

# Follow-up Documentation for Item 10.

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## 2. Option Agreement and Staff Report



REDEVELOPMENT AGENCY STAFF REPORT

To: Honorable Chair & Agency Board

From: Curtis Yakimow, Treasurer

Date: May 12, 2011

For Agency Meeting: May 17, 2011

Subject: Senior Affordable Housing Development Financial Commitment Resolution and Option Agreement

Prior Agency Review: The Agency authorized the release of the Request for Qualifications at its meeting of June 15, 2010. The Agency approved the selection of National Community Renaissance of California (CORE) as the development entity to deliver an affordable senior housing opportunity. The Agency reviewed site alternatives at its meeting of November 16, 2010 and recommended the Dumosa site as the preferred site for the proposed Project. The Agency authorized an Exclusive Negotiating Agreement (ENA) with CORE on December 21, 2010.

Recommendation: It is recommended that the Board:

- 1. Adopt the resolution providing a financial assistance commitment to CORE subject to a Disposition and Development Agreement (DDA) in the amount of \$3.2 million in accordance to the standard terms and conditions in the referenced Letter of Financial Commitment for the proposed Senior Affordable Housing Project, and direct staff to forward a Letter of Commitment to CORE for inclusion in the HUD 202 application;
2. Approve the Option Agreement providing site control of the Dumosa/Hwy 62 property to CORE for the proposed Senior Affordable Housing Project.

Executive Summary: Redevelopment law requires agencies to spend no less than 20% of tax increment for affordable housing programs. Affordable housing programs can take on many forms, from repair programs, to rehabilitation, to acquisition and rehabilitation, and include construction of new affordable units.

There have been no affordable units produced in the Project Area since the Redevelopment Plan was adopted in 1992. Since the Redevelopment Plan was adopted through 2008-2009, the Agency was required to produce 44 affordable units and 18 very low income units.

Based upon the projection of 147 units anticipated to be constructed in the project area

Reviewed By: [Signatures] Town Manager, Town Attorney, Mgmt Services, Dept Head

X Department Report, Ordinance Action, X Resolution Action, Public Hearing, Consent, Minute Action, Receive and File, Study Session

through 2013-2014, 23 of these units would need to be affordable with 10 of these units affordable to very low income households. Therefore the Agency has a projected need of 67 affordable units to be developed through the end of 2013-2014.

To meet this need, the Agency has progressed with the initial development of a 75-unit affordable housing complex for very low to low income seniors on the Town's Dumosa site. When completed, this development would greatly assist the Agency in meeting both near and long term affordable housing goals.

The proposed actions will provide the Agency funding and site control commitments necessary for the completion of the grant application that will be submitted to HUD under HUD's Section 202 Notice of Funding Availability (NOFA) 2010-11 funding round, due June 1, 2011. The Option Agreement and commitment to provide funding are both conditional upon the Agency and CORE entering a final DDA and holding a public hearing pursuant to Health & Safety Code Section 33433. Nothing in the actions proposed today limits or waives the Agency's or Town's exercise of discretion with respect to the DDA and/or future public hearings.

#### **Order of Procedure:**

- Request Staff Report
- Agency Questions of Staff
- Request Public Comment
- Agency Discussion
- Motion/Second
- Discussion on Motion
- Call the Question (Roll Call Vote)

#### **Discussion:**

Since receiving Agency Board direction in December 2010, CORE, Agency and Town staff has worked diligently in meeting the accelerated timelines associated with the various funding opportunities available to the project. Given the scope and quality of the proposed affordable housing project, it would not be possible for the Agency to construct such an asset without the leveraging of other funding sources. The key funding source in the initial pro forma for the project is HUD's Section 202 Notice of Funding Availability (NOFA) 2010-11. If successful in the award, this grant will provide over half of the funding resources at \$12.2 million of the \$23.0 million of the project costs as indicated in the pro forma summary below. The full pro forma and cost detail is included as an attachment to this staff report.

**Yucca Valley/CORE**  
**Sr. Housing Project - Dumosa/SR 62**  
**Pro Forma - Sources**

**SOURCES: PERMANENT**

|                                     |                     |             |
|-------------------------------------|---------------------|-------------|
| Permanent Loan                      | \$0                 | 0%          |
| Towne of Yucca Valley               | \$1,681,726         | 7%          |
| LIHTC Equity                        | \$7,735,266         | 33%         |
| County of San Bernardino HOME funds | \$1,580,000         | 7%          |
| Deferred Dev Fee                    | \$0                 | 0%          |
| AHP                                 | \$0                 | 0%          |
| <b>HUD 202</b>                      | <b>\$12,205,978</b> | <b>53%</b>  |
| <b>TOTAL</b>                        | <b>\$23,202,970</b> | <b>100%</b> |

HUD Section 202 Application Process

As with any state or federal grant, the competition for grant dollars is extremely competitive with multiple agencies vying for limited dollars. As such, in order to be competitive in the process and have a real possibility of achieving an award, the submitting agency's application must meet or exceed as many of the HUD Section 202 point qualifications as possible. The HUD section 202 point criteria are attached for the Boards review.

In summary, the essential criteria to be addressed in the completed application include the following:

| <u>Criteria</u>              | <u>Possible Points</u> |
|------------------------------|------------------------|
| 1. Capacity of the Applicant | 23                     |
| 2. Need of the Community     | 12                     |
| 3. Soundness of Approach     | 49                     |
| a. Transit Served            |                        |
| b. Amenity Served            |                        |
| c. Readiness                 |                        |
| d. Commitment of Funds       |                        |
| e. Job Creation              |                        |
| 4. Leverage of Resources     | 6                      |
| 5. Achieving Results         | 10                     |
| 6. <u>Bonus Points</u>       | <u>2</u>               |
| <b>Total Points Possible</b> | <b>102</b>             |

Throughout this preliminary project design process, Agency staff and CORE have been committed to completing an application that is as competitive as possible. To that end, there has been considerable effort toward achieving maximum points.

### Financing and Site Control Factors

As indicated in the criteria listing above, two specific factors that HUD will look for in the application is the financial commitment by the Agency, and the ability of the applicant (CORE) to demonstrate site control. The definitions of meeting these criteria are detailed and specific to HUD, and must follow their standard application form. Accordingly, this financial commitment and option agreement is developed for the sole purpose of the HUD Section 202 application.

### Financial Commitment

In terms of financial commitment, it is recommended that the Agency authorize a \$3.2 million loan towards the Sr. Housing Project. This amount is derived from the project pro forma and is based on the leveraging amount required by HUD to attain maximum scoring on those criteria. Additionally, it is recommended that the land required for the project be donated to the project for \$1.

This approach will limit the amount of Gap Funding required from the Agency to the recommended \$3.2 million. In addition, it is the intent of the Agency and CORE to actively seek San Bernardino County HOME funds in the amount of \$1.5m to further reduce the financial commitment of \$3.2 m to \$1.7m. Finally, the project costs include an allocation for project contingency. Any savings in project costs would offset the Agency contribution to the project.

The recommended financing commitment is structured as a loan to be subject to a final Disposition and Development Agreement that both the Agency and CORE would enter into in order for the project to move forward. If the Agency and CORE cannot agree or execute a DDA, the financial commitment terminates. The final DDA will provide the comprehensive language and all protections necessary to ensure that the funds are utilized, securitized, and structured to the satisfaction of the Agency, CORE and HUD.

### Option Agreement

Similar to the financial commitment criteria, HUD also requires complete site control to ensure that should an award be granted, there are limited grounds for the project not to move forward. The proposed option agreement is crafted to meet the requirement of the HUD grant application, while leaving the necessary protections in place should the grant award not be given. As with the financial commitment arrangement, the Option Agreement

is subject to the completion and execution of a DDA, again in an acceptable form to the Agency, CORE and HUD. In the absence of such a DDA, the Option Agreement will not be in effect.

The proposed actions will allow the Agency to provide CORE with the necessary commitments and formal documents to include in the June 1, 2011 HUD Section 202 grant application, while providing assurance to the Agency that both the financial commitment and site control are subject to a broader DDA yet to be developed and the holding a public hearing pursuant to Health & Safety Code Section 33433. Nothing in the actions proposed in this item limits or waives the Agency's or Town's exercise of discretion with respect to the DDA and/or future public hearings.

**Alternatives:** None Recommended.

**Fiscal Impact:** If approved, the Agency would be committing \$3.2 million in financial assistance loans and sale of the Dumosa/SR62 property to the proposed senior affordable housing project upon the following actions:

- *HUD Notice of Funding Award.*
- *Execution of a DDA acceptable to the Agency, CORE, and HUD.*
- *Completion of all legally required public hearings and actions.*
- *Completion of all standard conditions and requirements typically related to similar developments.*

Further, it is the intent of the Agency and CORE to actively seek San Bernardino County HOME funds in the amount of \$1.5m to further reduce the financial commitment of \$3.2 m to \$1.7m. Finally, the project costs include an allocation for project contingency. Any savings in project costs would offset the Agency contribution to the project.

**Attachments:** Resolution  
Attachment A to the Resolution (Letter of Financial Commitment)  
Option Agreement  
Project Pro Forma and detail  
HUD 202 Scoring Criteria

## RESOLUTION

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RESOLUTION NO. RDA-11-

A RESOLUTION OF THE REDEVELOPMENT AGENCY, OF THE TOWN OF YUCCA VALLEY, CALIFORNIA, PROVIDING A FINANCIAL COMMITMENT TO NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA, FOR INCLUSION IN AN APPLICATION IN RESPONSE TO HUD'S SECTION 202 NOTICE OF FUNDING AVAILABILITY (NOFA) 2010-11 PURSUANT TO A FORTHCOMING DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE AGENCY AND NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA

WHEREAS, the Yucca Valley Redevelopment Agency (Agency) receives restricted tax increment fund revenues which are applied to Redevelopment programs, and

WHEREAS, the Agency receives restricted tax increment fund revenues which are applied to Affordable Housing Programs pursuant to State Redevelopment Law, and

WHEREAS, the Agency has an obligation according to California Redevelopment Law to provide affordable housing opportunities to low and moderate income residents within the project area, and

WHEREAS, National Community Renaissance of California (CORE), a non-profit housing development corporation, develops and manages affordable housing for very-low, low- and moderate income residents and promotes neighborhood revitalization and stabilization throughout the region, and

WHEREAS, CORE has entered into an Exclusive Negotiating Agreement related to the potential development of an affordable senior housing project to be located at the Agency's vacant property located at the intersection of Dumosa and S.R. 62; and

WHEREAS, the Agency and CORE have been working for the last year on a proposal to develop 75-units of affordable senior housing and the Agency has committed significant resources to make this project a reality, and

WHEREAS, Development of this affordable senior housing project will assist the Town in meeting its housing requirement as mandated by state regulations, and

WHEREAS, Development of this affordable senior housing project will improve access to senior services for our residents – co-locating the development adjacent to the Town Senior Center, library, museum, community center, and adjacent retail opportunities, and

WHEREAS, the Housing and Urban Development Department issued a Notice of Funding Availability (NOFA) for HUD's Fiscal Year 2010 Section 202 Supportive Housing for the Elderly Program, and this NOFA announces the availability of funding for up to approximately \$371 million for HUD's Section 202 Program for FY2010. HUD's Section 202 Program is authorized by section 202 of the Housing Act of 1959 (12 U.S.C. 1701q), as amended, and

WHEREAS, the scoring criteria related to the Notice of Funding Availability (NOFA) for HUD's Fiscal Year 2010 Section 202 Supportive Housing for the Elderly Program requires a demonstration of financial commitment by participating sponsors, and

WHEREAS, the Agency desires to assist CORE in establishing the most competitive application in response to Notice of Funding Availability (NOFA) for HUD's Fiscal Year 2010 Section 202 Supportive Housing for the Elderly Program,

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE TOWN OF YUCCA VALLEY DOES RESOLVE AS FOLLOWS.

Section 1. The Redevelopment Agency will provide a financial assistance commitment to CORE pursuant to a Disposition and Development Agreement in the amount of \$3.2 million in accordance to the form, standard terms and conditions in the Letter of Financial Commitment included as Attachment A to this resolution, for the proposed Senior Affordable Housing Project, and direct staff to forward a Letter of Commitment indicating same to CORE for inclusion in the HUD 202 application.

PASSED, APPROVED AND ADOPTED THIS 17<sup>th</sup> day of May 2011.

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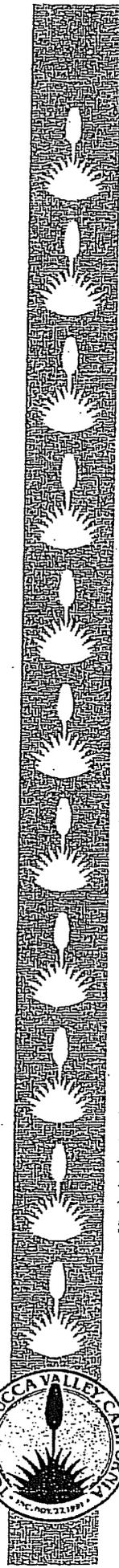
CHAIR

ATTEST:

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SECRETARY

**Attachment A to the Resolution (Letter of Financial Commitment)**



May 18, 2011

Mr. Orlando J. Cabrera  
National Community Renaissance of California  
9065 Haven Avenue, Suite #100  
Rancho Cucamonga, CA 91730

**RE: Yucca Valley RDA Senior Housing Funding Commitment**

Dear Mr. Cabrera:

The Yucca Valley Redevelopment Agency (Agency) is excited to see the HUD Section 202 application moving forward to completion and submittal by the June 1, 2011 deadline. The Housing Fund of the Agency is dedicated to providing affordable housing alternatives to the Yucca Valley community, and believes that National Community Renaissance of California's (National CORE's) proposed project development in the pending HUD Section 202 application (Project) that will be submitted to HUD under HUD's Section 202 Notice of Funding Availability (NOFA) 2010-11 funding round will successfully advance the housing objectives of the Agency.

To this end, on behalf of the Agency, I am pleased to inform you that Agency Low/Mod Housing loans in an aggregate amount not to exceed \$3,200,000 (Three million two hundred thousand dollars) and Agency property (the "Property"), as identified in a separate Option Agreement executed or to be executed between the Agency and National CORE as evidence of National CORE's site control for the HUD Section 202 NOFA application, are committed by the Agency for the Project subject to the standard terms stated herein. The Agency will transfer the Property for \$1.00 (One dollar), which property is currently appraised at \$941,000 (Nine hundred forty one thousand dollars). If all the requirements of this commitment are satisfied, the loans and the Property will be made available to the Project's developer and Section 202 Sponsor, National CORE; subject to the provisions stated in this funding commitment.



The Town of  
**Yucca Valley**

57090 Twentynine Palms Highway • Yucca Valley, California • 92387  
760/369-7207 • FAX 760/369-0626

This funding commitment is issued pursuant to and in reliance upon information presented in the HUD Section 202 NOFA in connection with HUD's 2010-11 funding round. It is also based upon National CORE's agreement that the Project will consist of not less than 75 units of affordable rental housing. This housing will be for seniors age 62 or older who are qualified as very low income with household income not exceeding 50% of Area Median Income (AMI), adjusted for household size, for San Bernardino County. To accomplish this goal, the grant documents for the land will contain appropriate restrictions on the use of the Project and rent charges in connection with the occupancy of the Project units by qualified seniors and their families, as applicable.

The loan term for the monetary contribution will be for a period of 55 years at a simple interest rate of 1%. The loan will be a residual receipts loan and no mandatory periodic payments will be due during the term of the loan. No loan origination or other loan processing fees will be charged to National CORE, with the exception of possible legal fees of the Agency's legal counsel(s). It is National CORE's or National CORE's designated borrower's responsibility to ensure that the Agency's legal counsel is provided with all the necessary documentation in a timely and professional manner.

As collateral for the loan, the Agency will take a mortgage and security position on the real property as identified in a Disposition and Development Agreement between the Agency and National CORE (the "DDA"), affecting the Property. This security position will not be any more junior than a third mortgage unless the Agency agrees otherwise in writing. A change in ownership of the Project or in the legal form of the owner of the Project, the placing of additional encumbrances on the Project without the prior written consent of the Agency, failure to maintain the eligible use of the Project as identified in the DDA, or default under senior mortgage loans, shall be among the events of default under the Agency Loan.

This funding commitment is subject to the following conditions to the satisfaction of the Agency:

1. Selection of the Project by HUD for a Conditional Funding Reservation through HUD's Section 202 program;
2. Successful development and execution of a Disposition and Development Agreement (DDA) between the Agency and National CORE related to the conveyance of the Property and further development of the Project in a form acceptable to the Agency, National CORE and HUD. Such DDA shall contain the usual and customary terms of such agreements entered into by the Agency for affordable housing projects, provisions for the donation/conveyance of the property as identified in the DDA, requirement that the Project be developed and operated by National CORE as an affordable housing rental project for a period of not less than fifty-five years, and other such customary provisions consistent with HUD Section 202 Program requirements;

3. Exercise of an Option Agreement between the Agency and National CORE for National CORE to acquire the Property pursuant to the terms and conditions of the DDA;
4. Successful completion of a statutorily required public hearing and report based upon California Health & Safety Code Section 33433 related to the disposition and conveyance of the donated property;
5. Submission to and approval by the Agency of a complete final funding request, which must include:
  - a. Updated development and operating pro-formas including a complete sources and uses of funds statement;
  - b. Evidence of a firm commitment to all acquisition, construction and permanent mortgage financing from those entities and in those amounts shown on the development pro-forma, and on such terms as are acceptable to the Agency.
6. Submission of satisfactory evidence that all legal, design, regulatory, and environmental requirements for the Project are fulfilled and all approvals and site surveys required for the Project are obtained;
7. Submission of and approval by the Agency of evidence of a satisfactory funding commitment for the Project's financing plan, including other financing sources such as tax credit financing, County of San Bernardino HOME funds, and any other funding sources as identified in the Project's pro forma;
8. Submission to and approval by the Agency of a final construction budget with bid prices from the selected general contractor.

Closing and funding of this financing commitment will be conditioned upon the fulfillment of all standard terms and conditions of this funding commitment, the successful development and execution of the DDA, and upon satisfactory submission of all documents required by a closing agenda to be prepared by the Agency's counsel for this loan and land donation to the Project.

This funding commitment will be in effect from the date accepted by National CORE as evidenced below, and shall continue until the earlier of (i) the date that is twelve (12) months after the date National CORE receives notice from HUD that National Core's application or applications (as applicable) for a fund reservation under the HUD Section 202 Program has/have been denied (without right of appeal) through HUD's 2012 Notice of Funding Availability ("NOFA") funding round (each a "Denied Fund Reservation") for the Project development, or (ii) five o'clock (5:00) P.M., Tuesday, December 31, 2013. National CORE shall provide Agency with copies of each HUD notice of a Denied Fund Reservation or a copy of the HUD notice of an approved or awarded Fund Reservation (the "Fund Reservation Approval Notice"), as applicable, within ten (10) calendar days of National CORE's receipt of same.

The Agency looks forward to the submission of the HUD Section 202 NOFA application and subsequent HUD selection for a Conditional Funding Reservation for this critical project in Yucca Valley. Through its completion, the Agency will be able to provide a greatly desired housing alternative to some of the neediest in the community.

Sincerely,

*Yucca Valley Redevelopment Agency*

**Mark N. Nuaimi**

Executive Director

This Funding Commitment shall be deemed accepted when it has been signed and a copy returned to the Yucca Valley Redevelopment Agency.

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National Community Renaissance of California

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Date

## Option Agreement

## OPTION AGREEMENT

This OPTION AGREEMENT ("Agreement") is made and entered into as of this \_\_\_\_\_ day of May, 2011 ("Effective Date") by and between **YUCCA VALLEY REDEVELOPMENT AGENCY**, a public body, corporate and politic ("Optionor"), and **NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA**, a California nonprofit public benefit corporation ("Optionee"), based on the following recital of facts:

### R E C I T A L O F F A C T S

- A. Optionor is the owner in fee of that certain real property located in the Town of Yucca Valley (the "Town"), County of San Bernardino, State of California and more particularly described in Exhibit "A" attached hereto (the "Agency Property"). Optionor desires to sell a portion of the Agency Property for the purpose of development of affordable rental housing thereon by a private developer. Said portion of the Agency Property is described by a metes and bounds legal description that is shown in Exhibit "B" attached hereto (the "Option Property").
- B. Optionee is a private nonprofit developer of affordable rental housing and is interested in developing elderly rental housing in the Town by using as its primary source of financing an elderly housing development the United States Department of Housing and Urban Development ("HUD") Section 202, Supportive Housing for the Elderly, capital advance program (the "HUD Section 202 Program"), as promulgated by the Housing Act of 1959, as amended (the "202 Act").
- C. Optionor and Optionee desire to enter into this Agreement to provide Optionee with a right of option to purchase and acquire the Option Property from Optionor upon the terms and conditions as set forth in this Agreement.
- D. Such option to purchase the Option Property is provided subject to the further terms, conditions and restrictions which may hereinafter be negotiated and accepted by the Optionor and Optionee and included in a final Disposition and Development Agreement between the Optionor and Optionee ("DDA") for the conveyance and development of the Option Property. This Agreement provides only for an option to purchase, and not for a final conveyance of the Option Property, which final conveyance shall only be made after a public hearing and report based upon California Health & Safety Code Section 33433 ("Section 33433") and as otherwise required by law, and only pursuant to the execution of the DDA. Therefore, Optionee's option to purchase the Option Property is strictly subject to the parties' successful entering of such DDA and the Optionor's exercise of discretion in the course of such Section 33433 hearing.

### A G R E E M E N T

NOW, THEREFORE, based on the foregoing Recital of Facts, which are incorporated herein by this reference, and in connection of the payment by Optionee to Optionor

of the sum of One Dollar U.S. (\$1.00), the receipt and sufficiency of which are hereby acknowledged, Optionor and Optionee hereby agree as follows:

1. OPTION TO ACQUIRE OPTION PROPERTY.

- 1.1 Grant of Option. Optionor grants to Optionee, and Optionee accepts from Optionor, an option to purchase the Option Property upon the terms and conditions as set forth and contained in this Agreement (the "Option").
- 1.2 Option Period. The Option shall commence on the Effective Date and, subject to Section 1.6 below, shall continue until the earlier of (i) the date that is twelve (12) months after the date Optionee receives notice from HUD that Optionee's application or applications (as applicable) for a fund reservation (the "Fund Reservation") under the HUD Section 202 Program has/have been denied (without right of appeal) through HUD's 2012 Notice of Funding Availability ("NOFA") funding round (each a "Denied Fund Reservation") the development of a rental apartment complex specially designed for persons or heads of household who are 62 years of age or older ("Project") or (ii) five o'clock (5:00) P.M., Tuesday, December 31, 2013 (the "Option Period"). Optionee shall provide Optionor with copies of each HUD notice of a Denied Fund Reservation or a copy of the HUD notice of an approved or awarded Fund Reservation (the "Fund Reservation Approval Notice"), as applicable, within ten (10) calendar days of Optionee's receipt of same.
- 1.3 Application of Consideration to Purchase Price. If the Option or any extension thereof is exercised in accordance with the terms of this Agreement, the consideration paid hereunder by Optionee to Optionor shall apply towards the Purchase Price (as defined below).
- 1.4 Purchase Price. If the Option is exercised by Optionee, the purchase price ("Purchase Price") is the sum of One Dollar U.S. (\$1.00). The willingness of Optionor to sell the Option Property to Optionee for the Purchase Price is subject to, and in consideration of, Optionee agreeing to enter into a DDA with Optionor (the "DDA") and all other public hearing, Section 33433, Brown Act and other legal requirements referred to in Sections 5.9, 5.10 and 5.11 hereof.
- 1.5 Exercise of the Option. In the event Optionee elects to exercise the Option and has performed all acts in the time and manner as required by and under the terms of this Agreement, and, therefore, is not in breach of or in default under any provision hereof, Optionee shall initiate its exercise of the Option by delivering to Optionor on any day prior to the end of the Option Period a written notice of Optionee's election to purchase and acquire the Option Property. Optionee must elect to exercise the Option as to the entire Option Property and shall not be permitted to exercise the Option as to any portion or all of the Agency Property except for the portion that constitutes the Option Property.

- 1.6 Automatic Termination. In the event (i) Optionee does not elect to exercise the Option to purchase the Option Property in the manner set forth in Section 1.5 above prior to the expiration of the Option Period, or (ii) Optionee's application for the Fund Reservation has not resulted in a Fund Reservation Approval Notice from HUD through HUD's 2012 NOFA funding round, then (unless the Option Term has been extended by a written amendment to this Agreement, which extension and the approval thereof shall be subject to negotiation and agreement between Optionor and Optionee), or (iii) Optionee notifies Optionor of its intent to exercise the Option, but then fails to meet the conditions stated in Sections 5.9, 5.10 or 5.11 hereof, then the Option shall automatically terminate without any notice to Optionee, and all rights of Optionee in and to the Option Property shall, thereupon, cease. Such termination shall not release either party, however, from its obligations pursuant to Sections 6.1, 6.3 or 8.2 hereof, which sections shall survive the termination of this Agreement.
2. MEMORANDUM OF OPTION. Within ten (10) calendar days of the execution of this Agreement, Optionor and Optionee shall execute the Memorandum of Option Agreement in the form and substance as attached hereto as Exhibit "C" (the "Memorandum of Option"). The executed Memorandum of Option shall then be recorded in the Official Records of the Recorder of San Bernardino County, California (the "County Recorder"). In the event this Agreement shall terminate pursuant to Section 1.6 hereof, Optionee agrees to execute and record in the office of the County Recorder a quitclaim deed to the Option Property (or similar instrument rescinding the Memorandum of Option) within five (5) calendar days of said termination which instrument shall specifically rescind the Option provided under this Agreement.
3. OPTIONEE'S INVESTIGATION, INSPECTION AND REVIEW OF OPTION PROPERTY. Optionee, at its sole cost and expense, shall have the right to make such independent investigations, inspections, tests, reviews, studies or surveys of the Option Property as have already been provided to Optionee pursuant to that certain Exclusive Negotiating Agreement ("ENA") entered into by and between Optionor and Optionee on or about December 21, 2010, and the "Early Entry Permit" accompanying such ENA.
4. FUND RESERVATION. As additional consideration for the granting of the Option, it is understood by Optionor, and Optionee agrees, that Optionee intends to and shall submit to HUD as a minimum a NOFA application for a Fund Reservation in connection with HUD's 2010 NOFA funding round under the HUD Section 202 Program that shall be due on June 1, 2011 (which date may be extended by HUD at HUD's option). Thereafter, Optionee shall operate in good faith in the NOFA application for a Fund Reservation in HUD's 2011 and/or 2012 NOFA funding rounds (should Optionee receive a notice or notices of a Denied Fund Reservation in connection with a prior NOFA funding round application); however, Optionee's decision to apply to HUD for a Fund Reservation under the HUD Section 202 Program in a future NOFA funding round that is inclusive of the Option Period, as may be extended pursuant to Section 1.2 hereof, shall be at Optionee's sole discretion. In the event that Optionee receives a Fund Reservation with terms and conditions that are acceptable to Optionee it shall dutifully

perform all actions as may be reasonably required to secure the Fund Reservation from HUD.

5. CONVEYANCE & ESCROW PURSUANT TO DDA. As required by the California Redevelopment Laws, Health & Safety Code §§ 33000 et seq. ("CRL"), no final conveyance of any real property interest in the Option Property shall be made until the notice, public hearing and reporting requirements of Section 33433 have been satisfied and the parties have entered into a DDA. To this end, a conditional escrow for Optionee's prospective purchase of fee title to the Option Property ("Escrow") has been opened with Fidelity National Title Company, 1300 Dove Street, Suite 310, Newport Beach, CA 92660 (the "Escrow Agent"). The Escrow and title number with the Escrow Agent shall be 11-259925734-SB. Said Escrow shall terminate automatically if the other conditions stated in this Article 5 are not met. Within five (5) working days following adoption of the DDA, the parties shall execute escrow instructions for the sale/purchase of the Option Property and deliver same to the Escrow Agent upon and subject to the following general terms and conditions (which terms and conditions shall be further detailed in the DDA):

- 5.1 The Escrow shall be for a period not exceeding one hundred twenty (120) days;
- 5.2 The Purchase Price shall be paid in cash to Optionor at time of closing of the Escrow (the "Escrow Closing Date") through payment to the Escrow;
- 5.3 Optionee shall have the right to review and approve the status of the title of the Option Property prior to the Escrow Closing Date. Such title shall also be subject to the approval of HUD and any other lenders or grantors;
- 5.4 Escrow Agent, as title insurer ("Title Company"), shall also act as title insurer in connection with the transfer of the Option Property from Optionor to Optionee, and at Optionee's election, may be asked to provide escrow and title services to Optionee in connection with the HUD Section 202 Program closing, including issuance and delivery of loan policies to HUD and Optionee's subordinate lenders and/or grantors. The cost of all policies of title insurance, including the owner's policy (which is expected to be an ALTA Owner's Policy) and loan policies to HUD and Optionee's subordinate lenders and/or grantors, shall be Optionee's sole expense.
- 5.5 Optionee shall pay recording charges and one-half of the escrow charge. Any other escrow costs and charges shall be borne one-half by Optionor and one-half by Optionee;
- 5.6 Optionor shall deposit an executed grant deed conveying fee title of the Property to Optionee or Optionee's permitted assignee into escrow for delivery to Optionee at close of escrow;
- 5.7 Possession and fee title shall be given to Optionee on and as of the Escrow Closing Date;

- 5.8 Current taxes and assessments (if any) shall be prorated on and as of the Escrow Closing Date. Any past due taxes and assessments shall be charged to Optionor. Taxes shall be computed, if undetermined, by the Escrow Agent on the basis of the last available tax rate and valuation;
- 5.9 Optionor and Optionee shall have entered into the DDA in form and substance acceptable to Optionor, Optionee and HUD. The DDA shall contain: the usual and customary terms of such agreements entered into by Optionor for affordable housing projects; provisions for the sale of real property for the Purchase Price; and the provisions set forth in this Article 5 including provisions supplementary to or superseding the provisions contained in this Article 5. The DDA shall provide for the Optionor's loan or loans to Optionee of up to the amount listed in the Optionor's Letter of Funding Commitment, included as Exhibit D to this agreement, for use by Optionee in the pre-development and development of the Project as applicable (collectively, the "Agency Loan"). The Agency Loan shall be junior to the HUD Section 202 Capital Advance and, depending on the Agency's source of funding the Agency Loan which has yet to be identified, shall include a regulatory agreement or restrictive covenant that ensures the Optionor/Agency that the Option Property shall be developed and operated by Optionee (including Optionee's successor, if any) as an affordable housing rental project for a period of not less than fifty-five (55) years as required by the CRL. The DDA shall also contain customary and ordinary subordination provisions consistent with HUD Section 202 Program requirements;
- 5.10 Close of Escrow is strictly conditioned upon Optionor having conducted all legally required notices and hearings pertaining to the disposition of the Option Property, including the notice, public hearing and reporting requirements of Section 33433, and the completion of a DDA. Optionee acknowledges and agrees that nothing herein shall be deemed to restrict the Town or Optionor/Agency in the exercise of their discretion or in the exercise of their executive and legislative powers; and
- 5.11 Close of Escrow is strictly conditioned upon approval by the Town of Yucca Valley and/or Optionor and/or any other governmental agency with jurisdiction, of any land use approvals and entitlements which may be required for the Project including, but not limited to, zoning compliance and a building permit.

6. ZONING, LAND USE, COOPERATION.

- 6.1 Optionor agrees, within the bounds of and without waiving its discretion, to review and execute any and all documents and to join in or review as the enforcing agency of any applications that may be required to obtain any zoning, filing of maps, land use or development plan proposals by Optionee from applicable governmental agencies having jurisdiction in connection with the Option Property and the Project. Optionee agrees to hold Optionor harmless from any and all

costs and expenses in connection with the foregoing documentation and process.

6.2 As contemplated under, and provided by Section 7, SUBDIVISION OF AGENCY PROPERTY TO CREATE LEGAL OPTION PROPERTY, Optionee shall be responsible for any and all actions required for Optionor to convey a legally transferable lot or parcel pursuant to the Map Act, as hereafter defined.

6.3 REPRESENTATION AND WARRANTY OF OPTIONOR REGARDING ENVIRONMENTAL HAZARDS. To the best of Optionor's knowledge (i) no hazardous substances or conditions are or have heretofore been generated, treated, used, or stored, disposed of or deposited in or otherwise are existing in or on any portion of the Option Property during the period of Optionor's ownership thereof, and no substances or conditions are in, on or under the Option Property that would have a materially adverse effect upon the Option Property or in any way affect the use thereof or that may support a claim at common law or under any federal, state or local environmental statute, regulation, ordinance or other environmental regulation; and (ii) there are no seismic, soils conditions, geological defects or faults affecting the Option Property. For the purposes of this section, Optionor's "knowledge" shall mean the knowledge of those Town or Optionor employees directly involved with the acquisition, management and sale of the Agency Property, including the Option Property, and shall not require the Optionor to conduct any further testing of the Option Property.

7. SUBDIVISION OF AGENCY PROPERTY TO CREATE LEGAL OPTION PROPERTY.

7.1 Optionor's Power and Authority. Optionor is vested with the authority and power to determine and declare the Option Property, when transferred to Optionee in accordance with the terms and conditions of this Agreement, as a legal lot or parcel which the Title Company can insure pursuant to policies issued to Optionee, or its designee, and to HUD and Optionee's lenders and/or grantors. Optionor agrees that it will in good faith exercise its authority and power to declare the Option Property as a legal lot or parcel on or before the transfer of title to same to Optionee or Optionee's designee.

7.2 Subdivision Map Act Requirements. In the event cannot under California law determine satisfaction and/or compliances under, or waive, the requirements of the Subdivision Map Act (California Government Code Sections 667473, et seq.) (the "Map Act"), then Optionor and Optionee contemplate that the Agency Property will need to be subjected to a formal subdivision, a parcel split or a lot line adjustment (as applicable) in accordance with the Map Act. Should a tentative map, parcel map or lot line adjustment map need to be prepared and filed for record in the office of the County Recorder to create and cause the Option Property to be a legal parcel under California law, all such requirements and costs related thereto shall be

the Optionee's duties and responsibility and Optionor shall not be responsible except to the extent as provided in Sections 6.1 and 6.2 hereof.

8. RETENTION OF DISCRETION TO APPROVE PROJECT & DDA; SCOPE OF INTERESTS GRANTED HEREBY. The parties understand that, pursuant to the CRL, the Town of Yucca Valley and Optionor have the complete and unfettered discretion to reject the DDA, any findings or facts presented pursuant to a public hearing per Section 33433, and other documents related to the conveyance of the Option Property without explanation or cause. In this vein, this Agreement does not create any interest or estate in real property other than an unexercised option.

9. MISCELLANEOUS.

8.1 Attorneys' Fees. In the event of any dispute between the parties hereto involving the terms, conditions and agreements contained in this Agreement or arising out of the subject matter of the Option, the prevailing party shall be entitled to recover, and the other party agrees to pay, all reasonable fees, expenses and costs, including, but not limited, to reasonable attorneys' fees.

8.2 Indemnity. Optionee shall indemnify, protect, defend and hold harmless both Town of Yucca Valley and Optionor, including their respective elected officials, officers, employees, representatives, members, and agents from and against any and all challenges to this Agreement, including any challenges to this Agreement in re its compliance with the substantive and/or procedural requirements of the CRL, or any and all losses, liabilities, damages, claims or costs (including attorneys' fees) arising from Optionee's negligent acts, errors, or omissions with respect to its obligations hereunder, excluding any such losses arising from the sole negligence or sole willful misconduct of Town of Yucca Valley, Optionor or the conduct of third parties not under contract to or associated with, and outside the control of, Optionee. This indemnity obligation shall survive the termination of this Agreement. Town and Optioner shall have sole discretion in selecting its defense counsel.

8.3 Notices. Except for the notice requirement as set forth in Section 3 hereof, all notices required to be delivered under this Agreement to the other party must be in writing and shall be effective (i) when personally delivered by the other party or messenger or courier thereof; (ii) three (3) business days after deposit in the United States mail, registered or certified; (iii) twenty-four (24) hours after deposit before the daily deadline time with a reputable overnight courier or service; or (iv) upon receipt of a telecopy, electronic or fax transmission, provided a hard copy of such transmission shall be thereafter placed in the mail within twenty-four (24) hours, ordinary postage prepaid, addressed to the other party; in each case postage fully prepaid and addressed to the respective parties as set forth below or to such other address and to such other persons as the

parties may hereafter designate by written notice to the other parties hereto:

To Optionor: Yucca Valley Redevelopment Agency  
57090 29 Palms Hwy  
Yucca Valley, California 92284  
Attention: Executive Director

Copy to: Law Firm of Aleshire and Wynder, LLP  
18881 Von Karman Avenue, Suite 400  
Irvine, CA 92612  
Attention: Lona N. Laymon

To Optionee: National Community Renaissance of California  
9065 Haven Street, Suite 100  
Rancho Cucamonga, California 91730  
Attention: Julie Mungai, Senior Project Manager

Copy to: Gary Hoshiyama, Esq.  
Law Office of Gary Hoshiyama  
545 Sansome Street, Suite 825  
San Francisco, California 94111

8.4 Broker's Fees. Optionor and Optionee each represents and warrants to the other that no third party is entitled to a broker's commission and/or finder's fee with respect to the transactions contemplated by this Agreement. Each party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages and expenses, including, without limitation, reasonable attorneys' fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay broker's commissions and/or finder's fees.

8.5 Assignment. Optionee shall have no right to assign this Agreement or the Option herein granted or any right or privilege Optionee might have in this Agreement or in the Option, by operation of law or otherwise, without the prior written consent of Optionor, which consent shall be at the sole and absolute discretion of Optionor. Notwithstanding the foregoing, upon written notice to Optionor, Optionee shall have the right to assign this Agreement, including the right to exercise the Option, to a non-profit corporation, limited liability company or other qualifying entity that is formed by or affiliated with Optionee for the sole purpose of developing, owning, managing and operating the Project as required by HUD and the DDA, but such right shall not be valid and the transfer shall not be effective unless and until the assignee agrees in writing to carry out and observe Optionee's agreements hereunder pursuant to a formal written assumption agreement executed by Optionee's assignee and approved by Optionor.

8.6 Time is of the Essence. Time is of the essence with respect to each of the terms, covenants and conditions of this Agreement.

- 8.7 Binding on Successors and Assigns. Subject to the limitations set forth in Section 8.5 above, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto.
- 8.8 Modification, Waivers and Entire Agreement. Any amendments or modifications to this Agreement must be in writing and executed by both parties to this Agreement. No delay or omission by either party hereto in exercising any right or power accruing upon the compliance or failure of performance by the other party hereto under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either party hereto of a breach of any of the covenants, conditions or agreements hereof to be performed by the party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions thereof. This Agreement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and all negotiations and agreements, statements or promises between the parties hereto or their agents with respect to this transaction have been deemed merged in this Agreement, which alone expresses the parties' rights and obligations. No prior agreements or understandings not contained herein shall be binding on or valid against either of the parties hereto.
- 8.9 Interpretation; Governing Law; Forum. This Agreement shall be construed according to its fair meaning and as if prepared by both parties hereto. This Agreement shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement. Title and captions are for convenience only and shall not constitute a portion of this Agreement. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others wherever and whenever the context so dictates. In the event of any litigation between the parties hereto, the Superior Courts of the State of California in and for the County of San Bernardino shall have exclusive jurisdiction.
- 8.10 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
- 8.11 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this

Agreement, and (iv) the entering into this Agreement does not violate any provision of any other agreement to which said party is bound.

- 8.12 Execution in Counterpart. This Agreement may be executed in several counterparts and if so executed each counterpart when read together shall constitute a single agreement that is binding on and enforceable against the parties hereto.
- 8.13 Exhibits. Exhibits "A", "B", "C" and "D" attached hereto are hereby incorporated herein by this reference.

IN WITNESS WHEREOF, the parties hereto have executed this Option Agreement as of the day and year first above written.

OPTIONOR:

YUCCA VALLEY REDEVELOPMENT AGENCY,  
a public body corporate and politic

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name and Title)

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Lona N. Laymon, Agency Counsel

OPTIONEE:

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA,  
a California nonprofit public benefit corporation

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name and Title)

Exhibits

- "A" Legal Description of Agency Property
- "B" Legal Description (metes and bounds) of Option Property
- "C" Form of Memorandum of Option
- "D" Yucca Valley RDA Funding Commitment Letter

EXHIBIT "A"

[LEGAL DESCRIPTION OF AGENCY PROPERTY]

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

A PORTION OF THE SOUTHWEST 1/4 OF SECTION 36, TOWNSHIP 1 NORTH, RANGE 5 EAST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER UNITED STATES GOVERNMENT SURVEY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF TRACT NO. 4611, AS SHOWN ON THE MAP THEREOF, RECORDED IN BOOK 80, PAGES 21 AND 22, RECORDS OF SAID COUNTY; THENCE SOUTH 89°59'14" EAST ALONG THE NORTH LINE OF SAID TRACT NO. 4611, 239.15 FEET TO AN ANGLE POINT IN SAID NORTH LINE; THENCE NORTH 69°34'44" EAST ALONG SAID NORTH LINE 640.19 FEET TO THE NORTHEAST CORNER OF SAID TRACT NO. 4611; THENCE CONTINUING ON A NORTHEASTERLY PROLONGATION OF THE LAST MENTIONED COURSE, NORTH 69°34'44" EAST, 612.09 FEET; THENCE SOUTH 20°25'16" EAST, 290 FEET MORE OR LESS TO THE NORTHERLY LINE OF TWENTYNINE PALMS HIGHWAY; THENCE NORTHEASTERLY ALONG SAID NORTH LINE, 300 FEET MORE OR LESS TO THE SOUTHWEST CORNER OF THE PROPERTY CONVEYED TO HAROLD A. BAHR, ET AL BY DEED RECORDED IN BOOK 4226, PAGE 320 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE NORTHEASTERLY ALONG THE WEST LINE OF SAID BAHR PROPERTY, AND ITS NORTHERLY EXTENSION TO THE NORTHWEST CORNER OF PROPERTY CONVEYED TO HI-DESERT SOJOURNERS MASONIC CLUB, INCORPORATED, RECORDED IN BOOK 4233, PAGE 336 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE NORTH 32°05'58" WEST, 435.00 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHEASTERLY AND HAVING A RADIUS OF 76.19 FEET; THENCE NORTHEASTERLY ALONG SAID CURVE 134.17 FEET; THROUGH A CENTRAL ANGLE OF 100°54'19" TO A POINT OF TANGENCY ON A CURVE CONCAVE NORTHERLY AND HAVING A RADIUS OF 2062.50 FEET, SAID POINT BEING IN THE SOUTH LINE OF A RIGHT OF WAY DEEDED TO THE SAN BERNARDINO COUNTY FLOOD CONTROL RECORDED IN BOOK 5370, PAGE 423 OF OFFICIAL RECORDS OF SAID COUNTY, SAID POINT ALSO BEING 287.52 FEET FROM THE WESTERLY TERMINUS OF SAID CURVE; THENCE WESTERLY ALONG SAID CURVE 287.52 FEET THROUGH A CENTRAL ANGLE OF 7°59'14" TO SAID TERMINUS; THENCE ALONG LINE TANGENT THERETO AND BEING A SOUTH LINE OF SAID SAN BERNARDINO COUNTY FLOOD CONTROL RIGHT OF WAY, SOUTH 76°47'35" WEST, 1,177.68 FEET TO A POINT IN THE WEST LINE OF SECTION 36, TOWNSHIP 1 NORTH, RANGE 5 EAST, SAN BERNARDINO BASE AND MERIDIAN, SAID POINT ALSO BEING THE SOUTHWEST CORNER OF SAID SAN BERNARDINO COUNTY FLOOD CONTROL RIGHT OF WAY; THENCE SOUTH 0°00'16" WEST, ALONG SAID WEST LINE, 1,103.06 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL THAT PORTION LYING WITHIN TRACT 6501 AS PER PLAT RECORDED IN BOOK 83, PAGES 96, 97 AND 98 OF MAPS, RECORDS OF SAID COUNTY.

ALSO EXCEPTING THEREFROM THAT PORTION CONVEYED TO HI-DESERT WATER

DISTRICT BY GRANT DEED RECORDED OCTOBER 10, 1986 AS INSTRUMENT NO. 86-298105 OF OFFICIAL RECORDS.

APN: 0595-361-21-0-000 AND 0595-371-11-0-000

EXHIBIT "B"

[LEGAL DESCRIPTION (METES AND BOUNDS) OF OPTION PROPERTY]

THAT PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 1 NORTH, RANGE 5 EAST, SAN BERNARDINO MERIDIAN IN THE TOWN OF YUCCA VALLEY, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHEASTERLY EXTENSION OF THE EAST LINE OF PARCEL 4 OF PARCEL MAP 4575, AS SHOWN IN PARCEL MAP BOOK 67, PAGES 72 THROUGH 73, AND THE NORTHERLY RIGHT OF WAY OF STATE ROUTE 62;

THENCE NORTH 20°27'21" WEST 17.00 FEET ALONG THE EASTERLY LINE OF SAID PARCEL 4 AND ITS EXTENSION THEREOF TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 20°27'21" WEST 273.13 FEET ALONG THE EASTERLY LINE OF SAID PARCEL 4 AND ITS EXTENSION THEREOF;

THENCE SOUTH 69°32'39" WEST 2.09 FEET ALONG THE NORTHERLY LINE OF SAID PARCEL 4 TO THE SOUTHEASTERLY CORNER OF LOT 30 OF TRACT 6501, AS SHOWN IN MAP BOOK 83, PAGES 96 THROUGH 98;

THENCE NORTH 20°25'16" WEST 120.00 FEET ALONG THE EASTERLY LINE OF SAID LOT 30 TO THE NORTHEASTERLY CORNER OF SAID LOT 30 AND THE SOUTHERLY RIGHT OF WAY OF ANTELOPE TRAIL;

THENCE NORTH 69°32'39" EAST 142.02' FEET ALONG THE NORTHEASTERLY EXTENSION OF SAID ANTELOPE TRAIL TO THE BEGINNING OF A CURVE CONCAVE WESTERLY HAVING A RADIUS OF 50.00 FEET;

THENCE NORTHEASTERLY ALONG SAID CURVE 49.65 FEET THROUGH A CENTRAL ANGLE OF 56°53'51";

THENCE SOUTH 86°58'07" EAST 113.03';

THENCE NORTH 79°18'44" EAST 109.69';

THENCE SOUTH 46°43'25" EAST 33.42';

THENCE SOUTH 07°14'26" WEST 193.36 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 70.00';

THENCE SOUTHWESTERLY ALONG SAID CURVE 44.88 FEET THROUGH A CENTRAL ANGLE OF 36°44'06" TO THE BEGINNING OF A REVERSE CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 130.00 FEET;

THENCE SOUTHERLY ALONG SAID CURVE 131.59 FEET THROUGH A CENTRAL ANGLE OF 57°59'47" TO THE BEGINNING OF A REVERSE CURVE CONCAVE WESTERLY HAVING A RADIUS OF 20.00 FEET;

THENCE SOUTHWESTERLY ALONG SAID CURVE 30.12 FEET THROUGH A CENTRAL ANGLE OF 86°17'48" TO A POINT PARALLEL WITH AND 67 FEET NORTHERLY OF THE CENTERLINE OF STATE ROUTE 62;

THENCE SOUTH 69°34'06" WEST 192.91 FEET PARALLEL WITH STATE ROUTE 62 TO THE TRUE POINT OF BEGINNING.

EXHIBIT "C"  
[FORM OF MEMORANDUM OF OPTION]

RECORDING REQUESTED BY:  
Fidelity National Title Company  
Title No. 11-259925734-SB

AFTER RECORDING RETURN TO:  
National Community Renaissance of California  
Attn: Julie Mungai  
9065 Haven Avenue, Suite 100  
Rancho Cucamonga, CA 91730

-----SPACE ABOVE RESERVED FOR RECORDER-----

**MEMORANDUM OF OPTION**

dated as of May \_\_\_\_, 2011

**MEMORANDUM OF OPTION**

THIS MEMORANDUM OF OPTION ("Memorandum") is executed and made effective as of this \_ day of May 2011 by YUCCA VALLEY REDEVELOPMENT AGENCY, a public body, corporate and politic ("Optionor"), and NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA, a California nonprofit public benefit corporation ("Optionee").

1. Optionor and Optionee executed a certain Option Agreement dated as of May \_\_\_\_, 2011 granting Optionee an option to purchase certain real property owned by Optionor, located in the Town of Yucca, County of San Bernardino, State of California and more particularly described in Exhibit "A" attached hereto ("Option Property").
2. The term of Optionee's option under the Option Agreement commenced as of May \_\_\_\_, 2011 and may continue until 5:00 p.m., Tuesday, December 31, 2013.
3. The right of Optionee to exercise the option to purchase and acquire the Option Property from Optionee is conditioned on Optionee agreeing to the execution of a disposition and development agreement with Optionor to monitor, control and impose certain restrictions, including housing use and affordability restrictions, on Optionee and Optionee's development of the Option Property.
4. The option fee, purchase price of the Option Property and agreement to extend the Option Agreement, including the term of the option, are as set forth in the Option Agreement.

EXECUTED by Optionor and Optionee as of the day and year first above written.

OPTIONOR

YUCCA VALLEY REDEVELOPMENT AGENCY,  
a public body, corporate and politic,

By \_\_\_\_\_

\_\_\_\_\_  
(Print Name and Title)

Approved as to form:

By \_\_\_\_\_

OPTIONEE

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA,  
a California nonprofit public benefit corporation

By \_\_\_\_\_

\_\_\_\_\_  
(Print Name and Title)



**EXHIBIT "A"**  
**TO**  
**MEMORANDUM OF OPTION**

[Legal Description of Option Property]

THAT PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 1 NORTH, RANGE 5 EAST, SAN BERNARDINO MERIDIAN IN THE TOWN OF YUCCA VALLEY, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHEASTERLY EXTENSION OF THE EAST LINE OF PARCEL 4 OF PARCEL MAP 4575, AS SHOWN IN PARCEL MAP BOOK 67, PAGES 72 THROUGH 73, AND THE NORTHERLY RIGHT OF WAY OF STATE ROUTE 62;

THENCE NORTH 20°27'21" WEST 17.00 FEET ALONG THE EASTERLY LINE OF SAID PARCEL 4 AND ITS EXTENSION THEREOF TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 20°27'21" WEST 273.13 FEET ALONG THE EASTERLY LINE OF SAID PARCEL 4 AND ITS EXTENSION THEREOF;

THENCE SOUTH 69°32'39" WEST 2.09 FEET ALONG THE NORTHERLY LINE OF SAID PARCEL 4 TO THE SOUTHEASTERLY CORNER OF LOT 30 OF TRACT 6501, AS SHOWN IN MAP BOOK 83, PAGES 96 THROUGH 98;

THENCE NORTH 20°25'16" WEST 120.00 FEET ALONG THE EASTERLY LINE OF SAID LOT 30 TO THE NORTHEASTERLY CORNER OF SAID LOT 30 AND THE SOUTHERLY RIGHT OF WAY OF ANTELOPE TRAIL;

THENCE NORTH 69°32'39" EAST 142.02' FEET ALONG THE NORTHEASTERLY EXTENSION OF SAID ANTELOPE TRAIL TO THE BEGINNING OF A CURVE CONCAVE WESTERLY HAVING A RADIUS OF 50.00 FEET;

THENCE NORTHEASTERLY ALONG SAID CURVE 49.65 FEET THROUGH A CENTRAL ANGLE OF 56°53'51";

THENCE SOUTH 86°58'07" EAST 113.03';

THENCE NORTH 79°18'44" EAST 109.69';

THENCE SOUTH 46°43'25" EAST 33.42';

THENCE SOUTH  $07^{\circ}14'26''$  WEST 193.36 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 70.00';

THENCE SOUTHWESTERLY ALONG SAID CURVE 44.88 FEET THROUGH A CENTRAL ANGLE OF  $36^{\circ}44'06''$  TO THE BEGINNING OF A REVERSE CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 130.00 FEET;

THENCE SOUTHERLY ALONG SAID CURVE 131.59 FEET THROUGH A CENTRAL ANGLE OF  $57^{\circ}59'47''$  TO THE BEGINNING OF A REVERSE CURVE CONCAVE WESTERLY HAVING A RADIUS OF 20.00 FEET;

THENCE SOUTHWESTERLY ALONG SAID CURVE 30.12 FEET THROUGH A CENTRAL ANGLE OF  $86^{\circ}17'48''$  TO A POINT PARALLEL WITH AND 67 FEET NORTHERLY OF THE CENTERLINE OF STATE ROUTE 62;

THENCE SOUTH  $69^{\circ}34'06''$  WEST 192.91 FEET PARALLEL WITH STATE ROUTE 62 TO THE TRUE POINT OF BEGINNING.

EXHIBIT "D"

[FORM OF FUNDING COMMITMENT LETTER]

**Project Pro Forma and Detail**

## SOURCES & USES OF FUNDS

Project Name: *Dumosa Ave. Project - 75 Senior DU - HUD 202 - 4% LIHTC - PREVA*  
 Project Address: *Town of Yucca Valley, Ca*  
 Developer: *National CORE*  
Preliminary

### SOURCES: CONSTRUCTION

|                                     |              |     |
|-------------------------------------|--------------|-----|
| Construction Loan                   | \$13,500,000 | 60% |
| Towne of Yucca Valley               | \$1,681,726  | 8%  |
| LIHTC Equity                        | \$5,565,719  | 25% |
| County of San Bernardino HOME funds | \$1,580,000  | 7%  |

**TOTAL** \$22,327,445 100%

### USES:

|                             |                     |
|-----------------------------|---------------------|
| Acquisition Costs/Closing   | \$1                 |
| Architecture/Fees & Permits | \$2,225,000         |
| Construction Cost           | \$16,294,563        |
| Indirect Construction/Legal | \$790,381           |
| Developer's Fee             | \$700,000           |
| Rent-Up Costs/Reserves      | \$650,000           |
| Financing Costs             | \$1,667,500         |
| <b>TOTAL</b>                | <u>\$22,327,445</u> |

### SOURCES: PERMANENT

|                                     |              |     |
|-------------------------------------|--------------|-----|
| Permanent Loan                      | \$0          | 0%  |
| Towne of Yucca Valley               | \$1,681,726  | 7%  |
| LIHTC Equity                        | \$7,735,266  | 33% |
| County of San Bernardino HOME funds | \$1,580,000  | 7%  |
| Deferred Dev Fee                    | \$0          | 0%  |
| AHP                                 | \$0          | 0%  |
| HUD 202                             | \$12,205,978 | 53% |

**TOTAL** \$23,202,970 100%

### USES:

|                             |                     |
|-----------------------------|---------------------|
| Acquisition Costs/Closing   | \$1                 |
| Architecture/Fees & Permits | \$2,225,000         |
| Construction Cost           | \$16,294,563        |
| Indirect Construction/Legal | \$790,381           |
| Developer's Fee             | \$1,400,000         |
| Rent-Up Costs/Reserves      | \$766,671           |
| Financing Costs             | \$1,726,354         |
| <b>TOTAL</b>                | <u>\$23,202,970</u> |

Per unit Agency contribution \$22,423

|                                    |                  |
|------------------------------------|------------------|
| Agency GAP                         | \$1,681,726      |
| Gap to be filled with HOME funds   | <u>1,500,000</u> |
| <b>TOTAL Monetary Contribution</b> | <u>3,181,726</u> |

|   |                           |
|---|---------------------------|
| Value of Donated Property (80% of appraised value)        | <u>752,800</u>            |
| Amount to be committed for HUD 202 (32% of HUD 202 Funds) | <u>\$3,934,526</u> 32.23% |

**Funds to be committed At HUD 202 application** \$3,181,726

**DEVELOPMENT COSTS - Non-Prevailing wage**

Project Name: *Dumosa Ave. Project - 76 Senior DU - HUD 202 - 4% LIHTC - PREVAILING WAGE*

Project Address: *Town of Yucca Valley, Ca*

Developer: *National CORE*

**PRELIMINARY**

| Number of Dwelling Units:                   | 75     | Gross Building Area (sf) |                     |                    | 57,993         | Previous Proforma | Difference         | Explanation                         |
|---|--------|--------------------------|---------------------|--------------------|----------------|-------------------|--------------------|-------------------------------------|
|   |        | TOTAL COST               | \$ PER UNIT         | \$ PER SF BUILDING |                |                   |                    |                                     |
| <b>1. ACQUISITION COSTS:</b>                |        |                          |                     |                    |                |                   |                    |                                     |
| Purchase Price                              |        | \$1                      | \$0.01              | \$0.00             | 0.00%          |                   |                    |                                     |
| Closing Costs                               |        | \$0                      | \$0.00              | \$0.00             | 0.00%          |                   |                    |                                     |
| Appraisals                                  |        | \$0                      | \$0.00              | \$0.00             | 0.00%          |                   |                    |                                     |
| Acquisition Contingency                     |        | \$0                      | \$0.00              | \$0.00             | 0.00%          |                   |                    |                                     |
| <b>TOTAL ACQUISITION COSTS</b>              |        | <b>\$1</b>               | <b>\$0.01</b>       | <b>\$0.00</b>      | <b>0.00%</b>   |                   |                    |                                     |
| <b>2. FEES/PERMITS &amp; STUDIES</b>        |        |                          |                     |                    |                |                   |                    |                                     |
| Plan check Fees and Permits                 |        | \$375,000                | \$5,000.00          | \$6.47             | 1.62%          |                   |                    |                                     |
| Development impact fees                     |        | \$1,050,000              | \$14,000.00         | \$18.11            | 4.53%          | 1,125,000         | (\$75,000)         |                                     |
| Surveys/Bois/Traffic                        |        | \$50,000                 | \$666.67            | \$0.86             | 0.22%          |                   |                    |                                     |
| Environmental Documentation                 |        | \$50,000                 | \$666.67            | \$0.86             | 0.22%          |                   |                    |                                     |
| Arch. & Engineering Fees                    |        |                          |                     |                    |                |                   |                    |                                     |
| Design                                      |        | \$650,000                | \$8,666.67          | \$11.21            | 2.80%          |                   |                    |                                     |
| Reimbursables                               |        | \$50,000                 | \$666.67            | \$0.86             | 0.22%          |                   |                    |                                     |
| Subtotal:                                   |        | <b>\$700,000</b>         | <b>\$9,333.33</b>   | <b>\$12.07</b>     | <b>3.02%</b>   |                   |                    |                                     |
| <b>TOTAL FEES/PERMITS &amp; STUDIES</b>     |        | <b>\$2,225,000</b>       | <b>\$29,666.67</b>  | <b>\$38.37</b>     | <b>9.59%</b>   |                   |                    |                                     |
| <b>3. DIRECT CONSTRUCTION COSTS:</b>        |        |                          |                     |                    |                |                   |                    |                                     |
| Residential Construction: Housing units     |        | \$9,130,180              | \$121,735.73        | \$157.44           | 39.35%         |                   |                    |                                     |
| Green Building Delta                        |        | \$780,180                | \$10,402.39         | \$13.45            | 3.36%          |                   |                    |                                     |
| Off-Site Improvements                       |        | \$851,842                | \$11,357.89         | \$14.69            | 3.67%          |                   |                    |                                     |
| On-Site Improvements                        |        | \$2,169,991              | \$28,933.22         | \$37.42            | 9.35%          | 2,744,091         | (\$575,000)        | Reduce for sewer fees               |
| Subtotal:                                   |        | <b>\$12,932,193</b>      | <b>\$172,429.24</b> | <b>\$223.00</b>    | <b>55.74%</b>  |                   |                    |                                     |
| Contractor's Overhead & Profit              | 9.36%  | \$1,210,640              | \$16,141.87         | \$20.88            | 5.22%          | 1,291,140         | (\$80,500)         | Related reductions                  |
| Subtotal:                                   |        | <b>\$14,142,833</b>      | <b>\$188,571.10</b> | <b>\$243.87</b>    | <b>60.95%</b>  |                   |                    |                                     |
| General Conditions                          | 4.64%  | \$599,867                | \$7,998.23          | \$10.34            | 2.59%          |                   |                    |                                     |
| Performance Bond                            |        | \$258,644                | \$3,448.58          | \$4.46             | 1.11%          | 270,144           | (\$11,500)         | Related reductions                  |
| Subtotal:                                   |        | <b>\$15,001,344</b>      | <b>\$200,017.91</b> | <b>\$258.68</b>    | <b>64.65%</b>  |                   |                    |                                     |
| Construction Contingency                    | 10.00% | \$1,293,219              | \$17,242.92         | \$22.30            | 5.57%          | 1,350,719         | (\$57,500)         | Related reductions                  |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b>      |        | <b>\$16,294,563</b>      | <b>\$217,260.84</b> | <b>\$280.97</b>    | <b>70.23%</b>  | <b>17,019,053</b> | <b>(\$724,500)</b> | Net reduction in construction costs |
| <b>4. INDIRECT CONSTRUCTION COSTS</b>       |        |                          |                     |                    |                |                   |                    |                                     |
| Developer's Fee                             |        | \$1,400,000              | \$18,666.67         | \$24.14            | 6.03%          |                   |                    |                                     |
| Deferred Developer Fee                      |        | \$0                      | \$0.00              | \$0.00             | 0.00%          |                   |                    |                                     |
| Subtotal:                                   |        | <b>\$1,400,000</b>       | <b>\$18,666.67</b>  | <b>\$24.14</b>     | <b>6.03%</b>   |                   |                    |                                     |
| Development Consultant                      |        | \$75,000                 | \$1,000.00          | \$1.29             | 0.32%          |                   |                    |                                     |
| Construction Manager                        |        | \$100,000                | \$1,333.33          | \$1.72             | 0.43%          |                   |                    | Internal since using                |
| Builders Risk/Liability Insurance           |        | \$340,381                | \$4,538.42          | \$5.87             | 1.47%          | 0                 | \$100,000          | outside GC                          |
| Real Estate Taxes                           |        | \$5,000                  | \$66.67             | \$0.09             | 0.02%          |                   |                    |                                     |
| Legal - Organizational                      |        | \$45,000                 | \$600.00            | \$0.78             | 0.19%          |                   |                    |                                     |
| Legal - Syndication                         |        | \$30,000                 | \$400.00            | \$0.52             | 0.13%          |                   |                    |                                     |
| Accounting/Inspection                       |        | \$45,000                 | \$600.00            | \$0.78             | 0.19%          |                   |                    |                                     |
| Relocation (Included with land costs)       |        | \$0                      | \$0.00              | \$0.00             | 0.00%          |                   |                    |                                     |
| Indirect Construction Costs Contingency     |        | \$150,000                | \$2,000.00          | \$2.59             | 0.65%          |                   |                    |                                     |
| <b>TOTAL INDIRECT CONSTRUCTION COSTS</b>    |        | <b>\$2,190,381</b>       | <b>\$29,205.08</b>  | <b>\$37.77</b>     | <b>9.44%</b>   |                   |                    |                                     |
| <b>5. RENT-UP COSTS</b>                     |        |                          |                     |                    |                |                   |                    |                                     |
| Marketing/Advertising Expense               |        | \$10,000                 | \$133.33            | \$0.17             | 0.04%          |                   |                    |                                     |
| Operating Lease-up Reserve                  |        | \$100,000                | \$1,333.33          | \$1.72             | 0.43%          |                   |                    |                                     |
| capitalized Lease-up Reserve (PRAC)         |        | \$100,000                | \$1,333.33          | \$1.72             | 0.43%          |                   |                    |                                     |
| Minimum Capital Investment (HUD)            |        | \$10,000                 | \$133.33            | \$0.17             | 0.04%          |                   |                    |                                     |
| Capitalized Excess Amenities Maint. Reserve |        | \$75,000                 | \$1,000.00          | \$1.29             | 0.32%          |                   |                    |                                     |
| Capitalized Partnership mgmt Fees           |        | \$155,000                |                     |                    | 0.67%          |                   |                    |                                     |
| Capitalized Replacement Reserve             |        | \$45,000                 | \$600.00            | \$0.78             | 0.19%          |                   |                    |                                     |
| Capitalized Operating Reserve               |        | \$71,671                 | \$955.62            | \$1.24             | 0.31%          |                   |                    |                                     |
| Common Area Furnishings                     |        | \$200,000                | \$2,666.67          | \$3.45             | 0.86%          | 100,000           | \$100,000          | Increased furnishings cost          |
| <b>TOTAL RENT-UP/MARKETING COSTS</b>        |        | <b>\$766,671</b>         | <b>\$8,155.62</b>   | <b>\$10.55</b>     | <b>3.30%</b>   |                   |                    |                                     |
| <b>6. FINANCING COSTS</b>                   |        |                          |                     |                    |                |                   |                    |                                     |
| Construction Loan Interest                  |        | \$1,113,750              | \$14,850.00         | \$19.20            | 4.80%          | 1,155,000         | (\$41,250)         | reduced construction loan           |
| Construction Loan Fees/Costs                |        | \$176,250                | \$2,350.00          | \$3.04             | 0.76%          | 182,500           | (\$6,250)          | reduced construction loan           |
| Appraisal/Market Study                      |        | \$30,000                 | \$400.00            | \$0.52             | 0.13%          |                   |                    |                                     |
| Lender Legal                                |        | \$50,000                 | \$666.67            | \$0.86             | 0.22%          |                   |                    |                                     |
| Permanent Loan Fees/Closing Costs           |        | \$10,000                 | \$133.33            | \$0.17             | 0.04%          |                   |                    |                                     |
| Tax Credit Allocation Fee                   |        | \$48,854                 | \$651.38            | \$0.84             | 0.21%          | 91,164            | (\$42,310)         | Correction of error                 |
| Capitalized bond issuer Monitoring Fees     |        | \$100,000                | \$1,333.33          | \$1.72             | 0.43%          |                   |                    |                                     |
| Bridge Loan Costs                           |        | \$35,000                 | \$466.67            | \$0.60             | 0.15%          |                   |                    |                                     |
| Bond Issuance Costs                         |        | \$122,500                | \$1,633.33          | \$2.11             | 0.53%          |                   |                    |                                     |
| Title and Recording (Const./Perm.)          |        | \$40,000                 | \$533.33            | \$0.69             | 0.17%          |                   |                    |                                     |
| <b>TOTAL FINANCING COSTS</b>                |        | <b>\$1,726,354</b>       | <b>\$23,018.05</b>  | <b>\$29.77</b>     | <b>7.44%</b>   |                   |                    |                                     |
| <b>7. SUBTOTAL DEVELOPMENT COSTS</b>        |        | <b>\$23,202,969</b>      | <b>\$307,306.25</b> | <b>\$397.43</b>    | <b>100.00%</b> |                   |                    |                                     |
| <b>TOTAL LAND COSTS</b>                     |        | <b>\$1</b>               | <b>\$0.01</b>       | <b>\$0.00</b>      | <b>0.00%</b>   |                   |                    |                                     |
| <b>TOTAL DEVELOPMENT COSTS</b>              |        | <b>\$23,202,970</b>      | <b>\$307,306.27</b> | <b>\$397.43</b>    | <b>100.00%</b> | <b>23,892,280</b> | <b>(\$689,310)</b> | Net change in TDC                   |

Construction estimates are based on non-prevailing wage and subject to change. **P. 47** may be revised due to entitlement issues, changes in construction standards, architectural and engineering requirements, and other unforeseen circumstances.

# RENT SCHEDULE

Project Name: *Dumosa Ave. Project - 75 Senior DU - HUD 202 - 4% LIHTC - PREVAILING WAGE*  
 Project Address: *Town of Yucca Valley, Ca*  
 Developer Name: *National CORE*

| AREA MEDIAN INCOME: TCAC<br>\$65,000 |                |                    |                        |                  |                 |                    |                        |                   |
|--------------------------------------|----------------|--------------------|------------------------|------------------|-----------------|--------------------|------------------------|-------------------|
| Unit Type                            | Percent Median | Monthly Gross Rent | Monthly Utility Allow. | Monthly Net Rent | Number of Units | Total Monthly Rent | Total Annual Rent (\$) | Total # of Bdrms. |
| ONE BEDROOM                          | 50%            | \$475              | \$77                   | \$398            | 8               | \$3,184            | \$38,208               | 8                 |
|                                      | 50%            | \$475              | \$77                   | \$398            | 26              | \$10,348           | \$124,176              | 26                |
|                                      | 50%            | \$475              | \$77                   | \$398            | 26              | \$10,348           | \$124,176              | 26                |
|                                      | Rural Only 50% | \$475              | \$77                   | \$398            | 14              | \$5,572            | \$66,864               | 14                |
|                                      |                |                    |                        |                  | 74              |                    |                        | 74                |
| TWO BEDROOM                          | 30%            | \$439              | \$102                  | \$337            | 0               | \$0                | \$0                    | 0                 |
|                                      | 45%            | \$658              | \$102                  | \$556            | 0               | \$0                | \$0                    | 0                 |
|                                      | 50%            | \$731              | \$102                  | \$629            | 0               | \$0                | \$0                    | 0                 |
|                                      | Rural Only 55% | \$804              | \$102                  | \$702            | 0               | \$0                | \$0                    | 0                 |
|                                      |                |                    |                        |                  | 0               |                    |                        | 0                 |
| THREE BEDROOM                        | 30%            | \$507              | \$126                  | \$381            | 0               | \$0                | \$0                    | 0                 |
|                                      | 45%            | \$761              | \$126                  | \$635            | 0               | \$0                | \$0                    | 0                 |
|                                      | 50%            | \$845              | \$126                  | \$719            | 0               | \$0                | \$0                    | 0                 |
|                                      | Rural Only 55% | \$930              | \$126                  | \$804            | 0               | \$0                | \$0                    | 0                 |
|                                      |                |                    |                        |                  | 0               |                    |                        | 0                 |
| MANAGER'S                            | Exempt         | \$0                | \$0                    | \$0              | 1               | \$0                | \$0                    | 2                 |
| <b>TOTAL</b>                         |                |                    |                        |                  | <b>75</b>       | <b>29,452</b>      | <b>353,424</b>         | <b>150</b>        |

|     |    |        |
|-----|----|--------|
| 50% | 8  | 10.67% |
| 50% | 26 | 34.67% |
| 50% | 26 | 34.67% |
| 50% | 14 | 18.67% |
| Mgr | 1  | 1.33%  |
|     | 75 | 100%   |

## Utility Allowance:

Source: San Bernardino County Housing Authority - effective Dec 1, 2010

|                     | 1 BRM     | 2 BRM      | 3 BRM      |
|---------------------|-----------|------------|------------|
| Heating - Electric  | 15        | 19         | 22         |
| Cooking (Electric)  | 11        | 14         | 17         |
| Water Heating (Gas) | 0         | 0          | 0          |
| Basic Electric      | 32        | 43         | 54         |
| Water               |           |            |            |
| Trash               |           |            |            |
| Refrigerator        | 5         | 5          | 5          |
| Air Conditioning    | 14        | 21         | 28         |
| <b>Total</b>        | <b>77</b> | <b>102</b> | <b>126</b> |

# SOURCES & USES OF FUNDS

Project Name: *Dumosa Ave. Project - 75 Senior DU - HUD 202 - 4% LIHTC - PREVA*  
 Project Address: *Town of Yucca Valley, Ca*  
 Developer: *National CORE*  
*Preliminary*

## SOURCES: CONSTRUCTION

|                                     |                     |             |
|-------------------------------------|---------------------|-------------|
| Construction Loan                   | \$13,500,000        | 60%         |
| Towne of Yucca Valley               | \$1,681,726         | 8%          |
| LIHTC Equity                        | \$5,565,719         | 25%         |
| County of San Bernardino HOME funds | \$1,580,000         | 7%          |
| <b>TOTAL</b>                        | <u>\$22,327,445</u> | <b>100%</b> |

## USES:

|                             |                     |
|-----------------------------|---------------------|
| Acquisition Costs/Closing   | \$1                 |
| Architecture/Fees & Permits | \$2,225,000         |
| Construction Cost           | \$16,294,563        |
| Indirect Construction/Legal | \$790,381           |
| Developer's Fee             | \$700,000           |
| Rent-Up Costs/Reserves      | \$650,000           |
| Financing Costs             | \$1,667,500         |
| <b>TOTAL</b>                | <u>\$22,327,445</u> |

## SOURCES: PERMANENT

|                                     |                     |             |
|-------------------------------------|---------------------|-------------|
| Permanent Loan                      | \$0                 | 0%          |
| Towne of Yucca Valley               | \$1,681,726         | 7%          |
| LIHTC Equity                        | \$7,735,266         | 33%         |
| County of San Bernardino HOME funds | \$1,580,000         | 7%          |
| Deferred Dev Fee                    | \$0                 | 0%          |
| AHP                                 | \$0                 | 0%          |
| HUD 202                             | \$12,205,978        | 53%         |
| <b>TOTAL</b>                        | <u>\$23,202,970</u> | <b>100%</b> |

## USES:

|                             |                     |
|-----------------------------|---------------------|
| Acquisition Costs/Closing   | \$1                 |
| Architecture/Fees & Permits | \$2,225,000         |
| Construction Cost           | \$16,294,563        |
| Indirect Construction/Legal | \$790,381           |
| Developer's Fee             | \$1,400,000         |
| Rent-Up Costs/Reserves      | \$766,671           |
| Financing Costs             | \$1,726,354         |
| <b>TOTAL</b>                | <u>\$23,202,970</u> |

Per unit Agency contribution \$22,423

|                                    |                  |
|------------------------------------|------------------|
| Agency GAP                         | \$1,681,726      |
| Gap to be filled with HOME funds   | <u>1,500,000</u> |
| <b>TOTAL Monetary Contribution</b> | <b>3,181,726</b> |

|  |   |
|--|---|
| Value of Donated Property (80% of appraised value)               | <u>752,800</u>  |
| <b>Amount to be committed for HUD 202 (32% of HUD 202 Funds)</b> | <b><u>\$3,934,526</u></b> <span style="float: right;">32.23%</span> |

Funds to be committed At HUD 202 application \$3,181,726

## OPERATING EXPENSES

Project Name: *Dumosa Ave. Project - 75 Senior DU - HUD 202 - 4% LIHTC - PREVA*  
 Project Address: *Town of Yucca Valley, Ca*  
 Developer: *National CORE*

|   | ANNUAL<br>75     | MONTHLY           | PER UNIT          | UNIT/MO.        | % TOTAL        |
|---|------------------|-------------------|-------------------|-----------------|----------------|
| <b>1. MANAGEMENT</b>                    |                  |                   |                   |                 |                |
| Contract Management Fee                 | \$36,000         | \$3,000.00        | \$480.00          | \$40.00         | 10.28%         |
| <b>TOTAL MANAGEMENT</b>                 | <b>\$36,000</b>  | <b>\$3,000.00</b> | <b>\$480.00</b>   | <b>\$40.00</b>  | <b>10.28%</b>  |
| <b>2. ADMINISTRATION</b>                |                  |                   |                   |                 |                |
| Marketing                               | \$2,000          | \$166.67          | \$26.67           | \$2.22          | 0.57%          |
| Audit                                   | \$11,500         | \$958.33          | \$153.33          | \$12.78         | 3.28%          |
| Legal                                   | \$4,000          | \$333.33          | \$53.33           | \$4.44          | 1.14%          |
| Office Expenses                         | \$8,000          | \$666.67          | \$106.67          | \$8.89          | 2.28%          |
| <b>TOTAL ADMINISTRATION</b>             | <b>\$25,500</b>  | <b>\$2,125.00</b> | <b>\$340.00</b>   | <b>\$28.33</b>  | <b>7.28%</b>   |
| <b>3. SALARIES AND BENEFITS</b>         |                  |                   |                   |                 |                |
| On-Site Manager/Asst. Manager           | \$30,000         | \$2,500.00        | \$400.00          | \$33.33         | 8.57%          |
| Maintenance Personnel                   | \$25,000         | \$2,083.33        | \$333.33          | \$27.78         | 7.14%          |
| Janitorial Personnel                    | \$0              | \$0.00            | \$0.00            | \$0.00          | 0.00%          |
| Case Manager                            | \$0              | \$0.00            | \$0.00            | \$0.00          | 0.00%          |
| Housekeepers                            | \$0              | \$0.00            | \$0.00            | \$0.00          | 0.00%          |
| Payroll Txs, Ins & Wkr. Comp.           | \$22,000         | \$1,833.33        | \$293.33          | \$24.44         | 6.28%          |
| <b>TOTAL SALARIES</b>                   | <b>\$77,000</b>  | <b>\$6,416.67</b> | <b>\$1,026.67</b> | <b>\$85.56</b>  | <b>21.99%</b>  |
| <b>4. MAINTENANCE</b>                   |                  |                   |                   |                 |                |
| Supplies                                | \$8,000          | \$666.67          | \$106.67          | \$8.89          | 2.28%          |
| Repairs Contract                        | \$11,500         | \$958.33          | \$153.33          | \$12.78         | 3.28%          |
| Pest Control                            | \$5,000          | \$416.67          | \$66.67           | \$5.56          | 1.43%          |
| Grounds Contract                        | \$8,000          | \$666.67          | \$106.67          | \$8.89          | 2.28%          |
| Turnover                                | \$6,000          | \$500.00          | \$80.00           | \$6.67          | 1.71%          |
| Elevator                                | \$7,000          | \$583.33          | \$93.33           | \$7.78          | 2.00%          |
| <b>TOTAL MAINTENANCE</b>                | <b>\$45,500</b>  | <b>\$3,791.67</b> | <b>\$606.67</b>   | <b>\$50.56</b>  | <b>12.99%</b>  |
| <b>5. UTILITIES NOT PAID BY TENANTS</b> |                  |                   |                   |                 |                |
| Trash Removal                           | \$8,000          | \$666.67          | \$106.67          | \$8.89          | 2.28%          |
| Electricity                             | \$19,000         | \$1,583.33        | \$253.33          | \$21.11         | 5.43%          |
| Water/Sewer                             | \$35,000         | \$2,916.67        | \$466.67          | \$38.89         | 9.99%          |
| Gas                                     | \$10,000         | \$833.33          | \$133.33          | \$11.11         | 2.86%          |
| <b>TOTAL UTILITIES</b>                  | <b>\$72,000</b>  | <b>\$6,000.00</b> | <b>\$960.00</b>   | <b>\$80.00</b>  | <b>20.56%</b>  |
| <b>6. INSURANCE</b>                     |                  |                   |                   |                 |                |
| Property & Liability Insurance          | \$30,000         | \$2,500.00        | \$400.00          | \$33.33         | 8.57%          |
| <b>TOTAL INSURANCE</b>                  | <b>\$30,000</b>  | <b>\$2,500.00</b> | <b>\$400.00</b>   | <b>\$33.33</b>  | <b>8.57%</b>   |
| <b>7. TAXES/RESERVES</b>                |                  |                   |                   |                 |                |
| Real Estate Taxes                       | \$5,000          | \$416.67          | \$66.67           | \$5.56          | 1.43%          |
| Replacement Reserves                    | \$45,000         | \$3,750.00        | \$600.00          | \$50.00         | 12.85%         |
| <b>TOTAL TAXES</b>                      | <b>\$50,000</b>  | <b>\$4,166.67</b> | <b>\$666.67</b>   | <b>\$55.56</b>  | <b>14.28%</b>  |
| <b>8. OTHER</b>                         |                  |                   |                   |                 |                |
| County Monitoring fees                  | \$0              | \$0.00            | \$0.00            | \$0.00          | 0.00%          |
| Support Services                        | \$13,500         | \$1,125.00        | \$180.00          | \$15.00         | 3.86%          |
| Resident Activities                     | \$685            | \$57.08           | \$9.13            | \$0.76          | 0.20%          |
| <b>TOTAL OTHER</b>                      | <b>\$14,185</b>  | <b>\$1,182.08</b> | <b>\$189.13</b>   | <b>\$15.76</b>  | <b>4.05%</b>   |
| <b>TOTAL OPERATING EXPENSES</b>         | <b>\$350,185</b> | <b>\$29,182</b>   | <b>\$4,669.13</b> | <b>\$389.09</b> | <b>100.00%</b> |

# CASH FLOW ANALYSIS

Project Name: *Dumas Ave, Project - 75 Senior DU - HUD 202 - 4% LIHTC - PREVAILING WAGE*  
 Project Address: *Town of Yucca Valley, Ca*  
 Developer Name: *NATIONAL CORE*

#REF!

|  | YEAR 1   | YEAR 2   | YEAR 3   | YEAR 4   | YEAR 5   | YEAR 6   | YEAR 7   | YEAR 8   | YEAR 9    | YEAR 10  | YEAR 11  | YEAR 12  | YEAR 13  | YEAR 14  | YEAR 15  |
|--|----------|----------|----------|----------|----------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| <b>ASSUMPTIONS:</b>                    |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Residential Income Inlt. Rate:         | 2.50%    |          |          |          |          |          |          |          | 5.50%     |          |          |          |          |          |          |
| Laundry & Misc. Inlt. Factor:          | 2.50%    |          |          |          |          |          |          |          | 30        |          |          |          |          |          |          |
| Operating Expense Inlt. Factor:        | 3.50%    |          |          |          |          |          |          |          | AMORTIZED |          |          |          |          |          |          |
| Vacancy Rate:                          | 5.00%    |          |          |          |          |          |          |          | 1.250     |          |          |          |          |          |          |
| Number of Units:                       | 75       |          |          |          |          |          |          |          | 50        |          |          |          |          |          |          |
| Unit Operating Exp:                    |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Replacement Reserve:                   |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Construction Costs:                    |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Laundry InltYear:                      |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Conventional Loan Rate:                |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Conventional Loan Yrs:                 |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Conventional Loan Type:                |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Debt Coverage Ratio:                   |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Cash Available for Debt Service:       |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Residential Income                     | 5353,424 | 5362,260 | 5371,316 | 5380,589 | 5390,114 | 5399,867 | 5409,863 | 5420,110 | 5430,613  | 5441,378 | 5452,413 | 5463,723 | 5475,316 | 5487,199 | 5499,378 |
| Laundry & Miscellaneous                | 7,200    | 7,380    | 7,565    | 7,754    | 7,947    | 8,146    | 8,350    | 8,559    | 8,773     | 8,992    | 9,217    | 9,447    | 9,683    | 9,925    | 10,173   |
| GROSS INCOME                           | 360,624  | 369,640  | 378,981  | 388,353  | 398,061  | 408,013  | 418,213  | 428,669  | 439,385   | 450,370  | 461,629  | 473,170  | 484,999  | 497,124  | 509,552  |
| Vacancy                                | 18,031   | 18,482   | 18,944   | 19,418   | 19,803   | 20,401   | 20,911   | 21,433   | 21,969    | 22,518   | 23,081   | 23,659   | 24,250   | 24,856   | 25,478   |
| EFFECTIVE GROSS INCOME                 | 342,593  | 351,158  | 359,837  | 368,935  | 378,158  | 387,612  | 397,303  | 407,235  | 417,416   | 427,851  | 438,548  | 449,511  | 460,749  | 472,268  | 484,075  |
| Operating Expenses                     | 300,165  | 310,691  | 321,566  | 332,820  | 344,469  | 356,526  | 369,004  | 381,919  | 395,286   | 409,121  | 423,441  | 438,261  | 453,600  | 469,476  | 485,908  |
| Operating Reserve                      | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0         | 0        | 0        | 0        | 0        | 0        | 0        |
| Property taxes-supplemental            | 5,000    | 5,100    | 5,202    | 5,308    | 5,412    | 5,520    | 5,631    | 5,743    | 5,858     | 5,975    | 6,095    | 6,217    | 6,341    | 6,468    | 6,597    |
| Replacement Reserve                    | 45,000   | 45,000   | 45,000   | 45,000   | 45,000   | 45,000   | 45,000   | 45,000   | 45,000    | 45,000   | 45,000   | 45,000   | 45,000   | 45,000   | 45,000   |
| Total Operating Expenses               | 350,165  | 360,791  | 371,768  | 383,127  | 394,881  | 407,046  | 419,635  | 432,663  | 446,145   | 460,097  | 474,536  | 489,478  | 504,941  | 520,944  | 537,505  |
| HUD Section 8 Payment                  | -7,592   | -9,634   | -11,831  | -14,192  | -16,723  | -19,434  | -22,332  | -25,427  | -28,729   | -32,245  | -35,988  | -39,966  | -44,192  | -48,676  | -53,431  |
| <b>DEBT SERVICE</b>                    |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Debt Service Coverage                  | #DIV/0!   | #DIV/0!  | #DIV/0!  | #DIV/0!  | #DIV/0!  | #DIV/0!  | #DIV/0!  |
| Social Service Fees                    | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0         | 0        | 0        | 0        | 0        | 0        | 0        |
| Partnership Mgt Fees                   | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0         | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b> |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
| Deferred Fee Payment                   | 350,165  | 360,791  | 371,768  | 383,127  | 394,881  | 407,046  | 419,635  | 432,663  | 446,145   | 460,097  | 474,536  | 489,478  | 504,941  | 520,944  | 537,505  |
| Deferred Fee Balance Due               | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0         | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b> |          |          |          |          |          |          |          |          |           |          |          |          |          |          |          |
|  | 350,165  | 360,791  | 371,768  | 383,127  | 394,881  | 407,046  | 419,635  | 432,663  | 446,145   | 460,097  | 474,536  | 489,478  | 504,941  | 520,944  | 537,505  |

**HUD 202 Scoring**

information on the type of document. Co-Sponsors or the submitting applicant can insert the document name in the space labeled Program Component.

**NOTE:** Do not insert any additional or other cover pages as it will cause problems in electronically matching the pieces of the application. See the **General Section** for further instructions.

**If you are not faxing any documents:** Even though you are not faxing any documents, you must still complete the facsimile transmittal form. In the section of the form titled "Name of Document Transmitting," enter the words "Nothing Faxed with this Application." Complete the remaining highlighted fields and enter the number "1" in the section of the form titled "How many pages (including cover) are being faxed?"

## V. Application Review Information:

### A. Criteria.

Rating Factors. HUD will rate applications that successfully complete technical processing using the Rating Factors set forth below and in accordance with the application requirements in this NOFA. The maximum number of points an application may receive under this program is 102. This includes five (5) Policy Priority points and two (2) RC/EZ/EC-II bonus points, as described in the **General Section** and Section V.A.6., below.

#### 1. Rating Factor 1: Capacity of the Applicant and Relevant Organizational Staff (23 Points)

This factor addresses the extent to which you have the experience and organizational resources to successfully implement the proposed activities in a timely manner. Submit information responding to this factor in accordance with Application Requirements in Exhibits 3(a), 3(b), 3(e), 5 and 6 of Section IV.B., above. In rating this factor, HUD will consider the extent to which your application demonstrates your ability to develop and operate the proposed housing on a long-term basis, considering the following:

**a. (15 points).** The scope, extent, and quality of your experience in providing housing and related services to those proposed to be served by the project and the scope of the proposed project (i.e., number of units, services, relocation costs, development, and operation) in relationship to your demonstrated development and ownership capacity as well as your financial management capability. In the case of co-sponsored applications, the rating will be based upon the most experienced of the co-sponsors in the area under review.

(1) (10 points) The scope, extent, and quality of your experience in providing housing to those proposed to be served by the project and the scope of the proposed project in relationship to your demonstrated development and ownership capacity. To earn the maximum number of points you must have experience in developing and owning housing projects as complex in number of units, financial structure (e.g. mixed finance), building type, and quality of the proposed project.

(2) (5 points). The scope, extent and quality of your experience in providing supportive services to those proposed to be served by the project (i.e., number of units, services and operation) in relationship to your demonstrated management capacity to provide a range of services in accordance with the needs of the population served.

b. (8 points). The scope, extent and quality of your experience in providing housing and related services to minority persons or minority families and your ties to the community at large and to the minority and elderly communities in particular.

(1) (2 points). The scope, extent, and quality of your experience in providing housing to minority persons or minority families.

(2) (1 point). The scope, extent, and quality of your experience in providing services to minority persons or minority families.

(3) (5 points). The scope, extent, and quality of your ties to the community at large.

To earn the maximum number of points under sub-criteria (b)(1) and (b)(2), above, you must describe significant previous experience in providing housing and supportive services to minorities generally and to minority elderly in particular. For the purpose of this competition, 'significant previous experience' is defined under Exhibit 3, subsection (b) above. To earn the maximum number of points under sub-criterion (b)(3), above, you should submit materials that demonstrate your efforts to make housing available to the community at large and the minority and elderly communities in particular and your relationships over time with the minority and elderly communities. Please submit copies of your past affirmative marketing plan and the advertising/outreach materials you utilized to attract minority communities (including LEP communities), elderly communities, and the community at large, as specified under Exhibit 3, subsection (b) above.

**NOTE:** The allocation of points for affirmatively furthering fair housing in no way changes the statutory and regulatory requirement of every applicant to affirmatively further fair housing. The same holds for statutory and regulatory fair housing and accessibility requirements.

c. (-5 to -7 points). **Past Performance – Delays.** HUD will deduct (except if the delay was beyond your control) 5 points if a fund reservation you received under either the Section 202 Program of Supportive Housing for the Elderly or the Section 811 Program of Supportive Housing for Persons with Disabilities in FY 2005 or later has been extended beyond 24 months, 6 points if beyond 36 months, or 7 points if beyond 48 months. Examples of such delays beyond your control include, but are not limited to, initial closing delays that are:

(1) directly attributable to HUD,

(2) directly attributable to third party opposition, including litigation, and

(3) due to a disaster, as declared by the President of the United States.

**d. (-5 to -10 points). Past Performance – Amendments.** HUD will deduct from 5 points to 10 points if HUD amendment money was required in connection with a fund reservation you received under either the Section 202 Program of Supportive Housing for the Elderly or the Section 811 Program of Supportive Housing for Persons with Disabilities in FY 2005 or later based on the following. No points will be deducted if the need for amendment funds was due to unforeseen circumstances beyond your control.

**NOTE:** Examples of unforeseen circumstances outside of your control includes, but are not limited to, increased cost due to litigation, new government regulations or controls, additional requirements imposed by local authorities, or a disaster, as declared by the President of the United States.

(1) (-5 points). The amount of the amendment money required was **equal to 20 percent and less than 30 percent** of the original capital advance amount approved by HUD.

(2) (-6 points). The amount of the amendment money required was **equal to 30 percent and less than 35 percent** of the original capital advance amount approved by HUD.

(3) (-7 points). The amount of amendment money required was **equal to 35 percent and less than 40 percent** of the original capital advance amount approved by HUD.

(4) (-8 points). The amount of amendment money required was **equal to 40 percent and less than 45 percent** of the original capital advance amount approved by HUD.

(5) (-9 points). The amount of amendment money required was **equal to 45 percent and less than 50 percent** of the original capital advance amount approved by HUD.

(6) (-10 points). The amount of the amendment money required was **equal to or over 50 percent** of the original capital advance amount approved by HUD.

## **2. Rating Factor 2: Need/Extent of the Problem (12 Points)**

This factor addresses the extent to which there is a need for funding the proposed activities to address a documented problem in the target area. Submit information responding to this factor in accordance with Application Requirements in Exhibits 4(a) and 4(b) of Section IV.B., above. HUD will take into consideration the extent of the need for the project in the area based on a determination by the Multifamily Hub Office. In making this determination, HUD will consider your evidence of need in the area, as well as other economic, demographic, and housing market data available to the Multifamily Hub Office. The data should include but are not limited to:

- a general assessment of the current conditions in the market for the type of housing proposed,

- an estimate of the demand for additional housing of the type proposed in the applicable housing market area,
- information on the numbers and types of existing comparable Federally assisted housing units for the elderly (HUD and RHS) and current occupancy in such housing and recent market experience,
- comparable assisted housing for the elderly under construction or for which fund reservations have been issued, and
- in accordance with an agreement between HUD and RHS, comments from RHS on the demand for additional comparable subsidized housing and the possible harm to existing projects in the same housing market areas.

The Department will also review applications to ensure they establish a connection between the proposed project and the community's Analysis of Impediments to Fair Housing Choice (AI) or other planning document that analyzes fair housing issues and is prepared by a local planning or similar organization. The Department will review applications more favorably depending on how well this connection is made. You must show how your proposed project will address an impediment to fair housing choice described in the AI or meet a need identified in the other type of planning document.

For all Section 202 projects that are determined to have sufficient demand, HUD will rate your application based on the ratio of the number of units in the proposed project to the estimate of unmet need for housing assistance by the income eligible elderly households with selected housing conditions, expressed as a percent. Unmet need is defined as the Units in the proposed project divided by the number of very low-income elderly one-person renter households age 75 and older with housing conditions, as of the 2000 Census, minus the number of project-based subsidized rental housing units (HUD, RHS, LIHTC, or any state or local subsidized program) that are affordable to very low-income elderly provided in the area since 1999. **Note:** The analysis is conducted at the county level. Units to be occupied by resident managers are not counted.

In evaluating this factor HUD will consider the following:

**a. (10 points). Ratio of Units to Unmet needs (expressed as a percent).**

**NOTE:** Percentage calculations will round the decimal number to the nearest tenth (e.g. 5.56 percent will be rounded to 5.6 percent and 5.44 percent will be rounded to 5.4 percent).

- (1) **(10 points)** The project has an unmet needs ratio of greater than or equal to 0.0 percent and less than or equal to 0.25 percent;
- (2) **(9 points)** The project has an unmet needs ratio of greater than 0.25 percent and less than or equal to 0.5 percent;

- (3) **(8 points)** The project has an unmet needs ratio of greater than 0.5 percent and less than or equal to 1.0 percent;
- (4) **(7 points)** The project has an unmet needs ratio of greater than 1.0 percent and less than or equal to 1.5 percent;
- (5) **(6 points)** The project has an unmet needs ratio of greater than 1.5 percent and less than or equal to 2.5 percent;
- (6) **(5 points)** The project has an unmet needs ratio of greater than 2.5 percent and less than or equal to 5.0 percent;
- (7) **(4 points)** The project has an unmet needs ratio of greater than 5.0 percent and less than or equal to 7.5 percent;
- (8) **(3 points)** The project has an unmet needs ratio of greater than 7.5 and less than or equal to 10.0 percent;
- (9) **(2 points)** The project has an unmet needs ratio of greater than 10.0 and less than or equal to 12.5 percent;
- (10) **(1 point)** The project has an unmet needs ratio of greater than 12.5 and less than or equal to 15.0 percent; or
- (11) **(0 points)** The project has an unmet needs ratio of greater than 15.0 percent OR less than 0.0 percent.

b. **(2 points)**. The extent that a connection has been established between the project and the community's Consolidated Plan, Analysis of Impediments to Fair Housing Choice (AI) or other planning document that analyzes fair housing issues and is prepared by a local planning or similar organization.

### 3. Rating Factor 3: Soundness of Approach (49 Points)

This factor addresses the quality and effectiveness of your proposal, including access to transit and amenities, provision of supportive services, the extent to which you involved elderly persons including elderly minority persons, in the development of the application and will involve them in the development and operation of the project, and whether you will undertake green development in the design, construction, rehabilitation, and operation of the proposed housing. There must be a clear relationship between your proposed design, proposed activities, the community's needs and purposes of the program funding for your application to receive points for this factor. Submit information responding to this factor in accordance with Application Requirements in Exhibits 3(b), 3(d), 3(e), 3(f), 3(g), 3(j), 4(c)(i), 4(c)(ii), 4(d)(iii), 4(d)(v), 4(d)(vi), and 5 of Section IV.B., above. In evaluating this factor, HUD will consider the following:

a. **(15 points).** The proximity or accessibility of the site to services and amenities.

**(1) (7 points). Transit-Served Location.** Reliable and accessible public transportation is available by private door-to-door shuttle/van service and/or a conveniently located transit stop(s). Up to 7 points will be awarded according to the following criteria:

(a) Distance: a project site located within a  $\frac{1}{4}$  mile walking distance of a transit stop will receive 2 points; or a project site located within a  $\frac{1}{2}$  mile walking distance of a transit stop will receive 1 point.

(b) Availability: Sites with more than 1 public transit line with a transit stop located within  $\frac{1}{4}$  mile will receive 2 points.

(c) Frequency: Evidence that the available transit lines provides a minimum of 40 daily trips will receive 3 points; or transit lines providing a minimum of 20 daily trips will receive 2 points. Trips may be counted in both directions.

OR;

(d) Evidence of a private door-to-door shuttle/van service available on a daily basis to the project site will receive 7 points.

**(2) (8 points). Amenity-Served Locations.** To earn points, the site must be within one-half mile walking distance of amenities that are appropriate to the elderly. Applicants must provide a map and photograph identifying each amenity. Points will be awarded to project sites in proximity to the following categories of amenities:

(NOTE: Under sub-criteria (b) and (c) a particular type of an identified amenity may not received more than 1 point under the applicable category.)

(a) Grocery Store such as a supermarket or other store that sells produce and meat products will receive 3 points.

(b) Social Services Facilities such as a licensed adult or senior care, hospital, medical clinic or social service organization that offers services relevant to the elderly will receive 2 point.

(c) Up to 3 points may be awarded for (1) Neighborhood-serving amenities such as an apparel store, convenience store, pharmacy, bank, hair care, dry cleaners, and restaurant; (2) Recreational Facilities such as a community or senior center, gym, health club, or family entertainment venue; and/or (3) Civic Facilities such as a government office that serves the public on-site, an educational facility providing adult education classes, place of worship, police or fire station, post office, public library, or public park.

**b. (5 points). Affirmatively Furthering Fair Housing.** This sub-rating factor addresses the quality and effectiveness of your proposal to provide housing and supportive services in such a way as to remedy barriers to fair housing for elderly low-income residents of the community. The application should demonstrate how the proposed project will address one or more impediments identified in the applicable local community's Analysis of Impediments to Fair Housing Choice (AI), increasing fair housing choice regardless of race, color, national origin, religion, sex, familial status, and disability and what activities applicant will take to AFFH. Fair Housing encompasses a variety of issues that should be addressed in this factor. In evaluating all aspects of this factor, actions that are comprehensive, innovative, and likely to become models for "best practices" will be awarded the most points. The following affirmative fair housing activities must be addressed:

(1) (1 point). **Limited English Proficiency (LEP).** You will receive one point for LEP if you demonstrate that you have conducted a four factor analysis of language needs for the jurisdiction(s) you serve, have implemented a language implementation plan for written and oral language interpretation, have trained your staff members on LEP, and translated vital documents in target language(s).

(2) (2 points). **Affirmative Fair Housing Marketing.** You must describe past strategies to reach persons that are least likely to apply for the housing, and address planned improvements in the manner specified in Exhibit 4(e).

(3) (2 points). **Site and Neighborhood Standards.** You must choose a site location that provides desirable housing to residents in the manner specified in Exhibit 4(e) and below. The suitability of the site from the standpoint of promoting a greater choice of housing opportunities for minority elderly persons/families and affirmatively furthering fair housing. In reviewing this criterion, HUD will assess whether the site meets the site and neighborhood standards at 24 CFR 891.125(b) and (c) by examining relevant data in your application or in the Multifamily Hub Office. Where appropriate, HUD may visit the site.

(1) The site will be deemed acceptable if it increases housing choice and opportunity by expanding housing opportunities in non-minority neighborhoods (if located in such a neighborhood). The term "non-minority area" is defined as one in which the minority population is lower than 10 percent. If the site will be in a minority neighborhood, the site will be deemed acceptable if it contributes to the revitalization of and reinvestment in the minority neighborhood, including improvement of the level, quality and affordability of services furnished to minority elderly. You should refer to the Site and Neighborhood Standards provisions of the regulations governing the Section 202 Supportive Housing for the Elderly program (24 CFR 891.125(b) and (c)) when considering sites for your project.

(2) For the purpose of this competition, the term "minority neighborhood (area of minority concentration)" is defined as one where any one of the following statistical conditions exists:

(a) The neighborhood's percentage of persons of a particular racial or ethnic minority is at least 20 percentage points higher than the percentage of that particular racial or ethnic minority in the housing market area.

(b) The neighborhood's total percentage of minority persons is at least 20 percentage points higher than the total percentage of minorities in the housing market area; or

(c) In the case of a metropolitan area, the neighborhood's total percentage of minority persons exceeds 50 percent of its population.

**c. (2 points).** The extent to which your proposed design will meet the special physical needs of elderly persons.

**d. (2 points).** The extent to which the proposed size and unit mix of the housing will enable you to manage and operate the housing efficiently and ensure that the provision of supportive services will be accomplished in an economical fashion.

**e. (1 point).** The extent to which the proposed design of the housing will accommodate the provision of supportive services including for those aging-in-place that are expected to be needed, initially and over the useful life of the housing, by the category or categories of elderly persons the housing is intended to serve.

**f. (4 points).** The extent to which the proposed supportive services meet the identified needs of the anticipated residents, and the extent to which the identified supportive services will be provided on a consistent, long-term basis to support residents as they age in place. To receive the maximum 4 points, you must submit an MOU between you and the service provider(s) that demonstrates that the organization(s)/agency(s) will follow through with their commitment.

**g. (1 points).** The extent to which your project will implement practical solutions that will assist residents in achieving independent living, educational opportunities, and improved living environments. Practical solutions may include, but are not limited to, activities that will improve access to educational, employment, and health resources and that will support residents as they age in place.

**h. (1 point).** The extent to which the proposed design incorporates visitability standards and/or universal design in the construction or rehabilitation of the project. Refer to the Exhibit 4(c)(i) of this program NOFA for further information.

**i. (1 point).** Your involvement of elderly persons in the area of the project, particularly minority elderly persons, in the development of the application and your intent to involve elderly persons, particularly minority elderly persons, in the development and operation of the project.

**j. (4 Policy Priority points). Green Development.** The extent to which you describe and firmly commit to a comprehensive plan to undertake green development in the design, construction, rehabilitation, and operation of the proposed housing. **NOTE:** As detailed in the General Section, HUD is encouraging applicants to undertake programs and projects that align

with HUD's Strategic Plan and its cross-cutting departmental Policy Priorities. Although this is not a requirement, to receive up to 4 point, under HUD's Policy Priority Number 2, "Sustainability", you must commit to fully utilizing one of the recognized green building standards. Please refer to the **General Section** for a listing of the recognized green rating programs. If successful, you are required to be certified under the standard that you have selected. You will receive zero points if you do not commit to an identified standard and if your plan does not evidence your efforts and understanding of the process necessary to build to the identified standard (see Section III.C.4.a. of this NOFA on Logic Model requirements associated with this Policy Priority).

**k. (11 points). Readiness.** To receive the maximum points available, the project must have received all discretionary approvals (building permits are not considered discretionary approvals), have completed initial architectural design work, have a budget showing that necessary sources of funds have been identified to cover all costs, a site in which either a plan to clean-up contamination is not necessary or a clean-up plan of contamination that has been submitted by the applicant has included federal or State approvals, and a site in which there are no major environmental impacts or environmental impacts that require regulatory compliance.

(1) **(6 points).** Evidence that the project, as proposed, is permissible under applicable zoning ordinances or regulations and does not require discretionary action from a governing body such as rezoning, variances, special or conditional use permits, design review, or any other land use approval, OR

(4 points). Evidence that the project, as proposed, is permissible under applicable zoning ordinances or regulations and does not require discretionary action from a governing body such as rezoning, variances, special or conditional use permits, or any other land use approval, OR

(2 points). Evidence that the project as proposed, is permissible under applicable zoning ordinances or regulations but requires other discretionary approvals.

(2) **(2 points).** A letter from a licensed architect that a set of schematic plans and outline specs acceptable to HUD's standard (see Section IV.D.3.a.(2) of this NOFA) have been completed. Plans must include landscape and utility design, building design, unit layout, materials and colors for all elevations and preliminary definitions of all systems serving the project.

(3) **(2 points).** A detailed budget identifying sources and uses which indicates that all resources necessary to cover the cost of the project (including any required off-site infrastructure costs, environmental clean-up costs, and any commercial space proposed) have been committed (other than tax credit equity commitments or Federal Home Loan Bank AHP funds). The budget should be based upon a construction cost estimate performed by a professional cost estimator with itemized sources of funds to cover costs.

(4) **(1 point)**. Provide “will serve” letters from all utility providers for water, sewer, gas, and electric) indicating that sufficient capacity exists to serve the proposed project.

(5) **(-2 points)**. HUD will deduct 2 points if HUD’s preliminary environmental review determines that there are obvious adverse environmental conditions and appropriate mitigation of such does not appear to be achievable within 6 months of the fund reservation date.

**l. (1 point). Section 3.** As noted in Section III.C.3.h., you must comply with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and its implementing regulations at 24 C.F.R. part 135. Specifically, you are required to ensure, to the greatest extent feasible, that training, employment and other economic opportunities will be directed to low- and very-low income persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide economic opportunities to low- and very-low income persons in the area in which the project is based. The extent to which you describe: the number of new employment opportunities you anticipate will be created during the proposed project/activities; the type and amount of contracting opportunities that will be generated during the proposed project/activities; how Section 3 residents and business concerns will be targeted for these opportunities; efforts you intend to take to facilitate the employment and/or awarding of contracts to these individuals; processes that will be used to ensure contractor compliance; and staff persons responsible for ensuring compliance with this requirement. To receive this point, you must address this requirement in your application submission.

**m. (1 Policy Priority point). Job Creation/Employment.** As explained in the General Section and in Section III.C.4 of this NOFA, under the Job Creation/Employment policy priority, HUD seeks to fund sponsors that undertake activities that sustain economic development in low-income communities and create jobs for low-income populations and communities. The activities must be more comprehensive and exceed those required under HUD’s Section 3 requirements. To receive one policy priority point you must describe the number and type of activities that will expand job creation and other economic opportunities and how those activities will increase economic security and self-sufficiency for low- and very-low income persons in the area in which the project is based. The description must address the extent to which the activities that you undertake are focused on improved access to skills training, building and strengthening of partnerships with community-based organizations, and increased collaborating with federal, state, and local entities. The description should specifically address how the activities you intend to undertake will lead to sustainable economic opportunities for low-income populations and communities on a long term basis and how those activities will be supported (see Section III.C.4.b. of this NOFA on Logic Model requirements associated with this Policy Priority).

#### **4. Rating Factor 4: Leveraging Resources (6 Points)**

This factor addresses your ability to secure other funding sources and community resources that can be combined with HUD's program resources to achieve program purposes. Submit information responding to this factor in accordance with Application Requirements in Exhibits 3(a), 3(c), 4(c)iii and 5(b) of Section IV.B., above. For each commitment document, HUD will evaluate the commitment for completeness and add the amounts that are acceptably

documented. **NOTE:** Percentage calculations will be rounded to the nearest whole number (e.g. 5.5 percent will be rounded to 6 percent and 5.4 percent will be rounded to 5 percent).

- a. (1 point). The application contains written evidence of firm commitments towards the development of the proposed project (including financial assistance, donation of land, etc.) from other funding sources (e.g., private, local community, and government sources) where the dollar value totals between **3 percent and 5 percent** of the capital advance amount as determined by HUD.
- b. (2 points). The application contains written evidence of firm commitments toward the development of the proposed project (including financial assistance, donation of land, etc.) from other funding sources (e.g., private, local community, and government sources) where the dollar value totals between **6 percent and 10 percent** of the capital advance amount as determined by HUD.
- c. (3 points). The application contains written evidence of firm commitments toward the development of the proposed project (including financial assistance, donation of land, etc.) from other funding sources (e.g., private, local community, and government sources) where the dollar value totals between **11 percent and 15 percent** of the capital advance amount as determined by HUD.
- d. (4 points). The application contains written evidence of firm commitments toward the development of the proposed project (including financial assistance, donation of land, etc.) from other funding sources (e.g., private, local community, and government sources) where the dollar value totals between **16 percent and 25 percent** of the capital advance amount as determined by HUD.
- e. (5 points). The application contains written evidence of firm commitments toward the development of the proposed project (including financial assistance, donation of land, etc.) from other funding sources (e.g., private, local community, and government sources) where the dollar value totals between **26 percent and 30 percent** of the capital advance amount as determined by HUD.
- f. (6 points). The application contains written evidence of firm commitments toward the development of the proposed project (including financial assistance, donation of land, etc.) from other funding sources (e.g., private, local community, and government sources) where the dollar value totals **over 30 percent** of the capital advance amount as determined by HUD.

#### **5. Rating Factor 5: Achieving Results and Program Evaluation (10 Points)**

This factor reflects HUD's goal to embrace high standards of ethics, management and accountability and, as such, evaluates whether you have an effective, quantifiable, outcome-oriented evaluation plan for measuring your performance. This factor requires that you develop clear outputs and outcomes that measure your performance during the development of your project. Information provided in Exhibit 8(i), Form HUD96010\_Program\_Outcome\_Logic\_Model, as

well as the Assessment Matrix will be used when reviewing and scoring this factor. Form\_HUD96010\_Program\_Outcome\_Logic\_Model must be submitted in Excel format. Logic Models converted to any other format will receive zero points. Submit information responding to this factor in accordance with Application Requirements in Exhibits 3(a), 3(b), 3(e), 3(f), 3(g), 3(h), 4(c), 4(d)(iii) and 8(i) of Section IV.B., above.

**a. (10 points).** The extent to which your Logic Model demonstrates your full understanding of the development process and will, therefore, result in the timely development of your project. The following sub-rating factors reflect the criteria for review as identified in the logic model matrix found in the General Section:

(1) (3 points). The extent to which the services/activities identified in your Logic Model are consistent with the information provided in your application as well as the extent to which you demonstrate your full understanding of the activities that must be accomplished in order to develop your project within the required timeframe.

(2) (3 points). The extent to which the outcomes identified in your Logic Model are consistent with the services/activities that must be accomplished in order to get the project to initial closing within the 18-month fund reservation period, completion of the project, and to final closing.

(3) (3 points). The extent to which your projected measures show a realistic understanding of the development process resulting in a timely initial closing, start of construction, and final closing.

(4) (1 point). The extent to which the evaluation tools selected in your Logic Model are consistent with the project described.

**6. Bonus Points (2 bonus points).** Location of proposed site in an RC/EZ/EC-II area, as described in the General Section. Submit the information responding to the bonus points in accordance with the Application Requirements in Exhibit 8(h) of Section IV.B., above.

## **B. Reviews and Selection Process**

**1. Review for Curable Deficiencies.** Upon receipt of the application by HUD staff, HUD will screen all applications to determine if there are any curable deficiencies. For applicants receiving a waiver to submit a paper application, submitting fewer than the required **original and four copies** of the application is not a curable deficiency and will cause your application to be considered non-responsive to the NOFA and returned to you. A curable deficiency is a missing Exhibit or portion of an Exhibit that will not affect the rating of the application. Refer to the **General Section** for additional information regarding procedures for corrections to deficient applications. In addition to the examples provided in the General Section, a curable deficiency for those items that do not affect score (as noted above) will exist when: (1) there are no documents associated with a particular exhibit; (2) the exhibit contains missing pages; or (3)

**TOWN OF YUCCA VALLEY  
REDEVELOPMENT AGENCY MEETING MINUTES  
MAY 17, 2011**

Chair Huntington called the meeting of the Town of Yucca Valley Redevelopment Agency to order at 8:05 p.m.

Agency Members Present: Abel, Hagerman, Luckino, Rowe, and Chair Huntington.

Staff Present: Executive Director Nuaimi, Agency Counsel Laymon, Deputy Executive Director Stueckle, Treasurer Yakimow, Community Services Director Schooler and Secretary Anderson.

**CONSENT AGENDA**

1. **Approve**, Minutes of the Regular Redevelopment Agency Meeting of May 3, 2011, as presented.
2. **Ratify**, RDA Warrant Registers total of \$136,704.82 for expenses dated May 5, 2011. Ratify RDA Payroll Register total of \$8,199.69 dated April 29, 2011.

Agency Member Hagerman moved to adopt the Consent Agenda, Items 1-2. Agency Member Luckino seconded. Motion carried 5-0 on a roll call vote.

**AYES:** Agency Members Abel, Hagerman, Luckino, Rowe and Chair Huntington  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

**DEPARTMENT REPORTS**

3. **Senior Affordable Housing Development Financial Commitment Resolution and Option Agreement**

A RESOLUTION OF THE REDEVELOPMENT AGENCY, OF THE TOWN OF YUCCA VALLEY, CALIFORNIA, PROVIDING A FINANCIAL COMMITMENT TO NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA, FOR INCLUSION IN AN APPLICATION IN RESPONSE TO HUD'S SECTION 202 NOTICE OF FUNDING AVAILABILITY (NOFA) 2010-11 PURSUANT TO A FORTHCOMING DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE AGENCY AND NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA

With reference to the complete printed staff report provided in the meeting packets and preserved in the meeting files, Executive Director Nuaimi presented the project discussion

and gave a PowerPoint presentation showing the results of the survey given to seniors who were attending various outreach efforts regarding the project. The item is a preliminary funding commitment of the full \$3.2 million in the event CORE doesn't get the County Home funds. He noted there is well over the \$3.2 million potential offset dollars available, and is confident the Agency's funding will not be near the \$3.2 number and will probably be between \$1.5 to \$2 million, and it is hoped all that no funds will have to be spent. This project is also subject to a Disposition and Development Agreement so this is not the last time the Agency will see this.

Margo Sturges, Yucca Valley, spoke in support of the project but questioned the gap funding.

Executive Director Nuaimi explained that the discussion has always been that the CORE would be going after HUD funding, and County HOME funds, noting this financial commitment and option agreement is developed for the sole purpose of the HUD section 202 application, showing HUD that Yucca Valley is dedicated to this project.

Administrative Services Director Yakimow advised of the specific criteria in the HUD application regarding leveraging of resources and the local commitment.

Chair Huntington questioned how much is in the LMI fund. Administrative Services Director Yakimow advised that right now there is \$2,000,000 but there is 20% going into the fund every year and there is also bonding capacity.

Agency Member Hagerman questioned, out of the projects CORE has completed, how many received the HUD evaluation points of 102 and where does that amount fit into the projects that have been granted HUD funding. Julie Mungai, CORE, advised this is the first time HUD has come out with the specific scoring criteria, and is their attempt to make the process much more black and white. Since it is fairly black and white and a very competitive process, it is reasonable to assume that everyone who applies will try to reach that target 102 points. If you can show a commitment of more than 30% of the HUD amount you are requesting you get the full points. Agency Member Hagerman commented he would like to know where we stand from HUD's point of view, noting the feedback he hears from seniors is that this is coming and if we miss the funding this year it is going to be our fault, and questioned if CORE is putting together the best looking package for HUD. Ms. Mungai stated they are using a 3<sup>rd</sup> party consultant who specializes in HUD applications. She knows her stuff and will act as a liaison to HUD. Administrative Services Director Yakimow added that CORE was selected for this project because they demonstrated their capacity and creativity for looking at different funding alternatives.

Agency Member Luckino questioned if the ownership deed for the project will be in the name of Core or the Town. Ms. Mungai stated that it will initially be CORE, but will convert to a single asset corporation. Agency Member Luckino questioned CORE's financial commitment

in this project outside of trading tax credits. Ms. Mungai advised in a sense it is nothing and explained the financial structuring for the nonprofit. Agency Member Luckino advised that a year ago the Agency had a for-profit entity come to the table, was told it was a bad deal because there was no cash investment. Executive Director Nuaimi advised that proposal was also going to not only use up all the LMI funds but was also going to use all the Agency's bonding capacity and only generate 32 units. Agency Member Luckino expressed concern regarding waiving of impact fees for the project, noting the Town would not waive them for other developers. Deputy Executive Director Stueckle commented on the issue of impact fees and equity between this project and for-profit, noting the ordinance doesn't differentiate between for-profit and nonprofit, but provides for an exception for affordable housing providers, so it is applicable across the board under the Town's ordinance.

Executive Director Nuaimi advised that staff will be bringing back the Disposition and Development Agreement that will tie the many details of this transaction together. He noted the Agency has the resources to make the \$3.2 commitment but he does not believe it will have to pay those funds in the end.

Agency Member Luckino questioned what would happen if the RDA goes away. Executive Director Nuaimi advised the Agency has already committed these dollars for specific purposes, noting that, even with all dialogue going on, there are still plenty of housing advocates out there who say at a minimum the 20% set aside should continue. He noted the Town will be establishing a Housing Authority.

Chair Huntington advised the elimination of RDA is included in the latest budget proposal.

Agency Member Hagerman moved to: (a) Adopt Resolution No. RDA-11-05 providing a financial assistance commitment to CORE pursuant to a Disposition and Development Agreement in the amount of \$3.2 million in accordance to the standard terms and conditions in the referenced Letter of Financial Commitment for the proposed Senior Affordable Housing Project, and direct staff to forward a Letter of Commitment indicated same to CORE for inclusion in the HUD 202 application; (b) Approve the Option Agreement providing site control of the Dumosa/Hwy 62 property to CORE for the proposed Senior Affordable Housing Project. Agency member Rowe seconded.

Agency Member Abel stated he understands the concern but even in the worst case, if all other funding came about the Agency would be leveraging quite a bit.

Chair Huntington stated that the listing of development costs at the top of the sheet it states non prevailing wage. Ms. Mungai advised that is an error and it would be prevailing wages. Chair Huntington noted he also saw amounts for plan check fees etc., so there are a lot of little pockets for gap funding. He questioned the figures for median income. Ms. Mungai explained the methodology noting the numbers given are for a 4 person household and

divided for senior housing.

Motion carried 5-0 on a roll call vote.

**AYES:** Agency Members Abel, Hagerman, Luckino, Rowe and Chair Huntington  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

Ms. Mungai expressed gratitude to the Agency, its Chair and staff, stating it has been a pleasure to work with everyone and CORE is excited to work with the Town on this project and are fully committed to it.

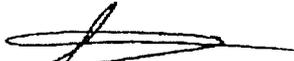
**PUBLIC COMMENTS**

None

**ADJOURNMENT**

There being no further business, Chair Huntington adjourned the meeting at 8:50 p.m.

Respectfully submitted,



Jamie Anderson  
Agency Secretary

