

**NEIGHBORHOOD STABILIZATION PROGRAM (NSP)
ACQUISITION, REHABILITATION AND RESALE (ARR) PROGRAM (NSP-4)
PARTICIPATION AGREEMENT**

By and Between

THE COUNTY OF SAN BERNARDINO

And

**RIVERSIDE HOUSING DEVELOPMENT CORPORATION,
a California Corporation**

NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

ACQUISITION, REHABILITATION, RESALE (ARR) PROGRAM (NSP-4)

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT (Agreement) is entered into this 1st day of September, 2009, by and between the COUNTY OF SAN BERNARDINO (County) and Riverside Housing Development Corporation, a California Corporation (DEVELOPER PARTNER). County and DEVELOPER PARTNER hereby agree as follows:

RECITALS:

WHEREAS, with the passage of H.R. 3221, known as the Housing and Economic Recovery Act (HERA) of 2008, Congress authorized \$3.92 billion in emergency assistance to address abandoned and foreclosed homes through the Neighborhood Stabilization Program (NSP) via the Department of Housing and Urban Development's Community Development Block Grant (CDBG) program. The CDBG program is administered by the Federal Department of Housing and Urban Development (HUD). This emergency legislation was passed due to the foreclosure crisis that our nation is currently facing; and

WHEREAS, as part of the County's NSP application to HUD, approved by the Board of Supervisors on November 18, 2008 (Item No. 122), the County created an Acquisition, Rehabilitation and Resale (ARR) program for the purposes of acquiring, rehabilitating and reselling vacant, foreclosed properties to families whose income is at or below 120% of the area median income (at the time of the application the area median income was approximately \$62,000. As of the date of this Agreement, it is \$64,500); and

WHEREAS, in direct response to this foreclosure crisis, the Board of Supervisors on May 19, 2009 (Item 35) approved the release of a Request for Qualifications (RFQ) to provide a basis to select entities to actively participate in the acquiring, managing, rehabilitating and reselling foreclosed residential properties in accordance with the NSP regulations; and

WHEREAS, County Department of Community Development and Housing (CDH) is authorized to act on behalf of the County in administering the County NSP ARR program; and

WHEREAS, DEVELOPER PARTNER and County both desire to have DEVELOPER PARTNER participate in the County's NSP ARR program; and

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, County and DEVELOPER PARTNER agree to the following:

I. Definitions

For the purpose of this Agreement, the following terms shall have the following meanings:

- **Area Median Income - ("AMI")** San Bernardino County area median income as published by the Department of Housing and Urban Development (HUD) and

adjusted to the household size. The FY 2009-2010 AMI for a family of four (4) in the County of San Bernardino is \$64,500.

- **ARR** - Acquisition, Rehabilitation and Resale. A portion of the County's Neighborhood Stabilization Program whereby DEVELOPER PARTNER purchases, rehabilitates and sells vacant and foreclosed properties to eligible buyers.
- **ARR Loan Committee** - The committee responsible for considering funding proposals submitted by DEVELOPER PARTNER, approving acquisition loans and discounting loan amounts. The committee is comprised of but not limited to the following County of San Bernardino staff members: Director of the Community Development and Housing Department, the Director of Real Estate Services Department, and the Auditor/Controller-Recorder (or their designees).
- **Building Department** - The department that issues building permits for construction/rehabilitation projects for the area in which the property is located.
- **Buyer Eligibility Certificate** - A certification to be signed by buyers certifying that the buyer intends to occupy the property as their primary residence for a minimum of three (3) years and their household income does not exceed 120% of the area median income.
- **CDH** - San Bernardino County Department of Community Development and Housing.
- **Closing Costs** - The reasonable and customary costs charged to buyers and sellers in connection with the sale and purchase of property.
- **Contractor** - An individual or entity that possesses one (1) or more of the qualifications required to participate in the NSP Acquisition, Rehabilitation and Resale (ARR) program.
- **County** - The County of San Bernardino.
- **County Loan** - A 0% interest loan issued by the County to DEVELOPER PARTNER in an amount not to exceed \$225,000 for a term not to exceed nine (9) months for the purpose of acquiring REO properties and secured by the REO property.
- **County Loan Documents** - Those documents prepared by County and executed by DEVELOPER PARTNER to secure the County Loan including, but not limited to the Promissory Note, Deed of Trust, Affordability Covenant and Good Faith Estimate. The Deed of Trust and Affordability Covenant will be recorded as liens against the REO property securing the County Loan.
- **Current Appraised Value** - The value of a property based on an appraisal performed by a HUD-certified appraiser within 60 days of the date of a sales contract between the seller and DEVELOPER PARTNER.

- **Developer Fee** - The fee, not to exceed \$16,000, earned by DEVELOPER PARTNER for developing a project. (Developer fees apply only when any funds loaned by the County to DEVELOPER PARTNER in connection with the project have been paid in full).
- **Developer Partner** – Riverside Housing Development Corporation, a California Corporation selected to participate in the County's ARR program.
- **Eligible Buyer** - A homebuyer whose household income does not exceed 120% of the Area Median Income, adjusted to family size, and who intends to occupy the property as their primary residence.
- **Eligible Targeted Communities** - Those communities identified as being eligible in the County's approved NSP application to HUD.
- **Eminent Domain** - The right of the government to take private property for public use by virtue of the sovereign power of the governmental entity and constitutional and/or statutory authorization.
- **Environmental Clearance** - A clearance issued by CDH evidencing that the process of assessing the environmental effects and project-related social impacts of a project has been completed with no adverse findings; or in the event of findings, the findings have been mitigated. In addition to the usual clearances required, properties that are over 50 years of age are required to obtain clearance from the California State Historic Preservation Office.
- **Escrow** - The conditional delivery of property or documents by a seller evidencing or transferring rights to a third party to be kept by that party until certain conditions are satisfied and then to be delivered over to the buyer. The property or documents thus conditionally held are also called the escrow, and the contract defining the conditions of the second delivery is called the escrow agreement.
- **Household Income** - The cumulative amount of all income of all members of a household.
- **HUD** - Federal Department of Housing and Urban Development.
- **MLS** - Multiple Listing Service. A database used by real estate brokers representing sellers under a listing contract to share information about properties with other real estate brokers who may represent potential buyers or wish to cooperate with a seller's broker in finding a buyer for the property.
- **MRS** - Minimum Rehabilitation Standards. County has set specific minimum standards for the rehabilitation of all properties to meet under the ARR program.
- **NSP** - Neighborhood Stabilization Program.
- **Property** - A single family home permanently affixed to a legal lot or parcel of land located within the County of San Bernardino.

- **Reasonable and Customary** - The amount customarily charged for real estate related services.
- **Rehabilitation Cost** - The dollar amount that CDH and DEVELOPER PARTNER agree upon as the cost to rehabilitate a property.
- **REO** - Real Estate Owned. Properties that are owned by a bank or financial institution, acquired through a foreclosure process or deed in lieu of foreclosure.
- **Sales Commission** - Payment to a real estate broker for services provided to list and/or sell a property. (Customarily real estate sales commissions are 6% of the total consideration of the property split 3% to the listing broker and 3% to the selling broker).
- **Single Family Home** - Refers to a property that is intended to be occupied by one (1) family unit, such as a house, condominium or town home.

II. Term of Agreement

The term of this Agreement shall be one (1) year from the date of this Agreement. The Director of CDH shall have the right to extend this Agreement for one (1) year intervals for a maximum of four (4) additional years.

III. Program Guidelines

- A. DEVELOPER PARTNER will adhere to all of the terms and conditions set out in the ARR program guidelines, which are attached as EXHIBIT A and made a part of this document as though fully set forth herein, as well as any and all other Agreements related to the ARR program as established by the County. Failure to comply will cause the County to terminate DEVELOPER PARTNER from the ARR program.
- B. DEVELOPER PARTNER has met all of the minimum qualifications set out in the ARR program guidelines, with DEVELOPER PARTNER acting as the responsible entity for each project. County reserves the right to issue an addenda or amendment to the minimum qualifications.

IV. Development Pro Forma

DEVELOPER PARTNER will submit to County a Development Pro Forma, attached as EXHIBIT B, which is to include the following:

- ☐ Acquisition cost to purchase property
- ☐ Detailed cost of rehabilitation – must be a minimum of \$25,000
- ☐ Marketing Costs
- ☐ Resale Costs
- ☐ Resale Price – include back up documentation evidencing how resale price was derived.

V. Scope of Services

DEVELOPER PARTNER will locate, acquire, rehabilitate, maintain, market and resell vacant, foreclosed properties located in Eligible Targeted Communities within the County of San Bernardino to Eligible Buyers.

A. Acquisition:

1. Acquisition Sale/Purchase Contract:

DEVELOPER PARTNER will enter into a sale/purchase contract with the REO owner of a property. Developer Partner will submit a copy of the Real Estate Purchase Contract fully executed by the Seller and the Developer Partner with the Development Pro Forma as a part of the proposal submission package.

The sale/purchase contract is to include the following:

- a.** A provision setting out the close of escrow is contingent upon DEVELOPER PARTNER providing a letter to the seller stating that DEVELOPER PARTNER does not have the authority to acquire a property by eminent domain and that DEVELOPER PARTNER does not intend to pursue acquisition of the property by eminent domain, as set out in EXHIBIT G, attached hereto.
- b.** A provision that close of escrow is contingent upon DEVELOPER PARTNER obtaining financing.
- c.** A provision that the sale price reflects a minimum discount of 1% of the appraised value. Appraisal is to be a Uniform Residential Appraisal Report ("URAR") appraisal obtained before the close of escrow and no older than 60 days.
- d.** A provision that the close of escrow is contingent upon DEVELOPER PARTNER's receipt of an Environmental Clearance on the property.
- e.** DEVELOPER PARTNER will have a lead-based paint test and risk assessment conducted on each house constructed prior to 1978.
- f.** DEVELOPER PARTNER will provide insurance pursuant to Section VI, paragraph J of this Agreement.

2. Acquisition Financing:

- a.** County shall make a loan to DEVELOPER PARTNER in the full amount of the sale price of a property plus DEVELOPER PARTNER's closing costs, not to exceed a total amount of \$225,000. The County loan shall bear no interest and shall

have no monthly payments. The loan will be due and payable nine (9) months from the close of escrow.

- b. The County loan shall be evidenced by a Note and shall be secured by a Deed of Trust recorded against the acquisition property. The note shall be immediately due and payable at the election of the County upon the sale, lease exchange, assignment or other conveyance (whether voluntary or by operation of law) of all or any part of the Property or any interest in the Property.
- c. DEVELOPER PARTNER will execute the attached EXHIBIT C, Affordability Covenant, setting out that the property shall only be sold to an owner occupant buyer whose household income does not exceed 120% of the area median income, which said covenant is to be recorded concurrently with the Deed of Trust at the close of the escrow to acquire the property (Acquisition Escrow).
- d. The County Loan shall not be subordinate to the lien of any other loans, mortgages or deeds of trust.
- e. The Note shall not be assignable or assumable by successors and assigns of DEVELOPER PARTNER without the prior written consent of the County, which consent may be withheld at the County's sole and complete discretion if the County finds that the proposed assignee has inadequate assets, experience, or qualifications, or any other reasonable basis exists for withholding consent.
- f. Upon satisfaction of the conditions precedent to County Loan, the County shall disburse into the Acquisition Escrow the agreed upon sale price of the property and DEVELOPER PARTNER's closing costs.
- g. DEVELOPER PARTNER will comply with all financing provisions set out in the attached ARR guidelines.

3. Compliance:

DEVELOPER PARTNER will comply with all acquisition provisions set out in the attached ARR guidelines.

B. Rehabilitation:

- 1. DEVELOPER PARTNER will submit to CDH a Scope of Work/Contractor Bid, as set out in EXHIBIT D, attached hereto.
- 2. CDH will inspect the property to ensure all items needing repair are included and that the estimated cost is reasonable and customary. CDH and DEVELOPER PARTNER will agree upon the cost of

rehabilitation. The program requires that each property need a minimum of \$25,000 in repairs with no maximum limitation.

3. DEVELOPER PARTNER will complete all rehabilitation in accordance with the County's Rehabilitation Standards set out in EXHIBIT E, attached hereto, and in accordance with the ARR program guidelines, EXHIBIT A.
4. DEVELOPER PARTNER will be responsible for providing funding to cover all costs related to rehabilitation of the property.
5. DEVELOPER PARTNER will notify CDH when rehabilitation of the property has been completed, at which time CDH will inspect the property to ensure all agreed upon repairs are completed and have been completed in a workman-like manner.

C. Property Marketing:

1. DEVELOPER PARTNER shall submit the proposed listing price of the property to CDH. CDH will provide written acceptance or rejection of the proposed sale price. CDH shall respond with approval or denial within seven (7) business days, or the proposed listing price is deemed accepted.
2. DEVELOPER PARTNER shall within seven (7) calendar days after issuing the notice of completion and upon receipt of CDH approval of the sale price, list the property with a Multiple Listing Service and commence marketing the property for sale.
3. DEVELOPER PARTNER shall market the property to Eligible Buyers. (Buyers whose total household income does not exceed 120% of the area median income and who intend to occupy the property as their primary residence).
4. DEVELOPER PARTNER shall notify potential Eligible Buyers, who respond to DEVELOPER PARTNER's marketing efforts, that they may qualify for down payment assistance offered by CDH utilizing NSP funds.

D. Property Maintenance:

1. DEVELOPER PARTNER shall be responsible for maintaining and securing the property at its own expense.
2. DEVELOPER PARTNER shall be responsible for the payment of real property taxes and insurance during the holding period. The County understands and acknowledges that DEVELOPER PARTNER shall have the right to use funds it has received from the County pursuant to the Initial Participation Agreement to comply with the funding responsibility required herein. Such amounts shall be reimbursed to DEVELOPER PARTNER upon the sale of the property in accordance with the ARR

guidelines, and available for re-use in accordance with this Agreement or the Initial Participation Agreement, at DEVELOPER PARTNER's discretion.

3. DEVELOPER PARTNER will submit to CDH a maintenance plan within seven (7) calendar days after close of the acquisition escrow. The plan is to provide a description of how the property will be maintained and secured and will include the contact information for routine inspections and for correction of any nuisance conditions.

E. Resale of Property:

1. **Homebuyers Certification:** DEVELOPER PARTNER will ensure that the homebuyer has completed and signed the NSP Homebuyer's Certification form, attached hereto as EXHIBIT F. Property is to be sold only to Eligible Buyers whose household income does not exceed 120% of the area median income.
2. **Home Warranty:** DEVELOPER PARTNER will provide Eligible Buyer with a one (1) year home warranty. The warranty will be effective upon close of escrow.
3. **Resale Provisions:** DEVELOPER PARTNER will comply with all resale provisions contained in the ARR guidelines; most specifically Section VI.

VI. Representations and Warranties of DEVELOPER PARTNER

DEVELOPER PARTNER hereby represents and warrants to the County as follows:

- A. **Organization:** DEVELOPER PARTNER has the power and authority to own property and carry on its business as now being conducted.
- B. **Authority of the:** DEVELOPER PARTNER has full power and authority to execute and deliver this Agreement and to make and accept the loan funds contemplated hereunder, to execute and deliver the County Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.
- C. **Authority of Persons Executing Documents:** This Agreement and the County Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for or on behalf of, and all actions required under DEVELOPER PARTNER's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the County Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.
- D. **Valid Binding Agreements:** This Agreement and the County Loan Documents and all other documents or instruments which have been executed and delivered

pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of DEVELOPER PARTNER enforceable against it in accordance with their respective terms.

- E. No Breach of Law or Agreement:** Neither the execution nor delivery of this Agreement and the County Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, does or will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on DEVELOPER PARTNER, or any provision of the organizational documents of DEVELOPER PARTNER, or will conflict with or constitute a breach of or a default under any Agreement to which DEVELOPER PARTNER is a party, or will result in the creation or imposition of any lien upon any assets or property of DEVELOPER PARTNER other than liens established pursuant hereto.
- F. Pending Proceedings:** DEVELOPER PARTNER is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of DEVELOPER PARTNER, threatened against or affecting DEVELOPER PARTNER or the property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to DEVELOPER PARTNER, materially affect DEVELOPER PARTNER's ability to repay the County Loan or impair the security to be given to the County pursuant hereto.
- G. Prohibition of Agreement Transfer:** The identity of DEVELOPER PARTNER is of particular concern to the County. No voluntary or involuntary successor in interest of DEVELOPER PARTNER shall acquire any rights or powers under this Agreement except as expressly set forth herein.

DEVELOPER PARTNER shall not assign all or any part of this Agreement or any rights hereunder without the prior written approval of the County, which approval the County may grant, withhold or deny at its sole discretion. In the event that such a transfer or assignment may be permitted by the County, the assignee shall expressly assume the obligations of DEVELOPER PARTNER pursuant to this Agreement in writing satisfactory to the County. In the absence of such specific written agreement approved by the County, no such transfer, assignment or approval by the County shall be deemed to relieve DEVELOPER PARTNER or any other party from any obligation under this Agreement. All other terms, covenants and conditions of this Agreement shall be binding upon and shall inure to the benefit of the County. Whenever the term "DEVELOPER PARTNER" is used herein, such term shall include any other permitted successors and assigns as herein provided.

- H. Notice:** Any Notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party under this Agreement shall be in writing and shall be delivered to the appropriate party

by personal service or U.S. Mail at their address as follows:

DEVELOPER PARTNER:

Riverside Housing Development Corporation
4250 Brockton Avenue
Riverside, CA 92501
Attn: Bruce Kulpa

County:

County of San Bernardino
Department of Community Development and Housing
290 North D Street, Sixth Floor
San Bernardino, CA 92415-0040
Attn: Mitch Slagerman, Director

With a copy to:

County Counsel
County of San Bernardino
385 North Arrowhead Avenue, Fourth Floor
San Bernardino, CA 92415-0140
Attn: Ruth E. Stringer, County Counsel

- I. Conflicts of Interest; No Liability:** No member, official or employee of the County shall have any personal interest, direct or indirect, in this Agreement. No member, official or employee shall participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested. No member, official or employee of the County shall be personally liable to DEVELOPER PARTNER, or any successor in interest, in the event of any default or breach by County or DEVELOPER PARTNER, or for any amount which may become due to DEVELOPER PARTNER or its successor or on any obligations under the terms of this Agreement.

DEVELOPER PARTNER represents and warrants that it has not paid or given, and shall not pay or give, any third party any money or other consideration for obtaining this Agreement.

- J. Indemnification and Insurance Requirements:**

DEVELOPER PARTNER shall comply with the following insurance requirements, or shall cause third parties to which such insurance provisions would apply (i.e. Contractors engaged by DEVELOPER PARTNER to complete rehabilitation work on each property), to comply with the following insurance provisions upon acquisition of a Property under this Agreement:

1. Indemnification

The DEVELOPER PARTNER agrees to indemnify, defend (with counsel reasonably approved by County) and hold harmless the County and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this Agreement from any cause whatsoever, including the acts, errors or omissions of any person and for any costs or expenses incurred by the County on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of indemnitee.

2. Additional Insured

All policies, except for Workers' Compensation, Errors and Omissions and Professional Liability policies, shall contain endorsements naming the County and its officers, employees, agents and volunteers as additional insureds with respect to liabilities arising out of the performance of services hereunder. The additional insured endorsements shall not limit the scope of coverage for the County to vicarious liability but shall allow coverage for the County to the full extent provided by the policy. Such additional insured coverage shall be at least as broad as Additional Insured (Form B) endorsement form ISO, CG 2010.11 85.

3. Waiver of Subrogation Rights

The DEVELOPER PARTNER shall require the carriers of required coverages to waive all rights of subrogation against the County, its officers, employees, agents, volunteers, DEVELOPER PARTNER and sub contractors. All general or auto liability insurance coverage provided shall not prohibit the DEVELOPER PARTNER and DEVELOPER PARTNER's employees or agents from waiving the right of subrogation prior to a loss or claim. The DEVELOPER PARTNER hereby waives all rights of subrogation against the County.

4. Policies Primary and Non-Contributory

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

5. Severability of Interests

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

6. Proof of Coverage

The DEVELOPER PARTNER shall furnish Certificates of Insurance to the County Department administering the Agreement evidencing the insurance coverage, including endorsements, as required, prior to the commencement of performance of services hereunder, which certificates shall provide that such insurance shall not be terminated or expire without 30 days written notice to the Department. DEVELOPER PARTNER shall maintain such insurance from the time DEVELOPER PARTNER commences performance of services hereunder until the completion of such services. Within 15 days of the commencement of this Agreement, the DEVELOPER PARTNER shall furnish a copy of the Declaration page for all applicable policies and will provide complete certified copies of the policies and endorsements immediately upon request.

7. Acceptability of Insurance Carrier

Unless otherwise approved by Risk Management, insurance shall be written by insurers authorized to do business in the State of California and with a minimum "Best" Insurance Guide rating of "A- VII".

8. Deductibles and Self-Insured Retention

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

9. Failure to Procure Coverage

In the event that any policy of insurance required under this Agreement does not comply with the requirements, is not procured, or is canceled and not replaced, the County has the right but not the obligation or duty to cancel the Agreement or obtain insurance if it deems necessary and any premiums paid by the County will be promptly reimbursed by the DEVELOPER PARTNER or County payments to the DEVELOPER PARTNER will be reduced to pay for County purchased insurance.

10. Insurance Coverage

The DEVELOPER PARTNER agrees to provide insurance set forth in accordance with the requirements herein. If the DEVELOPER PARTNER uses existing coverage to comply with these requirements and that coverage does not meet the specified requirements, the DEVELOPER PARTNER agrees to amend, supplement or endorse the existing coverage to do so. The type(s) of insurance required is determined by the scope of the Agreement services.

Without in anyway affecting the indemnity herein provided and in addition thereto, the DEVELOPER PARTNER shall secure and maintain, throughout the Agreement term, the following types of insurance with limits as shown:

- a. **Workers' Compensation/Employers Liability** - A program of Workers' Compensation insurance or a state-approved, Self-Insurance Program in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with \$250,000 limits, covering all persons providing services on behalf of the DEVELOPER PARTNER and all risks to such persons under this Agreement.
- b. If DEVELOPER PARTNER has no employees, it may certify or warrant to the County that it does not currently have any employees or individuals who are defined as "employees" under the Labor Code and the requirement for Workers' Compensation coverage will be waived by the County's Director of Risk Management.
- c. With respect to DEVELOPER PARTNERS that are non-profit corporations organized under California or federal law, volunteers for such entities are required to be covered by Workers' Compensation insurance.

11. Commercial/General Liability Insurance - This coverage to include contractual coverage and the DEVELOPER PARTNER shall carry general liability insurance covering all operations performed by, or on behalf of, the DEVELOPER PARTNER providing coverage for bodily injury and property damage with a combined single limit of not less than \$1,000,000 per occurrence. The policy coverage shall include:

- a. Premises operations and mobile equipment.
- b. Products and completed operations.
- c. Broad form property damage (including completed operations).
- d. Explosion, collapse and underground hazards.
- e. Personal injury.
- f. Contractual liability.
- g. \$2,000,000 general aggregate limit.

12. Automobile Liability Insurance - Primary insurance coverage shall be written on ISO Business Auto Coverage Form for all owned, hired and non-owned automobiles or symbol 1 (any auto). The policy shall have a combined single limit of not less than \$1,000,000 for bodily injury and property damage, per occurrence.

- a. If the DEVELOPER PARTNER is transporting one or more non-employee passengers in performance of Agreement services, the automobile liability policy shall have a combined single limit of \$2,000,000 for bodily injury and property damage per occurrence.

- b. If the DEVELOPER PARTNER owns no autos, a non-owned auto endorsement to the General Liability policy described above is acceptable.

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

K. Insurance Review

The Insurance requirements are subject to periodic review by the County. The Director of Risk Management or designee is authorized, but not required, to reduce, waive or suspend any insurance requirements whenever Risk Management determines that any of the required insurance is not available, is unreasonably priced, or is not needed to protect the interests of the County. In addition, if the Department of Risk Management determines that heretofore unreasonably priced or unavailable types of insurance coverage or coverage limits become reasonably priced or available, the Director of Risk Management or designee is authorized, but not required, to change the above insurance requirements to require additional types of insurance coverage or higher coverage limits, provided that any such change is reasonable in light of past claims against the County, inflation, or any other item reasonably related to the County's risk.

- 1. Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. DEVELOPER PARTNER agrees to execute any such amendment within 30 days of receipt.
- 2. Any failure, actual or alleged, on the part of the County to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of the County.

L. Miscellaneous:

- 1. This Agreement may be executed in counterparts, each of which shall be deemed to be an original. This Agreement includes the following EXHIBITs, which together with this Agreement constitutes the entire understanding and agreement of the parties:
 - ☐ EXHIBIT "A" - ARR Guidelines
 - ☐ EXHIBIT "B" - Development Cost Pro Forma
 - ☐ EXHIBIT "C" - Affordability Covenant
 - ☐ EXHIBIT "D" - Scope of Work/Contractor Bid
 - ☐ EXHIBIT "E" - Rehabilitation Standards
 - ☐ EXHIBIT "F" - Buyer Certification
 - ☐ EXHIBIT "G" - Eminent Domain Letter

2. No private entity shall be deemed to be a third party beneficiary with respect to any provisions of this Agreement.
3. If any part or provision of this Agreement is in conflict or inconsistent with applicable provisions of federal, state, or city statutes, or it is otherwise held to be invalid or unenforceable by any court of competent jurisdiction, such part or provision shall be suspended and superseded by such applicable law or regulations, and the remainder of this Agreement shall not be affected thereby.
4. All parties hereto in the performance of this Agreement will be acting in independent capacities and not as agents, employees, partners, joint ventures, or associates of one another. The employees or agents of one party shall not be deemed or construed to be the agents or employees of the other party for any purpose whatsoever.
5. DEVELOPER PARTNER shall comply with Executive Orders 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107, (Equal Employment Opportunity), Executive Orders 11625, 12138, 12432, 12250, and Executive Order 13279 (Equal Protection of the Laws for Faith-Based and Community Organizations), Title VII of the Civil Rights Act of 1964, and the California Fair Housing and Employment Act, and other applicable federal, state and County laws, regulations and policies relating to equal employment and contracting opportunities, including laws and regulations hereafter enacted.
6. DEVELOPER PARTNER shall not offer (either directly or through an intermediary) any improper consideration, such as, but not limited to, cash, discounts, services or the provision of travel or entertainment, or any items of value to any officer, employee or agent of County in an attempt to secure favorable treatment regarding this Agreement or any Agreement awarded by County. County, by notice, may immediately terminate this Agreement or any County Agreement if it determines that any improper consideration as described in the preceding sentence was offered to any officer, employee or agent of County with respect to any proposal or award process involving this Agreement or any other County Agreement. This prohibition shall apply to any amendment, extension or evaluation process once this Agreement or any County Agreement has been awarded. DEVELOPER PARTNER shall immediately report any attempt by any County officer, employee or agent to solicit (either directly or through an intermediary) improper consideration from DEVELOPER PARTNER. The report shall be made to the supervisor or manager charged with supervision of the employee or to the County Administrative Office. In the event of a termination under this provision, County is entitled to pursue any available legal remedies.
7. If during the course of the administration of this Agreement, County determines that DEVELOPER PARTNER has made a material misstatement or misrepresentation or that materially inaccurate information has been provided to County, this Agreement may be

immediately terminated. If this Agreement is terminated according to this provision, County is entitled to pursue any available legal remedies.

8. DEVELOPER PARTNER understands and agrees that any and all legal fees or costs associated with any litigation concerning this Agreement against DEVELOPER PARTNER shall be DEVELOPER PARTNER's sole expense and shall not be charged as a cost under this Agreement. In the event of any Agreement dispute hereunder, each party to this Agreement shall bear its own attorney's fees and costs regardless of who prevails in the outcome of the dispute.
9. This contract includes a one (1) page addendum entitled:
AMERICAN RECOVERY AND REINVESTMENT ACT FUNDING (ARRA)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first written above.

COUNTY OF SAN BERNARDINO:

Riverside Housing Development Corporation, a California Corporation

By: _____
GARY C. OVITT, Chairman
Board of Supervisors

By: _____
BRUCE KULPA, Executive Director

Dated: _____

Dated: _____

APPROVED AS TO LEGAL FORM

RUTH E. STRINGER
COUNTY COUNSEL

By: _____
MICHELLE D. BLAKEMORE for CDH
Principal Assistant County Counsel

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

DENA M. SMITH
Clerk of the Board of Supervisors
of the County of San Bernardino

By: _____

EXHIBIT A

County of San Bernardino Neighborhood Stabilization Program (NSP) Acquisition, Rehabilitation and Resale (ARR) Program (NSP-4)

GUIDELINES

I. INTRODUCTION

In response to the national rise in sub prime mortgage foreclosures and the significant costs that foreclosures impose on local municipalities and neighboring homeowners, Congress authorized \$3.92 billion for the redevelopment of abandoned and foreclosed residential properties under Title III of the Housing and Economic Recovery Act of 2008 (HERA). The funds are administered by the United States Department of Housing and Urban Development (HUD) under a new entitlement grant program referred to as the Neighborhood Stabilization Program (NSP). Under the NSP, the County of San Bernardino (County) was allocated \$22.7 million.

The County of San Bernardino, Department of Community Development and Housing (CDH) has allocated \$2,000,000 of the NSP funds for the Acquisition, Rehabilitation and Resale (ARR) Program (NSP-4). The County will partner with interested and qualified organizations and firms with extensive experience in the acquisition, rehabilitation and resale of single-family homes to participate in the NSP-4.

II. DEFINITIONS

For the purpose of these Guidelines, the following terms shall have the following meanings:

- **Area Median Income - (AMI)** San Bernardino County median income as published by the Department of Housing and Urban Development (HUD) and adjusted to the household size. The FY 2009-2010 AMI for a family of four (4) in the County of San Bernardino is \$64,500.
- **ARR - Acquisition, Rehabilitation and Resale.** The County's Neighborhood Stabilization Program whereby DEVELOPER PARTNER purchases, rehabilitates and sells, vacant and foreclosed properties to eligible buyers.
- **ARR Loan Committee -** The committee responsible for considering funding proposals submitted by DEVELOPER PARTNER, approving acquisition loans and discounting loan amounts. The committee is comprised of but not limited to the following County of San Bernardino staff members: Director of the Community Development and Housing Department, the Director of Real Estate Services Department, and the Auditor/Controller-Recorder (or their designees).
- **Building Department -** The department that issues building permits for construction/rehabilitation projects for the area in which the property is located.

- **Buyer Eligibility Certificate** - A certification to be signed by buyers certifying that the buyer intends to occupy the property as their primary residence for a minimum of three (3) years and their household income does not exceed 120% of the area median income.
- **CDH** - San Bernardino County Department of Community Development and Housing.
- **Closing Costs** - The reasonable and customary costs charged to buyers and sellers in connection with the sale and purchase of property.
- **Contractor** - An individual or entity that possesses one or more of the qualifications required to participate in the NSP Acquisition, Rehabilitation and Resale (ARR) program.
- **County** - The County of San Bernardino.
- **County Loan** - A 0% interest loan issued by the County to DEVELOPER PARTNER in an amount not to exceed \$225,000 for a term not to exceed 9 months for the purpose of acquiring a REO property and secured by the REO property.
- **County Loan Documents** - Those documents prepared by County and executed by DEVELOPER PARTNER to secure the County Loan, including, but not limited to the Promissory Note, Deed of Trust, Affordability Covenant Agreement and Good Faith Estimate. The Deed of Trust and Affordability Covenant Agreement will be recorded as liens against the REO property securing the County Loan.
- **Current Appraised Value** - The value of a property based on an appraisal performed by a HUD certified appraiser within 60 days of the date of a sales contract between the seller and DEVELOPER PARTNER.
- **Developer Fee** - The fee, not to exceed \$16,000, earned by for developing a project. (Developer fees apply only when any funds loaned by the County to in connection with the project have been paid in full).
- **Eligible Buyer** - A homebuyer whose household income does not exceed 120% of the Area Median Income, adjusted to family size, and who intends to occupy the property.
- **Eligible Targeted Communities** - Those communities identified as being eligible in the County's approved NSP application to HUD.
- **Environmental Clearance** - A clearance evidencing that the process of assessing the environmental effects and project-related social impacts of a project has been completed with no adverse findings; or in the event of findings, the findings have been mitigated. (Properties that are over 50 years of age are required to obtain clearance from the California State Historic Preservation Office, which will add an additional 45 days to the process).

- **Escrow** - The conditional delivery of property or documents by a seller evidencing or transferring rights to a third party to be kept by that party until certain conditions are satisfied and then to be delivered over to the buyer. The property or documents thus conditionally held are also called the escrow, and the contract defining the conditions of the second delivery is called the escrow agreement.
- **Household Income** - The cumulative amount of all income of all members of a household.
- **HUD** - Federal Department of Housing and Urban Development.
- **MLS** - Multiple Listing Service. A database used by real estate brokers representing sellers under a listing contract to share information about properties with other real estate brokers who may represent potential buyers or wish to cooperate with a seller's broker in finding a buyer for the property.
- **MRS** - Minimum Rehabilitation Standards. County has set specific minimum standards for the rehabilitation of all properties to meet under the ARR program.
- **NSP** - Neighborhood Stabilization Program.
- **Reasonable and Customary** - The amount customarily charged for real estate related services.
- **Rehabilitation Cost** - The dollar amount that CDH and DEVELOPER PARTNER have agreed upon as the cost to rehabilitate a property.
- **REO** - Real Estate Owned. Properties that are owned by a bank or financial institution, acquired through a foreclosure process or deed in lieu of foreclosure.
- **Sales Commission** - Payment to a real estate broker/agent for services provided to list and/or sell a property. (Customarily real estate sales commissions are 6% of the total consideration of the property split 3% to the listing agent and 3% to the selling agent.)
- **Single Family Home** - Refers to a property that is intended to be occupied by one (1) family unit, such as a house, condominium or townhome.

III. GENERAL INFORMATION

- A. NSP funds awarded to local governments may only be used for housing units that have been foreclosed upon and are vacant for the following activities:
 - 1. **Financing Mechanisms:** Provide financing to purchase and redevelop foreclosed homes. This includes providing soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.

2. **Purchase and Rehabilitation:** Purchase and rehabilitate homes that have been foreclosed upon, in order to sell, rent, or redevelop such homes.
 3. **Land Banks:** Assemble, temporarily manage, and dispose of foreclosed vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.
 4. **Demolition:** Demolish existing blighted homes that exhibit objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.
 5. **Redevelopment:** Redevelop demolished foreclosed homes as new housing construction.
- B.** NSP requirements provide that all local government agencies, and its NSP participants, are required to comply with the following:
1. NSP funds may only be used for eligible projects that assist moderate-income, low-income, or very low-income households.
 2. Households acquiring a house using NSP funds are required to be owner-occupants, obtain a low-risk mortgage loan, and attend an eight (8) hour home buying course with a HUD certified counselor.
 3. Homes acquired through the use of NSP funds are required to be rehabilitated in accordance with the standards established by CDH and all code violations are to be repaired. All houses built prior to 1978 require lead-based paint testing, with control or abatement.
 4. The sale of a home acquired and rehabilitated through the NSP will be required to be sold at a price that does not exceed the project cost (including acquisition cost, rehabilitation cost, selling cost and a developer fee). Payment of any proceeds, including the surplus that exceeds the total project cost, is prohibited.
 5. Homes acquired through the NSP will be required to be purchased at a minimum discount price of 1% off the appraised value, based on a HUD-certified appraisal completed within 60 days of a final offer being made.
 6. Only homes that are foreclosed, vacant and located in a designated NSP area will be eligible to be acquired under the NSP.
- C.** CDH established the Acquisition, Rehabilitation and Resale (ARR) program for foreclosed single family homes, condominiums and town homes as part of the County's NSP. CDH reserves the right to modify these guidelines at any time with or without notifying any of the participants.

The concept behind this ARR program is to share the inherent risks and liabilities associated with the acquisition, rehabilitation and resale of foreclosed properties between the public and private sector whereby no one is substantially adversely

impacted while ensuring no one is unduly enriched.

IV. PROGRAM OUTLINE

A. Minimum Qualifications

DEVELOPER PARTNER has met all of the following minimum qualifications, with DEVELOPER PARTNER acting as the responsible entity for each project. DEVELOPER PARTNER will provide a description of the working relationship between it and the contractors they have selected to create a qualified team. County reserves the right to issue an addenda or amendment to the minimum qualifications.

1. Real Estate Experience

Experience in both acquiring and selling a minimum of 40 single-family homes within the last five (5) years. This experience includes negotiating directly with sellers to acquire property; negotiating directly with buyers to sell property; marketing and listing property on the Multiple Listing Service. The Contractor must hold a current California real estate broker's license that is in good standing.

2. Rehabilitation Experience

Experience in the rehabilitation of a minimum of 20 single-family properties (specifically single-family homes, condominiums or town homes) in the last five (5) years. This experience includes evaluating the condition of homes requiring repair; evaluating and determining building code violations, including illegal room additions and conversions; preparing a written rehabilitation scope of work; determining rehabilitation costs; obtaining required building permits and inspections; and holding a current California general contractor's license that is in good standing.

3. Management Experience

A minimum of five (5) years experience in property management. This experience includes maintaining and securing properties.

4. Financing Experience

A minimum of five (5) years experience in obtaining financing from financial institutions to leverage and/or obtain funding to acquire and/or rehabilitate property.

5. Government Experience

Experience with understanding government regulations required to administer programs and the rules and regulations associated with various funding sources.

6. Financial Stability

Demonstrated ability to provide the financial resources to acquire and rehabilitate multiple properties simultaneously with the expectation of reimbursement upon the close of escrow. As an example, a minimum of \$1,000,000 in verifiable cash reserves, a credit line or a combination thereof. Alternatively, DEVELOPER PARTNER can demonstrate at least \$1,000,000 in net assets pertaining to its business. Provide latest audited financial statements of the company. If there are no audited financial statements, then submit an unaudited financial statement along with a certification from DEVELOPER PARTNER and DEVELOPER PARTNER's accountant that the information accurately reflects the company's current financial status.

7. References

Provide references for the above listed requirements as evidence of satisfactory experience and performance.

B. Overview of Property Selection

DEVELOPER PARTNER will find foreclosed properties located in eligible targeted communities and submit written proposals to CDH requesting funding (in the form of loans) to acquire these properties.

CDH will review the proposals and fund those proposals that have the greatest opportunity for full repayment of the CDH loan from proceeds of the sale of the subject property from DEVELOPER PARTNER to an "Eligible Buyer." DEVELOPER PARTNER is responsible for locating properties and submitting proposals to CDH.

C. Program Implementation

The following is an overview of how this program will be implemented.

DEVELOPER PARTNER will furnish CDH immediately upon opening escrow, with the name and phone number of the escrow company, the escrow officer and the escrow number.

1. The sales contract between DEVELOPER PARTNER and the owner of the REO property shall be contingent upon DEVELOPER PARTNER's ability to obtain satisfactory financing.
2. DEVELOPER PARTNER will provide documentation, such as comparable sales of other properties, which support the appraised value of the property provided in the attached EXHIBIT B, Development Cost Pro Forma. DEVELOPER PARTNER will provide documentation evidencing the appraised value of the property is accurate and the purchase price has been discounted by at least 1%.

3. DEVELOPER PARTNER will submit funding proposals to CDH for properties located in "Eligible Targeted Communities." These proposals will include the following:
 - a. purchase price
 - b. detailed estimated cost of repair.
 - c. after rehabilitation estimated sales price (with backup documentation).
4. CDH will inspect the property and ensure all items needing repair are included, the estimated cost is reasonable and customary, and the after rehabilitation sales price is reasonably obtainable. The goal is to sell the property at a price that helps stabilize housing values in our neighborhoods.
5. CDH will finance only those proposals for REO properties which are being purchased at a verified 1% discount of the current appraised value and for which CDH has obtained environmental clearance.
6. CDH is to perform an Environmental Clearance on properties within seven (7) days **EXCEPT** on properties that are over 50 years of age. Properties that are over 50 years of age will take an additional 45 days.
7. CDH and DEVELOPER PARTNER will agree upon the cost of repairs. The program requires that each property need a minimum of \$25,000 in repairs with no maximum amount limitation.
8. CDH will fund proposals that have the highest likelihood of full repayment of the CDH loan.
9. CDH will provide a loan to DEVELOPER PARTNER for the entire purchase price of the REO property plus all DEVELOPER PARTNER's closing costs. CDH will record a lien against the property. There are no interest charges or payments associated with this loan.
10. DEVELOPER PARTNER will own, rehabilitate and sell the property. Through this program, any additional rehabilitation cost above the amount agreed upon is at the sole expense of DEVELOPER PARTNER.
11. Once property has been rehabilitated, DEVELOPER PARTNER will notify CDH. CDH will inspect the property to ensure all agreed upon repairs are completed and done in a workman-like manner. This inspection is in addition to any inspections required by a building department. DEVELOPER PARTNER is responsible for obtaining any and all required permits.
12. DEVELOPER PARTNER will sell all properties to "eligible buyers." An eligible buyer is an owner-occupant household whose income does not exceed 120% of the area median income. Property will be listed in the

Multiple Listing Service (MLS) to ensure the entire real estate broker community is able to participate in the marketing and sale of properties in this program.

13. DEVELOPER PARTNER shall maintain records of all prospective homebuyer applicants, including their race, ethnicity and gender, reasons for denial of application, placement on a waiting list, etc.
14. The priority of payment from the sales proceeds between DEVELOPER PARTNER and an eligible buyer is as follows: (also see chart on next page)
 - “Reasonable and customary” closing costs, broker commissions, and agreed upon rehabilitation cost.
 - “Reasonable and customary” costs incurred in holding the property; i.e., property taxes, hazard insurance, and utility expenses (excluding property maintenance cost).
 - Repayment of CDH loan.

After these expenses have been paid, DEVELOPER PARTNER can earn up to \$16,000 for a developer fee.

The following are examples of the prioritized flow of funds from the sale to an eligible buyer:

Example 1: Under this example, DEVELOPER PARTNER would have acquired the property for approximately \$150,000 in order to receive the full developer fee of \$16,000.

	<u>Debit</u>	<u>Credit</u>
Sale Price		\$225,000
Reasonable and Customary Closing Costs (estimated 3.5%)	\$ 7,858	
Real Estate Commission (6% of Sale Price)	\$ 13,500	
Verifiable, reasonable and customary holding expenses; i.e., Property taxes, insurance, utilities	\$ 2,500	
Agreed upon rehabilitation cost	\$ 35,000	
CDH Loan	\$150,142	
Developer Fee (not to exceed \$16,000)	<u>\$ 16,000</u>	
TOTAL	\$225,000	\$225,000

Example 2: Same property, same acquisition cost, however with a reduced sale price of \$215,000. Under this example, DEVELOPER PARTNER would receive a developer fee of only \$6,933.

	<u>Debit</u>	<u>Credit</u>
Sale Price		\$215,000
Reasonable and Customary Closing		
Costs (estimated 3.5%)	\$ 7,525	
Real Estate Commission (6%)	\$ 12,900	
Verifiable, reasonable and customary		
holding expenses; i.e., Property taxes		
insurance, utilities	\$ 2,500	
Agreed upon rehabilitation cost	\$ 35,000	
CDH Loan	\$150,142	
Developer Fee (not to exceed \$16,000)	<u>\$ 6,933</u>	
TOTAL	\$215,000	\$215,000

Example 3: Under this example, CDH would suffer a loss of \$2,117 and DEVELOPER PARTNER would not receive a Developer Fee. Same property, same acquisition cost, however with a sale price of \$205,000.

	<u>Debit</u>	<u>Credit</u>
Sale Price		\$205,000
Reasonable and Customary Closing		
Costs (estimated 3.5%)	\$ 7,175	
Real Estate Commission (6%)	\$ 12,300	
Verifiable, reasonable and customary		
holding expenses; i.e., Property taxes,		
insurance, utilities	\$ 2,500	
Agreed upon rehabilitation cost	\$ 35,000	
CDH Loan	\$150,142	
CDH Loan Reduction		<u>\$ 2,117</u>
TOTAL	\$207,117	\$207,117

Example 4: Same property, same acquisition cost, however with a sale price of \$225,000 and expense to rehabilitate the property is higher than the amount agreed upon by CDH. Under this example, the cost to rehabilitate the property was \$10,000 more than the agreed upon rehabilitation cost. DEVELOPER PARTNER does not get reimbursed for the additional \$10,000, but DEVELOPER PARTNER did earn the full \$16,000 Developer fee.

	<u>Debit</u>	<u>Credit</u>
Sale Price		\$225,000
Reasonable and Customary Closing		
Costs (estimated 3.5%)	\$ 7,858	
Real Estate Commission (6% of		
Sale Price)	\$ 13,500	
Verifiable, reasonable and customary		
holding expenses; i.e., Property taxes,		

insurance, utilities	\$ 2,500	
Agreed upon rehabilitation cost	\$ 35,000	
Actual costs to complete rehabilitation – \$45,000 – Developer Portion	\$ 10,000	
Developer expense for excess Excess Rehabilitation Costs (Paid by developer)	\$ 10,000	
CDH Loan	\$150,142	
Developer Fee (not to exceed \$16,000)	<u>\$ 16,000</u>	
TOTAL	\$235,000	\$235,000

D. Requirements

1. **Initial Offer:** DEVELOPER PARTNER may make offers on vacant, foreclosed homes located in Eligible Targeted Communities. An initial offer that is made shall take into account the estimated pre-rehabilitation fair market value, the NSP regulated acquisition discount, the rehabilitation cost, the developer fee, the holding cost and the proposed estimated post-rehabilitation resale value. The initial offer shall include the following contingencies: 1) obtaining financing, 2) receipt of an acceptable HUD-certified appraisal, and 3) completion of an interior/exterior property pre-inspection. Failure to include any of the contingency clauses will void the initial offer.
2. **Appraisal:** CDH will obtain a HUD-certified appraisal, within seven (7) business days, to verify the property fair market value and to determine the NSP regulated discount price which is to be not less than 1% of the appraised value. The appraisal is required to be completed within 60 days of the final offer. Escrow may not close and the house may not be conveyed until after the appraisal has been completed to the satisfaction of CDH.
3. **Eminent Domain:** DEVELOPER PARTNER will submit a letter to the seller with the initial offer to the REO Seller that DEVELOPER PARTNER does not have the authority to acquire property by eminent domain and in the event seller and DEVELOPER PARTNER are unable to reach an agreement for the purchase of the property, DEVELOPER PARTNER will not pursue the proposed acquisition.
4. **Rehabilitation Inspection and Scope:** Prior to submitting a proposal to CDH, DEVELOPER PARTNER shall conduct an inspection of the entire property and provide CDH a detailed rehabilitation Scope of Work. CDH shall review the rehabilitation Scope of Work and either approve, deny or make modifications to the Scope of Work. DEVELOPER PARTNER and CDH must come to an agreement on the Scope of Work and cost prior to funds being awarded.
5. **Final Offer:** The final determining factors for acquisition of a property are the HUD-certified appraisal, the project cost (includes rehabilitation costs, developer fee, holding costs and sale costs) and the post-rehabilitation resale value based on an analysis of homes that sold in the

neighborhood. The final determination will take into account the goal of CDH to recapture 100% of the costs incurred. If required, a revised offer will be made to the owner of the REO property based on the final cost determination.

6. **CDH Approval:** Within 3 business days after receipt of a funding proposal County will verify the funding proposal is complete. Within 15 calendar days after notification by County to DEVELOPER PARTNER that the funding proposal is complete, the ARR Loan Committee will approve or deny the funding proposal. On approved funding proposals, CDH will deposit NSP funds into escrow within 30 calendar days after receipt of a complete funding proposal. All offers made must include the project costs, Scope of Work and the resale value. The Loan Committee has the authority to approve loan amounts up to a maximum of \$225,000. This loan amount includes all associated closing costs. Therefore, the purchase price will be less than \$225,000. Example: purchase price is \$218,000, closing costs are \$7,000, total dollar amount needed to close escrow is \$225,000, which is the maximum amount CDH will loan.
7. **Legal Ownership:** Title to properties acquired through the ARR program will be taken under the legal title of DEVELOPER PARTNER. DEVELOPER PARTNER will be prohibited from conveying the house to another party without the written consent of CDH. An affordability covenant also will be recorded against the property while DEVELOPER PARTNER has title to the property.
8. **Acquisition Loan:** The acquisition loan made by CDH will provide funding for the total purchase price and closing costs. The loan will be a 0% interest loan for a term not to exceed nine (9) months. DEVELOPER PARTNER may obtain a maximum 90 calendar day extension with the written approval of the CDH Director. A deed of trust securing the note will be recorded as a lien on the subject property. Failure to comply with conditions in these guidelines will allow CDH to call the loan due and payable at any time prior to the nine (9) month deadline.
9. **Developer Fee:** DEVELOPER PARTNER will be compensated for locating and developing a project only at such time as the CDH loan is paid in full. The maximum developer fee per property is \$16,000. The final developer fee paid to DEVELOPER PARTNER will be based on CDH receiving full payment of the loan to acquire the property. In the event the sale proceeds between the DEVELOPER PARTNER and the "Eligible Buyer" are insufficient to cover all expenses, including the developer fee, the amount of the developer fee will be reduced or eliminated. This fee will be paid at the close of the escrow between DEVELOPER PARTNER and the "Eligible Buyer" and after the CDH loan has been paid in full.

V. Property Rehabilitation

- A. **Description:** Homes acquired through the NSP are to be rehabilitated by DEVELOPER PARTNER with CDH monitoring the progress of the work. The

rehabilitation work is to be completed based on the approved rehabilitation scope of work and cost.

- B. Minimum Rehabilitation Standards:** CDH has issued minimum rehabilitation standards ("MRS") which include correcting all code violations, improving the exterior of the property, landscaping, and improving both the interior and exterior of all buildings. The Director of CDH may waive or modify portions of the minimum rehabilitations standards for individual projects as long as the waiver or modification meets all CDH and code requirements and significant improvements occur at the property.
- C. Lead-Based Paint:** Prior to escrow closing, a lead-based paint test and risk assessment shall be conducted by DEVELOPER PARTNER on each house constructed prior to 1978. CDH, at its discretion, may also request such a test for homes constructed in 1978 or later. Where lead-based paint has been found, appropriate steps, including either controlling or abating, shall be completed at the discretion of CDH. All test and work related to lead-based paint costs shall be included in the Scope of Work and cost of rehabilitation approved by CDH on projects that receive NSP funding.
- D. Rehabilitation Commencement:** DEVELOPER PARTNER shall commence rehabilitation within 30 calendar days after receiving legal title to the property. DEVELOPER PARTNER shall complete the rehabilitation work within 60 calendar days after receiving title to the property. Additional time may be added to commence or to complete rehabilitation, subject to the approval of CDH. DEVELOPER PARTNER shall notify CDH that work has started within two (2) calendar days of commencing rehabilitation.
- E. Construction Schedule:** DEVELOPER PARTNER shall provide a construction schedule to CDH within 15 calendar days after receiving legal title to the property. CDH shall have seven (7) calendar days to approve or disapprove the schedule. If rejected, DEVELOPER PARTNER will be required to revise and re-submit the schedule within seven (7) calendar days.
- F. Change Orders:** In the event there are any changes to the project after the approved project Scope of Work and costs have been approved by CDH, a written change order request is to be submitted to CDH for consideration. CDH shall have three (3) business days to approve or deny the change order. All proposed changes to the project Scope of Work require the written approval of the Director of CDH, or his designee, before commencing with the changes. The cumulative amount in change order(s) is a maximum of 10% of the original cost of rehabilitation as approved by CDH. Any changes made without the approval of CDH will be a violation and shall be completed at the sole expense of DEVELOPER PARTNER.
- G. Extraordinary Change Order:** Extraordinary change orders may be considered for approval. CDH shall have three (3) business days to provide a written approval or denial of the change order. All proposed changes to the project Scope of Work require the approval of the Director of CDH, or his designee, in writing before commencing the changes. A change order approved under this paragraph will not have priority over the CDH loan. Approved change orders will

be included in determining the sale price of a home to an eligible buyer. See the following example showing a CDH loan of \$140,000.

	<u>Debit</u>	<u>Credit</u>
Sale Price		\$225,000
Reasonable and Customary Closing Costs (estimated 3.5%)	\$ 7,858	
Real Estate Commission (6% of Sale Price)	\$ 13,500	
Verifiable, reasonable and customary holding expenses; i.e., Property taxes, insurance, utilities	\$ 2,500	
Agreed upon rehabilitation cost	\$ 35,000	
CDH Loan	\$140,000	
Developer Fee (not to exceed \$16,000)	\$ 16,000	
CDH Approved Extraordinary Change Order	\$ 10,142	
TOTAL	\$225,000	\$225,000

- H. Rehabilitation Inspections:** DEVELOPER PARTNER shall obtain all required building permits prior to commencing rehabilitation. CDH may, at any time, inspect and evaluate the progress and quality of the rehabilitation. If CDH is not satisfied with the progress or quality of the rehabilitation based on the MRS, a correction notice shall be issued. DEVELOPER PARTNER will be required to comply with the correction notice and incur all costs.
- I. Final Inspection and Corrections:** Within two (2) business days of being notified, CDH will conduct a final inspection to ensure that the project is satisfactorily completed per the approved project scope and any change order(s). A correction notice or a completion notice will be issued within an additional two (2) business days by CDH for any Scope of Work or change order item(s) that require correction. Re-inspections will be completed by CDH within one (1) business day of completion notice. The Scope of Work and any change order(s) must be completed to the satisfaction of CDH and the Building Department for the rehabilitation work to be considered completed and a completion notice from CDH being issued.
- J. Final Rehabilitation Costs:** Within seven (7) calendar days after the notice of completion has been issued by CDH, or at least 30 calendar days prior to the scheduled close of escrow between the DEVELOPER PARTNER and Eligible Buyer, DEVELOPER PARTNER shall provide CDH detailed final rehabilitation costs based on the Scope and change orders, if any. CDH will accept or reject the final rehabilitation costs within seven (7) calendar days of receiving the report. If rejected, DEVELOPER PARTNER shall correct the final rehabilitation costs based on CDH direction. Until the total rehabilitation cost has been approved by CDH, the resale escrow cannot close.
- K. Required Contractor Qualifications:** Prior to commencing rehabilitation, DEVELOPER PARTNER shall inform CDH of any general and/or sub-contractors

who will be involved in the project. All contractors and sub-contractors are required to have a California contractor's license, which is in good standing and possess the required Workers' Compensation insurance. DEVELOPER PARTNER shall manage the rehabilitation of the project and all the contractors involved.

- L. Warranty of Work:** DEVELOPER PARTNER will be required to provide a one (1) year home warranty. The warranty shall be effective upon close of escrow with the Eligible Buyer for each home where rehabilitation was conducted. DEVELOPER PARTNER will be required to make repairs to correct any item in the Scope of Work that was approved as part of the project.
- M. Rehabilitation Costs:** DEVELOPER PARTNER shall be responsible for providing funding to cover all costs related to rehabilitation of the property. The maximum amount that will be allowed in all change orders will be a combined/cumulative amount of 10% of the original agreed upon cost of rehabilitation (excluding approved extraordinary change orders). Risks associated with under estimating the final cost of rehabilitating a property are the responsibility of DEVELOPER PARTNER. Any change order must have prior written approval by the Director of CDH in order to have priority over CDH's loan. Only the agreed upon cost of rehabilitation shall have priority at time of sale over the CDH loan. Approved extraordinary change orders will not have priority over CDH's loan. Approved change order amounts shall be added to the rehabilitation cost for purposes of determining total listing price. Any costs incurred by DEVELOPER PARTNER above and beyond the amount approved by CDH shall be the sole responsibility of DEVELOPER PARTNER. Any finance costs associated with the cost of rehabilitation whether the cost is approved or not approved by CDH shall be the sole responsibility of DEVELOPER PARTNER.

VI. SALE OF PROPERTY

- A. Description:** DEVELOPER PARTNER shall, within seven (7) calendar days after issuance of the notice of completion, both list and market the property for sale. The listing shall include placing the property on the Multiple Listing Service with a licensed real estate broker. The real estate commission shall not exceed 6% of the sale price, which may be split as agreed between the listing and selling real estate brokers.
- B. CDH Approval of the Listing Price:** DEVELOPER PARTNER shall present CDH the proposed listing price of the property prior to listing the property. CDH Director shall either provide written acceptance or written rejection of the proposed listing price. The listing price should cover project costs incurred for the acquisition, rehabilitation and sale of the property and ideally a \$16,000 Developer Fee. In cases where the project costs exceed the post-rehabilitation fair market value, the listing price can be less than the project costs with the written approval of the Director of CDH. Listing prices that would result in the County not being repaid its entire original loan amount must be approved by the ARR Loan Committee. At the close of escrow, the negative difference shall be deducted from the developer fee. Any changes to the listing price require the written approval of the Director of CDH.

The following are examples of property sales where the project costs exceed the sale price:

Example 1: Under this example, there is no Developer fee.

	<u>Debit</u>	<u>Credit</u>
Sale Price		\$205,000
Reasonable and Customary Closing Costs (estimated 3.5%)	\$ 7,175	
Real Estate Commission (6% of Sale Price)	\$ 12,300	
Verifiable, reasonable and customary holding expenses; i.e., Property taxes, insurance, utilities	\$ 2,500	
Agreed upon rehabilitation cost	\$ 35,000	
CDH Loan	\$148,025	
Developer Fee (not to exceed \$16,000)	\$ 0	
TOTAL	\$205,000	\$205,000

Example 2: Under this example, there is no Developer fee and CDH is only paid \$143,500 of the original \$148,025 loan. A 3.05% (\$4,525) reduction to the CDH loan was approved by the CDH Director

	<u>Debit</u>	<u>Credit</u>
Sale Price		\$200,000
Reasonable and Customary Closing Costs (estimated 3.5%)	\$ 7,000	
Real Estate Commission (6% of Sale Price)	\$ 12,000	
Verifiable, reasonable and customary holding expenses; i.e., Property taxes, insurance, utilities (estimated)	\$ 2,500	
Agreed upon rehabilitation cost	\$ 35,000	
CDH Loan	\$148,025	
CDH Loan reduction		\$ 4,525
Developer Fee (not to exceed \$16,000)	\$ 0	
TOTAL	\$204,525	\$204,525

- C. CDH Approval of Offer:** In the event a reasonable offer is received by an Eligible Buyer, DEVELOPER PARTNER shall present the offer to CDH for review and the Director of CDH shall either accept or reject the offer. CDH shall provide written notice to DEVELOPER PARTNER of its decision. Prior to accepting the offer, DEVELOPER PARTNER should verify through a preliminary review that the interested homebuyer meets the NSP regulations to acquire the property and have the buyer sign an NSP Homebuyers Certification form. This form will be provided to DEVELOPER PARTNER by CDH. The real estate purchase contract and escrow instructions are to provide for a contingency that the close of escrow is subject to the buyer's ability to qualify for and/or comply with the NSP

regulations/requirements. The Director of CDH has the authority to discount a CDH loan up to 20% of the total value with ARR Loan Committee approval. Loan discounts in excess of 20% are subject to the approval of the County's Board of Supervisors.

- D. Homebuyer Qualifications:** Homes in the ARR program are required to be purchased by households earning 120% or less of the Area Median Income (AMI) and who will both own and occupy the property. Homebuyers will also be required to attend an eight (8) hour, HUD certified, pre-acquisition homebuyer certification course, and are required to obtain a low-risk mortgage loan, at a fixed interest rate.
- E. Affordability Requirements:** DEVELOPER PARTNER will ensure that all homebuyers have completed and signed the NSP Homebuyers Certification form. This form will be provided by CDH and certifies that the homebuyer meets NSP eligibility requirements.
- F. Eligibility for Down Payment Assistance Programs:** Homebuyers of properties purchased by DEVELOPER PARTNER under the CDH ARR program may qualify for down payment assistance offered by CDH utilizing NSP funds. DEVELOPER PARTNER should obtain a list of participating lenders from CDH to provide to potential homebuyers who may qualify for down payment assistance.
- G. Failure to Perform:** In the event the house is not rehabilitated and sold within nine (9) months of the day DEVELOPER PARTNER takes title to the property, CDH may request repayment of the acquisition loan. CDH may take title to the property through a foreclosure process or by DEVELOPER PARTNER conveying title to CDH. If the property is in escrow or DEVELOPER PARTNER can demonstrate that it will close escrow within the 90 calendar days after the initial nine (9) months has expired, the Director of CDH shall have the authority to grant a 90 calendar day extension to the term of the loan.

VII. PROPERTY MANAGEMENT DURING HOLDING PERIOD

- A. Description:** DEVELOPER PARTNER shall be responsible for maintaining and securing the property, at its own expense. Maintenance includes keeping the property free of debris, weeds, graffiti and other nuisance conditions. In addition, DEVELOPER PARTNER will secure the property to ensure that squatters and other individuals are unable to enter onto or in the property. CDH has the right to inspect the property at anytime.
- B. Holding Period Plan:** DEVELOPER PARTNER shall submit to CDH a holding period plan within seven (7) calendar days of taking title to the property. The plan shall either be approved or denied by CDH. A holding period plan is a written description of how the property will be maintained and secured and shall include the name and contact information of the staff member that will routinely inspect and correct any nuisance conditions.
- C. Beautify Property and Abate Nuisance Conditions:** DEVELOPER PARTNER will be required as part of the holding period plan, and at the discretion of CDH, to maintain a green front lawn. This requirement will include DEVELOPER

PARTNER watering and mowing the lawn on a regular basis. In addition, CDH may also require DEVELOPER PARTNER to abate any nuisance condition at the property that was not addressed in the holding period plan. DEVELOPER PARTNER shall respond to these requirements within seven (7) calendar days.

- D. Property Inspection:** DEVELOPER PARTNER shall inspect the property at least once a week or more, at the discretion of CDH. DEVELOPER PARTNER shall respond and correct, within one (1) day, any requests by CDH to cure any serious nuisance conditions at the property.
- E. Costs Incurred:** DEVELOPER PARTNER shall be liable for all costs associated with the maintenance and security of the property as specified in the plan. CDH shall not be liable for any costs nor reimburse DEVELOPER PARTNER for any maintenance and security costs incurred.

EXHIBIT B – Development Cost Pro Forma

Acquisition Costs

List Price –
(Estimated appraised
value. Provide back up
documentation).

\$ _____

Listed price before rehabilitation.
Provide documentation supporting
estimated appraised value.

Discount (1% minimum)
Purchase Price

\$ _____

\$ _____

Amount of Discount by seller
Difference between estimated appraised
value and Discount

Closing Costs

\$ _____

All acquisition escrow closing costs

Subtotal Acquisition Costs

\$ _____

Rehabilitation Costs

Cost of Rehabilitation

\$ _____

Cost estimated to complete scope of
work (Minimum of \$25,000)

Holding Costs

Property Taxes

\$ _____

Estimate based on 6 months

Utilities

\$ _____

Estimate based on 6 months

Property Insurance

\$ _____

Estimate based on 6 months

Subtotal Holding Costs

\$ _____

Resale Costs

Closing Costs

\$ _____

Reasonable and Customary

Real Estate Commission

\$ _____

6% of Sales Price

DEVELOPMENT COST

\$ _____

Acquisition, Rehabilitation, Holding
and Resale Costs

Developer Fee

\$ _____

Maximum \$16,000

TOTAL COSTS

\$ _____

Also is maximum Sales Price

MARKET VALUE

\$ _____

Appraisal value of home after
completion of rehabilitation

CDH FINAL SALE PRICE

\$ _____

The **lower** of Total Costs OR
Market Value

EXHIBIT C – Affordability Covenant

See attached Affordability Covenant.

RECORDING REQUESTED BY

WHEN RECORDED MAIL TO
AND MAIL TAX STATEMENTS TO

Name
Address
City, State Zip

Title Order No.
Escrow No.

AFFORDABILITY COVENANT AGREEMENT

The undersigned, Riverside Housing Development Corporation, a California Corporation, ("Borrower") is the Trustor on that certain Deed of Trust dated _____, 2009 in the amount of \$_____, in favor of the County of San Bernardino, a public agency and recorded concurrently herewith.

Borrower in consideration of the indebtedness evidenced by the above described Deed of Trust, has covenanted with respect to property described in EXHIBIT "A" attached hereto (the "Property") and does hereby covenant as follows:

Borrower shall sell the Property only to an Eligible Buyer. An Eligible Buyer is a homebuyer whose household income does not exceed 120% of the Area Median Income (AMI), adjusted to family size and who intends to occupy the property as their primary residence. For purposes of this covenant, the AMI for San Bernardino County, California, shall be determined in accordance with 24 CFR § 92.216(a)(1) as made available by the U.S. Department of Housing and Urban Development ("HUD"). Annual income shall be determined in accordance with 24 CFR Part 5 as defined at 24 CFR § 5.609. 2.

There shall be no discrimination against, or segregation of, any person, or group of persons, on account of race, color, religion, gender, national origin, age, disability or familial status in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property and the Borrower (itself or any person claiming under or through Borrower) shall not establish or permit any such **practice or practices** of discrimination, or segregation with reference to the sale of the Property.

DATED: _____, 2009

**COUNTY OF SAN BERNARDINO
CORPORATION, a California**

**RIVERSIDE HOUSING DEVELOPMENT
Corporation**

By: _____

By: _____
Bruce Kulpa

Its: _____

Its: Executive Director

(This document is to be signed in the presence of a Notary Public)

EXHIBIT D – Scope of Work/Contractor Bid

Scope of Work/Contractor Bid

Project No.:

Loan No.:

Property Street Address, City, State, Zip:

Contractor Name:

Broker Name:

Contractor Off. Phone:

Vendor ID:

Agent Phone:

Broker ID:

Contractor Cell Phone:

Map Guide:

Est. Days to Complete:

Approx. Sq. Footage:

Bedrooms:

Baths:

Lock Box Combination:

Utilities on (Yes / No):

Electricity

Water

Gas

1. APPLIANCES	Materials	Labor Only	
1. Dishwasher			
2. Disposal			
3. Range			
4. Vent Hood			
5. Oven			
6. Other			
		Sub-Total	
		APPLIANCES	\$ -
2. CARPENTRY			
1. Cabinets, Hardware			
2. Counter Tops			
3. Interior Doors, Hardware, Trim			
4. Windows, Screens			
5. Exterior Doors, Hardware			
6. Exterior Trim, Siding			
7. Fence Repair/Replace			

8. Garage Doors

9. Other

Sub-Total
CARPENTRY

\$ -

3. ENVIRONMENTAL

1. Lead Base Paint

2. Asbestos

Sub-Total
ENVIRONMENTAL

\$ -

4. FLOORING

1. Carpet Replace

\$ -

2. Vinyl Replace

\$ -

3. Subfloor

4. Toilet Remove/Reset

each @ \$ /ea.

5. Other

Sub-Total
FLOORING

\$ -

5. PAINT

1. Interior

Paint Interior

2. Interior cabinets

3. Exterior Trim Only

4. Exterior Total

5. Wallpaper,

Sheetrock, Mirrors

6. Other

Sub-Total
PAINT

\$ -

Sub-Total (FOR ITEMS
1 to 5)

\$ -

Scope of Work / Contractor Bid

REO #:

Property Address

Sub-Total (FOR ITEMS
1 to 5)

\$ -

6. STRUCTURAL

ELECTRICAL

1. Breaker, Wiring,

2. Fixture Repair/Replace

3. Outlets, Switches,

 Cover plate

4. Other

Sub-Total
ELECTRICAL

\$ -

HEAT & AIR

1. Condenser, Repair/Replace

2. Furnace, Repair/Replace

3. Thermostat, Replace

4. Other

Sub-Total **HEAT /
AIR**

PLUMBING

1. Water Heater

2. Interior

3. Exterior

4. Faucets

5. Sinks/Toilets

6. Showers

7. Tubs

8. Tile/Enclosure

9. Other

Sub-Total
PLUMBING

\$ -

ROOF

1. Repair Roof Leak

2. Replacement- Tear-off / Overlay (House)	_____ squares X \$ _____ per square	_____
(Garage, Porch & extra over hangs)	_____ squares X \$ _____ per square	_____
3. Decking	_____	_____
4. Other	_____	_____
	Sub-Total	_____
	ROOF	\$ -

STRUCTURE

1. Engineer Inspection	_____	_____
2. Grading	_____	_____
3. Gutters	_____	_____
4. Foundation Piers	_____	_____
5. Termite Repairs	_____	_____
6. Other	_____	_____
	Sub-Total	_____
	STRUCTURE	\$ -

7. MAINTENANCE

1. Final Sales Clean	Final Clean	_____
	_____	_____
	_____	_____
	Sub-Total	_____
	MAINTENANCE	\$ -

**GRAND TOTAL (FOR ITEMS
1-7)**

Comments/Other Repairs	_____
_____	_____
_____	_____

Waiver. If DEVELOPER PARTNER's bid is accepted by County, DEVELOPER PARTNER hereby waives and releases any lien DEVELOPER PARTNER has, or claim of lien DEVELOPER PARTNER may have, on the above referenced real property and improvements on account of labor and/or materials furnished or to be furnished pursuant to this bid (including any attachments). Further, DEVELOPER PARTNER also agrees to indemnify and hold County harmless from and against any and all claims (including, any claim made or lien filed by any third party), expenditures or losses County incurs as a result of DEVELOPER PARTNER's failure to honor this waiver of mechanic's lien(s) or DEVELOPER PARTNER's failure to pay for materials and services when due.

Safety. As an independent contractor, DEVELOPER PARTNER must take all appropriate precautions to ensure the health and safety of yourself, your employees and anyone who, in any way, works for you. In dealing with the property, you may come across health and safety issues that give cause for concern. These issues could include risks related to physical damage to the property, criminal activity and environmental concerns, including toxic mold, hazardous substances. You should use reasonable judgment when dealing with health and safety issues. Do not enter upon the property if you believe that doing so will pose a risk to your health or safety.

DEVELOPER PARTNER's Signature: _____	Date: _____	Approved Date: _____	Initials: _____
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EXHIBIT E – Rehabilitation Standards

I. Purpose

Through this program, the County of San Bernardino's goal is to ensure quality housing by providing safe, sanitary and habitable homes to Qualified Homebuyers through the acquisition, rehabilitation and resale of bank-owned, foreclosed properties.

The purpose of these guidelines is to provide standards for rehabilitation by regulating and controlling the design, construction, and quality of materials, use and occupancy, location and maintenance of all buildings and structures considered for this program.

II. Scope

The provisions of these guidelines will apply to the construction, alteration, demolition, repair, maintenance, and use of any building or structure within the scope of the program. It is not intended that every existing building within the scope of the program conforms, or be made to conform, to new construction requirements. Reasonable judgment must be exercised by the program participant in the rehabilitation of these buildings and application of building code standards relative to existing structures. Building permits shall be issued by the local jurisdiction having authority.

III. Building Materials

All building materials will be new unless otherwise stipulated or approved by the County. All building materials will be installed in a workmanship manner relative to their application and/or as recommended by the manufacturer.

IV. Building Codes and Standards

The following building codes as adopted by the County of San Bernardino will be utilized during the rehabilitation process:

- A.** Most current Edition of the Uniform Building Code as published by the International Conference of Building Officials
- B.** Most current Edition of the Uniform Mechanical Code as published by the International Conference of Building Officials
- C.** Most current Edition of the Uniform Plumbing Code as published by the International Conference of Building Officials
- D.** Most current Edition of the National Electrical Code as published by the National Fire protection County
- E.** Most current State Title 24 Energy Standards

When manufacturers do not specifically cover any subject relating to installation of materials, fixtures, appliances, and/or apparatus, then the prevailing building code

standards will apply. When there are no specifics to the application or installation, then reasonable, recognizable, and acceptable UL, IAMPO, ICBO or ASTM standards for installation will prevail.

In addition to these codes and standards, rehabilitation will include conformity with the Housing Urban Development Housing Quality Standards and all applicable State Housing Laws.

V. Rehabilitation Standards

A. Structural

1. Foundations will be checked for severe cracking (one-quarter inch to one-half-inch is considered excessive) and/or displacement, and approved measures taken to reinforce the structure from further displacement or settlement. This includes, but is not limited to, foundation walls, fireplaces, post or columns and attached structural features; i.e., porches and patios.
2. Crawl spaces, if applicable, will be made readily accessible and with proper ventilation. Vapor barriers and insulation will be properly supported and/or replaced per State Title 24 Energy Standards governing their installation at the time of construction.
3. Under the floor systems will be free of debris and/or discarded items.

B. Heating & Cooling

1. Heating systems will be serviced, including thermostats, to ensure safe and efficient operation of the appliance. Compartments will be cleaned of debris and build-up, including return air compartments. Filters will be replaced as necessary. The heating system will be tested and fired during the inspection process. The system will be capable of conveying heat to all habitable spaces in accordance with current building code standards. Missing or defective heating appliances will be replaced with an equal, or better, heating system with a building permit issued by the jurisdiction having authority.
2. Central air conditioning systems, window or wall air conditioning units and evaporative coolers that are an integral part of the building system, or intended to remain with the building, will be serviced and tested for safe and efficient operation. This includes recharging the system, repair or replacement of components, support bracing, motors, electrical and plumbing as necessary. The unit will be tested during the inspection process.
3. Ductwork located in attic spaces and in/under the floor systems will be inspected and replaced if found to be defective. Ductwork will be capable of conveying heating and cooling to all habitable rooms and spaces as designed.

C. Plumbing

1. Potable water service piping will be tested for sufficient water pressure, leaks, or broken pipes. Repairs will be made with equal, or better, water piping.
2. Hose bibs/faucets will have non-removable anti-siphon devices to prevent backflow.
3. Drain, waste, and vent piping will be maintained in accordance with acceptable plumbing practices. Clean out plugs will be of an approved type, either raised square heads or counter-sunk rectangular slots.
4. Water heaters will be accessible and protected in accordance with current building code standards. The water heater will be seismically strapped per current building code standards. Thermal blankets will be installed per Title 24 of the Energy Standards. Vents and vent collars will be secured in an approved manner. Pressure relief lines will be installed and extended in accordance with current building code standards. Platforms will be maintained to adequately support the full load of the appliance. Compartment doors will be in good condition and be suitable for exterior use (if applicable). Appliances located in confined spaces will be required to maintain combustion air requirements.

D. Bathrooms

1. Built-in tubs, leg tubs, stall showers, toilets, and lavatories will be in good condition and in operating order. Shower and/or tub walls will be free of cracks, holes, and/or blemishes. Fiberglass tubs, fiberglass wall coverings, and fiberglass receptors may be repaired in an approved and recognized manner based upon manufacturers' specifications.
2. Windows will operate in their designed manner. Ventilation fans will operate in accordance with their intended design.
3. Ground Fault Circuit Interceptors (GFCI) will be operational and/or installed per current building code standards in which the structure was designed or regulated.
4. Countertops, vanities, and cabinetry will be in good condition and free of cracks, blistered paints or finishes. Door and drawer hardware will be in good working order. Broken and/or missing hardware will be replaced with equal, or better, materials. Water damaged shelving will be replaced with equal, or better, materials.
5. Medicine cabinets and/or wall mirrors will be in good condition.
6. Accessory items; i.e., toilet paper dispenser, towel racks, shower or

tub doors, soap dispensers, and similar accessories shall be in good condition and replaced if missing or damaged.

7. Bathroom floor covering will be watertight and properly sealed with an approved compound around the water closet and tub or shower enclosure. Vinyl top set base, pine stock shoe molding, or equivalent will be installed around floor edges.
8. Water closets will operate properly in accordance with their design. Water closet components located inside the tank cannot be pieced together and should be replaced in their entirety to meet Title 24 Energy Standards. Water closets that are replaced will have a new wax seal installed, water supply line and a shut-off valve.
9. Light fixtures will be operational. Fixtures must be securely fastened to the wall or ceiling. Fluorescent light fixtures intended to meet with Title 24 Energy Conservation requirements cannot be replaced with a conventional light fixture. Fluorescent ballasts will be serviced and replaced as necessary.
10. Ceramic wall or floor tiles with missing grout will be replaced by removing all loose or deteriorated grout. Broken or missing tiles will be replaced with equal and matching materials.
11. Drain, waste, and vent piping will be maintained in accordance with their intended design. Damaged, missing or leaking drain, waste or vent lines will be replaced with equal, or better, materials.

E. Electrical

1. Service entrance cable, overhead, and underground conductors will be maintained in accordance with building code standards in effect at the time of their installation. This includes, but is not limited to, weather-heads and required height clearances over public or private property.
2. The main service panel will be maintained in accordance to its installation requirements. This includes, but is not limited to, circuit breakers or disconnects, fuses, cartridges, and overcurrent protection devices, grounding and bonding methods.
3. All circuit breakers and/or disconnects will be legibly marked to indicate its purpose. The markings will be sufficiently durable to withstand the environment involved.
4. Outlets, fixtures, and switches will be randomly tested to ensure safe and efficient operation. Outlets with reserved polarity or open ground will be repaired or replaced accordingly. Missing or damaged outlets, fixtures, and switches will be replaced with compatible hardware for the rated system.
5. Outdoor receptacles and exterior light fixtures will be rated for their

exterior usage. Weather protection of receptacle and fixtures will be in accordance with current building code standards.

6. Smoke detectors, whether hardwired or battery operated, will be installed and/or maintained in accordance with current building code standards. Battery-operated smoke detectors will be installed in all rooms used for sleeping purposes.

F. Kitchen and Appliances

1. Cabinets will be in good condition and working order, including all associated hardware. Cabinet drawers and door hardware will be in good condition and repaired, or replaced, as needed with new materials. Cabinet finish will be in good condition, free of cracks, voids, blemishes, and peeling or blistered finishes. Overhead and base shelving will be clean and in good condition. Deteriorated shelving will be replaced with equal, or better, wood products.
2. Countertops that are laminated, ceramic tile, granite, or a combination thereof will be maintained in good condition, free of cracks, voids, missing or broken ceramic tile and grout. Surfaces will be of non-absorbent materials. Countertops with excessive visible wear, cracking, broken or missing tiles will be replaced in their entirety.
3. Kitchen sinks will be free of rust and/or broken porcelain. Excessive wear and/or damage sink finishes will require the fixture to be replaced. Garbage disposal units will be operational and in good condition, or replaced with an equal, or better, appliance of equal rating and horsepower.
4. Built-in appliances; i.e., dishwasher, ranges, ovens, cook tops and microwaves will be operational, clean, and in good working order. Defective appliances will be replaced with equal, or better, rated appliances. All gas-fired appliances that are replaced will have a new gas supply line installed with the appliance and meet State Title 24 Energy Standards.
5. Range hoods, duct-type or ductless, including filters, will be clean and in operating order. Exhaust ducts will be properly installed per building code standards. Faulty or excessively filthy ventilation equipment will be replaced with a range hood of equal rating and exhausting capabilities.
6. Floor coverings will be clean and free of tears, voids or blemishes. Ceramic floor tiles will be free of cracks and deteriorated grout. Missing floor tile, ceramic or vinyl, will be replaced with an equal, or better, matching product. Replacement of sheet vinyl flooring will be done in one-piece continuous application. Vinyl top set baseboard, pine stock shoe base molding or pine stock quarterround will be installed at all floor edges.

G. Interiors

- 1.** All interior floors of hardwood, ceramic tile, sheet vinyl goods, or wall-to-wall carpeting will be maintained in good condition. Soiled, stained, or discolored carpeting will be replaced with new padding and carpeting. Damaged ceramic tile or sheet vinyl goods will be replaced with compatible and equal value materials. Hardwood floors will be sanded and free of cracks, voids, and blemishes. Damaged materials will be replaced with equal and comparable materials. Hardwood floors will receive a minimum two coats of an approved hardwood lacquer or varnish application.
- 2.** Walls and ceilings of gypsum wallboard or plaster will be free of voids, cracks, or other defects. Severely damaged drywall will be replaced within the nearest wood stud in each direction and textured to match existing surfaces. Drywall patches are permitted when the damage is relatively minor in nature. Ceilings with acoustic applications will be maintained in good condition. Wallpaper applied to rooms will be clean and free of tears, holes or other blemishes. Damaged wallpaper will be replaced or removed in its entirety and an approved wall texture applied to match existing surfaces.
- 3.** Interior or exterior stairs, porch, decks, or balcony railings will be maintained in a safe manner designed to withstand lateral loads as specified in current building code standards. Loose railings will be repaired in a workmanlike manner. Missing stiles, newels, or banisters will be repaired and/or replaced with equal and matching finished materials.
- 4.** Fireplaces will be clean and free of debris. Dampers will be installed and operational per manufacturer recommendations and/or current building code standards. Metal pre-fabricated fire boxes that were installed in conformance with Title 24 Energy Conservation requirements will be maintained by installing screens and fire-resistive glass doors when missing or damaged. Gas lines servicing fireplaces will be maintained in accordance with building code standards and be provided with a shut-off valve key if missing.
- 5.** Interior doors will be free of holes and blemishes. Door hardware including hinges, strikes, jambs, casings and passage hardware will be in good condition, repaired or replaced with new materials. Bathroom doors will have a privacy lock.
- 6.** Windows will open and close without difficulty. Screens will be installed on all windows. Appliances will not be permitted to be installed through window openings that affect natural lighting and ventilation, or emergency ingress or egress. Windows that are replaced will be of equal or better insulating value. Windows that are replaced will not decrease the size of the existing window opening. All windows will have locking mechanisms and be double-glazed per Title 24 Energy Standards.

7. All interior wall surfaces will be clean and free of dirt, grease or other foreign substances. All interior walls will be free of voids, cracks, and blemishes using an approved compound. Any areas that have been patched will be primed prior to painting. Interior walls will be painted with flat alkyd-based paint. Kitchens, bathrooms and laundry areas will be painted with an enamel-based paint. All interior wood trim, molding, doors and other wood products will be painted with an enamel-based paint. Paint should be sufficient and equally applied to cover existing wall or ceiling surfaces without colors bleeding through.

Disclosure: All contractors and sub-contractors on rehabilitation activities in which they are participating in federally owned housing or housing receiving federal assistance built prior to January 1, 1978, will comply with the Lead-Based Paint Regulations under CFR 24 part 35, et al., Requirements for Notification, Evaluation, and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance.

The contractor or participant should check with the County for further clarification and prerequisites prior to rehabilitation.

H. Attic

1. Attic access will be maintained in accordance with current building code standards. Stairs, pull-down ladders, scuttle holes will be maintained in good condition.
2. Insulation in attic spaces will be maintained in conformance with Title 24 Energy Conservation requirements, or current building code standards in which the insulation was installed.
3. Attic space will not be floored unless designed for such purposes.
4. Attic ventilation will be maintained in accordance with current building code standards. Ridge vents, soffit vents, turbines, roof vents, roof screens, dormers, gable-end louvers and/or attic fans will be maintained in good condition, free of damage, bent or missing components.

I. Roofing

1. Existing asphalt shingle roofs will be free of displaced, curling, or deteriorated shingles. Asphalt shingles may be overlaid in accordance with current building code standards. A building permit is required for roof overlays requiring a pre-deck and final inspection.
2. Wood shingles and wood shake roofs that have evidence of excessive roof leaks and/or significant deterioration will be replaced in their entirety with fireproof shingles. Space sheathing will be replaced with solid wood sheathing. Wood shingles or shake roofs

may be repaired where the aggregate square footage for repair does not exceed 100 square feet. Wood shingle or shake roofs will need to appear to have a remaining life span of a minimum of 5 years or be replaced. The Housing Inspector will make an on-site assessment of the life span of the roof. Applications of materials will be in accordance with current building code standards and/or manufacturer recommendations.

3. Concrete tile, clay tile, or similar tile roofs will be repaired accordingly.
4. Roof flashing, valley flashing, diverters, and drip guards will be new and will be aluminum or galvanized metals when replacing existing roof systems with new materials.
5. Existing gutters and downspouts will be maintained and utilized for their intended design. Damaged or missing materials will be replaced with aluminum, galvanized metal, vinyl, or equal products. Extensions will be installed to direct the flow of water away from the structure.

J. Exterior

1. Exterior doors at entryway, garage man-doors, and slider doors, garage overhead doors will be maintained in good condition. The use of hollow core doors are not permitted for exterior use unless rated for such use and pre-approved by the Project Inspector. Doorframes, jambs, casing, hinges, strikes and passage hardware will be in good condition and working order. Double-keyed entry dead bolt hardware is prohibited.
2. Garage door springs should be inspected to ensure safe operation. The installation of new garage overhead door hardware or springs shall comply with safety standards. This is intended to prevent death or injury resulting from the breakage of garage door springs.
3. Skylights will be in good condition for their intended use and design. Evidence of extensive moisture stains around ceilings adjoining skylights will result in the replacement of an equal, or better, I.C.B.O. approved and rated skylight.
4. Exterior wall coverings will be maintained in a good condition free of excessive cracking, broken plaster, or deteriorated wood siding. Cracks in stucco walls exceeding one-quarter to one-half inch will be parged with approved filler to match existing surfaces. Deteriorated wood siding will be replaced in its entirety. The use of paint on exterior stucco surfaces is prohibited unless rated for masonry surfaces. Existing buildings with paint-on-stucco will be sand blasted, or high pressured water blasted, when the surface paint has peeled, blistered or deteriorated over 50% of the total aggregate painted surface. Loose, chipped, peeling or blistered paint-on-stucco in smaller concentrated

areas will be removed and painted to match the existing surfaces as close as possible, or repainted in their entirety. Stucco surfaces will be color-coated, stained, fog sealed or other pre-approved application. This application may require an on site inspection by the Project Coordinator and and/or Housing Inspector for clarity.

Exterior wood trim will be void of rot, extensive warping and twisting. Wood trim will be replaced with equal, or better, wood trim when damage is evident, or as directed by the Project Coordinator.

5. Exterior painting of wood surfaces, if necessary, will include applying an approved exterior compound on all joints, cracks and blemishes. All blistered, peeling and/or chipped paint will be removed. All exposed wood surfaces will be primed with an approved paint primer. Coverage of exterior wood surfaces should be applied evenly and sufficiently covering all wood surfaces and prevent bleeding through of existing surface paint. Exterior painting will include all attached accessory structures.

K. Grounds

1. Front and side yard landscaping will be maintained, including the trimming of existing shrubs, trees and/or vegetation. Front and side yards lacking in any form of landscaping will be prepared in an approved manner (acceptable to recognized industry standards) to receive a blend of tall fescue hydro-seed evenly applied. Maintenance may be required to ensure that the hydro-seed takes hold and growth is established.
2. Front and sides yards with established irrigation systems will be repaired to ensure their operation. Those properties without front and side yard irrigation systems will have irrigation piping installed in accordance with current building code standards and be inspected for installation and coverage. A site inspection by the Project Coordinator and/or Housing Inspector will be conducted to determine sufficient coverage of landscaped areas.
3. Sidewalks, walkways, driveway, and other improved surfaces will be free of oils and grease deposits. Asphalt paving or concrete paving with extensive cracking, buckling, pot holes, up-lifting exceeding one-quarter inch will be repaired in an acceptable manner to prevent further hazards or injury.
4. Block walls, retaining walls, wood fencing, chain link fencing, wrought iron fences, pilasters, or any combination thereof, will be maintained in good and safe condition and be repaired, removed and/or replaced as necessary to stabilize the integrity of the improvement.

L. Amenities

1. Pools and spas will be clean and free of debris and the water treated

to prevent the migration of insects or the development of algae. All pool and spa equipment will be in a safe and operational condition. Motors, aerators, switches, lights, heaters, pool or spa covers will be in good and safe working condition.

2. Fencing will be in accordance with local and state laws and codes.
3. Outbuildings will be maintained in a safe condition. Deteriorated outbuildings will be removed or repaired to eliminate hazards or injury.

M. Summary

The goal of the County is to provide quality housing to qualified applicants. The objective of the participants is to provide decent, safe, sanitary, and habitable housing that represent a "turn-key" property for the homebuyer.

There may be additional requirements through further examination and inspections, as identified on a case-by-case basis.

EXHIBIT F – Buyer Certification

NEIGHBORHOOD STABILIZATION PROGRAM HOMEBUYER CERTIFICATION FORM

This information provided on this form is for ensuring eligibility for the Neighborhood Stabilization Program, and is for reporting purposes only and will be kept confidential.

Please answer the following questions

- 1) What is your households' annual gross income*? _____
- 2) Number persons in your household? _____
- 3) Do you intend on occupying this property, as your principle residence for a period of not less than 3 years? ☐ Yes ☐ No

I/We hereby certify the answers to the above questions to be true.

PRINT YOUR NAME _____

Signature

PRINT YOUR NAME _____

Signature

PROPERTY ADDRESS: _____

*Households annual gross income is the cumulative amount of income, regardless of the source, from any and all persons who will be living in the home being purchased.

To be filled out by County staff. Is homebuyer at or below 120% of the area median income at time of purchase? Yes _____ No _____

Does homebuyer intend on occupying property as their principle residence? Yes _____ No _____

EXHIBIT G – Eminent Domain Letter

Grantee or Agency Letterhead

(date)

REO Seller
Address

RE: (Property Address and/or Loan Number)

Dear _____:

Riverside Housing Development Corporation, a California Corporation is interested in acquiring property you own at (address) _____ for a proposed project which may receive funding assistance from the County of San Bernardino under the U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP).

Please be advised that Riverside Housing Development Corporation, does not have authority to acquire your property by eminent domain. In the event we cannot reach an amicable agreement for the purchase of your property, we will not pursue this proposed acquisition.

Under the NSP, we are required to purchase foreclosed property at a discount from its current market appraised value. Our appraisal indicates the property's market value is \$_____. We are prepared to offer you \$_____ to purchase your property. This offer is less than the current market appraised value as required by the NSP. Please contact us at your earliest convenience if you are interested in selling your property.

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), owner-occupants who move as a result of a voluntary acquisition are not eligible for relocation assistance. A tenant-occupant who moves as a result of a voluntary acquisition for a federally-assisted project may be eligible for relocation assistance. Such displaced persons may include not only current lawful occupants, but also former tenants required to move for any reason other than an eviction for cause in accordance with applicable federal, state, and local law. If your property is currently tenant-occupied or a tenant lawfully occupied your property within the past 3 months prior to our offer, we need to know immediately. Further, you should not order current occupant(s) to move, or fail to renew a lease, in order to sell the property to us as vacant.

If you have any questions about this notice or the proposed project, please contact

(name)_____, (title)_____,
(address)_____, (phone)_____.

BY:_____