed as provided below for the respective Party; provided that if any Party gives notice in writing of a change of name or address, notices to such Party shall thereafter be given as demanded in that notice:

City: City of Temecula  
41000 Main Street  
Temecula, CA 92590  
Attn: City Manager

Developer: Temecula Pacific Associates  
430 East State Street, Suite 100  
Eagle, ID 83616  
Attn: Caleb Roope

City hereby agrees to provide copies of any written notices to Developer's limited partners who shall have been identified in writing by Developer to City. City further agrees that any cure of any default made or tendered by any such limited partner shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments

8.2 Construction. The Parties agree that each Party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in the interpretation of this Agreement or any amendments or exhibits thereto. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties.

8.3 Interpretation. In this Agreement the neuter gender includes the feminine and masculine, and singular number includes the plural, and the words "person" and "party" include corporation, partnership, firm, trust, or association where ever the context so requires. Unless otherwise required by a specific provision of this Agreement, time hereunder is to be computed by excluding the first day and including the last day. If the date for performance falls on a Saturday, Sunday, or legal holiday, the date for performance shall be extended to the next business day. All references in this Agreement to a number of days in which either party shall have to consent approve or perform shall mean calendar days unless specifically stated to be business days.

8.4 Time of the Essence. Time is of the essence of this Agreement.

8.5 Warranty Against Payment of Consideration for Agreement. Developer warrants that it has not paid or given, and will not pay or give, to any third person, any money or other consideration for obtaining this Agreement, other than normal costs of conducting business and costs of professional services such as architects, engineers and attorneys.

8.6 Attorneys' Fees. If any Party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing Party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the losing Party as fixed by the court. If the City is made a party to any litigation instituted by or against Developer or to any litigation attacking the validity of this Agreement, then Developer shall indemnify and defend the City against, and save them harmless from, all costs, expenses (including reasonable attorneys' fees), claims, liabilities,

damages and losses incurred by the City in connection with such litigation provided, however, that in no event shall the Developer be obligated to pay any damages awarded to any person or entity that result from the gross negligence or willful misconduct of the City.

8.7 Entire Agreement. This Agreement, together with all attachments and exhibits hereto, and all agreements executed pursuant hereto, constitutes the entire understanding and agreement of the Parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the Parties with respect to the subject matter hereof.

8.8 Severability. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

8.9 No Third Party Beneficiaries. This Agreement is made and entered into for the sole benefit of the Parties, and there are no third party beneficiaries of this Agreement. No other person shall have any right of action based upon any provision of this Agreement.

8.10 Governing Law; Jurisdiction; Service of Process. This Agreement and the rights of the Parties shall be governed by California law. The Parties consent to the exclusive jurisdiction of the California Superior Court for the County of Riverside. If any legal action is commenced by Developer against the City, or by City against Developer, service of process on the City shall be made by personal service upon the executive director or secretary of the City, or in such other manner as may be provided by law. If any legal action is commenced by City against Developer, service of process on Developer shall be made by personal service on the City Clerk at the City's address for notices, or in such other manner as may be provided by law.

8.11 Survival. The provisions hereof shall not merge into, but rather shall survive, any conveyance hereunder (including, without limitation, the delivery and recordation of the Grant Deed) and the delivery of all consideration.

8.12 City Actions. In addition to any provisions of this Agreement that gives the City Manager the authority to make decisions and grant approvals, the City hereby authorizes the City Manager to deliver such approvals, consents as are contemplated by this Agreement, waive requirements under this Agreement, and modify this Agreement, on behalf of the City provided that the applicable approval, consent, waiver or modification is not substantial (*i.e.*, does not change the fundamental business transaction between the Developer and the City, as determined by the City Manager in his reasonable discretion).


8.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed as original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the day and year first above written.

**DEVELOPER:**

TEMECULA PACIFIC ASSOCIATES

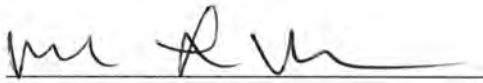
By: TPC Holdings VII, LLC  
an Idaho limited liability company  
a general partner

By:   
Caleb Roope, Manager

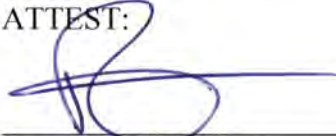
[NEED COPIES OF LP-1 AND  
PARTNERSHIP AGT, AND DESIRED SIG  
BLOCK]

**CITY:**


CITY OF TEMECULA

By:   
Michael S. Naggar, Mayor

ATTEST:

  
Randi Johl, City Clerk

APPROVED AS TO FORM:

By:   
Bruce Galloway of Richards,  
Watson & Gershon, counsel to City

**EXHIBIT "A"**

**LEGAL DESCRIPTION OF LAND OWNED BY CITY**

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP 9839, IN THE CITY OF TEMECULA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 61, PAGE 14 OF PARCEL MAPS, RECORDS OF SAID COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION OF PARCEL 1 CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, A BODY POLITIC, BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-0016730 OF OFFICIAL RECORDS

Assessor's Parcel Numbers: 922-053-021-2 & 922-053-048-7



**EXHIBIT "A-1"**

**DESCRIPTION OF LAND OWNED BY DEVELOPER**

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

THE NORTHWESTERLY 255 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THE NORTHWESTERLY ONE-HALF OF THAT TRACT OF LAND FORMERLY USED AS RAILROAD RIGHT OF WAY AND STATION GROUND OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, CONVEYED TO N.R. VAIL, ET AL., BY DEED RECORDED JUNE 11, 1940 IN BOOK 464, PAGE 505 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SAID PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF LOT 1, BLOCK 27 OF THE TOWN OF TEMECULA, IN THE CITY OF TEMECULA, SHOWN BY MAP ON FILE IN BOOK 15, PAGE 726 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA; THENCE SOUTHWESTERLY IN A STRAIGHT LINE TO THE MOST EASTERLY CORNER OF LOT 1, BLOCK 36, AS SHOWN BY SAID MAP; THENCE NORTHWESTERLY IN A STRAIGHT LINE TO THE MOST NORTHERLY CORNER OF LOT 10, BLOCK 37, AS SHOWN BY SAID MAP;

THENCE NORTHEASTERLY ON A STRAIGHT LINE TO THE MOST WESTERLY CORNER OF LOT 22, BLOCK 25 ON SAID MAP;

THENCE SOUTHEASTERLY IN A STRAIGHT LINE TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTHWESTERLY 595 FEET THEREOF.

ALSO EXCEPT THEREFROM THOSE PORTIONS INCLUDED IN RIVER AND PUJOL STREETS AS SHOWN ON SAID MAP.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LAND CONDEMNED BY THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT AS SET FORTH AND DESCRIBED IN THAT CERTAIN DOCUMENT RECORDED OCTOBER 05, 2010 AS INSTRUMENT NO. 2010-0477535 OF OFFICIAL RECORDS.

Assessor's Parcel Number: 922-053-047-6

**EXHIBIT "B"**

**FORM OF GRANT DEED**

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO,  
AND MAIL TAX STATEMENTS TO:

Temecula Pacific Associates  
430 East State Street, Suite 100  
Eagle, ID 83616  
Attn: Caleb Roope

APN(s): 922-053-021-2; 922-053-048-7

(Space above for Recorder's Use) Exempt From Recording Fee Per Government Code Section 27383

Documentary transfer tax is \$ \_\_\_\_\_, based on the full value of the property conveyed.

**GRANT DEED**

The undersigned grantor(s) declare(s):

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the CITY OF TEMECULA ("Grantor") hereby GRANTS to TEMECULA PACIFIC ASSOCIATES, a California limited partnership ("Grantee") the land (the "Land") located in the City of Temecula, County of Riverside, State of California described on Exhibit "A".

SUBJECT TO, all matters of record and all matters visible upon inspection.

1. This grant of the Land is subject to the terms of a Disposition and Development Agreement entered into by and between Grantor and Grantee dated as of June \_\_\_, 2019 (the "Agreement") the terms of which are incorporated herein by reference (and which include maintenance covenants, as well as the matters described in Section 2 and 3 below). A copy of the Agreement is available for public inspection at the offices of the Grantor at 41000 Main Street, Temecula, California 92590.

2. As provided in, and subject to the provisions contained in, Section 5.2.2 of the Agreement, the Grantor shall have the right, at its option, to reenter and take possession of the Land hereby conveyed, with all improvements thereon and to terminate and revert in Grantor the Land hereby conveyed to the Grantee (or its successors in interest).

3. The Grantee covenants, for itself and its successors and assigns, that there shall be no sale, transfer, assignment, conveyance, lease, pledge or encumbrance of the DDA, or the Land and the Improvements thereon or any part thereof, or of ownership interests in the Grantee in violation of the DDA, which contains restrictions on the assignment of the DDA and the transfer of interests in the Land.

4. Grantee agrees, for itself, its successors and assigns, to refrain from restricting the rental, sale or lease of the land on any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, rental, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land or Improvements, nor shall the Developer himself or any such person claiming under or through him establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land. The foregoing covenants shall run with the land.

All deeds, leases or contracts entered into by Grantee, its successors and assigns, or any successor-in-interest to all or any portion of or interest in the land shall contain or be subject to substantially the following nondiscrimination or non-segregation clauses:

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

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

2. In leases: “The lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and that this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of, any person or group or persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the leasing, subleasing, transferring, use, or enjoyment of the land herein leased nor shall the lessee himself, or any person claiming under or through him, 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 land herein leased.

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

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

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

5. All covenants contained in this Grant Deed shall be covenants running with the land. Every covenant contained in this Grant Deed against discrimination contained in Section 4 of this Grant Deed shall remain in perpetuity.

IN WITNESS WHEREOF, the undersigned has executed this Grant Deed as of the date set forth below.

Dated: \_\_\_\_\_, 201\_\_

CITY OF TEMECULA

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Randi Johl, City Clerk

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 Riverside )

On \_\_\_\_\_, before me, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_

(Seal)

EXHIBIT A TO GRANT DEED

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP 9839, IN THE CITY OF TEMECULA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 61, PAGE 14 OF PARCEL MAPS, RECORDS OF SAID COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION OF PARCEL 1 CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, A BODY POLITIC, BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-0016730 OF OFFICIAL RECORDS

Assessor's Parcel Numbers: 922-053-021-2 & 922-053-048-7

**EXHIBIT "C"**

**FORM OF CITY LOAN PROMISSORY NOTE**

**SECURED PROMISSORY NOTE**

\_\_\_\_\_, 201\_\_

\$ \_\_\_\_\_

Temecula, California

FOR VALUE RECEIVED, the undersigned TEMECULA PACIFIC ASSOCIATES, a California partnership ("Maker" or "Developer"), having its principal place of business at \_\_\_\_\_, promises to pay to the order of the CITY OF TEMECULA, a municipal corporation ("Payee" or "City"), at 41000 Main Street, Temecula, CA 92590, or at such other place as the holder of this Note from time to time may designate in writing, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) [PURCHASE PRICE AMOUNT; PLUS \$698,281 OF DEFERRED CITY FEES; PLUS PERM. LOAN OF \$1,301,719] (the "Original City Principal Amount"), together with interest on the unpaid principal amount of this promissory note (the "City Loan Note") from time to time outstanding at the "Applicable Interest Rate," as defined below, in lawful money of the United States of America. This City Loan Note is being delivered, and the loans evidenced hereby are being made, pursuant to the terms of a Disposition and Development Agreement between Developer and City ("DDA"). All capitalized terms used herein which are not separately defined herein shall have the meanings set forth therefor in the DDA.

As of the date of this City Loan Note, the sum of \$ \_\_\_\_\_ [PURCHASE PRICE PLUS DEFERRED FEES] of principal is outstanding; the remainder of the loan shall be disbursed by City upon or after completion of the project described in the DDA, upon the written request of Developer, as permanent financing to repay then-existing construction financing, subject to the terms and conditions in Section 2.2 of the DDA. "Applicable Interest Rate" means three percent (3%) per annum, simple interest, except that amounts not paid when due shall accrue interest from the date due until the date paid at the lesser of: (i) seven percent (7%) per annum, simple interest, or (ii) the maximum rate permitted by applicable law.

1. Payments. Payments under this City Loan Note shall be due and payable as follow: Payments of fifty percent (50.00%) of all Residual Receipts ("City Portion") payable on April 15 after the first anniversary of completion of construction of the Project pursuant to the DDA, and each anniversary thereafter until this City Loan Note has been satisfied in full. Payments shall first be applied to accrued interest, then to the first \$698,281.00 of principal (representing deferred City fees), then to remaining outstanding principal. In addition, the entire amount of outstanding principal and accrued interest and any additional amounts which become owing hereunder shall be paid by Maker to Payee as of the earliest of (i) a default under the DDA, the Regulatory Agreement entered pursuant to the DDA, or the deed of trust securing this City Loan Note not cured within the applicable cure period after delivery of required notice; (ii) as provided in Section 4 below; (iii) with respect to the first \$698,281.00 of principal, thirty (30) years after the date of this City Loan Note; and (iv) fifty-five (55) years after the date of this City Loan Note (the "City Maturity Date").



2. Secured by Deed of Trust. Repayment of this City Loan Note is secured by a deed of trust (the "City Loan Deed of Trust") of this date executed by Maker for the benefit of Payee encumbering the property described in the City Loan Deed of Trust (the "Property" or "Site").

3. Prepayment. Maker shall have the right to prepay amounts owing under this City Loan Note at any time, without penalty or premium.

4. Due on Sale or Encumbrance. In the event of any Transfer (as defined below) of the Property, or any portion thereof or interest therein, Payee shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. As used herein, the term "Transfer" means and includes the direct or indirect sale, transfer, conveyance, assignment, or other alienation of the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, or the lease of all or substantially all of the Property or of all or substantially all of the improvements located thereon. Transfer shall not include the sale, transfer, assignment, pledge, hypothecation or encumbrance by Developer's limited partner of its partnership interest to the extent permitted by the DDA, nor shall Transfer include the removal of any general partner of Developer by the limited partner for cause and the replacement of such removed general partner by another person or entity in accordance with the terms of Developer's partnership agreement to the extent permitted by the DDA. "Transfer" shall not include a Transfer permitted in the DDA so long as Trustor complies with the provisions of the Regulatory Agreement relating to such leasing activity. "Transfer" shall not include the leasing of individual Units on the Property. Failure of Beneficiary to exercise the option to declare all sums secured hereby immediately due and payable upon a Transfer will not constitute waiver of the right to exercise this option in the event of any subsequent Transfer.

5. Miscellaneous.

(a) Governing Law. All questions with respect to the construction of this City Loan Note and the rights and liabilities of the parties to this City Loan Note shall be governed by the laws of the State of California.

(b) Binding on Successors. This City Loan Note shall inure to the benefit of, and shall be binding upon, the successors and assigns of each of the parties to this City Loan Note.

(c) Attorneys' Fees.

(i) Maker shall reimburse Payee for all reasonable attorneys' fees, costs and expenses, incurred by Payee in connection with the enforcement of Payee's rights under this City Loan Note, including, without limitation, reasonable attorneys' fees, costs and expenses for trial, appellate proceedings, out-of-court negotiations, workouts and settlements or for enforcement of rights under any state or federal statute, including, without limitation, reasonable attorneys' fees, costs and expenses incurred to protect Payee's security and attorneys' fees, costs and expenses incurred in bankruptcy and insolvency proceedings such as (but not limited to) seeking relief from stay in a bankruptcy proceeding. The term "expenses" means any

expenses incurred by Payee in connection with any of the out-of-court, or state, federal or bankruptcy proceedings referred to above, including, without limitation, the fees and expenses of any appraisers, consultants and expert witnesses retained or consulted by Payee in connection with any such proceeding.

(ii) Payee shall also be entitled to its attorneys' fees, costs and expenses incurred in any post-judgment proceedings to collect and enforce the judgment. This provision is separate and several and shall survive the merger of this City Loan Note into any judgment on this City Loan Note.

(d) Entire Agreement. This City Loan Note and the relevant provisions of the DDA constitute the entire agreement and understanding between and among the parties in respect of the subject matter of such agreements and supersede all prior agreements and understandings with respect to such subject matter, whether oral or written.

(e) Time of the Essence. Time is of the essence with respect to every provision hereof.

(f) Waivers by Maker. Except as otherwise provided in any agreement executed in connection with this City Loan Note, Maker waives: presentment; demand; notice of dishonor; notice of default or delinquency; notice of acceleration; notice of protest and nonpayment; notice of costs, expenses or losses and interest thereon; and diligence in taking any action to collect any sums arising under this City Loan Note or in any proceeding against any of the rights or interests in or to properties securing payment of this City Loan Note.

(g) Non-waivers. No previous waiver and no failure or delay by Maker in acting with respect to the terms of this City Loan Note or the City Loan Deed of Trust shall constitute a waiver of any breach, default, or failure of condition under this City Loan Note, the City Loan Deed of Trust or the obligations secured thereby. A waiver of any term of this City Loan Note, the City Loan Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this City Loan Note and the terms of any other document related to the loan evidenced by this City Loan Note, the terms of this City Loan Note shall prevail.

(h) Non-Recourse. Repayment of this Note and all other obligations of Borrower hereunder, under the DDA, Regulatory Agreement or Deed of Trust shall be a non-recourse obligation of Borrower, such that neither Borrower nor any partner of Borrower shall have any personal obligation to make any payments or perform any other obligations of Borrower.

(i) Cure by Limited Partners. City hereby agrees that any cure of any default made or tendered by Developer's limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited

partners and a copy of the applicable limited partnership agreement and amendments showing they are limited partners.

**MAKER:**

TEMECULA PACIFIC ASSOCIATES

By: TPC Holdings VII, LLC  
an Idaho limited liability company  
a general partner

By: \_\_\_\_\_  
Caleb Roope, Manager

**EXHIBIT "D"**

**FORM OF CITY LOAN DEED OF TRUST**

WHEN RECORDED MAIL TO:

City of Temecula  
41000 Main Street  
Temecula, CA 92590  
Attention: City Clerk

with a copy to:

Temecula Pacific Associates  
430 East State Street, Suite 100  
Eagle, ID 83616  
Attn: Caleb Roope

APN(s): 922-053-021-2; 922-053-048-7;  
922-053-047-6

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**DEED OF TRUST WITH ASSIGNMENT OF RENTS  
(SHORT FORM)**

This DEED OF TRUST, dated as of \_\_\_\_\_, 201\_\_, among TEMECULA PACIFIC ASSOCIATES, a California limited partnership, herein called TRUSTOR, whose address is:

430 East State Street, Suite 100, Eagle, ID 83616

FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called TRUSTEE, and

the CITY OF TEMECULA, a municipal corporation, herein called BENEFICIARY,

WITNESSETH: That Trustor grants to Trustee in trust, with power of sale, that property in the City of Temecula, County of Riverside, State of California, described as:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing payment of the sum of \$ \_\_\_\_\_ with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof. A breach or default under the promissory note or a breach or default under the Affordability Restrictions and Regulatory Agreement between Beneficiary and Trustor ("Regulatory Agreement"), or under any obligation to which this deed of trust is subordinated, shall be deemed to constitute a default hereunder.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in San Bernardino County in Book 3778, Page 347 in the Official Records of said County, shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

**TRUSTOR:**

TEMECULA PACIFIC ASSOCIATES

By: TPC Holdings VII, LLC  
an Idaho limited liability company  
a general partner

By: \_\_\_\_\_  
Caleb Roope, Manager

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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_ (Seal)

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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_ (Seal)

EXHIBIT A  
LEGAL DESCRIPTION

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP 9839, IN THE CITY OF TEMECULA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 61, PAGE 14 OF PARCEL MAPS, RECORDS OF SAID COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION OF PARCEL 1 CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, A BODY POLITIC, BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-0016730 OF OFFICIAL RECORDS

Assessor's Parcel Numbers: 922-053-021-2 & 922-053-048-7

THE NORTHWESTERLY 255 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THE NORTHWESTERLY ONE-HALF OF THAT TRACT OF LAND FORMERLY USED AS RAILROAD RIGHT OF WAY AND STATION GROUND OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, CONVEYED TO N.R. VAIL, ET AL., BY DEED RECORDED JUNE 11, 1940 IN BOOK 464, PAGE 505 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SAID PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF LOT 1, BLOCK 27 OF THE TOWN OF TEMECULA, IN THE CITY OF TEMECULA, SHOWN BY MAP ON FILE IN BOOK 15, PAGE 726 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA; THENCE SOUTHWESTERLY IN A STRAIGHT LINE TO THE MOST EASTERLY CORNER OF LOT 1, BLOCK 36, AS SHOWN BY SAID MAP; THENCE NORTHWESTERLY IN A STRAIGHT LINE TO THE MOST NORTHERLY CORNER OF LOT 10, BLOCK 37, AS SHOWN BY SAID MAP;

THENCE NORTHEASTERLY ON A STRAIGHT LINE TO THE MOST WESTERLY CORNER OF LOT 22, BLOCK 25 ON SAID MAP;

THENCE SOUTHEASTERLY IN A STRAIGHT LINE TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTHWESTERLY 595 FEET THEREOF.

ALSO EXCEPT THEREFROM THOSE PORTIONS INCLUDED IN RIVER AND PUJOL STREETS AS SHOWN ON SAID MAP.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LAND CONDEMNED BY THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT AS SET FORTH AND DESCRIBED IN THAT CERTAIN DOCUMENT RECORDED OCTOBER 05, 2010 AS INSTRUMENT NO. 2010-0477535 OF OFFICIAL RECORDS.

Assessor's Parcel Number: 922-053-047-6

EXHIBIT B  
RIDER TO DEED OF TRUST

Exhibit B to Deed of Trust with Assignment of Rents dated as of \_\_\_\_\_, 201\_\_, executed by TEMECULA PACIFIC ASSOCIATES, a California limited partnership, as “Trustor”, to First American Title Insurance Company, a California corporation, as Trustee, for the benefit of the City of Temecula, a municipal corporation, as “Beneficiary” (“Deed of Trust”).

1. DUE ON SALE OR ENCUMBRANCE. In the event of any Transfer (as defined below) of the Property, or any portion thereof or interest therein, Beneficiary shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. As used herein, the term “Transfer” means and includes the direct or indirect sale, transfer, conveyance, mortgage, further encumbrance, assignment, or other alienation of the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract, sales agreement or similar instrument affecting all or a portion of the Property, granting of an option to purchase any portion of or interest in the Property or any interest therein, or the lease of all or substantially all of the Property or of all or substantially all of the improvements situated on the Property. “Transfer” shall not include a Transfer permitted in the DDA so long as Trustor complies with the provisions of the Agreement relating to such activity and such transfers are permitted under the Regulatory Agreement. “Transfer” shall not include the leasing of individual dwelling units on the Property. Failure of Beneficiary to exercise the option to declare all sums secured hereby immediately due and payable upon a Transfer will not constitute waiver of the right to exercise this option in the event of any subsequent Transfer.
  
2. NOTICE AND CURE RIGHTS BY LIMITED PARTNERS. City hereby agrees that any cure of any default made or tendered by Developer’s limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments.



CERTIFICATE OF ACCEPTANCE  
(for Deed of Trust)

This is to certify that the fee interest in real property conveyed under the foregoing Deed of Trust by TEMECULA PACIFIC ASSOCIATES, a California limited partnership.

is hereby accepted by the City Manager of the City of Temecula (the "City") on behalf of the City Council of the City pursuant to authority conferred by action of the City Council on \_\_\_\_\_, 2019, and the Grantee consents to recordation thereof by its duly authorized officer.

CITY OF TEMECULA,  
a municipal corporation

By: \_\_\_\_\_  
\_\_\_\_\_, City Manager

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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_

(Seal)

**EXHIBIT "E"**

**SCHEDULE OF PERFORMANCE**

This Schedule of Performance requires the submission of plans or other documents at specific times. Some of the submissions are not described in the text of the Agreement. Such plans or other documents, as submitted, must be complete and adequate for review by the City or other applicable governmental entity when submitted. Prior to the time set forth for each particular submission, the Developer shall consult with City staff informally as necessary concerning such submission in order to assure that such submission will be complete and in a proper form within the time for submission set forth herein.

<u>Action</u>	<u>Date / Deadline</u>
<b>Items 1 – 10 Relate to Developer Actions and Requirements Prior to or through/at the Close of Escrow</b>	
1. <u>Opening of Escrow</u> . The Parties shall open escrow with the Escrow Holder.	Within five (5) business days after the award of tax credits.
2. <u>Preliminary Project Budget</u> . The Developer shall submit a preliminary Project Budget for the Improvements.	Prior and as a condition to Close of Escrow.
3. <u>Final Plans and Specifications</u> . The Developer shall submit the Final Plans and Specifications for City approval.	Prior and as a condition to Close of Escrow.
4. <u>Building Permits</u> . The Developer shall obtain the Building Permit for the construction of the Improvements.	Prior and as a condition to the Close of Escrow.
5. <u>Construction Contract</u> . The Developer shall submit the construction contract for the construction of the Improvements to the City for approval.	Prior and as a condition to the Close of Escrow.
6. <u>Performance and Payment Bonds</u> . The Developer shall deliver to the City copies of the required performance and payment bonds.	Prior and as a condition to the Close of Escrow.
7. <u>Insurance</u> . The Developer shall submit evidence of insurance to the City.	Prior and as a condition to the Close of Escrow.
8. <u>Project Budget</u> . The Developer shall submit the Project Budget to City together with reasonable evidence that all equity required will be available at the Closing.	Prior and as a condition to the Close of Escrow.

<u>Action</u>	<u>Date / Deadline</u>
9. <u>Tax Credit Applications/Award.</u>	Developer must apply for 9% tax credits in the second round for 2019 and both rounds for 2020 (until awarded) and must provide evidence thereof to City, and form a limited partnership to provide for investment of tax credit-based equity, and deliver a copy of the partnership agreement to City. Developer must be awarded tax credits and must provide evidence thereof to City prior (and as a condition) to Close of Escrow.
10. <u>Tax Credit Equity.</u> All tax credit equity must have been invested in the Developer entity and available for Project Costs, as shown by reasonable evidence delivered to City	Prior and as a condition to Close of Escrow.
<b>Items 11 – 15 Relate to the Conveyance of the Land and Developer Actions and Requirements After the Close of Escrow</b>	
11. <u>Close of Escrow.</u> The Developer shall purchase the Land from the City and shall concurrently close the Construction Loan.	Within seven (7) months after award of tax credits, but not later than March 1, 2021.
12. <u>Commencement of Construction.</u> Developer shall substantially commence the Improvements.	No later than 30 days after the Close of Escrow.
13. <u>Completion of Grading.</u> Developer shall substantially complete the grading for the Project.	Not later than six (6) months following the commencement of construction.
14. <u>Commencement of Vertical Construction.</u> Developer shall commence vertical construction.	Not later than eight (8) months after the commencement of construction.
15. <u>Completion; Qualification for Certificate of Completion.</u> The Project shall be completed and shall qualify for a Certificate of Completion.	No later than fourteen (14) calendar months after the commencement of construction.

**EXHIBIT "F"**

**SCOPE OF DEVELOPMENT**

[Sixty (60) apartment rental homes, 3-story building(s) with elevator, 1,650 SF community room to include property management office, tot lot, space for service provider, space for Family gathering, games, etc., bathrooms for residents and management employees, washer/dryer per TCAC requirements, pool, plaza with BBQ, maintenance storage/working area for property management.

Seven (7) one-bedrooms and Thirty-Two (32) two-bedrooms and Twenty-One (21) three-bedrooms. One unit for the on-site manager.

At least 102 parking spaces.

**EXHIBIT "G"**

**FORM OF NOTICE OF AFFORDABILITY RESTRICTIONS**

(Attached.)

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Temecula  
41000 Main Street  
Temecula, CA 92590  
Attention: City Clerk

with a copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

APN(s): 922-053-021-2, 922-053-048-7, and  
922-053-047-6

Exempt From Recording Fee Pursuant to Government Code § 27383

**NOTICE OF AFFORDABILITY RESTRICTIONS  
ON TRANSFER OF PROPERTY**

***Important notice to owners, purchasers, tenants, lenders, brokers, escrow and title companies, and other persons, regarding affordable housing restrictions on the real property described in this Notice:*** Affordable housing restrictions have been recorded with respect to the property described below (referred to in this Notice as the “Site”) which require that the Site be developed as an affordable rental housing development (the “Project”) and that all of the units be rented to and occupied by persons and households of limited income at affordable rents.

**Title of Document Containing Affordable Housing Restrictions:** Affordability Restrictions and Regulatory Agreement (Low/Mod Set-Aside Funds) (“Agreement”).

**Parties to Agreement:** \_\_\_\_\_ (“Developer”) and the City of Temecula (“City”).

**The Agreement is recorded concurrently with this Notice,** in the Official Records of Riverside County.

**Legal Description of Site:** See Exhibit “A” attached hereto and incorporated herein by this reference.

**Site Location:** \_\_\_\_\_.

**Assessor’s Parcel Number of Site:** 922-053-021-2, 922-053-048-7 and 922-053-047-6

**Summary of Agreement:**

- The Agreement requires Developer to develop a sixty (60) unit (each, a “Unit”) rental housing project on property being acquired by Developer from the City.
- The Agreement restricts the rental of
  - 10 Units (“Required Affordable Units”), which are required to be rented to and occupied by Extremely Low Income Households, Very Low Income Households and Low Income households, whose annual income generally cannot exceed 30%, 50% or 60% (respectively) of Area Median Income for the Riverside County area, adjusted for household size.
- The Agreement requires that a preference be provided for 12 Units to households with Special Needs, meaning households with at least one autistic child, to the extent not in violation with any state or federal law (including any fair housing or equal protection laws).
- Area Median Income limits (or “AMI”) are all as established and as published periodically by the California Department Of Housing and Community Development.
- The Agreement restricts the rents that may be charged to households occupying Required Household Units to the following maximum rents (“Affordable Rent”):
  - Affordable Rent for Extremely Low Income Households shall be 30% x 30% of AMI for a household size appropriate to the unit, including a reasonable utility allowance;
  - Affordable Rent for Very Low Income Households shall be 30% x 50% of AMI for a household size appropriate to the unit, including a reasonable utility allowance;
  - Affordable Rent for Low Income Households shall be 30% x 60% of AMI for a household size appropriate to the unit, including a reasonable utility allowance;
  - Household size appropriate to the unit shall be two persons for a one bedroom unit, three persons for a two bedroom unit, and 4 persons for a three bedroom unit.
  - The term of the Agreement is fifty-five (55) years from the date of the City’s issuance of a Final Certificate of Occupancy for the Project.

This Notice does not contain a full description of the details of all of the terms and conditions of the Agreement. You will need to obtain and read the Agreement to fully understand the restrictions and requirements which apply to the Site.



This Notice is being recorded and filed in compliance with Health and Safety Code Section 33334.3(f)(3) and (4), and shall be indexed against Developer.

CITY OF TEMECULA

Date: \_\_\_\_\_, 201\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
City Manager

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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_

(Seal)

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP 9839, IN THE CITY OF TEMECULA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 61, PAGE 14 OF PARCEL MAPS, RECORDS OF SAID COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION OF PARCEL 1 CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, A BODY POLITIC, BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-0016730 OF OFFICIAL RECORDS

Assessor's Parcel Numbers: 922-053-021-2 & 922-053-048-7

THE NORTHWESTERLY 255 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THE NORTHWESTERLY ONE-HALF OF THAT TRACT OF LAND FORMERLY USED AS RAILROAD RIGHT OF WAY AND STATION GROUND OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, CONVEYED TO N.R. VAIL, ET AL., BY DEED RECORDED JUNE 11, 1940 IN BOOK 464, PAGE 505 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SAID PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF LOT 1, BLOCK 27 OF THE TOWN OF TEMECULA, IN THE CITY OF TEMECULA, SHOWN BY MAP ON FILE IN BOOK 15, PAGE 726 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA; THENCE SOUTHWESTERLY IN A STRAIGHT LINE TO THE MOST EASTERLY CORNER OF LOT 1, BLOCK 36, AS SHOWN BY SAID MAP; THENCE NORTHWESTERLY IN A STRAIGHT LINE TO THE MOST NORTHERLY CORNER OF LOT 10, BLOCK 37, AS SHOWN BY SAID MAP;

THENCE NORTHEASTERLY ON A STRAIGHT LINE TO THE MOST WESTERLY CORNER OF LOT 22, BLOCK 25 ON SAID MAP;

THENCE SOUTHEASTERLY IN A STRAIGHT LINE TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTHWESTERLY 595 FEET THEREOF.

ALSO EXCEPT THEREFROM THOSE PORTIONS INCLUDED IN RIVER AND PUJOL STREETS AS SHOWN ON SAID MAP.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LAND CONDEMNED BY THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT AS

SET FORTH AND DESCRIBED IN THAT CERTAIN DOCUMENT RECORDED  
OCTOBER 05, 2010 AS INSTRUMENT NO. 2010-0477535 OF OFFICIAL RECORDS.

Assessor's Parcel Number: 922-053-047-6

**EXHIBIT "H"**

**FORMS OF AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENTS**

**(2)**

RECORDING REQUESTED BY, AND  
WHEN RECORDED RETURN TO:

City of Temecula  
41000 Main Street  
Temecula, CA 92590  
Attention: City Clerk

with a copy to:

Temecula Pacific Associates  
430 East State Street, Suite 100  
Eagle, ID 83616  
Attn: Caleb Roope

APN(s): 922-053-021-2, 922-053-048-7 and  
922-053-047-6

(Space above for Recorder's Use.)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

**AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENT**  
**(Low-Mod Set Aside Funds)**

These AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENT ("Regulatory Agreement") is hereby entered, effective as of \_\_\_\_\_, 20\_\_, by and among the CITY OF TEMECULA, a municipal corporation ("City"), and TEMECULA PACIFIC ASSOCIATES, a California limited partnership ("Developer") (City and Developer are sometimes collectively referred to herein as the "Parties.").

**RECITALS**

**WHEREAS**, City and Developer have entered into that certain unrecorded Disposition and Development Agreement dated as of \_\_\_\_\_, 2019 (the "DDA") for the improvement and development of certain real property described in Exhibit "A" (to which this Regulatory Agreement is attached) as the "Site", which DDA provides for the recordation of this Regulatory Agreement. The DDA is incorporated herein by this reference, and any capitalized term not defined herein shall have the meaning established therefor in the DDA.

**WHEREAS**, the former Temecula Redevelopment Agency acquired the Site using its low/mod income housing set aside funds, and upon dissolution of the Temecula Redevelopment Agency, the Site was conveyed by operation of law to the City as successor to the housing assets of the former Temecula Redevelopment Agency.

**WHEREAS**, it is contemplated under the DDA that, as of the recordation of this Regulatory Agreement, Developer has acquired or shall concurrent with the recording hereof acquire fee title from the City to the "Site". The form of the grant deed under which Developer shall take title under the DDA is referenced to as the "City Grant Deed."

**WHEREAS**, the DDA sets forth certain restrictive covenants applicable to the Site, particularly the use of the Site for the provision of ten (10) Units available to Extremely Low Income Households, Very Low Income Households, and Low Income Households at Affordable Rents as those terms are defined therein, and for a preference that 12 Units being rented to households with Special Needs (as defined below) to the extent allowed by applicable law, and an unrestricted manager's unit.

**WHEREAS**, City and Developer wish to adopt this Regulatory Agreement to further govern the use of the Site in conjunction and along with the DDA and to ensure that the City complies with applicable law.

**NOW, THEREFORE**, City and Developer (as owner of real property interests described hereinabove), declare that the Site shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied subject to the covenants, conditions and restrictions hereinafter set forth expressly and exclusively for the use and benefit of said property. Each and all of the restrictions, limitations, conditions, covenants, liens, reservations and charges herein contained shall run with the land and be recorded on the property title and shall be binding on Parties, their grantees, successors, heirs, executors, administrators, devisees or assigns, and all subsequent owners of all or any part of the Site, during the term of this Regulatory Agreement.

## **ARTICLE I DEFINITIONS**

The definitions provided herein shall be applicable to this Regulatory Agreement and also to any amendment or supplement (unless the context implicitly or explicitly shall prohibit), recorded against the Site pursuant to the provision of this Regulatory Agreement.

Section 1. "Affiliated Person" means, when used in reference to a specific person, any person that directly or indirectly controls or is controlled by or under common control with the specified person, any person that is an officer or director of, a trustee of, or a general partner, managing member or operator in, the specified person or of which the specified person is an officer, director, trustee, general partner or managing member,.

Section 2. "Affordable Housing Development" means an affordable housing project operated in conformity with this Regulatory Agreement throughout the Required Covenant Period.

Section 3. "Affordable Rent", per month, means, for an Extremely Low Income Household, a monthly rent (including a reasonable utility allowance) that does not exceed thirty percent (30%) of thirty percent (30%) of Median Income for a household size approximate to the

Unit; for a Very Low Income Household, a monthly rent (including a reasonable utility allowance) which does not exceed one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of Median Income for a household size appropriate to the Unit; and for a Low Income Household, a monthly rent (including reasonable utility allowance) which does not exceed one-twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of Median Income for a household size of appropriate to the Unit.

Section 4. “Approved Housing Development” means all improvements as provided to be developed by Developer under the DDA. The Approved Housing Development must be completed in strict conformity with all specifications contained in or referred to in the DDA.

Section 5. “Area” means the San Bernardino-Riverside Primary Metropolitan Statistical Area, as periodically defined by HUD.

Section 6. “Certificate” or “Certification” is defined in Section 3(a).

Section 7. “City”, as defined in the first paragraph hereof, means the City of Yucaipa, a municipal corporation.

Section 8. “City Code” means and refers to the City of Temecula Municipal Code, as revised from time to time.

Section 9. “City Grant Deed” means a grant deed in the form attached to the DDA.

Section 10. “Common Areas” means all areas on the Site that are open or accessible to all tenants of the Site (such as grounds, but excluding interiors of Units).

Section 11. “Extremely Low Income Household” means a household earning not greater than the extremely low income limit for Riverside County, adjusted for household size, pursuant to Health and Safety Code Section 50106.

Section 12. “Household size appropriate to the unit” shall be two persons for a one bedroom unit, three persons for a two bedroom unit, and four persons for a three bedroom unit.

Section 13. “Gross Income” means all payments from all sources received by a person (together with the gross income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) whether in cash or in kind as calculated pursuant to the Department of Housing and Urban Development (“HUD”) Regulations (24 C.F.R. § 813) and 25 California Code of Regulations Section 6914.

Section 14. “Low Income Household” or “Lower Income Household” means a household earning not greater than the lower income household limit for Riverside County described in Health and Safety Code Section 50079.5 that is not a Very Low Income Household or Extremely Low Income Household.

Section 15. “Low Income Unit” or “Lower Income Unit” means a Unit occupied at Affordable Rent by a Low Income Household.

Section 16. “Map of the Site” means Exhibit B hereto.

Section 17. “Median Income” or “Median Income for the Area” means the median income for the Sites most recently determined by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, or, if programs under Section 8 are terminated, Median Income for the Area determined under the method used by the Secretary prior to such termination. Such Median Income is published at 25 California Code of Regulations Section 6932, as modified from time to time.

Section 18. “Prescribed Income Levels” means the following:

Type	Income of Household as Percentage of AMI	Number of Units
1BR/1BA	30%	3
1BR/1BA	50%	1
1BR/1BA	60%	2
2BR/1BA	40%	3
3BR/2BA	40%	1

Section 19. “Regulatory Agreement” means this Regulatory Agreement and any amendments, modifications or supplements.

Section 20. “Rental Development” means the sixty (60) Unit residential rental development on the Site.

Section 21. “Required Affordable Unit” means any of the ten (10) of the dwelling units in the Rental Development, as constructed under the DDA, and available to, occupied by, or held vacant for occupancy only by tenants qualifying as Extremely Low Income Households, Very Low Income Households and Low Income Households and rented at Affordable Rent. (One dwelling unit is a manager’s unit.)

Section 22. “Required Covenant Period” means the period commencing on the date all Required Affordable Units have been completed as evidenced by the City’s issuance of a Final Certificate of Occupancy for the Rental Development, and ending as of the fifty-fifth (55th) anniversary thereof.

Section 23. “Site” means all of the real property and appurtenances as described in the Recitals above, including all structures and other improvements thereon, and those hereafter constructed.

Section 24. “Special Needs” means a household with one or more autistic children.

Section 25. “Unit” means a dwelling unit on the Rental Development.



Section 26. “Very Low Income Households” means households earning not greater than the very low income limit for Riverside County, adjusted for household size, pursuant to Health and Safety Code Section 50105.

Section 27. “Very Low Income Unit” means a Unit occupied at Affordable Rent by a Very Low Income Household.

Section 28. “Very Low Income Required Units” means the Required Affordable Units which are required to be rented to Very Low Income Households at Affordable Rent for Very Low Income Households.

Section 29. “Year” means a calendar year, excepting that the last Year hereunder shall be deemed to end as of the expiration of this Regulatory Agreement.

## **ARTICLE II LAND USE RESTRICTIONS; IMPROVEMENTS**

Section 1. Uses. Developer shall develop the Approved Housing Development on the Site in conformity with the DDA. Thereafter, the Site shall be operated as an Affordable Housing Development and devoted only to the uses specified in the DDA and the City Grant Deed for the periods of time specified herein. All uses conducted on the Site, including, without limitation, all activities undertaken by Developer pursuant to the DDA, shall conform to all applicable provisions of the City Code and the City Approvals.

The Site shall be used, maintained and operated in accordance with the DDA, the City Grant Deed, and this Regulatory Agreement for the Required Covenant Period. None of the units in the Rental Development shall at any time be utilized on a transient basis nor shall the Rental Development or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer court or park. No part of the Site, from the date Developer acquired the Site, has been or will at any time be owned or used as a cooperative housing corporation or a community apartment project or a stock cooperative.

Section 2. Affordable Housing.

*Special Needs.* Throughout the Required Covenant Period, to the extent not in violation with any state or federal law (including any fair housing or equal protection laws), Developer shall use commercially reasonable efforts to provide a preference for 12 of the Units to be rented to households with Special Needs (“Special Needs Units”) on the following basis:

a. The Special Needs Units shall be interspersed throughout the Project, and may be comprised of Required Affordable Units at Developer’s discretion.

b. Developer shall engage a nonprofit social service organization (“Social Service Entity”) reasonably acceptable to and approved by the City to identify, qualify and maintain a waitlist of households with Special Needs who desire to reside in the Project. The Developer shall also submit additional information about the background, experience, and financial condition of any proposed Social Service Entity as is reasonably necessary for the City to determine whether the proposed Social Service Entity is qualified. If the City approved the proposed Social Service Entity, the City shall notify the Developer in writing.

c. Developer shall, or shall direct the Social Service Entity to, contact households on the waitlist for initial occupancy of the Special Needs Units and thereafter as any such units become vacant. In addition, such households shall be required to satisfy all of the standard requirements and criteria of Developer or its property manager to qualify tenants, including the income restrictions set forth herein.

d. To the extent that there are insufficient qualified households on the waitlist at any time when there are less than 12 units occupied by Special Needs households, Developer shall, or shall direct the Social Service Entity to, identify additional qualified Special Needs households for the Unit; provided however that if such households are not identified despite Developer's reasonable efforts, or if the available Unit is not appropriate for the size or other particular requirements of the Special Needs household, then such Unit may instead be rented to any qualified household, and the next vacant Unit shall instead become available for a Special Needs household under the provisions set forth hereinabove.

e. Upon written request by the City, but no more frequently than bi-annually unless the City has reason to believe that Developer is in default hereunder, Developer shall provide a written certification to the City evidencing compliance with the aforementioned provisions, including a copy of the then current waitlist. In addition, City shall have the right to contact the Social Service Entity at any time, and from time to time, to verify compliance.

*Affordability Restrictions.* Throughout the Required Covenant Period, the Developer shall cause the Required Affordable Units to be rented in accordance with the definition of "Prescribed Income Levels" in Section 18 at Affordable Rents.

Except to the extent prohibited by federal law, in the event a household's income initially complies with the corresponding income restriction but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Regulatory Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed three hundred sixty-five (365) days (measured from the time the income of the household ceases to qualify at the designated affordability level). Developer shall include in its rental agreements provisions which implement this requirement and limitation, and Developer shall expressly inform prospective renters as to this limitation prior to the commencement of a tenancy.

*Duration of Affordability Requirements.* The restrictions shall apply throughout the Required Covenant Period. All tenants residing in any Required Affordable Unit for which rents are limited by virtue of this Regulatory Agreement or pursuant to other regulation during the last two (2) Years of the Required Covenant Period shall be given notice by Developer at least once every six (6) months prior to the expiration date of this requirement, that the rent payable on such Required Affordable Unit may be raised to a market rate rent at the end of the Required Covenant Period.

*Selection of Tenants.* Developer shall demonstrate to City that the proposed tenants of the Required Affordable Unit of the Extremely Low Income Units constitute Extremely Low Income Households; that the proposed tenants of Very Low Income Required Units constitute Very Low Income Households; and that the proposed tenants of the Low Income Required Units constitute Low Income Households.

Prior to the rental or lease of a Required Affordable Unit to a tenant, and as set forth in this Section 2 of Article II of this Regulatory Agreement, Developer shall require the tenant to execute a written lease and to complete an Income Verification certifying that the tenant(s) occupying the Unit is/are in the appropriate income category. Developer shall verify the income of the tenant(s).

Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.

*Determination of Affordable Rent for the Required Affordable Units.* The Required Affordable Units shall be rented or leased at Affordable Rent. The maximum monthly rental for the Required Affordable Units shall be adjusted annually as permitted by Section 50053 of the California Health and Safety Code based on the annual adjustment to the Median Income for the Area established pursuant to Section 50093 of the California Health and Safety Code, as more particularly set forth in the Affordable Rent Worksheet.

DEVELOPER UNDERSTANDS AND KNOWINGLY AGREES THAT THE MAXIMUM RENTAL FOR THE REQUIRED AFFORDABLE UNITS ESTABLISHED BY THE DDA, THIS REGULATORY AGREEMENT AND THE CITY GRANT DEED IS SUBSTANTIALLY BELOW THE FAIR MARKET RENT FOR THE REQUIRED AFFORDABLE UNITS.

### Section 3. Developer Verification and Program Compliance.

*Income and Age Verification and Certification.* Developer will obtain and maintain on file an Income and Age Verification from each tenant (for every Unit on the Site), dated immediately prior to the initial occupancy of such tenant in the Required Affordable Unit.

On June 15 following the completion of the Development, Developer shall file with Authority or its designee a Certificate, containing all information required pursuant to Health and Safety Code Section 33418. Each Certificate shall cover the immediately preceding Year.

Developer shall maintain on file throughout the Required Covenant Period each tenant's executed lease and Income and Age Verification and rental records for the Required Affordable Units. Developer shall maintain complete and accurate records pertaining to the Required Affordable Units, and will permit any duly authorized representative of City to inspect the books and records of Developer pertaining to the occupancy of the Required Affordable Units. Developer shall prepare and submit to City annually commencing the June 15 first following the recording of the City Grant Deed and continuing throughout the Required Covenant Period, a Certificate of Continuing Program Compliance. Such documentation shall state for each Unit, the Unit size, the rental amount, the number of occupants, and the income of the occupants and any other information which may be used to determined compliance with the terms of this Regulatory Agreement.

In addition, as part of its annual report, at City's request, but not less frequently than prior to each initial and subsequent rental of each Required Affordable Unit to a new tenant household (but not lease renewals) and annually thereafter, Developer shall also provide to City

completed income computation, asset evaluation, and certification forms, for any such tenant or tenants, in substantially the form provided by City from time to time. Developer shall obtain an annual certification from each household of each Required Affordable Unit demonstrating that such household is an Extremely Low Income Household, or Low Income Household, as applicable. Developer shall verify the income certification of each tenant household. Developer shall submit to City copies of any and all tenant income and occupancy certifications upon request of City. City may request (and Developer shall provide) additional documentation to assist City's evaluation of Developer's compliance with this Agreement, if determined to be necessary in the reasonable discretion of the Executive Director, specifically including (without limitation) any documentation or additional certifications that may be necessary to verify compliance with all requirements from all funding sources, and each tenant's status as to each Required Affordable Unit. This requirement is in addition to and does not replace or supersede Developer's obligation to annually submit the Certificate of Continuing Program Compliance to City. Further, City has the right, but not the obligation to monitor compliance with respect to each tenant household at the Rental Development, and City's election to monitor some, but not all, of the Units shall not constitute a waiver of City's right to monitor and enforce compliance with respect to all Units in the future.

*Verification of Income of New and Continuing Tenants.* Gross income calculations for prospective (and continuing) tenants shall be determined in accordance with 25 Cal. Code Regs. Section 6914. Developer shall verify the income and information provided in the income certification of the proposed tenant as set forth below.

(a) Developer shall verify the income of each proposed tenant of the Required Affordable Units and by at least one of the following methods as appropriate to the proposed tenant:

(i) obtain two (2) paycheck stubs from the person's two (2) most recent pay periods;

(ii) obtain a true copy of an income tax return from the person for the most recent tax year in which a return was filed;

(iii) obtain an income verification certification from the employer of the person;

(iv) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the person receives assistance from such agencies; or

(v) obtain an alternate form of income verification reasonably requested by Authority, if none of the above forms of verification is available to Developer.

*Verification Regarding Eligibility of New Tenants.* Developer shall retain documentation regarding the eligibility of each new tenant household.

*Reporting Amounts.* In the event Developer fails to submit to City or its designee the Certification as required by Section 3(a), Developer shall be in noncompliance with this Regulatory Agreement.

Section 4. Management of the Rental Development.

*Manager.* The Rental Development shall at all times be managed by an experienced manager (the "Manager") reasonably acceptable to the City, with demonstrated ability to operate residential developments like the Rental Development in a manner that will provide decent, safe, and sanitary housing. The Developer shall submit for the City's approval the identity of any proposed Manager. The Developer shall also submit such additional information about the background, experience and financial condition of any proposed Manager as is reasonably necessary for the City to determine whether the proposed Manager meets the standard for a qualified Manager set forth above. If the proposed Manager meets the standard for a qualified Manager set forth above, the City shall approve the proposed Manager by notifying Developer in writing.

*Performance Review.* The Developer shall cooperate with the City in an annual review of management practices, in connection with which the City shall have the right to review and approve the annual operations and management budget; provided, however, that the City reserves the right to conduct reviews more frequently at its sole discretion. The purpose of each annual review will be to enable the City to determine if the Improvements are being operated and managed in accordance with the requirements and standards of this Agreement.

*Replacement of Manager.*

(i) If, as a result of the annual review, the City determines in its reasonable judgment that the Improvements are not being operated and managed in accordance with any of the requirements and standards of this Agreement, the City shall deliver notice to the Developer of its intention to cause replacement of the Manager. Within fifteen (15) days of receipt by the Developer of such written notice, the City and the Developer shall meet in good faith to consider methods for improving the financial and operating status of the Rental Development, including, without limitation, replacement of the Manager.

(ii) If, after such meeting, the City elects to proceed with the replacement of the Manager, the City shall so notify the Developer in writing within fifteen (15) days following the meeting. Thereupon, the Developer shall promptly dismiss the then Manager, and shall appoint as the Manager a person or entity meeting the standards for a Manager set forth in this section and approved by the City in its reasonable discretion. City shall have the right to disapprove the replacement Manager within thirty (30) days, and in such case Developer shall promptly dismiss the replacement Manager and appoint another replacement Manager meeting the standards for a Manager set forth in this section and approved by the City in its reasonable discretion. Notwithstanding the foregoing, the City's approval rights shall be subject and subordinate to the rights of senior lender under the senior deed of trust.

(iii) Any contract for the operation or management of the Property entered into by the Developer shall provide that the contract can be terminated as set forth above.

The Developer agrees that the Rental Development shall be preserved and maintained throughout the term hereof in good condition and repair so as to provide decent, safe, and sanitary housing, and in conformance with all applicable ordinances, statutes and regulations promulgated by any governmental entity having jurisdiction over the Rental Development.

*Annual Inspection.* Subject to the rights of the occupants of the Units, City shall have the right to perform an annual on-site inspection of the units, common areas and grounds and to perform an annual tenant file review to ensure that Developer is managing the Rental Development in accordance with the requirements of this Agreement.

*Annual Budget.* Developer shall submit or shall cause its Property Manager to submit to the City Manager on or before the completion of the Rental Development, and each anniversary thereof, an annual budget for the ongoing operation of the Rental Development for approval by City, which will not be unreasonably withheld. At the City's request, delivered within thirty (30) days after receipt of the budget, each of Developer and the City shall cause its respective representative(s) to meet within thirty (30) days following the receipt of request to review the budget. Such review is without obligation to either party to propose or agree to any modification of permitted operating expenses.

*Management of Property.* Developer shall be completely responsible for the management, administration and operation of the Rental Development including, but not limited to the hiring and discharge of employees, salaries and all other related Rental Development expenses, maintenance and repairs, including capital expenditures, the financial operations of the Rental Development, the rental and re-rental of the apartment units in accordance with the occupancy requirements set forth in this Agreement and all operational, maintenance and management responsibilities of an Developer in a typical multi-family residential housing Rental Development.

*Reserves.* The Developer will maintain replacement reserves in accordance with the DDA and will not withdraw funds from such reserves without the consent of the City, which will not be unreasonably withheld, subject and subordinate to the rights of the senior mortgage lender.

*Manager's Failure to Perform.* In the event the manager appointed by Developer for management of the Rental Development fails to perform the obligations imposed upon Developer by this Section, such failure shall constitute a default under Section 10 hereof, and if Developer shall fail to cure such default as provided in Section 10 hereof, then City shall have the right, in addition to any other remedies of City, to require Developer, upon thirty (30) days' prior written notice, to appoint a substitute management City, reasonably acceptable to both City and Developer, subject and subordinate to the rights of the senior mortgage lender.

*Gross Mismanagement.* During the Required Covenant Period, in the event of "Gross Mismanagement" (as defined below) of the Development, any acts of Gross Mismanagement shall cease immediately upon written notice from the City Manager, and any omissions constituting Gross Mismanagement shall be corrected within thirty (30) days after written notice from the City Manager. If such an act or omission is not timely ceased/cured, then, Developer shall within sixty (60) days replace the Property Manager with a new property manager reasonably acceptable to the City Manager, subject to the rights of the senior mortgage lender.

For purposes of this Agreement, the term "Gross Mismanagement" means management of the Development in a manner which materially violates the terms and/or intention of this Agreement to operate a first quality affordable housing complex, and shall include, but is not limited to, any one or more of the following:

- (a) Leasing to tenants who exceed the prescribed income levels;
- (b) Subject to fair housing laws, allowing tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;
- (c) Under-funding required reserve accounts;
- (d) Failing to submit timely and/or adequate annual reports to Authority as required herein;
- (e) Failing to comply with this Regulatory Agreement;
- (f) Fraud or embezzlement of Development funds, including without limitation funds in the reserve accounts;
- (g) Failing to fully cooperate with the Temecula Police Department or other local law enforcement agency(ies) with jurisdiction over the Development, in maintaining a crime-free environment within the Development;
- (h) Failing to fully cooperate with the Temecula Fire Department or other local public safety agency(ies) with jurisdiction over the Development, in maintaining a safe and accessible environment within the Development; and
- (i) Failing to fully cooperate with the Temecula Planning and Building and Safety Department, or other local health and safety enforcement agency(ies) with jurisdiction over the Development, in maintaining a decent, safe and sanitary environment within the Development.

Developer is obligated and shall use commercially reasonable efforts to correct any defects in property management or operations at the earliest feasible time.

*Code Enforcement.* Developer acknowledges and agrees that City and its employees and authorized agents, shall have the right to conduct code compliance and/or code enforcement inspections of the Development and the individual dwelling units at the Development (and not limited to the Required Affordable Units), both exterior and interior, at reasonable times and upon reasonable notice (not less than 48 hours prior notice, except in an emergency) to Developer and/or an individual tenant. If such notice is provided by Authority representative(s) to Developer, then Developer shall immediately and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Units at the Rental Development to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the lease/rental agreements for each Unit in the Development in order for each and every tenant and tenant household to be aware of this inspection right. The foregoing portion of this Section 5 is without limitation as to the exercise of police powers by City.

**Section 6. Keeping of Animals.** No animals of any kind shall be raised, bred or kept on the Site, except that domesticated dogs, cats or other household pets may be kept by the tenants in the Rental Development at the discretion of Developer and subject to compliance with all laws. However, no animal shall be kept, bred or maintained for any commercial purpose or for fighting purposes. Nothing permitted herein shall derogate in any way the right of Developer to further restrict keeping of pets.

Section 7. Parking of Vehicles. Developer shall not permit the parking, storing or keeping of any vehicle except wholly within the parking areas designated for the Required Affordable Units. Developer shall not permit the parking, storing or keeping of any large commercial type vehicle (dump truck, cement mixer truck, oil or gas truck, etc.), or any recreational vehicle over twenty (20) feet in length (camper unit, motor home, trailer, mobile home or other similar vehicle), boats over twenty (20) feet in length, or any vehicle other than a private passenger vehicle, upon any portion of the Common Areas, including parking spaces. For purposes of this section, a pickup truck with a pickup bed mounted camper shall be considered a private passenger vehicle; provided however, that no such vehicle shall be used for residential purposes while parked on the premises.

Developer shall not permit major repairs or major restorations of any motor vehicle, boat, trailer, aircraft or other vehicle to be conducted upon any portion of the Common Area, including the parking areas, except for emergency repairs thereto and then only to the extent necessary to enable movement of the vehicle to a proper repair facility. No inoperable vehicle shall be stored or kept in the Common Area. Developer shall give the vehicle owner not less than four (4) days, nor more than seven (7) days' notice and an opportunity to remove any vehicle parked, stored or kept in violation of the provisions of this Regulatory Agreement. Notice shall consist minimally of a reasonably diligent attempt to personally notify the vehicle owner or alternatively leaving written notice on the subject vehicle. After due notice and opportunity have been given to the vehicle owner, Developer shall have the right to remove, at the vehicle owner's expense, any vehicle parked, stored or kept in violation of the provisions of this Regulatory Agreement.

Section 8. Maximum Occupancies. No persons shall be permitted to occupy any Apartment within the Rental Development in excess of applicable limit of maximum occupancy set by the City Code and the laws of the State of California.

Section 9. Signs Required. "No loitering" signs will be posted at each building and enforced by Developer. "Illegally parked vehicles will be towed" signs in compliance with California Vehicle Code requirements will be posted and enforced by Developer.

Section 10. Fences and Electronic Installations. Developer shall not install or knowingly permit to be installed on the exterior of any improvement or building on any fences or any antenna or other television or radio receiving device, excepting satellite dishes having a diameter of eighteen inches (18") or less, without prior written consent of City. This prohibition shall not prohibit the installation of cable television or subscription wires or receiving devices.

Section 11. Structural Change. Nothing shall be done on the Site in, on or to any building which would materially structurally change the exterior or the interior bearing walls of any such building or structure without the prior written consent of the City and any such changes shall be in compliance with all applicable laws including any required permits and ordinances of the City. Nothing herein shall affect the rights of Developer to repair, alter or construct improvements on the buildings on the Site unless such repair, alteration or improvement would impair the structural integrity and/or exterior appearance of said buildings. Nothing herein shall be deemed to prohibit work ordered to be performed by the City building official.

Section 12. Compliance with Laws. Developer shall comply with all applicable laws in connection with the development and use of the Site, including without limitation the Fair Housing Act (42 U.S.C. § 3601, *et seq.*, and 24 C.F.R. § 100.300, *et seq.*). Developer is a sophisticated party, with substantial experience in the acquisition, development, financing,



obtaining financing for, marketing, and operation of affordable housing projects, and with the negotiation, review, and preparation of agreements and other documents in connection with such activities. Developer is familiar with and has reviewed all laws and regulations pertaining to the acquisition, development and operation of the Rental Development and has obtained advice from any advisers of its own choosing in connection with this Agreement.

### **ARTICLE III DUTIES OF DEVELOPER: SPECIFIC MAINTENANCE RESPONSIBILITIES**

Section 1. Exterior Building Maintenance. All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking and defacing marks. Any such defacing marks shall be cleaned or removed within a reasonable period of time as set forth herein.

Section 2. Front and Side Exteriors. Developer shall at all times maintain the front exterior and yard in a clean, safe and presentable manner, free from defacing marks or any disrepair and any visible side exteriors. Developer shall hire maintenance personnel to maintain and/or repair any front exterior or yard or visible side yard and exterior of any lot or building.

Section 3. Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures must be removed and any necessary painting or repair completed by the later to occur of (i) seventy-two (72) hours of their creation or (ii) seventy-two (72) hours after notice to Developer.

Section 4. Driveways. All driveways must be paved and maintained with impervious material in accordance with the City Code. In addition, all water must be made to drain freely to the public part of the waterway without any pooling.

Section 5. Exterior Illumination. Developer shall at all times maintain adequate lighting in all entrance ways and parking areas. Adequate lighting means outdoor, night lighting designed and installed, which provides no less than one (1.0) foot candles in the parking areas and no less than one and one-half (1-1/2) foot candles in the walking areas or common areas and no less than 0.2 foot candles at the point of least illumination.

Section 6. Front Setbacks. All front setback areas that are not buildings, driveways or walkways shall be adequately and appropriately landscaped in accordance with minimum standards established by City and shall be maintained by Developer. The landscaping shall meet minimum standards set from time to time by City.

Section 7. Trash Bins. All trash shall be collected and placed at all times in an enclosable bin to be placed in a designated refuse/trash bin area. The designated area shall be located so that the bin will, to the extent possible, be readily accessible from the street.

Section 8. Prohibited Signs. No sign of any kind shall be displayed to the public view on or from any portion of the Site without the approval of City and appropriate City departments, if any such approval is required by the City Code.

### **ARTICLE IV OBLIGATION TO MAINTAIN, REPAIR AND REBUILD**

Section 1. Maintenance. If, at any time, Developer fails to maintain the Rental Development or any portion thereof, and said condition is not corrected after the expiration of forty-five (45)

days from the date of written notice from City to both Developer and its limited partner., City may perform the necessary maintenance and Developer shall pay such costs as are reasonably incurred for such maintenance. Payment shall be due within fifteen (15) days of receipt of an invoice from City.

City hereby agrees that any cure of any default made or tendered by Developer's limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments showing they are limited partners.

Developer agrees to assume full responsibility for the operation and maintenance of the Rental Development throughout the Required Covenant Period without expense to City, and to perform all repairs and replacements necessary to maintain and preserve the Rental Development and the Site in good repair, in a neat, clean, safe and orderly condition reasonably satisfactory to City and in compliance with all applicable laws. Developer agrees that City shall not be required to perform any maintenance, repairs or services or to assume any expense in connection with the Rental Development and the Site. Developer hereby waives all rights to make repairs or to cause any work to be performed at the expense of City as provided for in Section 1941 and 1942 of the California Civil Code.

The following standards shall be complied with by Developer and its maintenance staff, contractors or subcontractors:

(1) Developer shall maintain the Rental Development, including individual Required Affordable Units, all common areas, all interior and exterior facades, and all exterior project site areas, in a safe and sanitary fashion suitable for a high quality, rental housing project. Developer agrees to provide utility services, administrative services, supplies, contract services, maintenance, maintenance reserves, and management for the entire project including interior tenant spaces, common area spaces and exterior common areas. The services provided by Developer shall include, but not be limited to, providing all common area electricity, gas, water, property, fire and liability insurance in the amounts set forth in this Regulatory Agreement, all property taxes and personal property taxes, any and all assessments, maintenance and replacement of all exterior landscaping, and all administration and overhead required for any property manager.

(2) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing, edging, and trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and optimum irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(3) Clean-up maintenance shall include, but not be limited to: maintenance of all private paths, parking areas, driveways and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of

the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

(4) The Rental Development shall be maintained in conformance and in compliance with the approved construction and architectural plans and design scheme, as the same may be amended from time to time with the approval of City.

(5) All maintenance work shall conform to all applicable federal and state Occupational Safety and Health Act standards and regulations for the performance of maintenance.

(6) Any and all chemicals, unhealthful substances, and pesticides used in and during maintenance shall be applied only by persons in strict accordance with all governing regulations.

(7) Parking lots, lighting fixtures, trash enclosures, and all areas shall be kept free from any accumulation of debris or waste materials by regularly scheduled maintenance.

Section 2. Damage and Destruction Affecting Development - Developer's Duty to Rebuild.

If all or any portion of the Site and the improvements thereon is damaged or destroyed by fire or other casualty, Developer shall promptly proceed to obtain insurance proceeds and subject to the terms of the senior loan secured by the Site and improvements, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Rental Development to substantially the same condition as the Rental Development is required to be constructed pursuant to the DDA, subject to the sufficiency of the insurance proceeds to cover the actual cost of repair, replacement, or restoration, and Developer shall complete the same as soon as possible thereafter so that the Rental Development can be occupied as an affordable housing project in accordance with the DDA. In no event shall the repair, replacement, or restoration period exceed eighteen (18) months from the date Developer obtains insurance proceeds unless the City Manager, in his or her reasonable discretion, approves a longer period of time, subject to the terms of the senior loan secured by the Site and improvements. If the then-existing laws of any other governmental agencies with jurisdiction over the Site do not permit the repair, replacement, or restoration, Developer may elect not to repair, replace, or restore the Rental Development by giving notice to City (in which event the insurance proceeds shall be treated as Residual Receipts and shall be distributed to the Parties in accordance with the terms of the City Loan Promissory Note entered pursuant to the DDA, and Developer shall be required to remove all debris from the Site) or Developer may reconstruct such other Rental Development on the Site as is consistent with applicable land use regulations and approved by City, and any other governmental agency or agencies with jurisdiction, and City may pursue remedies of its choosing under this Agreement, including without limitation termination of the DDA and accelerating the payment of the City Loan in accordance with the terms of the City Loan Promissory Note.

In furtherance of the requirements of this Section 2, Developer shall keep the construction on the Site insured by carriers at all times reasonably satisfactory to City against loss by fire and such other hazards, casualties, liabilities and contingencies as included within an all risk extended coverage hazard insurance policy, in an amount of the full replacement cost of the constructions. In the event of loss, Developer shall give prompt notice to the insurance carrier and to Authority.

If the Site is abandoned by Developer, or if Developer fails to respond to City within thirty (30) days from the date notice is mailed by City to Developer that the insurance carrier offers to settle a claim for insurance benefits, City is authorized to collect and apply the insurance proceeds at City's option either to restoration or repair of the Site.

Section 3. Variance in Exterior Appearance and Design. In the event the Rental Development sustains substantial physical damage due to a casualty event, Developer may apply to City for approval to reconstruct, rebuild or repair in a manner which will provide different exterior appearance and lot design from that which existed prior to the date of the casualty.

Section 4. Time Limitation. Upon damage to the Site or the Rental Development or other improvements, Developer shall be obligated to proceed with all due diligence hereunder and commence reconstruction within two (2) months after the damage occurs and complete reconstruction within six (6) months after damage occurs or demolition and vacate within two (2) months, unless prevented by causes beyond their reasonable control, in which event reconstruction shall be commenced and completed at the earliest feasible time.

## **ARTICLE V ENFORCEMENT**

Section 1. Remedies. Breach of the covenants contained in the Regulatory Agreement may be enjoined, abated or remedied by appropriate legal proceeding by City. No remedies shall be instituted until the party complaining of a violation has provided written notice to the other party and such party has failed to cure the alleged violation within thirty (30) days of receipt of the written notice. City hereby agrees that any cure of any default made or tendered by Developer's limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments showing they are limited partners.

This Regulatory Agreement does not in any way infringe on the right or duties of City to enforce any of the provisions of the City Code including, but not limited to, the abatement of dangerous buildings.

Section 2. Nuisance. The result of every act or omission whereby any of the covenants contained in this Regulatory Agreement are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowable at law or equity, against a nuisance, either public or private, shall be applicable against every such result and may be exercised by any owner or its successors in interest, without derogation of City's rights under law.

Section 3. Right of Entry. In addition to the above general rights of enforcement, City shall have the right through its agents and employees, to enter upon any part of the project area for the purpose of enforcing the California Vehicle Code, and the ordinances and other regulations of City, and for maintenance and/or repair of any or all publicly owned utilities. In addition, City has the right of entry at reasonable hours and upon and after reasonable attempts to contact Developer, on any lot to effect emergency repairs or maintenance which Developer has failed to perform. Subsequent to sixty (60) days written notice to Developer specifically outlining Developer's noncompliance, City shall have the right of entry on the Site at reasonable hours to

enforce compliance with this Regulatory Agreement which Developer has failed to perform. This Section 3 is without limitation as to the exercise of police powers of City.

Section 4. Costs of Repair. The costs borne by City for any such repairs or maintenance emergency and/or non-emergency, shall become a charge for which Developer shall be responsible.

Section 5. Cumulative Remedies. The remedies herein provided for breach of the covenants contained in this Regulatory Agreement shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

Section 6. Failure to Enforce. The failure to enforce any of the covenants contained in this Regulatory Agreement shall not constitute a waiver of the right to enforce the same thereafter.

Section 7. Enforcement and Nonliability. City may from time to time make such efforts, if any, as it shall deem appropriate enforce and/or assist in enforcing this Regulatory Agreement. However, City will not be subject to any liability for failure to affirmatively enforce any provision of this Regulatory Agreement.

## **ARTICLE VI GENERAL PROVISIONS**

Section 1. Covenant Against Partition. By acceptance of its interest in the Site, Developer shall be deemed to covenant for itself and for its heirs, representatives, successors and assigns, that it will not institute legal proceedings or otherwise seek to effect partition of its right and interest in the interest being conveyed to Developer, or the burdens running with the land as a result of this Regulatory Agreement.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in all force and effect.

Section 3. Term. This Regulatory Agreement shall run with and bind the interest of Developer in the Site, and shall inure to the owner(s) of any property subject to this Regulatory Agreement, his legal representatives, heirs, successors and assigns, and as provided in Article VI, Sections 2 and 3, be enforceable by City, for a term equal to the Required Covenant Period as defined herein, provided; however, that the covenants regarding nondiscrimination set forth in Section 4 of Article II of this Regulatory Agreement shall remain in effect for perpetuity. This Regulatory Agreement shall not be subordinate to the lien of any financing obtained by Developer with respect to the Site.

Section 4. Construction. The provisions of this Regulatory Agreement shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Required Affordable Units available at Affordable Rent for Very Low Income Households, and, to the extent provided herein, Low Income Households in conformity with the Prescribed Income Levels. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Developer shall be obligated by this Regulatory Agreement to comply with the provisions hereof, as well as the City Grant Deed. In the event of conflict, Developer shall comply with the most stringent requirements, in each case.

Section 5. Amendments. This Regulatory Agreement may be amended only by the written agreement of Developer and City.

Section 6. Encroachments. None of the rights and obligations of Developer created herein shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of Developer if said encroachment occurs due to the willful conduct of said Developer.

Section 7. Notices. Any notice permitted or required to be delivered as provided herein to Developer shall be in writing and may be delivered either by reputable overnight service or certified mail to its address on the first page hereof, and shall be effective as of one business day after delivery to the messenger service for overnight delivery, or the date of delivery or attempted delivery shown on the return receipt. Such address may be changed from time to time by notice in writing.

Section 8. Notice of Transfer of Title; Notice of Property Manager. Developer shall promptly notify City in writing of the identity and address for notices for the initial Property Manager and any replacement thereof, and Developer shall also promptly notify the City in writing of any conveyance of the Approved Housing Development, including the name of any buyer and the address for notices of the buyer.

**DEVELOPER:**

TEMECULA PACIFIC ASSOCIATES

By: TPC Holdings VII, LLC  
an Idaho limited liability company  
a general partner

By: \_\_\_\_\_  
Caleb Roope, Manager

**CITY:**

CITY OF TEMECULA,  
a municipal corporation

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Randi Johl, City Clerk

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP 9839, IN THE CITY OF TEMECULA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 61, PAGE 14 OF PARCEL MAPS, RECORDS OF SAID COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION OF PARCEL 1 CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, A BODY POLITIC, BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-0016730 OF OFFICIAL RECORDS

Assessor's Parcel Numbers: 922-053-021-2 & 922-053-048-7

THE NORTHWESTERLY 255 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THE NORTHWESTERLY ONE-HALF OF THAT TRACT OF LAND FORMERLY USED AS RAILROAD RIGHT OF WAY AND STATION GROUND OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, CONVEYED TO N.R. VAIL, ET AL., BY DEED RECORDED JUNE 11, 1940 IN BOOK 464, PAGE 505 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SAID PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF LOT 1, BLOCK 27 OF THE TOWN OF TEMECULA, IN THE CITY OF TEMECULA, SHOWN BY MAP ON FILE IN BOOK 15, PAGE 726 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA; THENCE SOUTHWESTERLY IN A STRAIGHT LINE TO THE MOST EASTERLY CORNER OF LOT 1, BLOCK 36, AS SHOWN BY SAID MAP; THENCE NORTHWESTERLY IN A STRAIGHT LINE TO THE MOST NORTHERLY CORNER OF LOT 10, BLOCK 37, AS SHOWN BY SAID MAP;

THENCE NORTHEASTERLY ON A STRAIGHT LINE TO THE MOST WESTERLY CORNER OF LOT 22, BLOCK 25 ON SAID MAP;

THENCE SOUTHEASTERLY IN A STRAIGHT LINE TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTHWESTERLY 595 FEET THEREOF.

ALSO EXCEPT THEREFROM THOSE PORTIONS INCLUDED IN RIVER AND PUJOL STREETS AS SHOWN ON SAID MAP.

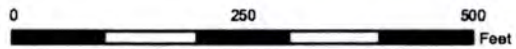
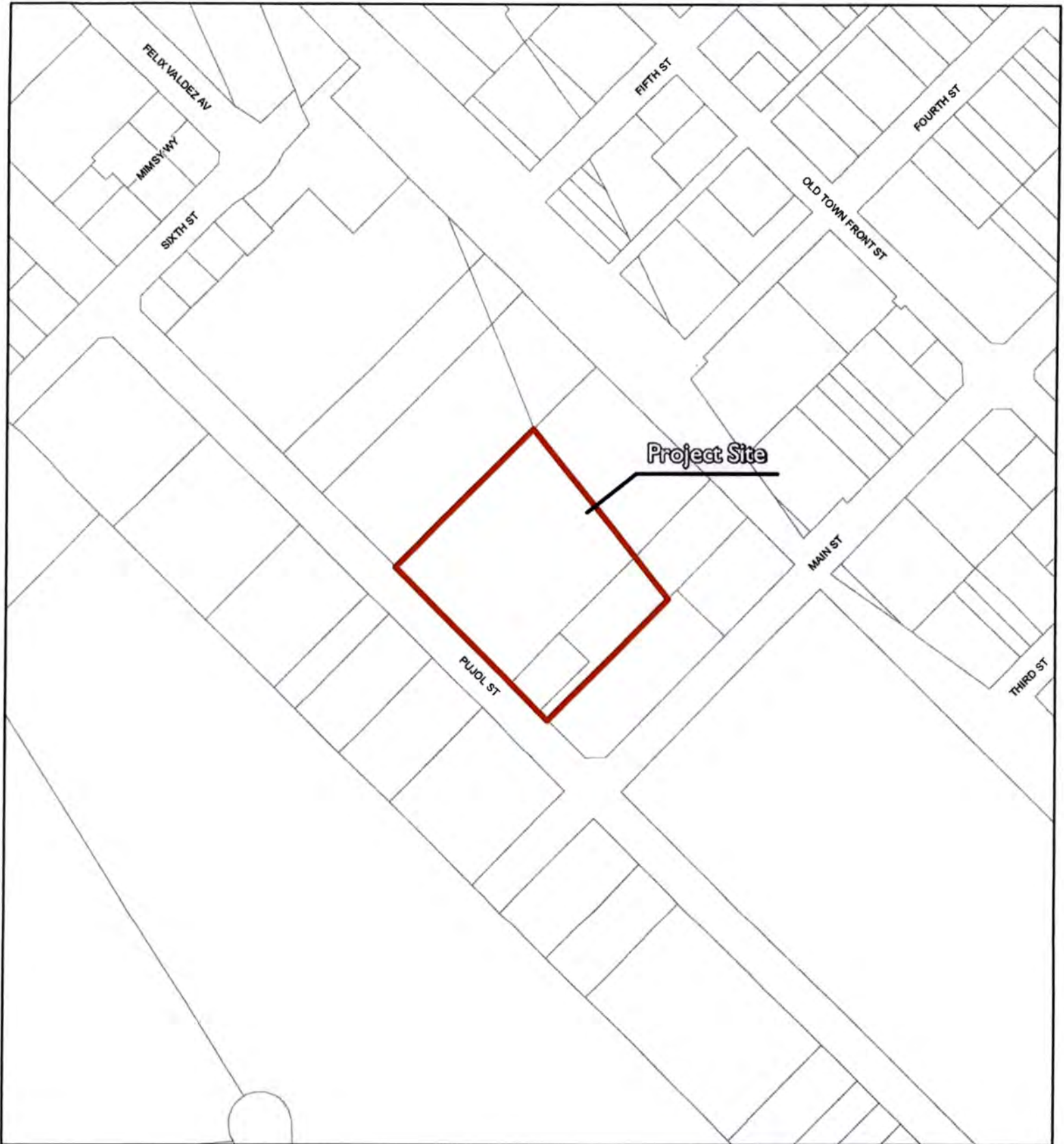
ALSO EXCEPT THEREFROM THAT PORTION OF SAID LAND CONDEMNED BY THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT AS

SET FORTH AND DESCRIBED IN THAT CERTAIN DOCUMENT RECORDED  
OCTOBER 05, 2010 AS INSTRUMENT NO. 2010-0477535 OF OFFICIAL RECORDS.

Assessor's Parcel Number: 922-053-047-6



**VICINITY MAP**



This map was made by the City of Temecula Geographic Information System. The map is derived from base data produced by the Riverside County Assessor's Department and the Transportation and Land Management Agency of Riverside County. The City of Temecula assumes no warranty or legal responsibility for the information contained on this map. Data and information represented on this map are subject to update and modification. The Geographic Information System and other sources should be queried for the most current information. This map is not for reprint or resale.



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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_

(Seal)

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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

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the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_

(Seal)

RECORDING REQUESTED BY, AND  
WHEN RECORDED RETURN TO:

City of Temecula  
41000 Main Street  
Temecula, CA 92590  
Attention: City Clerk

with a copy to:

Temecula Pacific Associates  
430 East State Street, Suite 100  
Eagle, ID 83616  
Attn: Caleb Roope

APN(s): 922-053-021-2, 922-053-048-7 and  
922-053-047-6

(Space above for Recorder's Use.)

This document is exempt from the payment of a recording fee  
pursuant to Government Code Section 6103.

**AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENT**  
**(DENSITY BONUS)**

These AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENT (“Regulatory Agreement”) is hereby entered, effective as of \_\_\_\_\_, 20\_\_, by and among the CITY OF TEMECULA, a municipal corporation (“City”), and TEMECULA PACIFIC ASSOCIATES, a California limited partnership (“Developer”) (City and Developer are sometimes collectively referred to herein as the “Parties.”).

**RECITALS**

**WHEREAS**, City and Developer have entered into that certain unrecorded Disposition and Development Agreement dated as of \_\_\_\_\_, 2019 (the “DDA”) for the improvement and development of certain real property described in Exhibit “A” (to which this Regulatory Agreement is attached) as the “Site”, which DDA provides for the recordation of this Regulatory Agreement. The DDA is incorporated herein by this reference, and any capitalized term not defined herein shall have the meaning established therefor in the DDA.

**WHEREAS**, this Regulatory Agreement establishes a plan for the improvement, development and maintenance of the Site, for the benefit of City, and constitutes a “density bonus housing agreement” under the Temecula Municipal Code for which Developer has been given an incentive and waiver relating to parking, specifically that the required number parking spaces have been reduced from 137 to 102.

**WHEREAS**, it is contemplated under the DDA that, as of the recordation of this Regulatory Agreement, Developer has acquired or shall concurrent with the recording hereof acquire fee title from the City to the “Site”. The form of the grant deed under which Developer shall take title under the DDA is referenced to as the “City Grant Deed.”

**WHEREAS**, City and Developer wish to adopt this Regulatory Agreement to further govern the use of the Site to comply with the City’s density bonus ordinances. **City shall not subordinate this Regulatory Agreement to any deed of trust or other liens.**

**NOW, THEREFORE**, City and Developer (as owner of real property interests described hereinabove), declare that the Site shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied subject to the covenants, conditions and restrictions hereinafter set forth expressly and exclusively for the use and benefit of said property. Each and all of the restrictions, limitations, conditions, covenants, liens, reservations and charges herein contained shall run with the land and be recorded on the property title and shall be binding on Parties, their grantees, successors, heirs, executors, administrators, devisees or assigns, and all subsequent owners of all or any part of the Site, during the term of this Regulatory Agreement.

## **ARTICLE I DEFINITIONS**

The definitions provided herein shall be applicable to this Regulatory Agreement and also to any amendment or supplement (unless the context implicitly or explicitly shall prohibit), recorded against the Site pursuant to the provision of this Regulatory Agreement.

Section 1. “Affiliated Person” means, when used in reference to a specific person, any person that directly or indirectly controls or is controlled by or under common control with the specified person, any person that is an officer or director of, a trustee of, or a general partner, managing member or operator in, the specified person or of which the specified person is an officer, director, trustee, general partner or managing member.

Section 2. “Affordable Housing Development” means an affordable housing project operated in conformity with this Regulatory Agreement throughout the Required Covenant Period.

Section 3. “Affordable Rent”, per month, means, for an Extremely Low Income Household, a monthly rent (including a reasonable utility allowance) that does not exceed thirty percent (30%) of thirty percent (30%) of Median Income for a household size approximate to the Unit; for a Very Low Income Household, a monthly rent (including a reasonable utility allowance) which does not exceed one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of Median Income for a household size appropriate to the Unit; and for a Low Income Household, a monthly rent (including reasonable utility allowance) which does not exceed one-twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of Median Income for a household size of appropriate to the Unit.

Section 4. “Approved Housing Development” means all improvements as provided to be developed by Developer under the DDA. The Approved Housing Development must be completed in strict conformity with all specifications contained in or referred to in the DDA.

Section 5. “Area” means the San Bernardino-Riverside Primary Metropolitan Statistical Area, as periodically defined by HUD.

Section 6. “Certificate” or “Certification” is defined in Section 3(a).

Section 7. “City”, as defined in the first paragraph hereof, means the City of Yucaipa, a municipal corporation.

Section 8. “City Code” means and refers to the City of Temecula Municipal Code, as revised from time to time.

Section 9. “City Grant Deed” means a grant deed in the form attached to the DDA.

Section 10. “Common Areas” means all areas on the Site that are open or accessible to all tenants of the Site (such as grounds, but excluding interiors of Units).

Section 11. “Extremely Low Income Household” means a household earning not greater than the extremely low income limit for Riverside County, adjusted for household size, pursuant to Health and Safety Code Section 50106.

Section 12. “Gross Income” means all payments from all sources received by a person (together with the gross income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) whether in cash or in kind as calculated pursuant to the Department of Housing and Urban Development (“HUD”) Regulations (24 C.F.R. § 813) and 25 California Code of Regulations Section 6914.

Section 13. “Household size appropriate to the unit” shall be two persons for a one bedroom unit, three persons for a two bedroom unit, and four persons for a three bedroom unit.

Section 14. “Low Income Household” or “Lower Income Household” means a household earning not greater than the lower income household limit for Riverside County described in Health and Safety Code Section 50079.5 that is not a Very Low Income Household or Extremely Low Income Household.

Section 15. “Low Income Unit” or “Lower Income Unit” means a Unit occupied at Affordable Rent by a Low Income Household.

Section 16. “Map of the Site” means Exhibit B hereto.

Section 17. “Median Income” or “Median Income for the Area” means the median income for the Sites most recently determined by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, or, if programs under Section 8 are terminated, Median Income for the Area determined under the method used by the Secretary prior to such termination. Such Median Income is published at 25 California Code of Regulations Section 6932, as modified from time to time.

Section 18. “Prescribed Income Levels” means the following:



A. Thirty percent (30%) of Median Income for the Area for three (3) one-bedroom one-bath Units.

B. Forty percent (40%) of Median Income for the Area for: (i) three (3) two-bedroom Units; and (ii) one (1) three-bedroom two-bathroom Unit.

C. Fifty percent (50%) of Median Income for the Area for one (1) one-bedroom one-bathroom Unit.

D. Sixty percent (60%) of Median Income for the Area for two (2) one-bedroom one-bathroom Units.

Type	Income of Household as Percentage of AMI	Number of Units
1BR/1BA	30%	3
1BR/1BA	50%	1
1BR/1BA	60%	2
2BR/1BA	40%	3
3BR/2BA	40%	1

Section 19. “Regulatory Agreement” means this Regulatory Agreement and any amendments, modifications or supplements.

Section 20. “Rental Development” means the sixty (60) Unit residential rental development on the Site.

Section 21. “Required Affordable Unit” means any of the ten (10) of the dwelling units in the Rental Development, and available to, occupied by, or held vacant for occupancy under this Agreement only by tenants qualifying as Extremely Low Income Households, Very Low Income Households and Low Income Households and rented at Affordable Rent. (One dwelling unit is a manager unit.)

Section 22. “Required Covenant Period” means the period commencing on the date all Required Affordable Units have been completed as evidenced by the City’s issuance of a Final Certificate of Occupancy for the Rental Development, and ending as of the fifty-fifth (55th) anniversary thereof.

Section 23. “Site” means all of the real property and appurtenances as described in the Recitals above, including all structures and other improvements thereon, and those hereafter constructed.

Section 24. “Special Needs” means a household with one or more autistic children.

Section 25. “Unit” means a dwelling unit on the Rental Development.

Section 26. “Very Low Income Households” means households earning not greater than the very low income limit for Riverside County, adjusted for household size, pursuant to Health and Safety Code Section 50105.

Section 27. “Very Low Income Unit” means a Unit occupied at Affordable Rent by a Very Low Income Household.

Section 28. “Very Low Income Required Units” means the Required Affordable Units which are required to be rented to Very Low Income Households at Affordable Rent for Very Low Income Households.

Section 29. “Year” means a calendar year, excepting that the last Year hereunder shall be deemed to end as of the expiration of this Regulatory Agreement.

## **ARTICLE II LAND USE RESTRICTIONS; IMPROVEMENTS**

Section 1. Uses. Developer shall develop the Approved Housing Development on the Site in conformity with the DDA. Thereafter, the Site shall be operated as an Affordable Housing Development and devoted only to the uses specified in the DDA and the City Grant Deed for the periods of time specified herein. All uses conducted on the Site, including, without limitation, all activities undertaken by Developer pursuant to the DDA, shall conform to all applicable provisions of the City Code and the City Approvals.

The Site shall be used, maintained and operated in accordance with the DDA, the City Grant Deed, and this Regulatory Agreement for the Required Covenant Period. None of the units in the Rental Development shall at any time be utilized on a transient basis nor shall the Rental Development or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer court or park. No part of the Site, from the date Developer acquired the Site, has been or will at any time be owned or used as a cooperative housing corporation or a community apartment project or a stock cooperative.

Section 2. Affordable Housing.

*Special needs.* Through the Required Covenant Period, to the extent not in violation with any state or federal law (including any fair housing or equal protection laws) Developer shall use commercially reasonable efforts to provide a preference for 12 Units to be rented to households with Special Needs (“Special Needs Units”) on the following basis:

a. The Special Needs Units shall be interspersed throughout the Project and may be interchanged with other Units at Developer’s discretion.

b. Developer shall engage a nonprofit social service organization (“Social Service Entity”) reasonably acceptable to and approved by the City to identify, qualify and maintain a waitlist of households with Special Needs who desire to reside in the Project. The Developer shall also submit additional information about the background, expericen, and financial condition of any proposed Social Service Entity as is reasonably necessary for the City to determine

whether the proposed Social Service Entity is qualified. If the City approved the proposed Social Service Entity, the City shall notify the Developer in writing.

c. Developer shall, or shall direct the Social Service Entity to, contact households on the waitlist for initial occupancy of the Special Needs Units and thereafter as any such units become vacant. In addition, such households shall be required to satisfy all of the standard requirements and criteria of Developer or its property manager to qualify tenants, including the income restrictions set forth herein.

d. To the extent that there are insufficient qualified households on the waitlist at any time when there are less than 12 units occupied by Special Needs households, Developer shall, or shall direct the Social Service Entity to, identify additional qualified Special Needs households for the Unit; provided however that if such households are not identified despite Developer's reasonable efforts, or if the available Unit is not appropriate for the size or other particular requirements of the Special Needs household, then such Unit may instead be rented to any qualified household, and the next vacant Unit shall instead become available for a Special Needs household under the provisions set forth hereinabove.

e. Upon written request by the City, but no more frequently than bi-annually unless the City has reason to believe that Developer is in default hereunder, Developer shall provide a written certification to the City evidencing compliance with the aforementioned provisions, including a copy of the then current waitlist. In addition, City shall have the right to contact the Social Service Entity at any time, and from time to time, to verify compliance.

*Affordability Restrictions; Number of Units.* Throughout the Required Covenant Period, the Developer shall cause the Required Affordable Units to be rented in accordance with the definition of "Prescribed Income Levels" in Section 18 at Affordable Rents.

Except to the extent prohibited by federal law, in the event a household's income initially complies with the corresponding income level/restriction but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Regulatory Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed three hundred sixty-five (365) days (measured from the time the income of the household ceases to qualify at the designated affordability level). Developer shall include in its rental agreements provisions which implement this requirement and limitation, and Developer shall expressly inform prospective renters as to this limitation prior to the commencement of a tenancy.

*Duration of Affordability Requirements.* The restriction shall apply throughout the Required Covenant Period. All tenants residing in any Required Affordable Unit for which rents are limited by virtue of this Regulatory Agreement or pursuant to other regulation during the last two (2) Years of the Required Covenant Period shall be given notice by Developer at least once every six (6) months prior to the expiration date of this requirement, that the rent payable on such Required Affordable Unit may be raised to a market rate rent at the end of the Required Covenant Period.

*Selection of Tenants.* Developer shall demonstrate to City that the proposed tenants of Required Affordable Units of the Extremely Low Income Units constitute Extremely Low Income Households; that the proposed tenants of Very Low Income Required Units

constitute Very Low Income Households; and that the proposed tenants of the Low Income Required Units constitute Low Income Households.

Prior to the rental or lease of a Required Affordable Unit to a tenant, and as set forth in this Section 2 of Article II of this Regulatory Agreement, Developer shall require the tenant to execute a written lease and to complete an Income Verification certifying that the tenant(s) occupying the Unit is/are in the appropriate income category. Developer shall verify the income of the tenant(s).

Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.

*Determination of Affordable Rent for the Required Affordable Units.* The Required Affordable Units shall be rented or leased at Affordable Rent. The maximum monthly rental for the Required Affordable Units shall be adjusted annually as permitted by Section 50053 of the California Health and Safety Code based on the annual adjustment to the Median Income for the Area established pursuant to Section 50093 of the California Health and Safety Code, as more particularly set forth in the Affordable Rent Worksheet.

DEVELOPER UNDERSTANDS AND KNOWINGLY AGREES THAT THE MAXIMUM RENTAL FOR THE REQUIRED AFFORDABLE UNITS ESTABLISHED BY THE DDA, THIS REGULATORY AGREEMENT AND THE CITY GRANT DEED IS SUBSTANTIALLY BELOW THE FAIR MARKET RENT FOR THE REQUIRED AFFORDABLE UNITS.

Section 3. Developer Verification and Program Compliance.

*Income and Age Verification and Certification.* Developer will obtain and maintain on file an Income and Age Verification from each tenant (for every Unit on the Site), dated immediately prior to the initial occupancy of such tenant in the Required Affordable Units.

On June 15 following the completion of the Development, Developer shall file with Authority or its designee a Certificate, containing all information required pursuant to Health and Safety Code Section 33418. Each Certificate shall cover the immediately preceding Year.

Developer shall maintain on file throughout the Required Covenant Period each tenant's executed lease and Income and Age Verification and rental records for the Rental Development and the Required Affordable Units. Developer shall maintain complete and accurate records pertaining to the Units, and will permit any duly authorized representative of City to inspect the books and records of Developer pertaining to the occupancy of the Required Affordable Units. Developer shall prepare and submit to City annually commencing the June 15 first following the recording of the City Grant Deed and continuing throughout the Required Covenant Period, a Certificate of Continuing Program Compliance. Such documentation shall state for each Required Affordable Unit in the Rental Development the Unit size, the rental amount, the number of occupants, and the income of the occupants and any other information which may be used to determined compliance with the terms of this Regulatory Agreement.

In addition, as part of its annual report, at City's request, but not less frequently than prior to each initial and subsequent rental of each Required Affordable Unit to a new tenant household (but not lease renewals) and annually thereafter, Developer shall also provide to City completed income computation, asset evaluation, and certification forms, for any such tenant or tenants, in substantially the form provided by City from time to time. Developer shall obtain an annual certification from each household, Required Affordable Unit demonstrating that such household is an Extremely Low Income Household, Very Low Income Household or Low Income Household, as applicable. Developer shall verify the income certification of each tenant household. Developer shall submit to City copies of any and all tenant income and occupancy certifications upon request of City. City may request (and Developer shall provide) additional documentation to assist City's evaluation of Developer's compliance with this Agreement, if determined to be necessary in the reasonable discretion of the Executive Director, specifically including (without limitation) any documentation or additional certifications that may be necessary to verify compliance with all requirements from all funding sources, and each tenant's status as to each Required Affordable Unit. This requirement is in addition to and does not replace or supersede Developer's obligation to annually submit the Certificate of Continuing Program Compliance to City. Further, City has the right, but not the obligation to monitor compliance with respect to each tenant household at the Rental Development, and City's election to monitor some, but not all, of the Units shall not constitute a waiver of City's right to monitor and enforce compliance with respect to all Units in the future.

*Verification of Income of New and Continuing Tenants.* Gross income calculations for prospective (and continuing) tenants shall be determined in accordance with 25 Cal. Code Regs. Section 6914. Developer shall verify the income and information provided in the income certification of the proposed tenant as set forth below.

(a) Developer shall verify the income of each proposed tenant of the Required Affordable Units and by at least one of the following methods as appropriate to the proposed tenant:

(i) obtain two (2) paycheck stubs from the person's two (2) most recent pay periods;

(ii) obtain a true copy of an income tax return from the person for the most recent tax year in which a return was filed;

(iii) obtain an income verification certification from the employer of the person;

(iv) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the person receives assistance from such agencies; or

(v) obtain an alternate form of income verification reasonably requested by Authority, if none of the above forms of verification is available to Developer.

*Verification Regarding Eligibility of New Tenants.* Developer shall retain documentation regarding the eligibility of each new tenant household.

*Reporting Amounts.* In the event Developer fails to submit to City or its designee the Certification as required by Section 3(a), Developer shall be in noncompliance with this Regulatory Agreement.

Section 4. Management of the Rental Development.

*Manager.* The Rental Development shall at all times be managed by an experienced manager (the “Manager”) reasonably acceptable to the City, with demonstrated ability to operate residential developments like the Rental Development in a manner that will provide decent, safe, and sanitary housing. The Developer shall submit for the City’s approval the identity of any proposed Manager. The Developer shall also submit such additional information about the background, experience and financial condition of any proposed Manager as is reasonably necessary for the City to determine whether the proposed Manager meets the standard for a qualified Manager set forth above. If the proposed Manager meets the standard for a qualified Manager set forth above, the City shall approve the proposed Manager by notifying Developer in writing.

*Performance Review.* The Developer shall cooperate with the City in an annual review of management practices, in connection with which the City shall have the right to review and approve the annual operations and management budget; provided, however, that the City reserves the right to conduct reviews more frequently at its sole discretion. The purpose of each annual review will be to enable the City to determine if the Improvements are being operated and managed in accordance with the requirements and standards of this Agreement.

*Replacement of Manager.*

(i) If, as a result of the annual review, the City determines in its reasonable judgment that the Improvements are not being operated and managed in accordance with any of the requirements and standards of this Agreement, the City shall deliver notice to the Developer of its intention to cause replacement of the Manager. Within fifteen (15) days of receipt by the Developer of such written notice, the City and the Developer shall meet in good faith to consider methods for improving the financial and operating status of the Rental Development, including, without limitation, replacement of the Manager.

(ii) If, after such meeting, the City elects to proceed with the replacement of the Manager, the City shall so notify the Developer in writing within fifteen (15) days following the meeting. Thereupon, the Developer shall promptly dismiss the then Manager, and shall appoint as the Manager a person or entity meeting the standards for a Manager set forth in this section and approved by the City in its reasonable discretion. City shall have the right to disapprove the replacement Manager within thirty (30) days, and in such case Developer shall promptly dismiss the replacement Manager and appoint another replacement Manager meeting the standards for a Manager set forth in this section and approved by the City in its reasonable discretion. Notwithstanding the foregoing, the City’s approval rights shall be subject and subordinate to the rights of senior lender under the senior deed of trust.

(iii) Any contract for the operation or management of the Property entered into by the Developer shall provide that the contract can be terminated as set forth above.

The Developer agrees that the Rental Development shall be preserved and maintained throughout the term hereof in good condition and repair so as to provide decent, safe, and sanitary housing, and in conformance with all applicable ordinances, statutes and regulations promulgated by any governmental entity having jurisdiction over the Rental Development.

*Annual Inspection.* Subject to the rights of the occupants of the Units, City shall have the right to perform an annual on-site inspection of the units, common areas and grounds and to perform an annual tenant file review to ensure that Developer is managing the Rental Development in accordance with the requirements of this Agreement.

*Annual Budget.* Developer shall submit or shall cause its Property Manager to submit to the City Manager on or before the completion of the Rental Development, and each anniversary thereof, an annual budget for the ongoing operation of the Rental Development for approval by City, which will not be unreasonably withheld. At the City's request, delivered within thirty (30) days after receipt of the budget, each of Developer and the City shall cause its respective representative(s) to meet within thirty (30) days following the receipt of request to review the budget. Such review is without obligation to either party to propose or agree to any modification of permitted operating expenses.

*Management of Property.* Developer shall be completely responsible for the management, administration and operation of the Rental Development including, but not limited to the hiring and discharge of employees, salaries and all other related Rental Development expenses, maintenance and repairs, including capital expenditures, the financial operations of the Rental Development, the rental and re-rental of the apartment units in accordance with the occupancy requirements set forth in this Agreement and all operational, maintenance and management responsibilities of an Developer in a typical multi-family residential housing Rental Development.

*Reserves.* The Developer will maintain replacement reserves in accordance with the DDA satisfactory to the City and will not withdraw funds from such reserves without the consent of the City, which will not be unreasonably withheld, subject and subordinate to the rights of senior mortgage lender.

*Manager's Failure to Perform.* In the event the manager appointed by Developer for management of the Rental Development fails to perform the obligations imposed upon Developer by this Section, such failure shall constitute a default under Section 10 hereof, and if Developer shall fail to cure such default as provided in Section 10 hereof, then City shall have the right, in addition to any other remedies of City, to require Developer, upon thirty (30) days' prior written notice, to appoint a substitute management City, reasonably acceptable to both City and Developer, subject and subordinate to the rights of senior mortgage lender.

*Gross Mismanagement.* During the Required Covenant Period, in the event of "Gross Mismanagement" (as defined below) of the Development, any acts of Gross Mismanagement shall cease immediately upon written notice from the City Manager, and any omissions constituting Gross Mismanagement shall be corrected within thirty (30) days after written notice from the City Manager. If such an act or omission is not timely ceased/cured, then, Developer shall within sixty (60) days replace the Property Manager with a new property manager reasonably acceptable to the City Manager, subject to the rights of the senior mortgage lender.

For purposes of this Agreement, the term "Gross Mismanagement" means management of the Development in a manner which materially violates the terms and/or intention of this Agreement to operate a first quality affordable housing complex, and shall include, but is not limited to, any one or more of the following:

- (a) Leasing to tenants who exceed the prescribed income levels;
- (b) Subject to fair housing laws, allowing tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;
- (c) Under-funding required reserve accounts;
- (d) Failing to submit timely and/or adequate annual reports to Authority as required herein;
- (e) Failing to comply with this Regulatory Agreement;
- (f) Fraud or embezzlement of Development funds, including without limitation funds in the reserve accounts;
- (g) Failing to fully cooperate with the Temecula Police Department or other local law enforcement agency(ies) with jurisdiction over the Development, in maintaining a crime-free environment within the Development;
- (h) Failing to fully cooperate with the Temecula Fire Department or other local public safety agency(ies) with jurisdiction over the Development, in maintaining a safe and accessible environment within the Development; and
- (i) Failing to fully cooperate with the Temecula Planning and Building and Safety Department, or other local health and safety enforcement agency(ies) with jurisdiction over the Development, in maintaining a decent, safe and sanitary environment within the Development.

Developer is obligated and shall use commercially reasonable efforts to correct any defects in property management or operations at the earliest feasible time.

*Code Enforcement.* Developer acknowledges and agrees that Authority and its employees and authorized agents, shall have the right to conduct code compliance and/or code enforcement inspections of the Development and the individual dwelling units at the Development (and not limited to the Required Affordable Units), both exterior and interior, at reasonable times and upon reasonable notice (not less than 48 hours prior notice, except in an emergency) to Developer and/or an individual tenant. If such notice is provided by Authority representative(s) to Developer, then Developer shall immediately and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Units at the Development to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the lease/rental agreements for each Unit in the Development in order for each and every tenant and tenant household to be aware of this inspection right. The foregoing portion of this Section 5 is without limitation as to the exercise of police powers by City.

Section 6. Keeping of Animals. No animals of any kind shall be raised, bred or kept on the Site, except that domesticated dogs, cats or other household pets may be kept by the tenants in the Rental Development at the discretion of Developer and subject to compliance with all laws. However, no animal shall be kept, bred or maintained for any commercial purpose or for fighting purposes. Nothing permitted herein shall derogate in any way the right of Developer to further restrict keeping of pets.



Section 7. Parking of Vehicles. Developer shall not permit the parking, storing or keeping of any vehicle except wholly within the parking areas designated for the Required Affordable Units. Developer shall not permit the parking, storing or keeping of any large commercial type vehicle (dump truck, cement mixer truck, oil or gas truck, etc.), or any recreational vehicle over twenty (20) feet in length (camper unit, motor home, trailer, mobile home or other similar vehicle), boats over twenty (20) feet in length, or any vehicle other than a private passenger vehicle, upon any portion of the Common Areas, including parking spaces. For purposes of this section, a pickup truck with a pickup bed mounted camper shall be considered a private passenger vehicle; provided however, that no such vehicle shall be used for residential purposes while parked on the premises.

Developer shall not permit major repairs or major restorations of any motor vehicle, boat, trailer, aircraft or other vehicle to be conducted upon any portion of the Common Area, including the parking areas, except for emergency repairs thereto and then only to the extent necessary to enable movement of the vehicle to a proper repair facility. No inoperable vehicle shall be stored or kept in the Common Area. Developer shall give the vehicle owner not less than four (4) days, nor more than seven (7) days' notice and an opportunity to remove any vehicle parked, stored or kept in violation of the provisions of this Regulatory Agreement. Notice shall consist minimally of a reasonably diligent attempt to personally notify the vehicle owner or alternatively leaving written notice on the subject vehicle. After due notice and opportunity have been given to the vehicle owner, Developer shall have the right to remove, at the vehicle owner's expense, any vehicle parked, stored or kept in violation of the provisions of this Regulatory Agreement.

Section 8. Maximum Occupancies. No persons shall be permitted to occupy any Apartment within the Rental Development in excess of applicable limit of maximum occupancy set by the City Code and the laws of the State of California.

Section 9. Signs Required. "No loitering" signs will be posted at each building and enforced by Developer. "Illegally parked vehicles will be towed" signs in compliance with California Vehicle Code requirements will be posted and enforced by Developer.

Section 10. Fences and Electronic Installations. Developer shall not install or knowingly permit to be installed on the exterior of any improvement or building on any fences or any antenna or other television or radio receiving device, excepting satellite dishes having a diameter of eighteen inches (18") or less, without prior written consent of City. This prohibition shall not prohibit the installation of cable television or subscription wires or receiving devices.

Section 11. Structural Change. Nothing shall be done on the Site in, on or to any building which would materially structurally change the exterior or the interior bearing walls of any such building or structure without the prior written consent of the City, and any such change shall be in compliance with applicable law. Nothing herein shall affect the rights of Developer to repair, alter or construct improvements on the buildings on the Site unless such repair, alteration or improvement would impair the structural integrity and/or exterior appearance of said buildings. Nothing herein shall be deemed to prohibit work ordered to be performed by the City building official.

Section 12. Compliance with Laws. Developer shall comply with all applicable laws in connection with the development and use of the Site, including without limitation the Fair Housing Act (42 U.S.C. § 3601, *et seq.*, and 24 C.F.R. § 100.300, *et seq.*). Developer is a sophisticated party, with substantial experience in the acquisition, development, financing,

obtaining financing for, marketing, and operation of affordable housing projects, and with the negotiation, review, and preparation of agreements and other documents in connection with such activities. Developer is familiar with and has reviewed all laws and regulations pertaining to the acquisition, development and operation of the Rental Development and has obtained advice from any advisers of its own choosing in connection with this Agreement.

### **ARTICLE III DUTIES OF DEVELOPER: SPECIFIC MAINTENANCE RESPONSIBILITIES**

Section 1. Exterior Building Maintenance. All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking and defacing marks. Any such defacing marks shall be cleaned or removed within a reasonable period of time as set forth herein.

Section 2. Front and Side Exteriors. Developer shall at all times maintain the front exterior and yard in a clean, safe and presentable manner, free from defacing marks or any disrepair and any visible side exteriors. Developer shall hire maintenance personnel to maintain and/or repair any front exterior or yard or visible side yard and exterior of any lot or building.

Section 3. Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures must be removed and any necessary painting or repair completed by the later to occur of (i) seventy-two (72) hours of their creation or (ii) seventy-two (72) hours after notice to Developer.

Section 4. Driveways. All driveways must be paved and maintained with impervious material in accordance with the City Code. In addition, all water must be made to drain freely to the public part of the waterway without any pooling.

Section 5. Exterior Illumination. Developer shall at all times maintain adequate lighting in all entrance ways and parking areas. Adequate lighting means outdoor, night lighting designed and installed, which provides no less than one (1.0) foot candles in the parking areas and no less than one and one-half (1-1/2) foot candles in the walking areas or common areas and no less than 0.2 foot candles at the point of least illumination.

Section 6. Front Setbacks. All front setback areas that are not buildings, driveways or walkways shall be adequately and appropriately landscaped in accordance with minimum standards established by City and shall be maintained by Developer. The landscaping shall meet minimum standards set from time to time by City.

Section 7. Trash Bins. All trash shall be collected and placed at all times in an enclosable bin to be placed in a designated refuse/trash bin area. The designated area shall be located so that the bin will, to the extent possible, be readily accessible from the street.

Section 8. Prohibited Signs. No sign of any kind shall be displayed to the public view on or from any portion of the Site without the approval of City and appropriate City departments, if any such approval is required by the City Code.

### **ARTICLE IV OBLIGATION TO MAINTAIN, REPAIR AND REBUILD**

Section 1. Maintenance by Developer. Developer shall, at its sole cost and expense, maintain and repair the Rental Development thereon keeping the same in a decent, safe and

sanitary manner, in good condition and making all repairs as they may be required by this Regulatory Agreement and by all applicable City Code provisions, including without limitation Uniform Code provisions. Developer shall also maintain the landscaping required to be planted in a healthy condition. If, at any time, Developer fails to maintain the Rental Development or any portion thereof, and said condition is not corrected after the expiration of forty-five (45) days from the date of written notice from City, City may perform the necessary maintenance and Developer shall pay such costs as are reasonably incurred for such maintenance. Payment shall be due within fifteen (15) days of receipt of an invoice from City.

*Maintenance and Repair.* Developer agrees to assume full responsibility for the management, operation and maintenance of the Rental Development and the Site throughout the Required Covenant Period without expense to City, and to perform all repairs and replacements necessary to maintain and preserve the Rental Development and the Site in good repair, in a neat, clean, safe and orderly condition reasonably satisfactory to City and in compliance with all applicable laws. Developer agrees that City shall not be required to perform any maintenance, repairs or services or to assume any expense in connection with the Rental Development. Developer hereby waives all rights to make repairs or to cause any work to be performed at the expense of City as provided for in Section 1941 and 1942 of the California Civil Code.

The following standards shall be complied with by Developer and its maintenance staff, contractors or subcontractors:

(1) Developer shall maintain the Rental Development, including individual Required Affordable Units, all common areas, all interior and exterior facades, and all exterior project site areas, in a safe and sanitary fashion suitable for a high quality, rental housing project. Developer agrees to provide utility services, administrative services, supplies, contract services, maintenance, maintenance reserves, and management for the entire project including interior tenant spaces, common area spaces and exterior common areas. The services provided by Developer shall include, but not be limited to, providing all common area electricity, gas, water, property, fire and liability insurance in the amounts set forth in this Regulatory Agreement, all property taxes and personal property taxes, any and all assessments, maintenance and replacement of all exterior landscaping, and all administration and overhead required for any property manager.

(2) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing, edging, and trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and optimum irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(3) Clean-up maintenance shall include, but not be limited to: maintenance of all private paths, parking areas, driveways and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

(4) The Development shall be maintained in conformance and in compliance with the approved construction and architectural plans and design scheme, as the same may be amended from time to time with the approval of City.

(5) All maintenance work shall conform to all applicable federal and state Occupational Safety and Health Act standards and regulations for the performance of maintenance.

(6) Any and all chemicals, unhealthful substances, and pesticides used in and during maintenance shall be applied only by persons in strict accordance with all governing regulations.

(7) Parking lots, lighting fixtures, trash enclosures, and all areas shall be kept free from any accumulation of debris or waste materials by regularly scheduled maintenance.

Section 2. Damage and Destruction Affecting Development - Developer's Duty to Rebuild.

If all or any portion of the Site and the improvements thereon is damaged or destroyed by fire or other casualty, Developer shall promptly proceed to obtain insurance proceeds and, subject to the terms of the senior loan secured by the Site and improvements, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Rental Development to substantially the same condition as the Rental Development is required to be constructed pursuant to the DDA, subject to the sufficiency of the insurance proceeds to cover the actual cost of repair, replacement, or restoration, and Developer shall complete the same as soon as possible thereafter so that the Rental Development can be occupied as an affordable housing project in accordance with the DDA. In no event shall the repair, replacement, or restoration period exceed eighteen (18) months from the date Developer obtains insurance proceeds unless the City Manager, in his or her reasonable discretion, approves a longer period of time, subject to the terms of the senior loan secured by the Site and improvements. If the then-existing laws of any other governmental agencies with jurisdiction over the Site do not permit the repair, replacement, or restoration, Developer may elect not to repair, replace, or restore the Rental Development by giving notice to City (in which event the insurance proceeds shall be treated as Residual Receipts and shall be distributed to the Parties in accordance with the terms of the City Loan Promissory Note entered pursuant to the DDA, and Developer shall be required to remove all debris from the Site) or Developer may reconstruct such other Rental Development on the Site as is consistent with applicable land use regulations and approved by City, and any other governmental agency or agencies with jurisdiction, and City may pursue remedies of its choosing under this Agreement, including without limitation termination of the DDA and accelerating the payment of the City Loan in accordance with the terms of the City Loan Promissory Note.

In furtherance of the requirements of this Section 2, Developer shall keep the construction on the Site insured by carriers at all times reasonably satisfactory to City against loss by fire and such other hazards, casualties, liabilities and contingencies as included within an all risk extended coverage hazard insurance policy, in an amount of the full replacement cost of the constructions. In the event of loss, Developer shall give prompt notice to the insurance carrier and to Authority.

If the Site is abandoned by Developer, or if Developer fails to respond to City within thirty (30) days from the date notice is mailed by City to Developer that the insurance carrier offers to settle a claim for insurance benefits, City is authorized to collect and apply the insurance proceeds at City's option either to restoration or repair of the Site.

Section 3. Variance in Exterior Appearance and Design. In the event the Rental Development sustains substantial physical damage due to a casualty event, Developer may apply to City for approval to reconstruct, rebuild or repair in a manner which will provide different exterior appearance and lot design from that which existed prior to the date of the casualty.

Section 4. Time Limitation. Upon damage to the Site or the Rental Development or other improvements, Developer shall be obligated to proceed with all due diligence hereunder and commence reconstruction within two (2) months after the damage occurs and complete reconstruction within six (6) months after damage occurs or demolition and vacate within two (2) months, unless prevented by causes beyond their reasonable control, in which event reconstruction shall be commenced and completed at the earliest feasible time.

## **ARTICLE V ENFORCEMENT**

Section 1. Remedies. Breach of the covenants contained in the Regulatory Agreement may be enjoined, abated or remedied by appropriate legal proceeding by City. No remedies shall be instituted until the party complaining of a violation has provided written notice to the other party and such party has failed to cure the alleged violation within thirty (30) days of receipt of the written notice.

This Regulatory Agreement does not in any way infringe on the right or duties of City to enforce any of the provisions of the City Code including, but not limited to, the abatement of dangerous buildings.

Section 2. Nuisance. The result of every act or omission whereby any of the covenants contained in this Regulatory Agreement are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowable at law or equity, against a nuisance, either public or private, shall be applicable against every such result and may be exercised by any owner or its successors in interest, without derogation of City's rights under law.

Section 3. Right of Entry. In addition to the above general rights of enforcement, City shall have the right through its agents and employees, to enter upon any part of the project area for the purpose of enforcing the California Vehicle Code, and the ordinances and other regulations of City, and for maintenance and/or repair of any or all publicly owned utilities. In addition, City has the right of entry at reasonable hours and upon and after reasonable attempts to contact Developer, on any lot to effect emergency repairs or maintenance which Developer has failed to perform. Subsequent to sixty (60) days written notice to Developer specifically outlining Developer's noncompliance, City shall have the right of entry on the Site at reasonable hours to enforce compliance with this Regulatory Agreement which Developer has failed to perform. This Section 3 is without limitation as to the exercise of police powers of City.

Section 4. Costs of Repair. The costs borne by City for any such repairs or maintenance emergency and/or non-emergency, shall become a charge for which Developer shall be responsible.

Section 5. Cumulative Remedies. The remedies herein provided for breach of the covenants contained in this Regulatory Agreement shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

Section 6. Failure to Enforce. The failure to enforce any of the covenants contained in this Regulatory Agreement shall not constitute a waiver of the right to enforce the same thereafter.

Section 7. Enforcement and Nonliability. City may from time to time make such efforts, if any, as it shall deem appropriate enforce and/or assist in enforcing this Regulatory Agreement. However, City will not be subject to any liability for failure to affirmatively enforce any provision of this Regulatory Agreement.

## **ARTICLE VI GENERAL PROVISIONS**

Section 1. Covenant Against Partition. By acceptance of its interest in the Site, Developer shall be deemed to covenant for itself and for its heirs, representatives, successors and assigns, that it will not institute legal proceedings or otherwise seek to effect partition of its right and interest in the interest being conveyed to Developer, or the burdens running with the land as a result of this Regulatory Agreement.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in all force and effect.

Section 3. Term. This Regulatory Agreement shall run with and bind the interest of Developer in the Site, and shall inure to the owner(s) of any property subject to this Regulatory Agreement, his legal representatives, heirs, successors and assigns, and as provided in Article VI, Sections 2 and 3, be enforceable by City, for a term equal to the Required Covenant Period as defined herein, provided; however, that the covenants regarding nondiscrimination set forth in Section 4 of Article II of this Regulatory Agreement shall remain in effect for perpetuity. This Regulatory Agreement shall not be subordinate to the lien of any financing obtained by Developer with respect to the Site.

Section 4. Construction. The provisions of this Regulatory Agreement shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of Required Affordable Units available at Affordable Rent for Very Low Income Households, and, to the extent provided herein, Low Income Households in conformity with the Prescribed Income Levels. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Developer shall be obligated by this Regulatory Agreement to comply with the provisions hereof, as well as the City Grant Deed. In the event of conflict, Developer shall comply with the most stringent requirements, in each case.

Section 5. Amendments. This Regulatory Agreement may be amended only by the written agreement of Developer, and City.

Section 6. Encroachments. None of the rights and obligations of Developer created herein shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of Developer if said encroachment occurs due to the willful conduct of said Developer.

Section 7. Notices. Any notice permitted or required to be delivered as provided herein to Developer shall be in writing and may be delivered either by reputable overnight service or certified mail to its address on the first page hereof, and shall be effective as of one business day after delivery to the messenger service for overnight delivery, or the date of delivery or attempted delivery shown on the return receipt. Such address may be changed from time to time by notice in writing.

Section 8. Notice of Transfer of Title; Notice of Property Manager. Developer shall promptly notify City in writing of the identity and address for notices for the initial Property Manager and any replacement thereof, and Developer shall also promptly notify the City in writing of any conveyance of the Approved Housing Development, including the name of any buyer and the address for notices of the buyer.

**DEVELOPER:**

TEMECULA PACIFIC ASSOCIATES

By: TPC Holdings VII, LLC  
an Idaho limited liability company  
a general partner

By: \_\_\_\_\_  
Caleb Roope, Manager

**CITY:**

CITY OF TEMECULA,  
a municipal corporation

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Randi Johl, City Clerk

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP 9839, IN THE CITY OF TEMECULA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 61, PAGE 14 OF PARCEL MAPS, RECORDS OF SAID COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION OF PARCEL 1 CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, A BODY POLITIC, BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-0016730 OF OFFICIAL RECORDS

Assessor's Parcel Numbers: 922-053-021-2 & 922-053-048-7

THE NORTHWESTERLY 255 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THE NORTHWESTERLY ONE-HALF OF THAT TRACT OF LAND FORMERLY USED AS RAILROAD RIGHT OF WAY AND STATION GROUND OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, CONVEYED TO N.R. VAIL, ET AL., BY DEED RECORDED JUNE 11, 1940 IN BOOK 464, PAGE 505 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SAID PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF LOT 1, BLOCK 27 OF THE TOWN OF TEMECULA, IN THE CITY OF TEMECULA, SHOWN BY MAP ON FILE IN BOOK 15, PAGE 726 OF MAPS, RECORDS OF SAN DIEGO COUNTY, CALIFORNIA; THENCE SOUTHWESTERLY IN A STRAIGHT LINE TO THE MOST EASTERLY CORNER OF LOT 1, BLOCK 36, AS SHOWN BY SAID MAP; THENCE NORTHWESTERLY IN A STRAIGHT LINE TO THE MOST NORTHERLY CORNER OF LOT 10, BLOCK 37, AS SHOWN BY SAID MAP;

THENCE NORTHEASTERLY ON A STRAIGHT LINE TO THE MOST WESTERLY CORNER OF LOT 22, BLOCK 25 ON SAID MAP;

THENCE SOUTHEASTERLY IN A STRAIGHT LINE TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTHWESTERLY 595 FEET THEREOF.

ALSO EXCEPT THEREFROM THOSE PORTIONS INCLUDED IN RIVER AND PUJOL STREETS AS SHOWN ON SAID MAP.

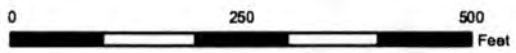
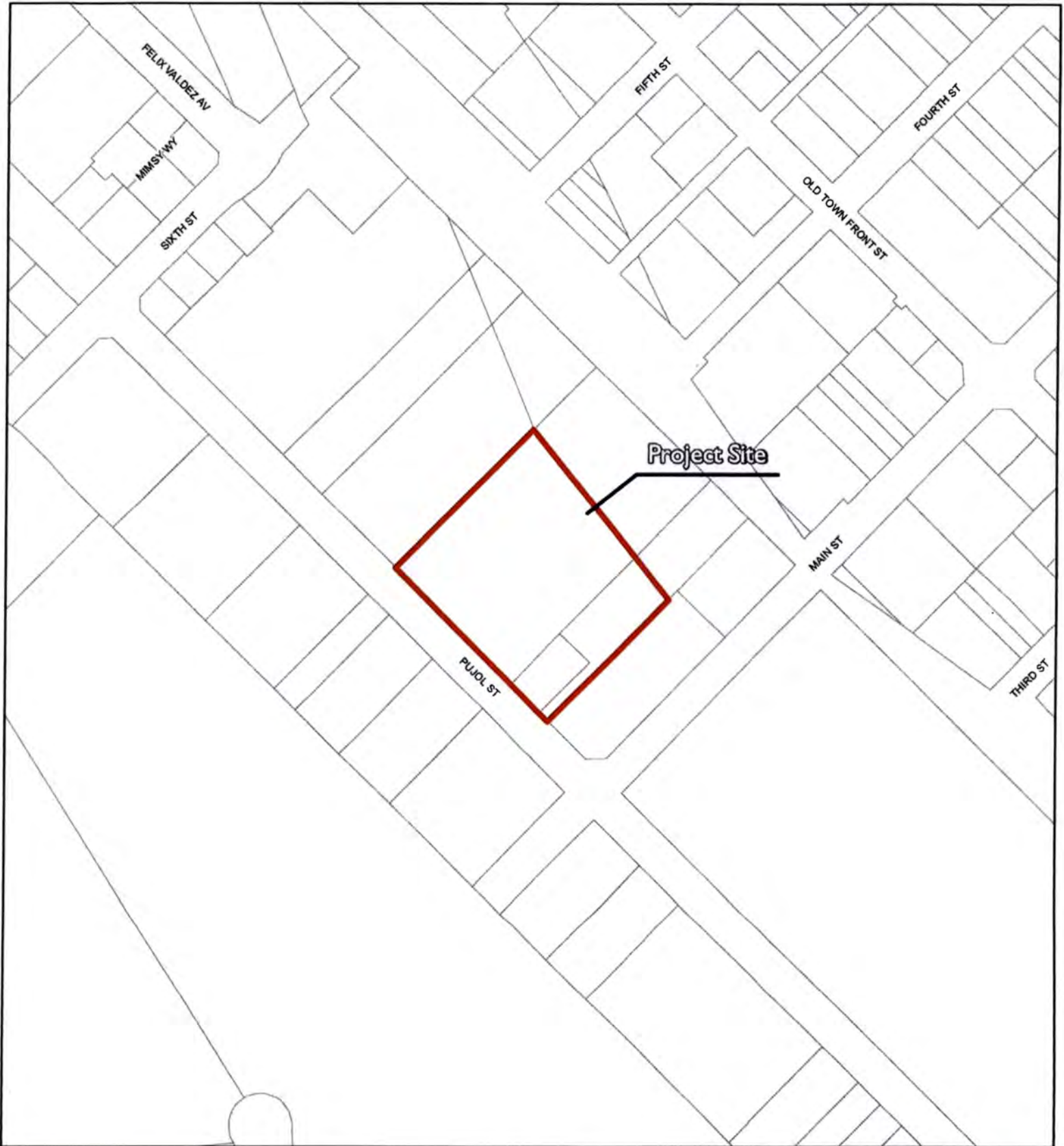
ALSO EXCEPT THEREFROM THAT PORTION OF SAID LAND CONDEMNED BY THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT AS



SET FORTH AND DESCRIBED IN THAT CERTAIN DOCUMENT RECORDED  
OCTOBER 05, 2010 AS INSTRUMENT NO. 2010-0477535 OF OFFICIAL RECORDS.

Assessor's Parcel Number: 922-053-047-6

**VICINITY MAP**



This map was made by the City of Temecula Geographic Information System. The map is derived from base data produced by the Riverside County Assessor's Department and the Transportation and Land Management Agency of Riverside County. The City of Temecula assumes no warranty or legal responsibility for the information contained on this map. Data and information represented on this map are subject to update and modification. The Geographic Information System and other sources should be queried for the most current information. This map is not for reprint or resale.



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, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_

(Seal)

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, \_\_\_\_\_,  
(insert name and title of the officer)

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  
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WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

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State of California )  
County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_,  
(insert name and title of the officer)

Notary Public, personally appeared \_\_\_\_\_,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
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I certify under PENALTY OF PERJURY under the laws of the State of California that  
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

**EXHIBIT "I"**

**FORM OF CERTIFICATE OF COMPLETION**

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

APN(s): 922-053-021-2; 922-053-048-7;  
922-053-047-6

(Space Above for Recorder's Use Only)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

**CERTIFICATE OF COMPLETION**

THIS CERTIFICATE OF COMPLETION (the "Certificate") is made by the CITY OF TEMECULA, a municipal corporation (the "City"), in favor of TEMECULA PACIFIC ASSOCIATES, a California limited partnership.

***RECITALS***

A. City and Developer have entered into that certain unrecorded Disposition and Development Agreement (the "DDA") dated as of \_\_\_\_\_, 2019 concerning the development of certain real property situated in the City of Temecula, California, described in Exhibit "A" attached hereto (the "Site").

B. As referenced in Section 3.11 of the DDA, City is required to furnish Developer or its successors with a Certificate of Completion upon completion of construction of the "Project" (as defined in the DDA), which Certificate is required to be in such form as to permit it to be recorded in the Recorder's Office of Riverside County. This Certificate is conclusive determination of satisfactory completion of the construction and development required by the DDA.

C. City has conclusively determined that the construction and development of the Project has been satisfactorily completed.

NOW, THEREFORE, City hereby certifies as follows:

1. City does hereby certify that the Project to be constructed by Developer has been fully and satisfactorily completed in full conformance with the DDA.

2. This Certificate shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance construction work on the Site, or any part thereof.

3. This Certificate shall not constitute evidence of Developer's compliance with those covenants in the DDA that survive the issuance of this Certificate.

4. This Certificate is not a Notice of Completion as referred to in California Civil Code Section 3093.

5. Nothing contained in this instrument shall modify in any other way any other provisions of the DDA (including without limitation the attachments thereto).

IN WITNESS WHEREOF, City has executed this Certificate of Completion this \_\_\_ day of \_\_\_\_\_, 20\_\_.

CITY OF TEMECULA

By: \_\_\_\_\_  
\_\_\_\_\_, City Manager

ATTEST:

\_\_\_\_\_  
\_\_\_\_\_, City Clerk



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State of California )  
County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_,  
(insert name and title of the officer)

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.

Signature \_\_\_\_\_

(Seal)

EXHIBIT "A"

LEGAL DESCRIPTION

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP 9839, IN THE CITY OF TEMECULA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 61, PAGE 14 OF PARCEL MAPS, RECORDS OF SAID COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION OF PARCEL 1 CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, A BODY POLITIC, BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-0016730 OF OFFICIAL RECORDS

Assessor's Parcel Numbers: 922-053-021-2 & 922-053-048-7

THE NORTHWESTERLY 255 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THE NORTHWESTERLY ONE-HALF OF THAT TRACT OF LAND FORMERLY USED AS RAILROAD RIGHT OF WAY AND STATION GROUND OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, CONVEYED TO N.R. VAIL, ET AL., BY DEED RECORDED JUNE 11, 1940 IN BOOK 464, PAGE 505 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SAID PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

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SET FORTH AND DESCRIBED IN THAT CERTAIN DOCUMENT RECORDED  
OCTOBER 05, 2010 AS INSTRUMENT NO. 2010-0477535 OF OFFICIAL RECORDS.

Assessor's Parcel Number: 922-053-047-6

**EXHIBIT "J"**

**BASE PRO-FORMA**

(Attached.)

# Vine Creek Apts.

A 60-Unit Workforce Housing Community  
Temecula, CA

## Financial Pro Forma

Rev. 5/12/19

Prepared By:

Caleb Roope  
Pacific West Communities, Inc.  
430 East State Street, Suite 100  
Eagle, ID 83616

208.461.0022 x 3015  
208.461.3267 fax  
[calebr@tpchousing.com](mailto:calebr@tpchousing.com)

**DEVELOPMENT BUDGET**  
**Vine Creek Apts.**  
**Temecula, CA**

	Project Costs	Cost Per Unit	Cost Per Res. Sq. Ft.	Tax Credit Eligible Basis
<b>Total Land Costs</b>	<b>\$ 2,683,000</b>	<b>\$ 44,717</b>	<b>\$ 47.50</b>	XXXXXXXXXX
<b>Total Acquisition Costs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>New Construction and/or Rehabilitation</b>				
Off-Site Work	\$ -	\$ -	\$ -	\$ -
Prevailing Wages	\$ -	\$ -	\$ -	\$ -
On Site Work	\$ 1,320,000	\$ 22,000	\$ 23.37	\$ 1,320,000
Structures	\$ 9,693,600	\$ 161,560	\$ 171.63	\$ 9,693,600
General Requirements	\$ 660,816	\$ 11,014	\$ 11.70	\$ 660,816
Contractor Overhead	\$ 220,272	\$ 3,671	\$ 3.90	\$ 220,272
Contractor Profit	\$ 660,816	\$ 11,014	\$ 11.70	\$ 660,816
Construction Contingency	\$ 630,000	\$ 10,500	\$ 11.15	\$ 630,000
<b>Total Construction Costs</b>	<b>\$ 13,185,504</b>	<b>\$ 219,758</b>	<b>\$ 233.45</b>	<b>\$ 13,185,504</b>
<b>Financing Costs</b>				
Construction Loan Interest	\$ 265,000	\$ 4,417	\$ 4.69	\$ 265,000
Construction Loan Fee	\$ 131,000	\$ 2,183	\$ 2.32	\$ 131,000
Construction Lender Costs (Legal, Etc.)	\$ 50,000	\$ 833	\$ 0.89	\$ 50,000
Bond Issuer & Trustee Fees	\$ -	\$ -	\$ -	\$ -
Permanent Loan Fees	\$ 21,500	\$ 358	\$ 0.38	XXXXXXXXXX
Permanent Loan Costs	\$ 25,000	\$ 417	\$ 0.44	XXXXXXXXXX
Tax Credit Fees	\$ 82,652	\$ 1,378	\$ 1.46	XXXXXXXXXX
Bond Counsel	\$ -	\$ -	\$ -	XXXXXXXXXX
Financial Advisor	\$ -	\$ -	\$ -	XXXXXXXXXX
<b>Total Financing Costs</b>	<b>\$ 575,152</b>	<b>\$ 9,586</b>	<b>\$ 10.18</b>	<b>\$ 446,000</b>
<b>Soft Costs</b>				
Architectural	\$ 400,000	\$ 6,667	\$ 7.08	\$ 400,000
Engineering/Surveying/Environmental	\$ 200,000	\$ 3,333	\$ 3.54	\$ 200,000
Taxes During Construction	\$ 10,000	\$ 167	\$ 0.18	\$ 10,000
Insurance	\$ 197,800	\$ 3,297	\$ 3.50	\$ 197,800
Title & Recording	\$ 40,000	\$ 667	\$ 0.71	\$ 40,000
Borrower Attorney	\$ 40,000	\$ 667	\$ 0.71	\$ 40,000
Appraisal	\$ 10,000	\$ 167	\$ 0.18	\$ 10,000
Local Tap, Building Permit, & Impact Fees	\$ 1,619,643	\$ 26,994	\$ 28.68	\$ 1,619,643
Marketing	\$ 78,947	\$ 1,316	\$ 1.40	XXXXXXXXXX
Relocation Costs	\$ -	\$ -	\$ -	XXXXXXXXXX
Furnishings	\$ 40,000	\$ 667	\$ 0.71	\$ 40,000
Cost Certification	\$ 10,000	\$ 167	\$ 0.18	\$ 10,000
Market Study	\$ 10,000	\$ 167	\$ 0.18	\$ 10,000
Soft Cost Contingency	\$ 100,000	\$ 1,667	\$ 1.77	\$ 100,000
Developer Overhead & Profit	\$ 2,000,000	\$ 33,333	\$ 35.41	\$ 1,400,000
Consultant Fee	\$ -	\$ -	\$ -	\$ -
<b>Total Soft Costs</b>	<b>\$ 4,756,390</b>	<b>\$ 79,273</b>	<b>\$ 84.21</b>	<b>\$ 4,077,443</b>
<b>Reserves</b>				
Rent Reserve	\$ 50,000	\$ 833	\$ 0.89	XXXXXXXXXX
Operating Reserve	\$ 113,496	\$ 1,892	\$ 2.01	XXXXXXXXXX
<b>Total Reserve Costs</b>	<b>\$ 163,496</b>	<b>\$ 2,725</b>	<b>\$ 2.89</b>	XXXXXXXXXX
<b>Totals</b>	<b>\$ 21,363,542</b>	<b>\$ 356,059</b>	<b>\$ 378.25</b>	<b>\$ 17,708,947</b>

**SOURCES & USES****Vine Creek Apts.  
Temecula, CA****CONSTRUCTION PHASE****Sources of Funds**

Tax Credit Financing	\$	3,302,708
City Land Loan	\$	700,000
City Impact Fee Loan	\$	698,281
City Capital Loan	\$	1,301,719
Other	\$	-
Other	\$	-
Deferred Costs	\$	163,496
Deferred Contractor Profit	\$	-
Deferred Developer Fee	\$	2,000,000
Construction Loan	\$	13,197,338
<b>Total Sources of Funds</b>	<b>\$</b>	<b>21,363,542</b>

**Uses of Funds**

Total Land Costs	\$	2,683,000
Total Acquisition Costs	\$	-
New Construction and/or Rehabilitation	\$	12,555,504
Construction Contingency	\$	630,000
Financing Costs	\$	575,152
Architecture & Engineering	\$	600,000
Other Soft Costs	\$	2,056,390
Developer Fees	\$	2,000,000
Soft Cost Contingency	\$	100,000
Reserves	\$	163,496
<b>Total Uses of Funds</b>	<b>\$</b>	<b>21,363,542</b>

**PERMANENT PHASE****Sources of Funds**

Total Tax Credit Financing	\$	16,513,542
Permanent Loan	\$	2,150,000
City Land Loan	\$	700,000
City Impact Fee Loan	\$	698,281
City Capital Loan	\$	1,301,719
Other	\$	-
Other	\$	-
Other	\$	-
Other	\$	-
Other	\$	-
<b>Total Sources of Funds</b>	<b>\$</b>	<b>21,363,542</b>

**Uses of Funds**

Total Land Costs	\$	2,683,000
Total Acquisition Costs	\$	-
New Construction and/or Rehabilitation	\$	12,555,504
Construction Contingency	\$	630,000
Financing Costs	\$	575,152
Architecture & Engineering	\$	600,000
Other Soft Costs	\$	2,056,390
Developer Fees	\$	2,000,000
Soft Cost Contingency	\$	100,000
Reserves	\$	163,496
<b>Total Uses of Funds</b>	<b>\$</b>	<b>21,363,542</b>

# FINANCING & COMPLIANCE DETAILS

Rev. 5/12/19

Vine Creek Apts.  
Temecula, CA

PERMANENT FINANCING																												
<b>Total Project Costs</b>	<i>2019 Tie-Breaker</i>	42.069%	<b>\$ 21,363,542</b>																									
<b>Tax Credit Financing</b>																												
<b>Tax Credit Eligible Basis</b>			\$ 17,708,947																									
Less: <b>Grant Proceeds &amp; Other Exclusions</b>		\$ -																										
<b>Voluntary Basis Reduction</b>		<u>\$ 2,025,000</u>																										
<b>Requested Eligible Basis</b>			\$ 15,683,947																									
<b>Difficult to Develop Bonus (Yes - 130%, No - 100%)</b>			<u>100%</u>																									
<b>Total Adjusted Eligible Basis</b>			\$ 15,683,947																									
<b>Times % of Affordable Units or Sqr. Ft.</b>			<u>100.00%</u>																									
<b>Qualified Basis Eligible to Receive Tax Credits</b>			\$ 15,683,947																									
<b>Less Voluntary Credit Reduction</b>	0.00%	\$ -	<u>\$ 15,683,947</u>																									
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">Federal Credits</th> <th style="width: 10%;"></th> <th style="width: 20%; text-align: center;">State Credits</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td><b>Times Credit %</b></td> <td style="text-align: center;">9.00%</td> <td></td> <td style="text-align: center;">30.00%</td> <td></td> </tr> <tr> <td><b>Times Number of Years</b></td> <td style="text-align: center;">10</td> <td></td> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td><b>Total Tax Credits</b></td> <td style="text-align: center;"><u>\$ 14,115,550</u></td> <td style="text-align: center;">+</td> <td style="text-align: center;"><u>\$ 4,705,184</u></td> <td style="text-align: center;">=</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;"><u>\$ 18,820,730</u></td> </tr> </tbody> </table>					Federal Credits		State Credits		<b>Times Credit %</b>	9.00%		30.00%		<b>Times Number of Years</b>	10		1		<b>Total Tax Credits</b>	<u>\$ 14,115,550</u>	+	<u>\$ 4,705,184</u>	=					<u>\$ 18,820,730</u>
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				<u>\$ 18,820,730</u>																								
<b>Syndicated at an Investment Rate of</b>	99.99%	<b>at a Price of</b>	\$ 0.8775																									
	\$ 0.92		\$ 0.75																									
<b>Equals Tax Credit Equity Proceeds</b>			<u>\$ 16,513,542</u>																									
<b>Total Tax Credit Financing</b>		77.30%	<b>\$ (16,513,542)</b>																									
<b>Permanent Loan</b>		10.06%	<b>\$ (2,150,000)</b>																									
<b>City Land Loan</b>		3.28%	<b>\$ (700,000)</b>																									
<b>City Impact Fee Loan</b>		3.27%	<b>\$ (698,281)</b>																									
<b>City Capital Loan</b>		6.09%	<b>\$ (1,301,719)</b>																									
<b>Other</b>		0.00%	<b>\$ -</b>																									
<b>Other</b>		0.00%	<b>\$ -</b>																									
<b>Financing Shortfall / (Overage)</b>		<u>0.00%</u>	<b>\$ -</b>																									

Max. HOME - No Davis Bacon		HOME Units	#	Max. Subsidy	Subsidy by Type	Total Limit
<b>Max. HOME Units</b>	11	1-Bedroom	1	\$ 161,738	\$ 161,738	\$ 809,515
<b>Ratio to Tot. Units</b>	18.33%	2-Bedroom	2	\$ 196,673	\$ 393,346	<b>Loan Amount</b>
<b>Tot. Project Costs</b>	\$ 21,363,542	3-Bedroom	1	\$ 254,431	\$ 254,431	\$ -
<b>HOME Loan</b>	\$ 3,915,937	4-Bedroom	0	\$ -	\$ -	<b>O.K.</b>

Compliance with LIHTC Eligible Basis Limits			
Unit Size	Number of Units	Riverside County Basis Limits	Totals
1	7	\$ 239,415	\$ 1,675,905
2	32	\$ 288,800	\$ 9,241,600
3	21	\$ 369,664	\$ 7,762,944
4	0	\$ -	\$ -
<b>Base Limit</b>			\$ 18,680,449
<b>Base Limit Plus Adjustments</b>			\$ 20,100,092
<b>Requested Eligible Basis</b>			\$ 17,708,947
<b>% Below / (Above) Cost Limit</b>			<b>11.8962%</b>

Construction Financing	
<b>Tax Credit Financing</b>	\$ 3,302,708
<b>City Land Loan</b>	\$ 700,000
<b>City Impact Fee Loan</b>	\$ 698,281
<b>City Capital Loan</b>	\$ 1,301,719
<b>Other</b>	\$ -
<b>Other</b>	\$ -
<b>Deferred Costs</b>	\$ 163,496
<b>Deferred Contractor Profit</b>	\$ -
<b>Deferred Developer Fee</b>	\$ 2,000,000
<b>Construction Loan</b>	\$ 13,197,338
<b>Total Project Costs</b>	\$ 21,363,542



## OPERATING & LOAN DETAILS

**Project:** Vine Creek Apts.

**Location:** Temecula, CA Rev. 5/12/19

Type	TCAC AMI Rent Level	Number of Units	Avg. Unit Sq. Ft.	Gross Rent	Utility Allowance	Net Rent	Monthly Totals	Annual Totals
1BR/1BA-CRL	30%	3	660	404	60	344	1,032	12,384
1BR/1BA	40%	1	660	539	60	479	479	5,748
1BR/1BA-CRL	50%	1	660	673	60	613	613	7,356
1BR/1BA-CRL	60%	2	660	808	60	748	1,496	17,952
2BR/1BA	30%	9	880	485	79	406	3,654	43,848
2BR/1BA-CRL	40%	3	880	647	79	568	1,704	20,448
2BR/1BA	50%	3	880	808	79	729	2,187	26,244
2BR/1BA	60%	17	880	970	79	891	15,147	181,764
3BR/2BA	30%	6	1,050	560	98	462	2,772	33,264
3BR/2BA-CRL(1)	40%	2	1,050	747	98	649	1,298	15,576
3BR/2BA	50%	2	1,050	933	98	835	1,670	20,040
3BR/2BA	60%	10	1,050	1,120	98	1,022	10,220	122,640
4BR/2BA	30%	0	0	0	0	0	0	0
4BR/2BA	40%	0	0	0	0	0	0	0
4BR/2BA	50%	0	0	0	0	0	0	0
4BR/2BA	60%	0	0	0	0	0	0	0
3BR/2BA	Manager's	1	1,050	0	0	0	0	0

Total Units & Sq. Ft.	60	54,830	% of Sq. Ft.	% of Units
Community Facilities		1,650	Affordable	Affordable
Total Project Sq. Ft.		<b>56,480</b>	100.00%	100.00%

\$ 42,272	\$ 507,264
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**Total Annual Rental Income**

**\$ 507,264**

Operating Deficit Guarantee	
10% of Perm.	\$ 215,000
Year 1 Op. Exp.	\$ 307,500
<b>Guarantee</b>	<b>\$ 307,500</b>

**Other Income**

Laundry	/Unit/Year	\$ 100	\$ 6,000
Tenant Charges & Interest	/Unit/Year	\$ 50	\$ 3,000

**Total Annual Other Income**

**\$ 9,000**

Replacement Reserves	
Standard/Unit	\$ 250
UMR Min/Unit	\$ 600
<b>Reserve / Unit</b>	<b>\$ 250</b>

**Total Annual Potential Gross Income**

**\$ 516,264**

Vacancy & Collection Loss

5%
----

\$ (25,813)

**Annual Effective Gross Income**

**\$ 490,451**

Project Unit Mix		
Unit Type	Number	% of Total
1 Bdrm./1 Bath.	7	11.67%
2 Bdrm./1 Bath.	32	53.33%
3 Bdrm./2 Bath.	21	35.00%
4 Bdrm./2 Bath.	0	0.00%
<b>Totals</b>	<b>60</b>	<b>100.00%</b>

Average Affordability			
Unit Type	Number	% of Units	Factor
30%	18	30.51%	0.09
40%	6	10.17%	0.04
50%	6	10.17%	0.05
60%	29	49.15%	0.29
<b>Average Affordability</b>			<b>47.80%</b>

## OPERATING & LOAN DETAILS (continued)

**Project:** Vine Creek Apts.

**Location:** Temecula, CA Rev. 5/12/19

### ANNUAL EXPENSES

Real Estate Taxes & Special Assessments  
 State Taxes  
 Insurance  
 Licenses  
 Fuel & Gas  
 Electricity  
 Water & Sewer  
 Trash Removal  
 Pest Control  
 Building & Maintenance Repairs  
 Building & Maintenance Supplies  
 Supportive Services  
 Annual Issuer & Trustee Fees  
 Gardening & Landscaping  
 Management Fee  
 On-Site Manager(s)  
 Other Payroll  
 Manager's Unit Expense  
 Cleaning Supplies  
 Benefits  
 Payroll Taxes & Work Comp  
 Advertising  
 Telephone  
 Legal & Accounting  
 Operating Reserves  
 Office Supplies & Expense  
 Miscellaneous Administrative  
 Replacement Reserves

	% of Annual EGI	% of Total Operating Exp.	Per Unit	Total
	0.98%	1.56%	\$ 80.00	\$ 4,800
	0.16%	0.26%	\$ 13.00	\$ 800
	2.45%	3.90%	\$ 200.00	\$ 12,000
	0.07%	0.11%	\$ 6.00	\$ 350
	0.16%	0.25%	\$ 13.00	\$ 800
	1.26%	2.00%	\$ 103.00	\$ 6,200
	7.52%	12.00%	\$ 615.00	\$ 36,900
	3.14%	5.00%	\$ 256.00	\$ 15,400
	0.22%	0.36%	\$ 18.00	\$ 1,100
	7.52%	12.00%	\$ 615.00	\$ 36,900
	3.77%	6.00%	\$ 308.00	\$ 18,500
	3.67%	5.85%	\$ 300.00	\$ 18,000
	0.00%	0.00%	\$ -	\$ -
	3.77%	6.00%	\$ 308.00	\$ 18,500
	6.00%	9.40%	\$ 482.00	\$ 28,900
	5.87%	9.37%	\$ 480.00	\$ 28,800
	5.02%	8.00%	\$ 410.00	\$ 24,600
	0.00%	0.00%	\$ -	\$ -
	0.63%	1.00%	\$ 51.00	\$ 3,100
	0.41%	0.65%	\$ 33.00	\$ 2,000
	2.51%	4.00%	\$ 205.00	\$ 12,300
	0.94%	1.50%	\$ 77.00	\$ 4,600
	0.31%	0.49%	\$ 25.00	\$ 1,500
	1.22%	1.95%	\$ 100.00	\$ 6,000
	0.00%	0.00%	\$ -	\$ -
	0.31%	0.49%	\$ 25.00	\$ 1,500
	1.82%	2.98%	\$ 152.00	\$ 8,950
	3.06%	4.88%	\$ 250.00	\$ 15,000

**Annual Expenses - Per Unit & Total**

**\$ 5,125 \$ 307,500**

**Annual Net Operating Income - Per Unit & Total**

**\$ 3,049 \$ 182,951**

### PERMANENT DEBT ANALYSIS

Cap Rate  
 Loan-To-Value Restriction  
 Debt Service Coverage  
 Loan Amount  
 Constant  
 Interest Rate  
 Amortization Period in Years  
 Annual Debt Service  
 Annual Cash Flow  
 Loan Selection

	<i>LTV Restricted Loan Amounts</i>			<i>DSC Ratio Restricted Loan Amounts</i>		
	8.500%	9.000%	9.500%	**	**	<b>Fixed Loan Amount</b>
	90%	90%	90%	**	**	1.25
	1.39	1.47	1.55	1.15	1.20	
	\$ 1,937,128	\$ 1,829,510	\$ 1,733,220	\$ 2,334,902	\$ 2,237,615	\$ 2,150,000
	**	**	**	0.068135	0.068135	0.068135
	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
	30	30	30	30	30	30
	\$ 131,986	\$ 124,653	\$ 118,092	\$ 159,088	\$ 152,459	\$ 146,484
	\$ 50,965	\$ 58,298	\$ 64,859	\$ 23,863	\$ 30,492	\$ 36,467
						<b>x</b>

**Vine Creek Apts.  
Multi-Year Stabilized Operating Pro-Forma**

**Temecula, CA**

Rev. 5/12/19

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 1	Year 2	Year 3	Year 4	Year 5
1BR/1BA-CRL	30%	344	3	2.5%	12,384	12,694	13,011	13,336	13,670
1BR/1BA	40%	479	1	2.5%	5,748	5,892	6,039	6,190	6,345
1BR/1BA-CRL	50%	613	1	2.5%	7,356	7,540	7,728	7,922	8,120
1BR/1BA-CRL	60%	748	2	2.5%	17,952	18,401	18,861	19,332	19,816
2BR/1BA	30%	406	9	2.5%	43,848	44,944	46,068	47,220	48,400
2BR/1BA-CRL	40%	568	3	2.5%	20,448	20,959	21,483	22,020	22,571
2BR/1BA	50%	729	3	2.5%	26,244	26,900	27,573	28,262	28,968
2BR/1BA	60%	891	17	2.5%	181,764	186,308	190,966	195,740	200,633
3BR/2BA	30%	462	6	2.5%	33,264	34,096	34,948	35,822	36,717
3BR/2BA-CRL(1)	40%	649	2	2.5%	15,576	15,965	16,365	16,774	17,193
3BR/2BA	50%	835	2	2.5%	20,040	20,541	21,055	21,581	22,120
3BR/2BA	60%	1,022	10	2.5%	122,640	125,706	128,849	132,070	135,372
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>507,264</b>	<b>519,946</b>	<b>532,944</b>	<b>546,268</b>	<b>559,925</b>
OTHER INCOME			Units	Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5
Laundry			60	2.5%	6,000	6,150	6,304	6,461	6,623
Tenant Charges & Interest			60	2.5%	3,000	3,075	3,152	3,231	3,311
<b>TOTAL OTHER INCOME</b>					<b>9,000</b>	<b>9,225</b>	<b>9,456</b>	<b>9,692</b>	<b>9,934</b>
<b>TOTAL INCOME</b>					<b>516,264</b>	<b>529,171</b>	<b>542,400</b>	<b>555,960</b>	<b>569,859</b>
Less Vacancy Allowance				5%	(25,813)	(26,459)	(27,120)	(27,798)	(28,493)
<b>GROSS INCOME</b>					<b>490,451</b>	<b>502,712</b>	<b>515,280</b>	<b>528,162</b>	<b>541,366</b>
OPERATING EXPENSES	Per Unit - Yr. 1	%EGl		Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5
Advertising	\$ 77	0.9%		3.5%	4,600	4,761	4,928	5,100	5,279
Legal	\$ 33	0.4%		3.5%	2,000	2,070	2,142	2,217	2,295
Accounting/Audit	\$ 67	0.8%		3.5%	4,000	4,140	4,285	4,435	4,590
Security	\$ -	0.0%		3.5%	-	-	-	-	-
Other: Telephone, Office Expense, Misc.	\$ 199	2.4%		3.5%	11,950	12,368	12,801	13,249	13,713
Management Fee	\$ 482	5.9%		3.5%	28,900	29,912	30,958	32,042	33,163
Fuel	\$ 3	0.0%		3.5%	200	207	214	222	230
Gas	\$ 10	0.1%		3.5%	600	621	643	665	689
Electricity	\$ 103	1.3%		3.5%	6,200	6,417	6,642	6,874	7,115
Water/Sewer	\$ 615	7.5%		3.5%	36,900	38,192	39,528	40,912	42,344
On-Site Manager	\$ 480	5.9%		3.5%	28,800	29,808	30,851	31,931	33,049
Maintenance Personnel	\$ 410	5.0%		3.5%	24,600	25,461	26,352	27,274	28,229
Other: Payroll Taxes, Work Comp, Benefits	\$ 238	2.9%		3.5%	14,300	14,801	15,319	15,855	16,410
Insurance	\$ 200	2.4%		3.5%	12,000	12,420	12,855	13,305	13,770
Painting	\$ 50	0.6%		3.5%	3,000	3,105	3,214	3,326	3,443
Repairs	\$ 565	6.9%		3.5%	33,900	35,087	36,315	37,586	38,901
Trash Removal	\$ 257	3.1%		3.5%	15,400	15,939	16,497	17,074	17,672
Exterminating	\$ 18	0.2%		3.5%	1,100	1,139	1,178	1,220	1,262
Grounds	\$ 308	3.8%		3.5%	18,500	19,148	19,818	20,511	21,229
Elevator	\$ -	0.0%		3.5%	-	-	-	-	-
Other: Cleaning & Building Supplies	\$ 360	4.4%		3.5%	21,600	22,356	23,138	23,948	24,786
Other: Licenses	\$ 6	0.1%		3.5%	350	362	375	388	402
Other: State Tax	\$ 13	0.2%		3.5%	800	828	857	887	918
Other:	\$ -	0.0%		3.5%	-	-	-	-	-
Other:	\$ -	0.0%		3.5%	-	-	-	-	-
Other:	\$ -	0.0%		3.5%	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,495</b>				<b>269,700</b>	<b>279,140</b>	<b>288,909</b>	<b>299,021</b>	<b>309,487</b>
Internet Expense	\$ -	0.0%		3.5%	-	-	-	-	-
Service Amenities	\$ 300	3.7%		3.5%	18,000	18,630	19,282	19,957	20,655
Reserve for Replacement	\$ 250	3.1%		0.0%	15,000	15,000	15,000	15,000	15,000
Real Estate Taxes	\$ 80	1.0%		2.0%	4,800	4,896	4,994	5,094	5,196
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 5,125</b>				<b>307,500</b>	<b>317,666</b>	<b>328,185</b>	<b>339,072</b>	<b>350,338</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>182,951</b>	<b>185,046</b>	<b>187,095</b>	<b>189,090</b>	<b>191,028</b>
DEBT SERVICE & OTHER DISTRIBUTIONS		Loan Amount			Year-1	Year-2	Year-3	Year-4	Year-5
Permanent Loan	<i>Hard</i>	\$ 2,150,000			146,484	146,484	146,484	146,484	146,484
Other	<i>NA</i>	\$ -			-	-	-	-	-
Asset Management Fees	<i>Soft</i>	\$ 11,000			11,000	11,000	11,000	11,000	11,000
Other	<i>Soft</i>	\$ -			-	-	-	-	-
City Land Loan	<i>Soft</i>	\$ 700,000			3,301	3,573	3,838	4,097	4,348
City Impact Fee Loan	<i>Soft</i>	\$ 698,281			3,293	3,564	3,829	4,087	4,338
City Capital Loan	<i>Soft</i>	\$ 1,301,719			6,139	6,644	7,138	7,619	8,086
Other	<i>Soft</i>	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>12,734</b>	<b>13,781</b>	<b>14,805</b>	<b>15,803</b>	<b>16,772</b>
Deferred Dev. Fee Balance	Interest Rate:	0.00%			-	-	-	-	-
<b>Debt Service Coverage Ratio on Hard Deb</b>					<b>1.25</b>	<b>1.26</b>	<b>1.28</b>	<b>1.29</b>	<b>1.30</b>

## Vine Creek Apts.

## Temecula, CA

## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 6	Year 7	Year 8	Year 9	Year 10
1BR/1BA-CRL	30%	344	3	2.5%	14,011	14,362	14,721	15,089	15,466
1BR/1BA	40%	479	1	2.5%	6,503	6,666	6,833	7,003	7,178
1BR/1BA-CRL	50%	613	1	2.5%	8,323	8,531	8,744	8,963	9,187
1BR/1BA-CRL	60%	748	2	2.5%	20,311	20,819	21,339	21,873	22,420
2BR/1BA	30%	406	9	2.5%	49,610	50,850	52,121	53,425	54,760
2BR/1BA-CRL	40%	568	3	2.5%	23,135	23,713	24,306	24,914	25,537
2BR/1BA	50%	729	3	2.5%	29,693	30,435	31,196	31,976	32,775
2BR/1BA	60%	891	17	2.5%	205,649	210,791	216,060	221,462	226,998
3BR/2BA	30%	462	6	2.5%	37,635	38,576	39,540	40,529	41,542
3BR/2BA-CRL(1)	40%	649	2	2.5%	17,623	18,063	18,515	18,978	19,452
3BR/2BA	50%	835	2	2.5%	22,673	23,240	23,821	24,417	25,027
3BR/2BA	60%	1,022	10	2.5%	138,756	142,225	145,780	149,425	153,161
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>573,923</b>	<b>588,271</b>	<b>602,977</b>	<b>618,052</b>	<b>633,503</b>
OTHER INCOME			Units	Incr./Yr.	Year-6	Year-7	Year-8	Year-9	Year-10
Laundry			60	2.5%	6,788	6,958	7,132	7,310	7,493
Tenant Charges & Interest			60	2.5%	3,394	3,479	3,566	3,655	3,747
<b>TOTAL OTHER INCOME</b>					<b>10,183</b>	<b>10,437</b>	<b>10,698</b>	<b>10,966</b>	<b>11,240</b>
<b>TOTAL INCOME</b>					<b>584,105</b>	<b>598,708</b>	<b>613,676</b>	<b>629,018</b>	<b>644,743</b>
Less Vacancy Allowance				5%	(29,205)	(29,935)	(30,684)	(31,451)	(32,237)
<b>GROSS INCOME</b>					<b>554,900</b>	<b>568,773</b>	<b>582,992</b>	<b>597,567</b>	<b>612,506</b>
OPERATING EXPENSES	Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-6	Year-7	Year-8	Year-9	Year-10	
Advertising	\$ 77	0.9%	3.5%	5,463	5,655	5,852	6,057	6,269	
Legal	\$ 33	0.4%	3.5%	2,375	2,459	2,545	2,634	2,726	
Accounting/Audit	\$ 67	0.8%	3.5%	4,751	4,917	5,089	5,267	5,452	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 199	2.4%	3.5%	14,193	14,690	15,204	15,736	16,287	
Management Fee	\$ 482	5.9%	3.5%	34,324	35,525	36,769	38,056	39,388	
Fuel	\$ 3	0.0%	3.5%	238	246	254	263	273	
Gas	\$ 10	0.1%	3.5%	713	738	763	790	818	
Electricity	\$ 103	1.3%	3.5%	7,364	7,621	7,888	8,164	8,450	
Water/Sewer	\$ 615	7.5%	3.5%	43,826	45,360	46,947	48,590	50,291	
On-Site Manager	\$ 480	5.9%	3.5%	34,205	35,403	36,642	37,924	39,251	
Maintenance Personnel	\$ 410	5.0%	3.5%	29,217	30,240	31,298	32,394	33,527	
Other: Payroll Taxes, Work Comp, Benefits	\$ 238	2.9%	3.5%	16,984	17,578	18,194	18,830	19,489	
Insurance	\$ 200	2.4%	3.5%	14,252	14,751	15,267	15,802	16,355	
Painting	\$ 50	0.6%	3.5%	3,563	3,688	3,817	3,950	4,089	
Repairs	\$ 565	6.9%	3.5%	40,263	41,672	43,130	44,640	46,202	
Trash Removal	\$ 257	3.1%	3.5%	18,290	18,931	19,593	20,279	20,989	
Exterminating	\$ 18	0.2%	3.5%	1,306	1,352	1,400	1,448	1,499	
Grounds	\$ 308	3.8%	3.5%	21,972	22,741	23,537	24,361	25,214	
Elevator	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Cleaning & Building Supplies	\$ 360	4.4%	3.5%	25,654	26,552	27,481	28,443	29,439	
Other: Licenses	\$ 6	0.1%	3.5%	416	430	445	461	477	
Other: State Tax	\$ 13	0.2%	3.5%	950	983	1,018	1,053	1,090	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,495</b>			<b>320,319</b>	<b>331,530</b>	<b>343,134</b>	<b>355,143</b>	<b>367,573</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 300	3.7%	3.5%	21,378	22,127	22,901	23,703	24,532	
Reserve for Replacement	\$ 250	3.1%	0.0%	15,000	15,000	15,000	15,000	15,000	
Real Estate Taxes	\$ 80	1.0%	2.0%	5,300	5,406	5,514	5,624	5,736	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 5,125</b>			<b>361,997</b>	<b>374,062</b>	<b>386,548</b>	<b>399,470</b>	<b>412,842</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>192,903</b>	<b>194,711</b>	<b>196,443</b>	<b>198,097</b>	<b>199,664</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-6	Year-7	Year-8	Year-9	Year-10	
Permanent Loan	Hard \$ 2,150,000			146,484	146,484	146,484	146,484	146,484	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 11,000			11,000	11,000	11,000	11,000	11,000	
Other	Soft \$ -			-	-	-	-	-	
City Land Loan	Soft \$ 700,000			4,591	4,826	5,050	5,265	5,468	
City Impact Fee Loan	Soft \$ 698,281			4,580	4,814	5,038	5,252	5,454	
City Capital Loan	Soft \$ 1,301,719			8,538	8,974	9,391	9,790	10,168	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>17,710</b>	<b>18,613</b>	<b>19,480</b>	<b>20,306</b>	<b>21,090</b>	
Deferred Dev. Fee Balanc	Interest Rate:	0.00%		-	-	-	-	-	
<b>Debt Service Coverage Ratio on Hard Deb</b>				<b>1.32</b>	<b>1.33</b>	<b>1.34</b>	<b>1.35</b>	<b>1.36</b>	

## Vine Creek Apts.

## Temecula, CA

## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 11	Year 12	Year 13	Year 14	Year 15
1BR/1BA-CRL	30%	344	3	2.5%	15,853	16,249	16,655	17,071	17,498
1BR/1BA	40%	479	1	2.5%	7,358	7,542	7,730	7,924	8,122
1BR/1BA-CRL	50%	613	1	2.5%	9,416	9,652	9,893	10,140	10,394
1BR/1BA-CRL	60%	748	2	2.5%	22,980	23,555	24,143	24,747	25,366
2BR/1BA	30%	406	9	2.5%	56,129	57,532	58,971	60,445	61,956
2BR/1BA-CRL	40%	568	3	2.5%	26,175	26,830	27,500	28,188	28,892
2BR/1BA	50%	729	3	2.5%	33,595	34,434	35,295	36,178	37,082
2BR/1BA	60%	891	17	2.5%	232,673	238,490	244,452	250,564	256,828
3BR/2BA	30%	462	6	2.5%	42,581	43,645	44,736	45,855	47,001
3BR/2BA-CRL(1)	40%	649	2	2.5%	19,939	20,437	20,948	21,472	22,008
3BR/2BA	50%	835	2	2.5%	25,653	26,294	26,952	27,625	28,316
3BR/2BA	60%	1,022	10	2.5%	156,990	160,914	164,937	169,061	173,287
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>649,341</b>	<b>665,574</b>	<b>682,214</b>	<b>699,269</b>	<b>716,751</b>
<b>OTHER INCOME</b>			Units	Incr./Yr.	Year-11	Year-12	Year-13	Year-14	Year-15
Laundry			60	2.5%	7,681	7,873	8,069	8,271	8,478
Tenant Charges & Interest			60	2.5%	3,840	3,936	4,035	4,136	4,239
<b>TOTAL OTHER INCOME</b>					<b>11,521</b>	<b>11,809</b>	<b>12,104</b>	<b>12,407</b>	<b>12,717</b>
<b>TOTAL INCOME</b>					<b>660,862</b>	<b>677,383</b>	<b>694,318</b>	<b>711,676</b>	<b>729,468</b>
Less Vacancy Allowance				5%	(33,043)	(33,869)	(34,716)	(35,584)	(36,473)
<b>GROSS INCOME</b>					<b>627,819</b>	<b>643,514</b>	<b>659,602</b>	<b>676,092</b>	<b>692,995</b>
<b>OPERATING EXPENSES</b>	Per Unit - Yr. 1	%EGl	Incr./Yr.	Year-11	Year-12	Year-13	Year-14	Year-15	
Advertising	\$ 77	0.9%	3.5%	6,489	6,716	6,951	7,194	7,446	
Legal	\$ 33	0.4%	3.5%	2,821	2,920	3,022	3,128	3,237	
Accounting/Audit	\$ 67	0.8%	3.5%	5,642	5,840	6,044	6,256	6,475	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 199	2.4%	3.5%	16,857	17,447	18,057	18,689	19,343	
Management Fee	\$ 482	5.9%	3.5%	40,766	42,193	43,670	45,198	46,780	
Fuel	\$ 3	0.0%	3.5%	282	292	302	313	324	
Gas	\$ 10	0.1%	3.5%	846	876	907	938	971	
Electricity	\$ 103	1.3%	3.5%	8,746	9,052	9,369	9,697	10,036	
Water/Sewer	\$ 615	7.5%	3.5%	52,051	53,873	55,758	57,710	59,730	
On-Site Manager	\$ 480	5.9%	3.5%	40,625	42,047	43,519	45,042	46,618	
Maintenance Personnel	\$ 410	5.0%	3.5%	34,701	35,915	37,172	38,473	39,820	
Other: Payroll Taxes, Work Comp, Benefits	\$ 238	2.9%	3.5%	20,172	20,878	21,608	22,365	23,147	
Insurance	\$ 200	2.4%	3.5%	16,927	17,520	18,133	18,767	19,424	
Painting	\$ 50	0.6%	3.5%	4,232	4,380	4,533	4,692	4,856	
Repairs	\$ 565	6.9%	3.5%	47,819	49,493	51,225	53,018	54,874	
Trash Removal	\$ 257	3.1%	3.5%	21,723	22,484	23,270	24,085	24,928	
Exterminating	\$ 18	0.2%	3.5%	1,552	1,606	1,662	1,720	1,781	
Grounds	\$ 308	3.8%	3.5%	26,096	27,009	27,955	28,933	29,946	
Elevator	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Cleaning & Building Supplies	\$ 360	4.4%	3.5%	30,469	31,535	32,639	33,781	34,964	
Other: Licenses	\$ 6	0.1%	3.5%	494	511	529	547	567	
Other: State Tax	\$ 13	0.2%	3.5%	1,128	1,168	1,209	1,251	1,295	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,495</b>			<b>380,438</b>	<b>393,754</b>	<b>407,535</b>	<b>421,799</b>	<b>436,562</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 300	3.7%	3.5%	25,391	26,279	27,199	28,151	29,137	
Reserve for Replacement	\$ 250	3.1%	0.0%	15,000	15,000	15,000	15,000	15,000	
Real Estate Taxes	\$ 80	1.0%	2.0%	5,851	5,968	6,088	6,209	6,333	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 5,125</b>			<b>426,680</b>	<b>441,001</b>	<b>455,822</b>	<b>471,159</b>	<b>487,032</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>201,138</b>	<b>202,513</b>	<b>203,780</b>	<b>204,932</b>	<b>205,963</b>	
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>	Loan Amount			Year-11	Year-12	Year-13	Year-14	Year-15	
Permanent Loan	<i>Hard</i> \$ 2,150,000			146,484	146,484	146,484	146,484	146,484	
Other	<i>NA</i> \$ -			-	-	-	-	-	
Asset Management Fees	<i>Soft</i> \$ 11,000			11,000	11,000	11,000	11,000	11,000	
Other	<i>Soft</i> \$ -			-	-	-	-	-	
City Land Loan	<i>Soft</i> \$ 700,000			5,659	5,837	6,001	6,151	6,284	
City Impact Fee Loan	<i>Soft</i> \$ 698,281			5,645	5,823	5,987	6,136	6,269	
City Capital Loan	<i>Soft</i> \$ 1,301,719			10,523	10,855	11,160	11,438	11,686	
Other	<i>Soft</i> \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>21,827</b>	<b>22,514</b>	<b>23,148</b>	<b>23,724</b>	<b>24,239</b>	
Deferred Dev. Fee Balance	Interest Rate:	0.00%		-	-	-	-	-	
<b>Debt Service Coverage Ratio on Hard Deb</b>				<b>1.37</b>	<b>1.38</b>	<b>1.39</b>	<b>1.40</b>	<b>1.41</b>	