

CITY OF PALM DESERT

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September 20, 2012

White Nelson Diehl Evans LLP
2875 Michelle Drive
Irvine, California 92606

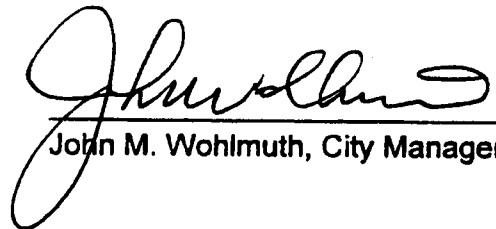
In connection with your engagement to apply agreed-upon procedures to the Low and Moderate Income Housing Fund of the Palm Desert Redevelopment Agency and the Successor Agency to the Palm Desert Redevelopment Agency pursuant to California Health and Safety Code Section 34179.5, we confirm, to the best of our knowledge and belief as of September 20, 2012, the following representations made to you during your engagement:


- a. We are responsible for meeting the requirements of California Health and Safety Code Section 34179.5.
- b. We are responsible for the presentation of the supporting schedules and exhibits attached to your report related to the Low and Moderate Income Housing Fund.
- c. The supporting schedules and exhibits attached to your report are presented in accordance procedures developed by the California Society of CPAs with input from the California State Controller's Office and the California Department of Finance.
- d. We have made available to you all information that we believe is relevant to the requirements of California Health and Safety Code Section 34179.5 as it relates to the Low and Moderate Income Fund.
- e. We are not aware of any transfers as defined by Health and Safety Code Section 34179.5 from the Low and Moderate Income Housing Fund for either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in your report and its related schedules and exhibits.

- f. We have disclosed to you all communications from regulatory agencies, internal auditors, and other independent practitioners or consultants relating to the Low and Moderate Income Housing Fund.
- g. We have responded fully to all inquiries made to us by you during the engagement.
- h. No events have occurred subsequent to June 30, 2012 that would require adjustment to or modification of the presentation of the supporting schedules and exhibits attached to your report related to the Low and Moderate Income Housing Fund.
- i. Your report is intended solely for the information and use of the Oversight Board and management of the Successor Agency to the Palm Redevelopment Agency, the California Department of Finance, the California State Controller's Office and the County Auditor Controller, and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,


Janet M. Moore, Director of Housing


John M. Wohlmuth, City Manager


Paul S. Gibson, Finance Director

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

Independent Accountants' Report on Applying Agreed-Upon Procedures
On the Palm Desert Redevelopment Agency's

And

The Successor Agency to the Palm Desert Redevelopment Agency's
Low and Moderate Income Housing Fund

Pursuant to California Health and Safety Code Section 34179.5

**SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO THE
LOW AND MODERATE INCOME HOUSING FUND**

Table of Contents

	<i>Page</i>
Independent Accountants' Report on Applying Agreed-Upon Procedures Related to the Low and Moderate Income Housing Fund	1
Attachment A - Agreed-Upon Procedures and Findings Related to the Low and Moderate Income Housing Fund	2

SUPPORTING SCHEDULES AND EXHIBITS:

- Schedule 1 - Listing of Assets Transferred to Successor Agency
as of February 1, 2012
- Schedule 2 - Transfers to Palm Desert Housing Authority
- Schedule 3 - Listing of Assets as of June 30, 2012
- Schedule 4 - Unspent Bond Proceeds
- Schedule 5 - Summary of Available Resources and Estimated
Spending Requirements
- Schedule 6 - Summary of Balance Available for Allocation to Affected
Taxing Agencies

- Exhibit 1A - Original Stipulation dated May 15, 1991
- Exhibit 1B - Amendment 1 to Original Stipulation dated June 18, 1997
- Exhibit 1C - Amendment 2 to Original Stipulation dated September 20, 2002
- Exhibit 2 - Amended and Restated Housing Cooperation Agreement
dated February 14, 2008
- Exhibit 3 - Summary of Replacement Reserve Study
- Exhibit 4 - Bond Documents
- Exhibit 5 - Projected Revenues and Spending Requirements on Annual Basis -
2012 to 2038 and Assumptions Made
- Exhibit 6 - Settlement and Release Agreement, City of Palm Desert, Palm Desert
Redevelopment Agency and IS Palm Desert, LP

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

**Independent Accountants' Report on Applying Agreed-Upon Procedures
Related to the Low and Moderate Income Housing Fund**

Oversight Board of the Successor Agency
to the Palm Desert Redevelopment Agency
Palm Desert, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California Department of Finance, the California State Controller's Office, the Riverside County Auditor-Controller, and the Successor Agency to the Palm Desert Redevelopment Agency (Successor Agency), (collectively, the Specified Parties), solely to assist you in meeting the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund of the former Palm Desert Redevelopment Agency and Successor Agency. Management of the Successor Agency is responsible for meeting the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on whether the Successor Agency has met the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Oversight Board and management of the Successor Agency to the Palm Desert Redevelopment Agency, the California Department of Finance, the California State Controller's Office, and the Riverside County Auditor-Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
September 20, 2012

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

1. **Procedure:**

Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency's Low and Moderate Income Housing Fund to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Finding:

We agreed the amounts listed on Schedule 1 to account balances as established in the accounting records of the Successor Agency with no exceptions. The former redevelopment agency transferred \$37,083,543 in assets to the Successor Agency as shown in Schedule 1.

2A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the former redevelopment agency to the city that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

This procedure is not applicable as the former redevelopment agency did not make any transfers from the Low and Moderate Income Housing Fund other than payments for goods and services to the City of Palm Desert during the period from January 1, 2011 through January 31, 2012.

2B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the Successor Agency to the city that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not make any transfers from the Low and Moderate Income Housing Fund other than payments for goods and services to the City of Palm Desert during the period from February 1, 2012 through June 30, 2012.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

2C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

This procedure is not applicable since no transfers were identified as a result of Procedures 2A and 2B.

3A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the former redevelopment agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

The former redevelopment agency transferred \$9,898,437 to the Palm Desert Housing Authority (Housing Authority) during the period from January 1, 2011 through January 31, 2012 as detailed in Schedule 2. The transfers were made to provide funds for replacement reserves for the renovation, rehabilitation and repair for the apartment projects owned by the Housing Authority. The amounts transferred were based on a replacement reserve study conducted by Association Reserves, Incorporated for all the apartments projects. The Authority under a court order is required to maintain a certain level of affordable housing units. The legal basis for the transfer and the actions taken by the governing boards for the transfers are described below.

On May 15, 1991, the Riverside County Superior Court entered a final judgment incorporating a Stipulation for Entry of Judgment, among the Palm Desert Redevelopment Agency, the Western Center on Law and Property, Inc. and California Rural Legal Assistance in connection with *City of Palm Desert v. All Persons Interested*, (Case No. Indio 51124). On June 18, 1997 and on September 20, 2002, the Riverside County Superior Court entered amendments to the Judgment, incorporating certain amendments to the Stipulation. The Stipulation, as amended, requires the Palm Desert Redevelopment Agency to use its 20% housing set aside funds (the "Housing Funds") and other tax increment funds, if necessary, to develop, rehabilitate or otherwise financially assist a certain number of affordable housing units and to meet certain affordable housing needs of the City.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

3A. **Finding (Continued):**

As part of the implementation of the Stipulation, the Redevelopment Agency and the Palm Desert Housing Authority entered into a Housing Cooperation Agreement in 2005, which was amended and restated in 2008 (as amended and restated, the "Cooperation Agreement"). Under the Cooperation Agreement, the Redevelopment Agency agreed to develop certain affordable housing units and the Housing Authority agreed to renovate, rehabilitate and repair the designated affordable apartment projects. Section 5 of the Cooperation Agreement provides that the entire expense of the renovation, rehabilitation and repair of these apartment projects is to be borne by the Redevelopment Agency from its Housing Funds, or from a combination of private funds and the Housing Funds.

By minute actions taken by the respective governing boards on February 10, 2011, the Redevelopment Agency and the Housing Authority further agreed to establish and fund a replacement reserve for the renovation, rehabilitation and repair of the apartment projects as part of the implementation of the Cooperation Agreement.

The amounts transferred are detailed in Schedule 2.

3B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and described in what sense the transfer was required by one of the former redevelopment agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

The City Council adopted Resolution No. 2012-07 on February 9, 2012 and elected the Palm Desert Housing Authority (the "Housing Authority"), and not the City, to become the Housing Successor pursuant to Health and Safety Coder Section 34176. After the adoption of Resolution No. 2012-07, for accounting purposes, the former redevelopment agency transferred assets as shown in Schedule 2 to the housing successor authorized under Health and Safety Code Section 34176(a)(2) pursuant to AB 1484. The transfer of these assets was reported on the Housing Asset List form filed on July 31, 2012 with the California Department of Finance (the "DOF"). The DOF, in a letter dated August 31, 2012, indicated its approval of the Housing Asset List. The Oversight Board of the Successor Agency is expected to adopt a resolution (the "Transfer Direction Resolution") on or about October 8, 2012 pursuant to Health and Safety Code Section 34181, directing the transfer of housing assets to the Housing Authority. The Successor Agency will proceed to have the Housing Authority reflected as the owner of record for the relevant accounts and the real property after the Oversight Board's adoption of the Transfer Direction Resolution.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

3C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report that formed the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

Attached to this AUP report are the Original Stipulation dated May 15, 1991 and the two amendments dated June 18, 1997 and September 20, 2002 (Exhibit 1A, IB and IC), the amended and restated Housing Cooperation Agreement dated February 14, 2008 between the Redevelopment Agency and the Housing Authority (Exhibit 2) and a summary of results of the replacement reserve study (Exhibit 3).

4. **Procedure:**

Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012. Ascertain that for each period presented, the total of revenues, expenditures and transfers account fully for the changes in equity from the previous fiscal period. Compare amounts for the fiscal period ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. Compare the amounts for the other fiscal periods presented to the account balances in the accounting records or other supporting schedules.

Finding:

This procedure is required by Section 34179.5(c)(4) for the Successor Agency as a whole and therefore will be addressed in the AUP report associated with all other funds of the Successor Agency due December 15, 2012.

5. **Procedure:**

Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund (excluding assets held by the entity that assumed the housing function previously performed by the former redevelopment agency) as of June 30, 2012. Agree the assets on listing to the accounting records of the Successor Agency.

Finding:

As of June 30, 2012, the Successor Agency's total assets related to the former redevelopment agency's Low and Moderate Income Housing Fund amounted to \$36,219,570 as shown in Schedule 3.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- Other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances. We agreed the par amount of the bonds, the original issue premium, underwriter's discount, bond insurance premium, cost of issuance and deposits to the escrow fund to the Official Statement prepared on the issuance of the bonds. We agreed the date and amount of the bond draw to a request from the Palm Desert Redevelopment Agency to Wells Fargo Corporate Trust Services request reimbursements for expenditures paid by the Agency. We agreed the balances at June 30, 2012 to a Statement of Assets held by Wells Fargo Corporate Trust Services.

Finding:

As of June 30, 2012, the Successor Agency had \$23,344,715 in unspent bond proceeds as detailed in Schedule 4. Attached to the report at Exhibit 4 are pages from the Official Statement prepared on the issuance of the bonds and page 6 from that statement which restricts the use of the bond proceeds for use on low and moderate income housing activity.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have grant proceeds and program income restricted by third parties as of June 30, 2012.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

6C. Procedure - Other Assets Considered to be Legally Restricted:

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. We obtained the legal document that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have other assets considered to be legally restricted as of June 30, 2012.

7. Procedure:

Obtain from the Successor Agency a listing of assets of the former redevelopment agency's Low and Moderate Income Housing Fund as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

Finding:

This procedure is not applicable as the former redevelopment agency's Low and Moderate Income Housing Fund did not have any assets that were not liquid or otherwise available for distribution as of June 30, 2012.

8A. Procedure:

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

8A. **Finding:**

This procedure was not applicable as the Successor Agency did not identify any assets to be retained to fund enforceable obligations.

8B. **Procedure:**

If the Successor Agency identified that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that include a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements. Compare the enforceable obligations to those that were approved by the California Department of Finance for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012. Compare the forecasted annual spending requirements to the legal document supporting the enforceable obligation and obtain the Successor Agency's assumptions relating to the forecasted annual spending requirements. Obtain the Successor Agency's assumptions for the forecasted annual revenues. Disclose the major assumptions for the forecasted annual spending requirements and the forecasted annual revenues in this AUP report.

Finding:

The Successor Agency has identified two enforceable obligations that require the retention of current available resources.

The first enforceable obligation is required by a Stipulation (Case No. Indio 51124) that required the former Palm Desert Redevelopment to meet certain affordable housing needs of the City of Palm Desert. This enforceable obligation is described in more detail in Finding 3A. The enforceable obligation is reported as a stipulated judgment on line 32 for project area 1, Line 32 in Project Area 2, Line 13 in project area 3 and line 21 in Project Area 4 of the ROPS filed for the period January 1, 2012 to June 30, 2012. The requirement for the enforceable obligation is the Original Stipulation and two subsequent amendments which are attached as Exhibits 1A, 1B and 1C to this report.

The second enforceable obligation is the Settlement and Release Agreement dated February 29, 2009 between the City of Palm Desert, the Palm Desert Redevelopment Agency and IS Palm Desert, LP (Park Owner), to resolve disputes between the Park Owner and the residents of the Indian Springs Mobile Home Park Homeowners' Association. With respect to the settlement, within 30 days after delivery of the "Final Public Report" issued to the Park Owner by the Department of Real Estate, Section 4 (a) of the Park Owner Agreement directs the City's Redevelopment Agency to provide purchase loan assistance in a total sum of \$5,000,000 to qualified Park residents who are Low, Very Low or Extremely Low Income. The Agency has not provided any loan assistance under this agreement as a Final Public Report has not been issued. This enforceable obligation is reported on Line 9 of the ROPS filed for the period January 1, 2012 to June 30, 2012.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

8B. Finding (Continued):

The Successor Agency has prepared a projection that shows total resources available to satisfy these enforceable obligations amounting to \$250,062,194 (Schedule 5) which includes \$12,874,855 in cash and investments held by the Successor Agency. The projected property taxes of \$204,570,847 are amounts that would have been available to meet the requirements of the these enforceable obligations after reducing the amounts to be received for the 20 percent set-aside requirements less the debt service for bond debt service related to the low and moderate income housing fund. The total estimated spending requirements are \$278,544,037. The total resources available less the estimated spending requirements results in a projected deficit of \$28,491,843 as shown in Schedule 5. Exhibit 5 shows the annual projected revenues and annual estimated spending requirements. The assumptions for the projected revenues and the spending requirements are shown in Exhibit 6.

8C. Procedure:

If the Successor Agency identified that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain a schedule demonstrating this insufficiency. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. Obtain the assumptions for the forecasted property tax revenues and other general purpose revenues and disclose them in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure

8D. Procedure:

If Procedures 8A, 8B and 8C were performed, calculate the amount of unrestricted balances necessary for retention in order to meet enforceable obligations. Combine the amount identified as currently restricted balances and the forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations. Reduce the total resources available by the amount of forecasted annual spending requirements. Include the calculation in this AUP report.

Finding:

The calculation of the amount of unrestricted balances necessary for retention in order to meet enforceable obligations is shown in Schedule 5. The projected spending requirements exceeds the resources available which indicates that the unrestricted cash balance of \$12,874,855 be retained by the Successor Agency.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

9. **Procedure:**

If the Successor Agency identified that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should identify (a) any dollar amount of existing cash that was needed to satisfy the obligation, and (b) the Successor Agency's explanation as to why the Successor Agency believes that such balances were needed to satisfy the obligation. Include this schedule as an attachment to this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

10. **Procedure:**

Present a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies. Amounts included in the calculation should agree to the results of the procedures performed above. Agree any deductions for amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance to evidence of payment.

Finding:

The schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies is shown in Schedule 6. The computation shows that the Successor Agency does not have a balance available to be remitted to the County for disbursements to taxing agencies.

11. **Procedure:**

Obtain a representation letter from management of the Successor Agency acknowledging their responsibility for the data provided and the data presented in the report or in any schedules or exhibits to the report. Included in the representations is an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in this AUP report and its related schedules or exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Finding:

No exceptions were noted as a result of this Procedure.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

LISTING OF ASSETS TRANSFERRED TO SUCCESSOR AGENCY

As of February 1, 2012

	Total Assets as of <u>February 1, 2012</u>
ASSETS	
Cash and investments	\$ 13,688,843
Cash with fiscal agent (Bond Trustee)	<u>23,394,700</u>
 TOTAL ASSETS	 <u>\$ 37,083,543</u>

NOTES:

- (A) The assets of the Palm Desert Housing Authority and the Redevelopment Agency Low and Moderate Income Housing Fund have been combined and reported in the Special Revenue Fund on the State Controller's Report filed by the Palm Desert Redevelopment Agency. On the previous years audited financial statements, the assets of the Palm Desert Housing Authority and the Redevelopment Agency Low and Moderate Income Housing Fund are reported separately. The above listing includes only the transferred assets of the former redevelopment agency's Low and Moderate Income Housing Fund.
- (B) For accounting purposes, the following assets recorded in the Low and Moderate Income Housing Fund were transferred to the Palm Desert Housing Authority (Housing Successor) on February 1, 2012 pursuant to Health and Safety Code Section 34176(a)(2). See Finding 3B for additional information.

Accounts receivable	\$ 23,996
Interest receivable	36,493
Loans	6,787,629
Prepaid costs	130
Advances from other funds (SERAF)	17,821,288
Property held for resale	<u>3,671,674</u>
	<u>\$ 28,341,210</u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

TRANSFERS TO THE PALM DESERT HOUSING AUTHORITY

FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012:

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/Other Legal Requirement Supporting Transfer
3/31/2011	Transfer to Palm Desert Housing Authority 10/11 Allocation	Provide funds for replacement reserves for Low Moderate Income Housing Apartments	\$ 5,363,100	See explanation in the finding to Procedure 3A in Attachment A to the AUP report for requirements supporting transfer
6/30/2011	Transfer to Palm Desert Housing Authority 10/11 Allocation	Provide funds for replacement reserves for Low Moderate Income Housing Apartments	2,353,396	See explanation in the finding to Procedure 3A in Attachment A to the AUP report for requirements supporting transfer
			7,716,496	
1/31/2012	Transfer to Palm Desert Housing Authority	Provide funds for replacement reserves for Low Moderate Income Housing Apartments	2,181,941	See explanation in the finding to Procedure 3A in Attachment A to the AUP report for requirements supporting transfer. This was also reported on the ROPS for the period January 1, 2012 to June 30, 2012. Project Area 1 - Line 33 for \$1,618,199.25 Project Area 2 - Line 36 for \$179,799.92 Project Area 3 - Line 14 for \$179,799.92 Project Area 4 - Line 22 for \$179,799.92 Total amount reported was \$2,157,599.01
		TOTAL TRANSFERS	<u>\$ 9,898,437</u>	

FOR THE PERIOD FEBRUARY 1, 2012 THROUGH JUNE 30, 2012

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/Other Legal Requirement Supporting Transfer
2/1/2012	Transfer of Loan Receivable of \$6,787,629 and accrued interest of \$36,493 to the Palm Desert Housing Authority	Transfer Housing Assets to the Palm Desert Housing Authority	<u>\$ 6,824,122</u>	See explanation in the finding to Procedure 3B in Attachment A to the AUP report for requirements supporting transfer
2/1/2012	Transfer of Land Held for Resale to to Palm Desert Housing Authority	Transfer Housing Assets to the Palm Desert Housing Authority	<u>\$ 3,671,674</u>	See explanation in the finding to Procedure 3B in Attachment A to the AUP report for requirements supporting transfer
2/1/2012	Transfer of Real Property to Palm Desert Housing Authority	Transfer Housing Assets to the Palm Desert Housing Authority	<u>\$ 70,940,835</u>	See explanation in the finding to Procedure 3B in Attachment A to the AUP report for requirements supporting transfer
2/1/2012	Transfer of Personal Property to Palm Desert Housing Authority	Transfer Housing Assets to the Palm Desert Housing Authority	<u>\$ 6,441</u>	See explanation in the finding to Procedure 3B in Attachment A to the AUP report for requirements supporting transfer
2/1/2012	Transfer of Deferred Loans to Palm Desert Housing Authority	Transfer Housing Assets to the Palm Desert Housing Authority	<u>\$ 23,996</u>	See explanation in the finding to Procedure 3B in Attachment A to the AUP report for requirements supporting transfer
2/1/2012	Transfer of Amounts Owed to Low and Moderate Income Housing for amounts previously borrowed to fund SERAF payments	Transfer Housing Assets to the Palm Desert Housing Authority	<u>\$ 17,821,288</u>	See explanation in the finding to Procedure 3B in Attachment A to the AUP report for requirements supporting transfer

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

LISTING OF ASSETS

As of June 30, 2012

	Total Assets as of <u>June 30, 2012</u>
ASSETS	
Cash and investments	\$ 12,874,855
Cash with fiscal agent (Bond Trustee)	<u>23,344,715</u>
 TOTAL ASSETS	 <u>\$ 36,219,570</u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

UNSPENT BOND PROCEEDS

Par Amount of 2007 Bonds		\$ 86,155,000.00
Plus: Original Issue Premium		3,945,150.95
Less: Underwriter's Discount		(387,697.50)
Less: Bond Insurance Premium		(687,000.00)
Bond Proceeds		<u>89,025,453.45</u>
Series 2007 Bond Proceeds per Transcript		89,025,453.45
Less: COI		(318,507.83)
Less: Escrow Fund to pay \$48M Bonds		(39,706,945.62)
Net Project Funds		<u>49,000,000.00</u>
Deposit to Project Fund		49,000,000.00
Accumulated Interest		3,034,929.94
Reimbursement Requests:	<u>Date</u>	
07-SA-001	2/27/2007	(3,363,107.86)
07-SA-002	2/28/2007	(180,579.16)
07-SA-003	3/31/2007	(1,907,049.91)
07-SA-004	4/30/2007	(1,081,767.07)
07-SA-005	5/31/2007	(587,656.23)
07-SA-006	6/30/2007	(185,354.29)
07-SA-007	7/31/2007	(261,865.17)
07-SA-008	8/31/2007	(149,425.07)
07-SA-009	9/30/2007	(1,729,470.77)
07-SA-010	10/31/2007	(965,927.86)
07-SA-011	11/30/2007	(2,613,354.62)
07-SA-012	12/31/2007	(1,163,487.36)
07-SA-013	1/31/2008	(4,751.83)
07-SA-014	2/29/2008	(2,762,257.38)
07-SA-015	3/31/2008	(228,944.02)
07-SA-016	4/30/2008	(585,369.17)
07-SA-017	5/31/2008	(1,136,520.83)
07-SA-018	6/27/2008	(147,789.41)
07-SA-019	7/25/2008	(322,428.91)
07-SA-020	8/31/2008	(1,469,690.61)
07-SA-021	9/30/2008	(642,064.32)
07-SA-022	10/31/2008	(418,978.40)
07-SA-023	11/30/2008	(422,630.47)
07-SA-024	12/31/2008	(299,847.85)
07-SA-025	1/31/2009	(226,683.91)
07-SA-026	2/28/2009	(396,183.70)
07-SA-027	3/31/2009	(2,768,598.15)
07-SA-028	5/15/2009	(103,326.19)
07-SA-029	6/19/2009	(84,483.00)
07-SA-030	8/14/2009	(364,043.69)
07-SA-031	1/22/2010	(94,850.30)
07-SA-032	6/25/2010	(514,547.07)
07-SA-033	12/31/2010	(134,070.32)
07-SA-034	2/25/2011	(22,631.13)
07-SA-035	8/12/2011	(1,268,504.47)
07-SA-036	9/21/2011	(18,000.98)
07-SA-037	10/31/2011	(2,879.50)
07-SA-038	1/31/2012	(31,089.18)
07-SA-039	3/15/2012	(2,497.50)
07-SA-040	5/23/2012	(27,507.50)
Remaining Project Funds		<u>23,344,714.78</u>
Actual Current Balance (including interest earned)		<u>\$ 23,344,714.78</u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

SUMMARY OF AVAILABLE RESOURCES AND ESTIMATED SPENDING REQUIREMENTS

AVAILABLE RESOURCES:

CURRENT RESOURCES:

Cash and investment balances at June 30, 2012 \$ 12,874,855

PROJECTED REVENUES:

Property tax to be received from stipulation	\$ 204,570,847	
SERAF repayment	17,821,288	
Proceeds from Hovley note payoff	6,787,629	
proceeds from deferred home loan payoffs	8,007,575	
TOTAL PROJECTED REVENUES		<u>237,187,339</u>

TOTAL RESOURCES AVAILABLE

250,062,194

SPENDING REQUIREMENTS:

Administration 51,128,291

Programs:

Palm Desert Housing Authority Net Operating Costs	10,653,407
ARR	7,407,599
Home improvement program	841,773
Affordability covenant maintenance	841,773
Home buyer assistance	8,417,726

Capital Projects:

Indian Springs MHP agreement	5,000,000
Desert Point rehabilitation	5,000,000
Las Serenas expansion	22,250,000
Sagecrest Apartments construction	6,000,000
15 acre site acquisition	2,250,000
15 acre site development	20,500,000
Complex acquisition	20,000,000
Rehabilitation of complex	30,000,000
NS Parklands apartments constructions	15,000,000

Replacement Expenditures:

California Villas	11,042,721
Candlewood	2,198,565
Carlos Ortega	3,518,771
Catalina Gardens	4,514,472
Desert Point	4,580,821
La Rocca Villas	2,210,020
Laguna Palms	3,876,607
Las Serenas	7,850,031
Las Serenas II	5,009,968
Neighbors	1,746,325
One Quail Place	18,657,647
Palm Village	4,581,267
Pueblos	982,710
Sagecrest	910,562
Taos Palms	1,582,981

TOTAL SPENDING REQUIREMENTS

278,554,037

NET DEFICIT (SPENDING REQUIREMENTS
 EXCEED RESOURCES AVAILABLE)

\$ (28,491,843)

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

SUMMARY OF BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING AGENCIES

As of June 30, 2012

Total amount of assets held by the Successor Agency as of June 30, 2012 - (Procedure 5)	\$ 36,219,570
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - (Procedure 6)	(23,344,715)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (Procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (Procedure 8)	(12,874,855)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year - (Procedure 9)	-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-
Add the amount of any assets transferred to the City for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist - (Procedures 2 and 3)	<u>-</u>
Amount to be remitted to County for disbursement to taxing agencies	<u><u>\$ -</u></u>

EXHIBIT 1A

**ORIGINAL STIPULATION
DATED MAY 15, 1991**

1 RICHARDS, WATSON & GERSHON
A Professional Corporation
2 WILLIAM L. STRAUZ, State Bar No. 58410
CHRISTI HOGIN, State Bar No. 138649
3 DEBORAH R. HAKMAN, State Bar No. 136663
333 South Hope Street, 38th Floor
4 Los Angeles, California 90071-1469
(213) 626-8484

5 Attorneys for Defendants CITY OF
6 PALM DESERT, CITY COUNCIL OF THE
CITY OF PALM DESERT, PALM DESERT
7 REDEVELOPMENT AGENCY, WALTER H.
SNYDER, RICHARD S. KELLY, S. ROY
8 WILSON, JEAN M. BENSON and
BUFORD A. CRITES

FILED
RIVERSIDE COUNTY

MAY 15 1991

ARTHUR A. SIKES, Clerk
By P. G. Solorzano P. G. Solorzano
Deputy

R

MAY 10 1991

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 FOR THE COUNTY OF RIVERSIDE

12
13
14 CITY OF PALM SPRINGS,) Case No. INDIO 51124
15)
Plaintiff,) [REDACTED] JUDGMENT PURSUANT
16) TO STIPULATION
vs.)
17)
ALL PERSONS INTERESTED IN THE)
18) MATTER OF THE REDEVELOPMENT PLAN
FOR THE PALM DESERT REDEVELOPMENT)
19) PROJECT AREA NO. 2, et. al.,
20) Defendants.)

21
22 IT IS HEREBY ADJUDGED, ORDERED AND DECREED that final
23 judgment be entered in this case pursuant to the terms and
24 conditions of the Stipulation for Entry of Judgment, attached
25 hereto, and pursuant to the terms and conditions of the Settlement
26 Agreement and Mutual Release incorporated therein, true and

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correct copies of which are filed herewith as Exhibits 1 and 2,
respectively, and are incorporated herein by reference.

DATED: 5-15-91.

W. J. Longhurst
JUDGE OF THE SUPERIOR COURT

1 RICHARDS, WATSON & GERSHON
2 A Professional Corporation
3 333 South Hope Street, 38th Floor
4 Los Angeles, California 90071-1469
5 (213) 626-8484

6 Attorneys for Defendants CITY OF
7 PALM DESERT, CITY COUNCIL OF THE
8 CITY OF PALM DESERT, PALM DESERT
9 REDEVELOPMENT AGENCY, WALTER H.
10 SNYDER, RICHARD S. KELLY, S. ROY
11 WILSON, JEAN M. BENSON and
12 BUFORD A. CRITES

13 SUPERIOR COURT OF THE STATE OF CALIFORNIA
14 FOR THE COUNTY OF RIVERSIDE

15 CITY OF PALM SPRINGS,) Case No. INDIO 51124
16)
17 Plaintiff,) STIPULATION FOR ENTRY OF
18) JUDGMENT
19 vs.)
20) CASE NO. INDIO 51143
21 ALL PERSONS INTERESTED IN THE)
22)
23 MATTER OF THE REDEVELOPMENT PLAN)
24)
25 FOR THE PALM DESERT REDEVELOPMENT)
26)
27 PROJECT AREA NO. 2, et. al.,)
28)
29 Defendants.)

30 _____)
31 SUNRISE DESERT PARTNERS, a)
32)
33 California limited partnership dba)
34)
35 SUNRISE COMPANY,)
36)
37 Plaintiff/Petitioner,)
38)
39 vs.)
40)
41 ALL PERSONS INTERESTED IN THE)
42)
43 MATTER OF THE REDEVELOPMENT PLAN)
44)
45 FOR PROJECT AREA NO. 2, et al.,)
46)
47 Defendants/Respondents.)
48 _____)

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CITY OF INDIAN WELLS,
a municipal corporation,

Plaintiff/Petitioner,

vs.

ALL PERSONS INTERESTED IN THE
MATTER OF THE REDEVELOPMENT PLAN
FOR PROJECT AREA NO. 2, et al.,

Defendants/Respondents.

CASE NO. INDIO 51159

IT IS HEREBY STIPULATED by and between defendants Alphonso Sanchez ("Interested Party"), City of Palm Desert ("City") and Palm Desert Redevelopment Agency ("Agency") through their respective counsel, that judgment in this action be entered on the following terms:

1. The Agency shall develop, rehabilitate or acquire, or cause to be developed, rehabilitated or acquired, within the City of Palm Desert, housing units in the amounts and during the times specified in this paragraph:

a. Before December 31, 1995, not less than the following units shall be developed or acquired:

(i). 366 housing units occupied by and available at affordable housing cost to very low income households;

(ii). 367 housing units occupied by and available at affordable housing cost to persons and families of low income;

and

(iii). 367 housing units occupied by and available at affordable housing cost to persons and families of low or moderate income.

///

1 b. In addition to the housing units described in
2 paragraph 1.a., above, an additional 100 housing units occupied
3 by and available at affordable housing cost to very low income
4 households and an additional 60 housing units occupied by and
5 available at affordable housing cost to lower income households
6 shall be developed. Development of these units shall be
7 commenced within 120 days after the average occupancy rate on the
8 very low and low income units developed or acquired pursuant to
9 paragraph 1.a.(i) and (ii) is 90% or more during any calendar
10 month, and development shall proceed with reasonable diligence to
11 completion. The Agency shall maintain the average monthly
12 occupancy rate of the units developed under paragraph 1.a(i) and
13 (ii).

14 c. In addition to the housing units described in
15 paragraph 1.a and b, above, before December 31, 1992, not less
16 than 255 existing housing units shall be acquired. These 255
17 existing housing units may include up to 191 mobilehome spaces and
18 the remainder shall be housing units. Not less than 21 units (or
19 spaces) shall be occupied by and available at affordable housing
20 cost to very low income households and not less than an
21 additional 78 units (or spaces) shall be occupied by and
22 available at affordable housing cost to lower income households.
23 The remainder of these units shall be unrestricted.

24 Beginning July 1, 1994, and continuing
25 through the life of the redevelopment projects in the City, ~~the~~
26 ~~Agency shall develop, rehabilitate or acquire sufficient housing~~
27 ~~to meet the City's existing and future housing needs for very low~~
28 ~~and lower income households/ and persons and families of low or~~

1 moderate income, ~~as identified in a valid Housing Element,~~
2 periodically revised as required in Government Code Section
3 65588(b). ~~The city may deduct from its existing needs, which are~~
4 ~~identified in the Housing Element it is required to revise by~~
5 July 1, 1994, the number of very low, low and moderate income
6 units it develops pursuant to this agreement in excess of 394 very
7 low, 477 low and 442 moderate income units.;

8 2. In meeting the requirements of paragraph 1.a, 1.b
9 and 1.c, the Agency shall utilize taxes which are allocated to it
10 pursuant to Health and Safety Code Section 33670 to the extent
11 necessary. With respect to the requirements of paragraph 1.d,
12 the Agency shall utilize taxes which are so allocated to it from
13 Project Area No. 2, to the extent necessary but at least at the
14 level required by Health and Safety Code Section 33334.2(a), and
15 shall utilize at least the level required by Health and Safety
16 Code Sections 33334.2(a) and 33334.6(c) from Project Area No. 1,
17 As Amended, to be deposited in a Low and Moderate Income Housing
18 Fund (the "L & M Fund"). The use of taxes allocated to the Agency
19 in excess of the levels required in Health and Safety Code Section
20 33334.2(a) ("excess tax increments") shall not be deemed to
21 create a lien on excess tax increments which is prior to or on a
22 parity with prior indebtedness payable from excess tax
23 increments. "Prior indebtedness" means indebtedness (i) existing
24 as of the date of this Stipulation, or (ii) incurred by the
25 Agency after it shall have made a written finding at a public
26 meeting by resolution appearing on the agenda, but not as part of
27 the consent calendar that those excess tax increments are not, and
28 will not be necessary to meet the housing requirements set forth

1 in paragraph 1.a., 1.b., and 1.c., with respect to Project Areas
2 Nos. 1 and 2, and in paragraph 1.d with respect to Project Area
3 No. 2. Such finding shall be made only if reasonably supported by
4 a report which indicates (i) the last equalized roll of taxable
5 property in all Project Areas of the Agency, (ii) the projected
6 assessed value of such taxable property for the following five
7 years, (iii) the projected amounts to be set aside into the Low
8 and Moderate Income Housing Fund pursuant to Sections 33334.2(a)
9 and 33334.6(c), (iv) the housing specified in paragraph 1.a, b and
10 c, (v) the projected housing needs included in the requirements
11 set forth in paragraph 1.d for the life of Project Area No. 2,
12 which shall be based upon a forecast by a state agency or by the
13 council of governments, currently the Southern California
14 Association of Governments, with the responsibility to determine
15 regional housing needs under Government Code Section 65584, and
16 (vi) the estimated amounts of money necessary to meet the
17 requirements of paragraph 1, including the estimated total costs
18 of subsidizing housing affordable to the households enumerated in
19 paragraph 5, for the time periods specified in paragraph 6, which
20 estimated total costs shall include, to the extent necessary,
21 costs of developing, maintaining and managing the housing units.
22 The report shall include evidence and analysis reasonably
23 supporting and substantiating the projections in the report and
24 the finding to be made by the Agency.

25 3. In meeting the requirements of paragraph 1, the
26 Agency may acquire existing housing units which are already
27 available at affordable cost to low or moderate income persons
28 only if the time for maintaining the affordability of those units

1 is extended by at least 15 years for rental housing and by at
2 least 10 years for for-sale housing and if the units comply with
3 the provisions of this Stipulation. For the purpose of
4 determining the number of very low, low and moderate income units
5 acquired under this paragraph and the credit to be given to the
6 Agency for housing units required under paragraph 1, the number
7 of housing units acquired shall be multiplied by a fraction,
8 equal to or less than one, whose denominator is 30 and whose
9 numerator is the number of years added to the time the units will
10 be maintained at affordable costs and occupied by persons and
11 families of low or moderate income. The following is an example
12 of the foregoing formula applied to the acquisition of 100 units
13 which were available at affordable cost for 10 years prior to
14 acquisition and which are to be maintained at affordable cost for
15 a total of 30 years after acquisition:

16
$$100 \text{ units} \times 20/30 = 67 \text{ units}$$

17 4. The Agency may promulgate other regulations
18 regarding the occupancy of housing described in this Stipulation
19 which is in accordance with law.

20 5. Housing units required to be available at
21 affordable housing cost to very low and low income households and
22 persons and families of low or moderate income under paragraphs 1
23 and 20 shall be affordable to, and, to the extent feasible,
24 occupied by, households with the following incomes:

25 a. For very low income households, at least one-
26 third of the housing units shall be affordable to households with
27 35 percent or less of the median income, adjusted for family
28 size, for the Riverside-San Bernardino Metropolitan Statistical

1 Area ("SMSA") and the remainder shall be affordable to households
2 with 45 percent or less of the median income, adjusted for family
3 size, for the SMSA.

4 b. For lower income households, at least one-
5 third of the housing units shall be affordable to households with
6 55 percent or less of the median income, at least one-third shall
7 be affordable to households with 65 percent or less of the median
8 income and the remainder shall be affordable to households with 75
9 percent or less of the median income, all adjusted for family
10 size, for the SMSA.

11 c. For persons and families of moderate income
12 all the units shall be at least affordable to households who come
13 within the definition of persons and families of low or moderate
14 income in Health and Safety Code Section 50093 and who cannot
15 afford housing at the market rate as provided in Health and
16 Safety Code Section 33334.2(e)(8), adjusted for family size.

17 6. All housing units developed, rehabilitated or
18 acquired by the Agency under the requirements of this Stipulation
19 shall be maintained at affordable housing costs, as specified in
20 paragraph 5, for the longer of the times provided in Health and
21 Safety Code Sections 33334.3 and 33413, as amended, but not less
22 than either the total period of the land use controls in the
23 Redevelopment Project Area No. 2, or 30 years, whichever is
24 greater, except as provided in paragraph 3.

25 7. Housing units developed, rehabilitated or acquired
26 pursuant to paragraph 1 shall meet the City's housing needs by
27 family size and household type.

28 ///

[PROPOSED] JUDGMENT
PURSUANT TO STIPULATION

1 a. Housing units acquired, developed,
 2 rehabilitated or otherwise assisted by the Agency shall meet the
 3 needs of low and moderate income persons and families and very
 4 low income households by family size (numbers of bedrooms) and
 5 household type (senior/family), as identified in a City Housing
 6 Element which is consistent with the latest, updated U.S. Census
 7 and which complies with the provisions of state law.

8 b. As for housing units required to meet the
 9 needs of large families (four or more bedrooms), the Agency shall
 10 determine the number of those units required to be developed,
 11 rehabilitated or acquired under paragraph 1.d. by multiplying its
 12 future regional needs for very low and lower income households by
 13 a fraction whose denominator is the City's existing need for very
 14 low and lower income households (overpayment needs) determined
 15 pursuant to paragraph 7.a and whose numerator is the City's
 16 existing need for such very low and lower income households which
 17 are also large families (households in need of four or more
 18 bedrooms).

19 c. Housing units developed pursuant to this
 20 Stipulation shall be rented, on a "priority basis", according to
 21 the following range of occupancy:

<u>Unit Type</u>	<u>Number of Occupants</u>
22 Studio	1-2
23 One-bedroom	2 or more
24 Two-bedroom	2-4 or more
25 Three-bedroom	4-6 or more
26 Four-bedroom	6-8 or more

28 ///

1 A "priority basis" means that vacant units will be held available
2 for households within the range of occupancy for at least 60
3 days.

4 d. The Agency shall require the owner of any
5 housing units developed, rehabilitated or acquired pursuant to
6 paragraph 1, to maintain waiting lists, to offer vacant units to
7 households on the waiting list on a priority basis and to notify
8 the following entities of any units required to be available to
9 very low and lower income households which remain vacant for more
10 than 30 days:

- 11 i. the Agency,
- 12 ii. the Riverside County Housing Authority,
- 13 iii. Catholic Charities in the Coachella Valley,
- 14 iv. California Rural Legal Assistance,
- 15 v. Coachella Valley Housing Coalition.

16 8. The units developed or assisted by the Agency shall
17 be subject to good cause eviction procedures in accordance with
18 Title 24 of the Code of Federal Regulations, Part 247, revised as
19 of April 1, 1989. C

20 9. The Agency shall insure, through written agreements
21 with owners of housing developed, rehabilitated or acquired
22 pursuant to this Stipulation, that such housing units are
23 initially occupied and continue to be occupied by households and
24 families within the income categories specified in paragraphs 1
25 and 20. The Agency shall also insure, through written agreements
26 with owners of housing developed, rehabilitated and acquired
27 pursuant to this Stipulation, that such units are adequately

28 ///

1 maintained during the time they are required to remain available
2 at affordable cost under paragraph 6.

3 10. The Agency and the owner of housing units
4 developed pursuant to this Stipulation, shall continually
5 advertise with the Riverside County Housing Authority and any
6 other housing authority with jurisdiction in the City, the
7 availability of those units.

8 11. a. The Agency shall enter into a written
9 regulatory agreement with each owner of housing developed,
10 rehabilitated or acquired pursuant to this Stipulation. Such
11 written regulatory agreement shall contain covenants and
12 restrictions running with the land which implement the
13 requirements of paragraphs 1, 5, 6, 7, 8, 9, 10 and 14 of this
14 Stipulation and the requirements of Health and Safety Code Section
15 33334.3(e), as amended. The covenants and restrictions shall be
16 enforceable by the Agency and the City, or Interested Party;
17 provided that prior to the commencement of any action to enforce
18 such covenants or restrictions, the Interested Party shall have
19 given not less than 60 days prior written notice to the Agency and
20 the City of its intent to so commence and of the alleged breach of
21 covenant or restriction. The Agency shall require the recording
22 of such written regulatory agreement in the office of the county
23 recorder in accordance with Government Code Section 27281.5. Such
24 written regulatory agreements shall comply with all of the
25 requirements of Civil Code Section 1468, as amended, and even if
26 not required shall identify a parcel or parcels owned by the City
27 as the parcel to be benefitted by the covenants and restrictions
28 running with the land.

1 b. If commercially feasible, the regulatory
2 agreement shall provide for a power of termination or other
3 similar property interest in housing projects the Agency finances
4 or otherwise assists under this Stipulation. The regulatory
5 agreement shall also provide that, notwithstanding the power of
6 termination, a breach of the regulatory agreement's covenants,
7 conditions and restrictions, and the Agency's exercise of the
8 power of termination, shall not defeat or render invalid the lien
9 of any mortgage or deed of trust made in good faith and for value
10 as to such property or any part thereof; but such covenants,
11 conditions, and restrictions, including such power of termination,
12 shall be binding upon and effective against any owner of said
13 property whose title is acquired by foreclosure, trustee's sale,
14 or otherwise.

15 12. In connection with its obligation to develop or
16 assist in the development of housing affordable to persons and
17 families of low or moderate income, the Agency shall give
18 reasonable priority to either of the following:

19 a. Non-profit developers which have the capacity
20 to and interest in developing such housing units, and

21 b. Sponsors or developers who agree to maintain
22 the affordability of units for a longer time than the minimum
23 required in paragraph 6.

24 13. Notwithstanding paragraph 7, the size of the units
25 developed or acquired under paragraph 1.a. will be distributed,
26 within each income category, as follows:

27 ///

28 ///

1	Studio, at most	17%
2	one-bedroom	25-35%
3	two-bedroom, at least	32%
4	three-bedroom, at least	16%

5 14. Interested Party will receive a first priority to
6 purchase or rent any appropriately sized, affordable unit
7 developed by the Agency, including any self-help housing.

8 15. The City and Redevelopment Agency shall adopt
9 5-year implementation plans commencing October 1, 1990, for the
10 expenditure of its Low and Moderate Income Housing Fund and the
11 plan shall contain the same information specified for the plan
12 provided in Health and Safety Code Section 33334.10.

13 16. The Agency and City shall comply with requirements
14 of this Stipulation notwithstanding the provisions of the Pledge
15 Agreement dated September 8, 1988, between Riverside County
16 Housing Authority and the City of Palm Desert regarding the
17 contingency of the hotel development and the term of affordability
18 requirements so that housing units are maintained in accordance
19 with paragraph 6.

20 17. If any of the provisions of this Stipulation for
21 Entry of Judgment requires the Agency to develop housing which
22 would be subject to Article 34 of the California Constitution, the
23 percentage of units in a housing development available at
24 affordable housing costs to very low and/or low income households
25 can be limited to the percentage which would not cause such
26 housing to be subject to Article 34 under the circumstances in
27 subparagraphs a. b. and c., below; provided that as long as
28 Article 34 applies to both very low and low income rental units,

1 any reduction shall be in the same proportion as the percentage
2 of units required to be available at affordable housing costs to
3 very low and low income households, respectively, under the
4 provisions of paragraphs 1.d or 20. The provisions of this
5 paragraph shall apply only if all of the following conditions are
6 met:

7 a. The proposed housing project is not excluded
8 from the application of Article 34 under Health and Safety Code
9 Section 37000 et seq., or other applicable laws, and cannot be so
10 excluded by redesigning, reconfiguring or restructuring the
11 project.

12 b. The City does not have Article 34 authority
13 which is applicable to the proposed housing project.

14 c. The City has held an unsuccessful Article 34
15 referendum election within the prior four years, which would have
16 been applicable to the proposed housing project.

17 18. Upon written request by Interested Party or his
18 counsel, the Agency shall expeditiously send to counsel for
19 Interested Party, any public records regarding the implementation
20 of this Stipulation, including a copy of the report required by
21 Health and Safety Code Section 33080.1(c) and the data required to
22 be obtained under Health and Safety Code Section 33418, as soon as
23 such public records are available.

24 19. In November 1988, the Riverside County Housing
25 Authority (the "Housing Authority") issued \$99,000,000 principal
26 amount of its revenue bonds. From the proceeds of the bonds,
27 approximately \$70,000,000 has been reserved for the purpose of
28 acquiring and constructing affordable housing within the

1 territorial limits of the City. The Agency participated in the
2 revenue bond program in an effort to cause the acquisition and
3 development of affordable housing units in the City. In the view
4 of the Agency, the promises of the Agency set forth in paragraphs
5 1.a., 1.b. and 1.c. are ambitious and such promises are dependent
6 in large part upon the timely use of such revenue bond proceeds
7 reserved for the Agency. In August, 1989 a portion of the
8 proceeds of the revenue bonds were used by the Housing Authority
9 to acquire a 64 unit apartment building complex in the City. In
10 August, 1989 the Housing Authority adopted a resolution of
11 necessity to acquire a 191 unit mobilehome park in the City. In
12 addition to the acquisition of the 64 units and 191 units
13 described in paragraph 1.c, above, it was also contemplated at the
14 time of issuance of the revenue bonds that the Housing Authority
15 would acquire an additional 1100 apartment units to be constructed
16 in the City. The obligations of the Agency hereunder with respect
17 to the foregoing acquisitions and the mix of affordability of the
18 units contemplated thereby is described in paragraphs 1.a. and
19 1.c. Subsequent to the issuance of the revenue bonds, it has come
20 to the attention of the Agency that an apartment building complex
21 in the City (commonly known as "One Quail Place") has been the
22 subject of a foreclosure and that the foreclosing entity is
23 interested in selling One Quail Place. The Agency has
24 communicated to the sellers that the Agency is interested in
25 acquiring One Quail Place. The Agency has in turn contacted the
26 Housing Authority and indicated that the Agency is desirous of
27 having the Housing Authority acquire One Quail Place from revenue
28 and bond proceeds reserved for the Agency. The Agency is also

1 itself contemplating the acquisition of One Quail Place by issuing
2 bonds secured in part by the L & M Fund, for eventual sale to the
3 Housing Authority. In the event the Agency acquires One Quail
4 Place or causes its acquisition, it is the intent of the parties
5 to this Stipulation that those units may be used to satisfy the
6 requirements of paragraph 1.a., to the extent those units comply
7 with all of the provisions of this Stipulation which are
8 applicable to paragraph 1.a. and to the extent provided in
9 paragraph 3.

10 20. If, at the end of any fiscal year as of July 1,
11 1995, the Agency is not in compliance with the requirements in
12 paragraph 1.d, the Agency shall adopt a plan not later than
13 December 31 of the immediately succeeding calendar year to bring
14 itself into compliance by the end of the next fiscal year. Until
15 such compliance has been achieved, the Agency shall not assist
16 any development which individually does not meet the following
17 requirements:

18 a. Not less than 50 percent of such units shall be
19 available at affordable costs to, and occupied by very low income
20 households.

21 b. The remainder of the units shall be available
22 at affordable costs to, and occupied by lower income households
23 and persons and families of moderate income in the same
24 proportion as the City's share of the regional housing needs for
25 those two income groups, as determined pursuant to Government
26 Code Section 65584, except that the Agency may allocate the units
27 for moderate income households to units for very low and/or low
28 income households.

1 Upon request by Interested Party or his counsel, the
2 Agency shall send counsel for Interested Party a copy of any such
3 plan as soon as it is proposed or adopted and a copy of any of the
4 Agency's annual reports.

5 21. The Agency shall send by first-class mail copies of
6 all agenda packets to California Rural Legal Assistance, to
7 Jonathan Lehrer-Graiwer and to the Western Center on Law and
8 Poverty at the same time those agenda packets are distributed to
9 the Agency Board.

10 22. The definitions contained in Health and Safety Code
11 Sections 50052.5, 50079.5, 50093 and 50105 as they currently
12 exist, shall apply to this Stipulation for Entry of Judgment and
13 the term "affordable cost" shall include "affordable rent."

14 23. The terms "develop, rehabilitate or acquire,"
15 either individually or conjunctively, include actions by the
16 Agency which cause or assist another entity to develop,
17 rehabilitate or acquire.

18 24. For the purpose of enforcing the terms of this
19 Stipulation, "Interested Party" shall include low or very low
20 income households who would qualify for the housing to be
21 developed under paragraph 1.

22 25. Notwithstanding paragraph 2, the Agency may spend
23 monies from the L & M Fund which are derived from the territory
24 added to Project Area No. 1, As Amended, for the purpose of
25 paying the debt service requirements on its Palm Desert
26 Redevelopment Agency, Project Area No. 1, As Amended (Added
27 Territory Only) Tax Allocation Bonds, Issue of 1988, or a

28 ///

1 refinancing thereof which decreases such debt service require-
2 ments.

3 26. Notwithstanding paragraph 2, provided it has made a
4 written finding reasonably supported by the same evidence
5 described under paragraph 2, that a portion of the L & M Fund
6 derived from Project Area No. 1, As Amended, is not, and will not
7 be necessary to meet the housing requirements set forth in
8 paragraph 1, the Agency may use moneys in the L & M Fund derived
9 from Project Area No. 1, As Amended, for the development of
10 housing units which are subject to all of the provisions of this
11 Stipulation, except the requirements of paragraphs 5.a and 5.b, as
12 long as such housing units are in addition to the requirements of
13 paragraph 1.

14 27. Interested Party releases, waives and forever
15 discharges City and Agency from any and all claims raised in this
16 action, or which could have been raised in this action, except as
17 specifically provided in this Stipulation for Entry of Judgment
18 and the City and Agency release, waive and forever discharge
19 interested party from any and all claims which they may have
20 against him in connection with this action.

21 28. The City and/or Agency agree to pay the Western
22 Center on Law and Poverty, the California Rural Legal Assistance
23 and Jonathan Lehrer-Graiwer, a maximum of \$56,000 as attorneys'
24 fees to be calculated by multiplying the total number of attorney
25 hours expended on the case by the reasonable hourly rate that
26 persons of equivalent experience and quality are charging in the
27 community. The City and Agency have been informed of the hourly
28 rates of the attorneys for Interested Party and those rates are

1 deemed reasonable. Such fees shall be paid upon provision by
2 counsel for Interested Party to the Agency of attorneys' time
3 records. With the exception of such payment of attorneys' fees,
4 Interested Party, the City and Agency shall bear their own costs,
5 attorneys' fees and expenses incurred in connection with this
6 action.

7 29. The laws of the State of California shall govern
8 this Stipulation for Entry of Judgment in all respects,
9 including, but not limited to, matters of construction, validity,
10 enforcement and interpretation. This Court shall maintain
11 continuing jurisdiction for the purpose of enforcing the judgment
12 entered pursuant to this Stipulation for Entry of Judgment. If
13 any motion or legal action is brought to enforce, construe,
14 interpret or invalidate the terms of the judgment entered
15 pursuant to this Stipulation for Entry of Judgment, the
16 prevailing party shall be entitled to all costs and expenses
17 incurred in any such action including court costs and reasonable
18 attorney's fees to the extent provided by California law, in
19 addition to any other relief to which they may be entitled from
20 the losing party. Upon a noticed motion, the Court may award
21 attorneys' fees to counsel for Interested Party for any
22 significant time spent in enforcing the provisions of the
23 judgment entered herein. C

24 30. All notices to be delivered pursuant to the terms
25 of this Stipulation for Entry of Judgment shall be in writing and
26 shall be delivered either in person or by U.S. mail or some other
27 delivery service, verifying delivery of the notice to the address
28 listed below for the respective parties.

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If to counsel for Interested Party:

Western Center on Law and Poverty, Inc.
3535 West Sixth Street
Los Angeles, California 90020

California Rural Legal Assistance
1030 Sixth Street, Suite 6
P. O. Box 35
Coachella, California 92236

Jonathan Lehrer-Graiwer
4727 Wilshire Blvd. Suite 500
Los Angeles, California 90010

If to the City:

David J. Erwin, Esq.
Best, Best & Krieger
P.O. Box 1555
Rancho Mirage, California 92271

If to the Agency:

William L. Strausz
Richards, Watson & Gershon
333 South Hope Street
Suite 3800
Los Angeles, California 90071

Mr. Carlos L. Ortega
Executive Director
Palm Desert Redevelopment Agency
City Hall
P.O. Box 1977
Palm Desert, California 92261

Any of the foregoing addresses may be changed by written notice in accordance with this paragraph.

If notice is given it shall be deemed effective upon the date of actual receipt as evidence by personal acknowledgement, return receipt or other comparable means.

31. This Stipulation for Entry of Judgment may be signed in counterparts.

32. If Interested Party objects to the written finding made by the Agency pursuant to paragraph 2, or to the report upon

1 which it is based, Interested Party may bring an appropriate
2 motion pursuant to paragraph 29 or an action challenging the
3 written finding. Such motion or action shall be brought within
4 the time now specified by Code of Civil Procedure Section 860 on
5 the date of this Stipulation. In any action to challenge or
6 attack a finding made by the Agency under paragraph 2, exhaustion
7 of administrative remedies shall not be applicable and the
8 standard of judicial review applied by the court to determine
9 whether the finding is supported by evidence shall be as
10 determined by the law at that time.

11 33. The Judgement entered pursuant to this Stipulation
12 shall be recorded in the records of the Riverside County
13 Recorder.

14 Dated: _____, 1990 _____
15 ALPHONSO SANCHEZ

16 California Rural Legal Assistance

17
18 Dated: _____, 1990 By: _____
19 EILEEN MCCARTHY

20 Dated: June 21, 1990 By: [Signature]
21 JONATHAN LEHRER-GRAIWER
22 Attorneys for Interested Party

23 Dated: _____, 1990 Western Center on Law and Poverty

24
25 By: _____
26 RICHARD A. ROTHSCHILD
27 Attorney for Interested Party

28 [Signatures Continue]

///

1 which it is based, Interested Party may bring an appropriate
2 motion pursuant to paragraph 29 or an action challenging the
3 written finding. Such motion or action shall be brought within
4 the time now specified by Code of Civil Procedure Section 860 on
5 the date of this Stipulation. In any action to challenge or
6 attack a finding made by the Agency under paragraph 2, exhaustion
7 of administrative remedies shall not be applicable and the
8 standard of judicial review applied by the court to determine
9 whether the finding is supported by evidence shall be as
10 determined by the law at that time.

11 33. The Judgement entered pursuant to this Stipulation
12 shall be recorded in the records of the Riverside County
13 Recorder.

14 Dated: 6/22, 1990 Alfonso Sanchez
ALPHONSO SANCHEZ

California Rural Legal Assistance

18 Dated: June 22, 1990 By: Eileen McCarthy
EILEEN MCCARTHY

20 Dated: June 21, 1990 By: Jonathan Lehrer-Graiver
JONATHAN LEHRER-GRAIWER
Attorneys for Interested Party

23 Dated: _____, 1990 Western Center on Law and Poverty
By: _____
RICHARD A. ROTHSCHILD
Attorney for Interested Party

27 [Signatures Continue]

28 ///

[PROPOSED] JUDGMENT
PURSUANT TO STIPULATION

1 which it is based, Interested Party may bring an appropriate
2 motion pursuant to paragraph 29 or an action challenging the
3 written finding. Such motion or action shall be brought within
4 the time now specified by Code of Civil Procedure Section 860 on
5 the date of this Stipulation. In any action to challenge or
6 attack a finding made by the Agency under paragraph 2, exhaustion
7 of administrative remedies shall not be applicable and the
8 standard of judicial review applied by the court to determine
9 whether the finding is supported by evidence shall be as
10 determined by the law at that time.

11 33. The Judgement entered pursuant to this Stipulation
12 shall be recorded in the records of the Riverside County
13 Recorder.

14 Dated: 6/22, 1990 Alfonso Sanchez
15 ALPHONSO SANCHEZ

16 California Rural Legal Assistance

17
18 Dated: June 22, 1990 By: Eileen M. McCarthy
19 EILEEN MCCARTHY

20 Dated: June 21, 1990 By: Jonathan Lehrer-Graiver
21 JONATHAN LEHRER-GRAIVER
22 Attorneys for Interested Party

23 Dated: Sept 28, 1990 Western Center on Law and Poverty

24
25 By: Richard A. Rothschild
26 RICHARD A. ROTHSCHILD
27 Attorney for Interested Party

28 [Signatures Continue]

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Dated: Sept. 5, 1990 City of Palm Desert

By: [Signature]
Mayor of the City of Palm Desert

ATTEST:
[Signature]
City Clerk of the City of Palm Desert

Palm Desert Redevelopment Agency
By: [Signature]
Chairman of the Palm Desert Redevelopment Agency

ATTEST:
[Signature]
Secretary, Palm Desert Redevelopment Agency

Dated: 9/12/90, 1990 By: [Signature]
Attorney for City of Palm Desert and Palm Desert Redevelopment Agency

EXHIBIT 1B

**AMENDMENT 1 TO ORIGINAL STIPULATION
DATED JUNE 18, 1997**

1 RICHARDS, WATSON & GERSHON
 2 A Professional Corporation
 3 333 South Hope Street, 38th Floor
 4 Los Angeles, California 90071-1469
 5 (213) 626-8484
 6 Attorneys for Defendants CITY OF
 7 PALM DESERT, CITY COUNCIL OF THE
 8 CITY OF PALM DESERT, PALM DESERT
 9 REDEVELOPMENT AGENCY, WALTER H.
 10 SNYDER, RICHARD S. KELLY, S. ROY
 11 WILSON, JEAN M. BENSON and
 12 BUFORD A. CRITES

FILED
 RIVERSIDE COUNTY

R JUN 18 1997
 By *A. Vasquez* ARTHUR A. SIMS, Clerk
 M. Vasquez Deputy

IMAGED

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
 10 FOR THE COUNTY OF RIVERSIDE

12	CITY OF PALM SPRINGS,)	CASE NO. INDIO 51124
13)	[Consolidated with
14	Plaintiff,)	CASE NOS. INDIO 51143,
15)	51159]
16	vs.)	
17)	STIPULATION AMENDING
18	ALL PERSONS INTERESTED IN THE)	STIPULATION FOR ENTRY OF
19	MATTER OF THE REDEVELOPMENT PLAN)	JUDGMENT; EXHIBIT "A";
20	FOR THE PALM DESERT REDEVELOPMENT)	PROPOSED ORDER
21	PROJECT AREA NO. 2, et. al.,)	
22)	
23	Defendants.)	
24	<hr/>		
25	SUNRISE DESERT PARTNERS, a)	
26	California limited partnership dba)	
27	SUNRISE COMPANY,)	
28)	
	Plaintiff/Petitioner,)	
)	
	vs.)	
)	
	ALL PERSONS INTERESTED IN THE)	
	MATTER OF THE REDEVELOPMENT PLAN)	
	FOR PROJECT AREA NO. 2, et al.,)	
)	
	Defendants/Respondents.)	

28 [Caption Continues]

1 CITY OF INDIAN WELLS, a municipal)
corporation,)
2)
Plaintiff/Petitioner,)
3)
vs.)
4)
ALL PERSONS INTERESTED IN THE)
5 MATTER OF THE REDEVELOPMENT PLAN)
FOR PROJECT AREA NO. 2, et al.,)
6)
Defendants/Respondents.)
7)

8
9 RECITALS

10
11 1. On May 15, 1991, this Court entered a Final
12 Judgment ("Judgment") in these consolidated actions. The Judgment
13 incorporates the terms of a Stipulation for Entry of Judgment
14 ("Stipulation") in Case No. 51124 and a Stipulation for Entry of
15 Judgment pursuant to Settlement Agreement and Mutual Release
16 ("Settlement Agreement") in Case No. 51124.

17 2. The Stipulation and the Settlement Agreement are
18 wholly distinct agreements, involving different issues and
19 different parties. The Stipulation is attached to the Judgment as
20 Exhibit 1 thereto. The Settlement Agreement is attached to the
21 Judgment as Exhibit 2 thereto.

22 3. The Stipulation imposes certain ongoing obligations
23 on the Palm Desert Redevelopment Agency (the "Agency") with
24 respect to affordable housing in the City of Palm Desert. The
25 Stipulation provides by its terms that this Court has continuing
26 jurisdiction over the matters set forth in the Stipulation for
27 purposes of enforcement of the Stipulation.

28 ///

1 4. The Agency has made a good faith effort to meet its
2 housing production obligations under the Stipulation. In light of
3 the foregoing, the parties to the Stipulation are entering into
4 this Stipulation Amending Stipulation for Entry of Judgment and
5 will continue to negotiate in good faith regarding the enforcement
6 and/or modification of the other terms of the Stipulation in
7 addition to the modifications covered by this Stipulation Amending
8 Stipulation for Entry of Judgment.

9 5. The parties to the Stipulation now wish to amend
10 the Stipulation as set forth below and to have the Court enter an
11 Amendment to Judgment.

12 NOW THEREFORE, IT IS HEREBY STIPULATED, by and between
13 Alfonso Sanchez ("Interested Party"), defendants the City of Palm
14 Desert (the "City") and the Agency through their respective
15 counsel, that the Stipulation be amended as follows, and that an
16 Amendment to Judgment be entered in those consolidated actions
17 consistent with this Stipulation Amending Stipulation for Entry of
18 Judgment, in the form attached here as Exhibit "A."

19 1. Paragraph 34 is hereby added to the Stipulation to
20 read as follows:

21
22 "Notwithstanding the other provisions of this
23 Stipulation, the Agency may incur indebtedness and
24 pledge tax increment, other than amounts required to be
25 set aside in the L&M Fund, to its repayment (i) to
26 refinance its bonds or other obligations, including
27 providing insurance and alternate security for a reserve
28 fund, so long as (a) the total amount of debt service

1 payable in connection with such refinancing is less than
2 the total amount of debt service remaining to be paid on
3 the bonds or other obligations to be refinanced, or
4 (b) the total amount of debt service payable in
5 connection with such refinancing reflects a present
6 value savings when compared with the total amount of
7 debt service remaining to be paid on the bonds or other
8 obligations to be refinanced; and (ii) to replace the
9 reserve fund for its existing bonds or other obligations
10 with a surety bond or other alternate security, so long
11 as the annual debt service requirements on such bonds or
12 other obligations is not increased by such replacement."

13
14 2. Paragraph 35 is hereby added to the Stipulation to
15 read as follows:

16
17 "Notwithstanding the other provisions of this
18 Stipulation, the Agency may incur indebtedness and/or
19 refinance indebtedness, and pledge L & M Funds to its
20 repayment, including providing insurance and alternate
21 security for a reserve fund, so long as the proceeds
22 thereof are used to acquire rental housing projects and
23 other residential dwelling units located in the City of
24 Palm Desert which are owned and operated by the
25 Riverside County Housing Authority."

26
27 3. Paragraph 36 is hereby added to the Stipulation to
28 read as follows:

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"Funds equivalent to (1) all of the reduction in debt service and in other monetary costs resulting from the indebtedness or refinancing described in Paragraph 35, and (2) any administrative or other savings achieved by any acquisition of, restructuring of ownership or management, or operation of housing units owned and/or operated by the Riverside County Housing Authority, regardless of whether any bonds are refinanced, shall be used exclusively for acquiring, developing, rehabilitating, or otherwise assisting housing units occupied by and available at affordable housing costs to very low income households pursuant to this stipulation. Such indebtedness or refinancing may include the financing of rehabilitation costs of rental units for occupancy and availability at affordable housing costs to very low income households.

a. Such savings shall be used for the development, acquisition or, if necessary, the rehabilitation, of either rental housing, self-help housing or repossessed properties, and other for-sale housing, except that it may not be used to displace lower income households. The term development includes subsidizing existing units not occupied by lower income households.

b. Self-help housing shall be defined as housing in which at least 40 percent of the labor used in constructing the housing is contributed by the participants of the program.

1 c. Any self-help project shall utilize
2 experienced, reliable developers, with a track record of
3 successfully developing at least 20 units of self-help
4 housing within the last five years. In choosing a
5 developer, the Agency shall give a preference to non-
6 profit developers which have successfully developed
7 50 or more units of self-help new construction housing
8 units within the last five years. 'Preference' means
9 the selection of a non-profit over a profit motivated
10 developer where the non-profit development proposal does
11 not exceed the cost of a for-profit development proposal
12 equalized for the proposed quality of construction and
13 given developers of like experience.

14 d. The development or acquisition of any
15 project involving for-sale housing shall meet the
16 following costs and subsidy criteria. For-sale housing
17 shall not include self-help housing as defined in
18 subparagraph b above, but shall include housing
19 developed or acquired by the Agency which is intended to
20 be sold to lower income households.

21 (i) The total cost of development of any
22 housing unit, including but not limited to acquisition,
23 construction, financing and rehabilitation costs, except
24 housing which has been acquired or developed prior to
25 the date of the Stipulation Amending Stipulation for
26 Entry of Judgment adding this Paragraph 36, shall not
27 exceed the median cost of development of newly
28 constructed housing units of similar type (e.g.,

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condominiums versus free-standing units), with the same number of bedrooms and of similar size in Riverside County during the previous year.

(ii) The amount of Agency subsidy for each for-sale unit shall not exceed the present value of the median cost of the Agency subsidies over 30 years for rental units of the same bedroom count and affordability level, as developed or acquired by the Agency under this Stipulation."

4. Subparagraph b of Paragraph 1 of the Stipulation is hereby amended to read as follows:

"b. In addition to the housing units described in paragraph 1.a, above, an additional 100 housing units occupied by and available at affordable housing cost to very low income households and an additional 60 housing units occupied by and available at affordable housing cost to lower income households shall be developed. Development of these units shall be commenced within 120 days after the average occupancy rate on either the very low and low income ownership units or the very low and low income rental units developed or acquired pursuant to paragraph 1.a (i) and (ii) is 90 percent or more during any calendar month, and development shall proceed with reasonable diligence to completion. The Agency shall maintain the average monthly occupancy rate of the units developed under paragraph 1.a (i) and (ii)."

1 5. Paragraph 37 is hereby added to the Stipulation to
2 read as follows:

3
4 "Funds equivalent to all of the reduction in debt
5 service achieved by the refinancing described in
6 Paragraph 34 shall be subject to the Agency's
7 obligations under Paragraph 1 of this Stipulation, as
8 provided under Paragraph 2. Any savings achieved by
9 such refinancing bonds shall not be exempt from the
10 Agency's obligations under Paragraph 1 as the result of
11 any resolution previously adopted by the Agency pursuant
12 to paragraph 2 or as the result of any indebtedness
13 previously incurred by the Agency on the basis of those
14 prior resolutions, except to the extent that funds are
15 legally obligated and necessary to pay prior
16 indebtedness validly adopted pursuant to those
17 resolutions."

18
19 6. Subparagraph a of Paragraph 1 of the Stipulation is
20 hereby amended to read as follows:

21
22 "a. (i) Before January 1, 2002, not less than the
23 following units shall be developed or acquired:

24 (a) 366 housing units occupied by and
25 available at affordable housing cost to very low income
26 households. The parties agree that as of the date of
27 the Stipulation Amending Stipulation for Entry of
28 Judgment, the Agency has developed or acquired some of

1 the units mandated by Paragraph 1(a)(i) of the
2 Stipulation. Not less than one-half of the 'remaining'
3 housing units, as identified by the parties in
4 subparagraph (iv) of this paragraph, below, shall be
5 developed or acquired by January 1, 2001; and

6 (b) 367 housing units occupied by and
7 available at affordable housing cost to persons and
8 families of low income. The parties agree that as of
9 the date of the Stipulation Amending Stipulation for
10 Entry of Judgment, the Agency has developed or acquired
11 some of the units mandated by Paragraph 1(a)(ii) of the
12 Stipulation. Not less than one-half of the 'remaining'
13 housing units, as identified by the parties in
14 subparagraph (iv) of this paragraph, below, shall be
15 developed or acquired by January 1, 2001.

16 (ii) The parties agree that as of the date of
17 the Stipulation Amending Stipulation for Entry of
18 Judgment, the Agency has developed or acquired some of
19 the 367 units to be occupied by and available at
20 affordable housing cost to persons and families of low
21 or moderate income described in Paragraph 1(a)(iii) of
22 the Stipulation. In lieu of the 'remaining' portion of
23 the 367 housing units in subparagraph 1(a)(iii) of the
24 Stipulation, the Agency shall instead, before January 1,
25 2006, develop or acquire units occupied by and available
26 at affordable housing cost to very low income
27 households. The numbers of such very-low income housing
28 units to be developed or acquired shall be 20 percent of

1 the 'remaining' moderate income housing units, as
2 identified by the parties in subparagraph (iv) of this
3 paragraph, below. For example, if 238 of the 367
4 moderate income units remain to be developed or acquired
5 by the Agency, 20 percent of 238, rounded, would be 48
6 very-low income units. Such very low income units shall
7 be developed or acquired by January 1, 2006.

8 (iii) Before July 31, 1997, the Agency shall
9 provide to counsel for Interested Party a complete
10 listing of the following information with respect to the
11 housing units developed or acquired by the Agency as of
12 April 15, 1997:

13 (a) The address and unit number, or in
14 lieu of the unit number, the exact number of units
15 designated in each property for low, very low, and
16 moderate income households;

17 (b) The number of bedrooms in the unit;

18 (c) The nature of the unit (ownership,
19 rental, mobilehome space);

20 (d) The date acquired or developed by
21 the Agency;

22 (e) The date first occupied following
23 acquisition or development by the Agency;

24 (f) The income category assigned to the
25 unit (low, very low, moderate income), if any;

26 (g) The income level of the tenant
27 (i.e., percent of median income);

28 (h) If the unit is vacant, the reason

1 for the vacancy, the length of time the unit has been
2 vacant, and the date when the unit will be available for
3 occupancy; and

4 (i) The total number of units developed
5 or acquired in each status of unit (i.e., very low
6 income, low income, moderate income).

7 (iv) Within a reasonable time after the
8 complete list referred to in subparagraph (iii) of this
9 paragraph is delivered to counsel for Interested Party,
10 the parties shall calculate and agree to the remaining
11 number of units and bedroom sizes to be developed or
12 acquired in each status of unit (i.e., very low income,
13 low income, and moderate income), in accordance with
14 subparagraphs (i) and (ii) of this paragraph above."
15

16 7. Nothing in this Stipulation Amending Stipulation
17 for Entry of Judgment shall constitute a waiver of requirements
18 in, or a modification of any provisions of, the Stipulation, other
19 than those explicitly addressed herein.

20 8. This Stipulation Amending Stipulation for Entry of
21 Judgment may be executed in counterparts.

22 9. The Agency agrees to pay to the Western Center on
23 Law and Poverty, California Rural Legal Assistance and Jonathan
24 Lehrer-Graiwer an aggregate total of \$35,467.00 as attorneys' fees
25 and an aggregate total of \$1,255.00 as costs. With the exception
26 of such payment of attorneys' fees and costs, Interested Party,
27
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1 the City and the Agency shall bear their own costs, attorneys'
2 fees and expenses incurred in connection with this Stipulation
3 Amending Stipulation for Entry of Judgment.

4
5 Dated: 6/16, 1997 *Alfonso Sanchez*
6 ALFONSO SANCHEZ

7 Dated: _____, 1997 By: _____
8 JONATHAN LEHRER-GRAIWER
9 Attorneys for Interested Party

10 Dated: _____, 1997 CALIFORNIA RURAL LEGAL ASSISTANCE
11
12 By: _____
13 EILEEN MCCARTHY

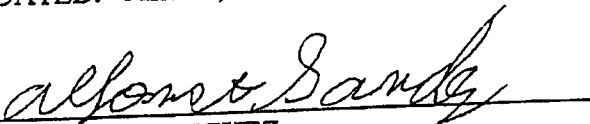
14 Dated: _____, 1997 WESTERN CENTER ON LAW AND POVERTY
15
16 By: _____
17 DARA L. SCHUR
18 Attorney for Interested Party

19 Dated: _____, 1997 CITY OF PALM DESERT
20
21 By: _____
22 RICHARD S. KELLY
23 Mayor of the City of Palm
24 Desert

25 ATTEST:
26 _____
27 SHEILA R. GILLIGAN
28 City Clerk of the City of
Palm Desert

[signatures continue]

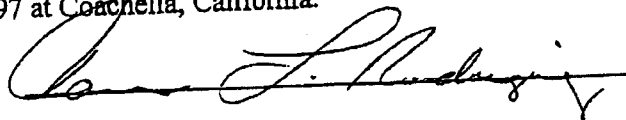
DATED: June 16, 1997


ALFONSO SANCHEZ

DECLARATION OF TRANSLATION

I, Carmen Lopez Rodriguez, declare that I am fluent in both the Spanish and English languages. On June 16, 1997, I read the foregoing document and orally translated it faithfully and accurately into Spanish in the presence of the above signatory. After I completed translating the document, the signatory told me that he understood my translation of the document and thereafter signed the document in my presence.

I declare under the penalty of perjury that the foregoing is true and correct, and that I executed this declaration on June 16, 1997 at Coachella, California.



1 the City and the Agency shall bear their own costs, attorneys'
2 fees and expenses incurred in connection with this Stipulation
3 Amending Stipulation for Entry of Judgment.

4
5 Dated: _____, 1997 _____
6 ALFONSO SANCHEZ

7 Dated: _____, 1997 By: _____
8 JONATHAN LEHRER-GRAIWER
9 Attorneys for Interested Party

10 Dated: June 16, 1997 CALIFORNIA RURAL LEGAL ASSISTANCE

11
12 By: Eileen McCarthy
13 EILEEN MCCARTHY

14 Dated: _____, 1997 WESTERN CENTER ON LAW AND POVERTY

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16 By: _____
17 DARA L. SCHUR
18 Attorney for Interested Party

19 Dated: _____, 1997 CITY OF PALM DESERT

20
21 By: _____
22 RICHARD S. KELLY
23 Mayor of the City of Palm
24 Desert

25 ATTEST:
26 _____
27 SHEILA R. GILLIGAN
28 City Clerk of the City of
Palm Desert

[signatures continue]

1 the City and the Agency shall bear their own costs, attorneys'
2 fees and expenses incurred in connection with this Stipulation
3 Amending Stipulation for Entry of Judgment.

4
5 Dated: _____, 1997 _____
ALFONSO SANCHEZ

6
7 Dated: June 16,, 1997 By: *Jonathan Lehrer-Graiver*
JONATHAN LEHRER-GRAIVER
8 Attorneys for Interested Party

9
10 Dated: _____, 1997 CALIFORNIA RURAL LEGAL ASSISTANCE

11
12 By: _____
EILEEN MCCARTHY

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14 Dated: _____, 1997 WESTERN CENTER ON LAW AND POVERTY

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16 By: _____
DARA L. SCHUR
17 Attorney for Interested Party

18
19 Dated: _____, 1997 CITY OF PALM DESERT

20
21 By: _____
RICHARD S. KELLY
22 Mayor of the City of Palm
Desert

23 ATTEST:

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SHEILA R. GILLIGAN
26 City Clerk of the City of
Palm Desert

27
28 [signatures continue]

1 the City and the Agency shall bear their own costs, attorneys'
2 fees and expenses incurred in connection with this Stipulation
3 Amending Stipulation for Entry of Judgment.

4
5 Dated: _____, 1997 _____
6 ALFONSO SANCHEZ

7 Dated: _____, 1997 By: _____
8 JONATHAN LEHRER-GRAIWER
9 Attorneys for Interested Party

10 Dated: _____, 1997 CALIFORNIA RURAL LEGAL ASSISTANCE

11
12 By: _____
13 EILEEN MCCARTHY

14 Dated: June 16, 1997 WESTERN CENTER ON LAW AND POVERTY

15
16 By: Dara L. Schur
17 DARA L. SCHUR
18 Attorney for Interested Party

19 Dated: _____, 1997 CITY OF PALM DESERT

20
21 By: _____
22 RICHARD S. KELLY
23 Mayor of the City of Palm
24 Desert

25 ATTEST:

26 _____
27 SHEILA R. GILLIGAN
28 City Clerk of the City of
Palm Desert

[signatures continue]

1 the City and the Agency shall bear their own costs, attorneys'
2 fees and expenses incurred in connection with this Stipulation
3 Amending Stipulation for Entry of Judgment.

4
5 Dated: _____, 1997 _____
ALFONSO SANCHEZ

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7 Dated: _____, 1997 By: _____
JONATHAN LEHRER-GRAIWER
Attorneys for Interested Party

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10 Dated: _____, 1997 CALIFORNIA RURAL LEGAL ASSISTANCE

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12 By: _____
EILEEN MCCARTHY


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14 Dated: _____, 1997 WESTERN CENTER ON LAW AND POVERTY

15
16 By: _____
DARA L. SCHUR
Attorney for Interested Party

17
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19 Dated: _____, 1997 CITY OF PALM DESERT

20
21 By:  _____
RICHARD S. KELLY
Mayor of the City of Palm
Desert

22
23 ATTEST:

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25 
SHEILA R. GILLIGAN ~~MARY P. GATES~~, DEPUTY CITY CLERK
26 City Clerk of the City of
Palm Desert

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28 [signatures continue]

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PALM DESERT REDEVELOPMENT AGENCY

By: *Richard S. Kelly*
RICHARD S. KELLY
Chairman of the Palm Desert
Redevelopment Agency

ATTEST:

Mary P. Gates
~~SHEILA R. GILLIGAN~~ MARY P. GATES, ASSISTANT SECRETARY
Secretary, Palm Desert
Redevelopment Agency

RICHARDS, WATSON & GERSHON
A Professional Corporation

Dated: *June 16*, 1997 By: *William L. Strausz*
WILLIAM L. STRAUSSZ
Attorneys for City of Palm
Desert and Palm Desert
Redevelopment Agency

IT IS SO ORDERED.

DATED: *6/18/97*
L. G. Tyle
Judge, Superior Court,
County of Riverside

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF RIVERSIDE

CITY OF PALM SPRINGS,
Plaintiff,
vs.
ALL PERSONS INTERESTED IN THE
MATTER OF THE REDEVELOPMENT PLAN
FOR THE PALM DESERT REDEVELOPMENT
PROJECT AREA NO. 2, et. al.,
Defendants.

) CASE NO. INDIO 51124
) [CONSOLIDATED WITH INDIO
) CASE NOS. 51143, 51159]
)
) [PROPOSED] AMENDMENT TO
) JUDGMENT

SUNRISE DESERT PARTNERS, a
California limited partnership dba
SUNRISE COMPANY,
Plaintiff/Petitioner,
vs.
ALL PERSONS INTERESTED IN THE
MATTER OF THE REDEVELOPMENT PLAN
FOR PROJECT AREA NO. 2, et al.,
Defendants/Respondents.

[Caption Continues]

1 CITY OF INDIAN WELLS, a municipal)
 corporation,)
 2)
 Plaintiff/Petitioner,)
 3)
 vs.)
 4)
 ALL PERSONS INTERESTED IN THE)
 5 MATTER OF THE REDEVELOPMENT PLAN)
 FOR PROJECT AREA NO. 2, et al.,)
 6)
 Defendants/Respondents.)
 7)

8
 9 In these consolidated cases, this Court having retained
 10 jurisdiction in Case No. 51124 for the purpose of enforcing the
 11 judgment entered pursuant to the Stipulation for Entry of Judgment
 12 in Case No. 51124, and the parties to that Stipulation having
 13 further stipulated to certain amendments thereto, IT IS HEREBY
 14 ADJUDGED AND ORDERED that the final judgment entered in these
 15 consolidated cases pursuant to the terms of the Stipulation for
 16 Entry of Judgment and pursuant to the terms of the Settlement
 17 Agreement and Mutual Release in Case No. 51124, is hereby amended
 18 pursuant to the terms of the Stipulation Amending the Stipulation
 19 for Judgment in Case No. 51124 on file herein. That portion of
 20 the judgment incorporating the terms of the Settlement Agreement
 21 and Mutual Release in Case No. 51124 remains unchanged. A copy of
 22 this amendment and the Stipulation Amending the Stipulation for
 23 Entry of Judgment shall be recorded in the Riverside County
 24 Recorder's Office.

25
 26 Dated: _____

 JUDGE OF THE SUPERIOR COURT
 RIVERSIDE COUNTY

EXHIBIT 1C

**AMENDMENT 2 TO ORIGINAL STIPULATION
DATED SEPTEMBER 20, 2002**

1 RICHARDS, WATSON & GERSHON
A Professional Corporation
2 WILLIAM L. STRAUZ (58410)
355 South Grand Avenue, 40th Floor
3 Los Angeles, CA 90071-3101
Telephone: (213) 626-8484
4 Facsimile: (213) 626-0078

5 Attorneys for Defendants
6 CITY OF PALM DESERT, CITY COUNCIL OF THE CITY
OF PALM DESERT, PALM DESERT REDEVELOPMENT
7 AGENCY, WALTER H. SNYDER, RICHARD S. KELLY, S.
ROY WILSON, JEAN M. BENSON and BUFORD A. CRITES
8

file
FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF RIVERSIDE

SEP 20 2002

By _____ M. ORTEGA, Clerk
Deputy

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF RIVERSIDE

11
12 CITY OF PALM SPRINGS,
13 Plaintiff,

14 vs.

15 ALL PERSONS INTERESTED IN THE
16 MATTER OF THE REDEVELOPMENT
PLAN FOR THE PALM DESERT
17 REDEVELOPMENT PROJECT AREA NO. 2,
et. al.,
18 Defendants.

19
20 SUNRISE DESERT PARTNERS, a California
limited partnership dba SUNRISE COMPANY,
21 Plaintiff/Petitioner,

22 vs.

23 ALL PERSONS INTERESTED IN THE
24 MATTER OF THE REDEVELOPMENT
PLAN FOR PROJECT AREA NO. 2, et al.,
25 Defendants/Respondents.

CIV I
Case No. INDIO 51124

[Consolidated with CASE NOS. INDIO
51143, 51159]

STIPULATION FOR AMENDMENT NO. 2
TO STIPULATION FOR ENTRY OF
JUDGMENT; EXHIBIT "A;" [PROPOSED
ORDER]

26
27 [Caption Continues]
28

1 CITY OF INDIAN WELLS, a municipal
corporation,

2
3 Plaintiff/Petitioner,

4 vs.

5 ALL PERSONS INTERESTED IN THE
MATTER OF THE REDEVELOPMENT
PLAN FOR PROJECT AREA NO. 2, et al.,

6 Defendants/Respondents.
7

8
9 RECITALS

10 1. On May 15, 1991, this Court entered a Final Judgment ("Judgment") in
11 these consolidated actions. The Judgment incorporates the terms of a Stipulation for Entry of
12 Judgment ("Original Stipulation") in Case No. 51124 and a Stipulation for Entry of Judgment
13 pursuant to Settlement Agreement and Mutual Release ("Settlement Agreement") in Case
14 No. 51124. Under the terms of the Original Stipulation incorporated in the Judgment, this Court
15 has continuing jurisdiction over the matters set forth in the Original Stipulation for purposes of
16 enforcement of the ongoing obligations undertaken by parties to the Original Stipulation.

17 2. The Original Stipulation and the Settlement Agreement are wholly distinct
18 agreements, involving different issues and different parties. The Original Stipulation is attached
19 to the Judgment as Exhibit 1 thereto. The Settlement Agreement is attached to the Judgment as
20 Exhibit 2 thereto.

21 3. On June 18, 1997, this Court, the Honorable Robert G. Taylor, Judge
22 Presiding, entered an Amendment to Judgment ("Amendment No. 1") in these consolidated
23 actions. Amendment No. 1 incorporates the terms of a Stipulation Amending Stipulation for
24 Entry of Judgment ("First Amending Stipulation") which was entered into by the parties to the
25 Original Stipulation, the same parties who have entered into the instant Stipulation.

26 4. The First Amending Stipulation was approved by order of this Court on
27 June 18, 1997. Both the First Amending Stipulation and Amendment No. 1 were duly recorded
28 with the Office of the County Recorder, County of Riverside, on June 19, 1997.

1 5. In the original proceeding herein, Alfonso Sanchez appeared as the lead
2 interested party on behalf of all persons interested in the matter of the redevelopment plan for
3 Redevelopment Project Area No. 2. Mr. Sanchez was a party to the Original Stipulation and the
4 First Amending Stipulation. On or about January 2, 1999, Mr. Sanchez died. Maria Asuncion
5 Sanchez, the widow of Mr. Sanchez, now wishes to appear as lead interested party on behalf of
6 all persons interested in the matter of the redevelopment plan for Redevelopment Project Area
7 No. 2 for purposes of enforcement of the ongoing obligations undertaken by the parties to the
8 Original Stipulation.

9 6. The Original Stipulation and the First Amending Stipulation impose
10 certain ongoing obligations on the Palm Desert Redevelopment Agency (the "Agency") with
11 respect to affordable housing in the City of Palm Desert.

12 7. The Agency has made a good faith effort to meet its housing production
13 obligations as provided in the Original Stipulation and as amended by the First Amending
14 Stipulation.

15 8. In light of the foregoing, the undersigned are entering into this additional
16 stipulation to substitute Maria Asuncion Sanchez as the lead interested party and further, to
17 provide for a second amendment to the Judgment.

18 NOW THEREFORE, IT IS HEREBY STIPULATED, by and between counsel for
19 Alfonso Sanchez ("Original Interested Party"), defendants the City of Palm Desert (the "City")
20 and the Agency, through their respective counsel, that Maria Asuncion Sanchez is hereby
21 substituted for Alfonso Sanchez as lead interested party. Maria Asuncion Sanchez is hereafter
22 referred to as "Interested Party".

23 IT IS FURTHER STIPULATED, by and between Interested Party, the City, and
24 the Agency, through their respective counsel of record, that the Original Stipulation, as amended
25 by the First Amending Stipulation (hereafter "Stipulation, as Amended"), be further amended as
26 follows, and that an Amendment No. 2 to the Judgment be entered in these consolidated actions
27 in the form attached hereto as Exhibit "B."

28 (1) Paragraph 5.a of the Stipulation, as Amended, is hereby amended to read

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as follows:

“(i) For very low income households, at least 50 percent of the housing units shall be affordable to, and occupied by, households with 35 percent or less of the median income, adjusted for family size, for the Riverside-San Bernardino Metropolitan Statistical Area (“SMSA”). Of that 50%:

a. One-third, or more, shall be affordable to, and occupied by, households with 25 percent or less of the median income,

b. An additional 18%, or more of that 50% shall be affordable to, and occupied by, households with 20 percent or less of the median income,

(ii) The remainder of the very low-income units shall be affordable to, and occupied by, households with 45 percent or less of the median income for the SMSA.

(iii) The Agency shall provide a first preference to households, one of whose members works in the City of Palm Desert, and who have been displaced by code enforcement activities in the Coachella Valley.

(iv) The Agency shall undertake the following to assure availability of units affordable to very low income farmworkers: the Agency shall send notice of the availability of such units by first-class mail, together with (i) a copy of the application to be placed on the waiting list as set forth in Exhibit A, to be filled in by prospective owners and tenants, and (ii) a stamped, return envelope addressed to the Housing Director of the Agency, to not less than all of the following: California Rural Legal Assistance (CRLA), Coachella Valley Housing Coalition (CVHC), United Farm Workers (UFW), California Coalition for Rural Housing

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(CCRH) and other organizations designated in writing by counsel for Interested Party. The Agency shall also advertise the availability of those units on a Spanish speaking radio station broadcasting in the eastern and western Coachella Valley and in a local Spanish language newspaper with circulation in the eastern and western Coachella Valley. The notice described in this subparagraph (iv) shall be sent within 10 days of the signing of this Amended Stipulation and every three months thereafter during the term of the Redevelopment Plan for Project Area No. 2. The Agency shall permit any farmworker applying for a rental unit to enter into a six-month lease in lieu of a one-year lease. In the case of any very low income person or family applying for a rental or ownership unit, the Agency shall waive any credit-check fee associated with any application.”

(2) Paragraph 12 of the Stipulation is hereby amended to read as follows:

“12. In connection with its obligation to develop or assist in the development of housing affordable to persons and families of very low and low income, the Agency shall follow the procedures and provide the priorities specified in this paragraph:

a. At such time as the Agency determines to have housing units required by this Stipulation constructed by third parties, the Agency shall send a request for qualifications and proposal (RFP) for such construction by first-class mail to not less than all of the following:

- Southern California Association of Non-Profit Housing (SCANPH), Coachella Valley Housing Coalition, California Dept. of Housing and Community Development, California Coalition for Rural Housing (CCRH), Mercy California Housing Corporation, San Diego Federation, Rancho Housing Alliance, Housing

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Corporation of America, counsel for Interested Party and other organizations added to this list by written notice from said counsel.

b. The RFP shall specify all relevant details of the project desired by the Agency, including the minimum number of units, the breakdown of units by required bedroom count, required amenities, level of affordability of the units, etc.

c. If the RFP is tied to a particular site, the Agency shall own or legally control the land upon which the housing units are to be built.

d. The RFP shall have a deadline for the submission of proposals not less than 60 days after its mailing as provided in this paragraph.

e. The Agency shall give reasonable priority to both of the following.

i. Non-profit developers which have the capacity to and interest in developing very low and low income housing.

ii. Sponsors or developers who agree to maintain the affordability of lower income units for a longer time than the minimum required by paragraph 6 or applicable law, whichever is greater.

(3) Paragraph 40 is hereby added to the Stipulation to read as follows:

‘Notwithstanding any other provision of this Stipulation to the contrary, commencement of the development, acquisition, rehabilitation or assistance to the 142 very low income housing units and 60 low income housing units described in Paragraph 1.b hereof shall be no later than December 31, 2003.

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(4) Paragraph 22 of the Stipulation is hereby amended to read as follows:

“Health and Safety Code Sections 50052.5, 50053, 50079.5, 50093 and 50105, as they existed prior to 1990, and as interpreted at that time by 25 California Code of Regulations 6900 et seq. shall apply to rental housing units acquired, developed, rehabilitated, or otherwise assisted pursuant to this Amended Stipulation which are required to be available to and, occupied by persons and families whose income is 65 percent or less of the area median income. All ownership units (including, but not limited to, Building Horizons, Coachella Valley Housing Coalition, Desert Rose, Habitat for Humanity, Rebecca Road and Portola Palms), and all rental units available to and occupied by person and families whose income is more than 65 percent of the area median income) acquired, developed, rehabilitated or otherwise assisted by the Agency, shall be subject to the foregoing Health and Safety Code provisions as they now exist or may hereafter be amended.”

(5) Paragraph 43 is hereby added to the Stipulation to read as follows:

“Notwithstanding any other provision of this Stipulation to the contrary, the time limits set forth in this Stipulation relating to the acquisition, development, rehabilitation or assistance of housing units shall be delayed by two years for each land acquisition which is comprised of one or more parcels of land suitable in the aggregate for construction of 75 or more very low and low income units.”

(6) The term “30 years” as used in Paragraph 6 hereof shall mean “55 years” in the case of rental units acquired or developed by the Agency after the date of the Second Amendment, and rental units developed by third parties which received tax credit under Section 42 of the Internal Revenue Code of 1986, as amended.

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(7) Paragraph 7.b of the Stipulation is hereby amended to read as follows:

“Not less than five percent of all units acquired, developed, rehabilitated or otherwise assisted by the Agency shall consist of three and four bedrooms to meet the needs of large families.”

(8) Nothing in the instant Stipulation shall constitute a waiver of requirements or modification of any provisions of the Stipulation, as Amended, other than those explicitly addressed herein.

(9) The instant Stipulation may be executed in counterparts.

(10) The Agency agrees to pay to the Western Center on Law and Poverty, California Rural Legal Assistance and Jonathan Lehrer-Graiwer an aggregate total of \$90,000.00 as attorneys’ fees and an aggregate total of \$1,255.00 as costs. With the exception of such payment of attorneys’ fees and costs, Interested Party, the City and the Agency shall bear their own costs, attorneys’ fees and expenses incurred in connection with this Stipulation Amending Stipulation for Entry of Judgment.

Dated: 8/12, 2002 Maria Sanchez
MARIA ASUNCION SANCHEZ

Declaration of Translation:

I, Carmen Lopez Rodriguez, declare:

I am fluent in the English and Spanish languages. On August 12, 2002, I translated the "STIPULATION FOR AMENDMENT NO. 2 TO STIPULATION FOR ENTRY OF JUDGMENT; EXHIBIT "A," (PROPOSED ORDER) to Maria Sanchez from English to Spanish accurately and faithfully to the best of my ability.

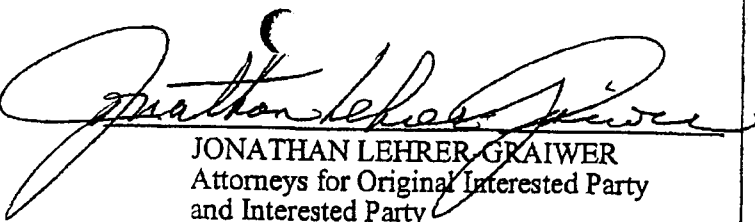
I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated: 8/12, 2002 Carmen Lopez Rodriguez
[TRANSLATOR]

[signatures continue.]

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Dated: August 10, 2002


JONATHAN LEHRER-GRAIWER
Attorneys for Original Interested Party
and Interested Party


Dated: _____, 2002

CALIFORNIA RURAL LEGAL ASSISTANCE

By: _____
ARTURO RODRIGUEZ

Dated: August 20th, 2002

WESTERN CENTER ON LAW AND POVERTY

By: 
RICHARD A. ROTHSCHILD
Attorney for Original Interested Party
and Interested Party

Dated: _____, 2002

CITY OF PALM DESERT

By: _____
RICHARD S. KELLY
Mayor of the City of Palm
Desert

ATTEST:

RACHELLE D. KLASSEN
City Clerk of the City of
Palm Desert

[signatures continue.]

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Dated: _____, 2002

JONATHAN LEHRER-GRAIWER
Attorneys for Original Interested Party
and Interested Party

Dated: 8/12, 2002

CALIFORNIA RURAL LEGAL ASSISTANCE

By: 
ARTURO RODRIGUEZ

Dated: _____, 2002

WESTERN CENTER ON LAW AND POVERTY

By: _____
RICHARD A. ROTHSCHILD
Attorney for Original Interested Party
and Interested Party

Dated: _____, 2002

CITY OF PALM DESERT

By: _____
RICHARD S. KELLY
Mayor of the City of Palm
Desert

ATTEST:

RACHELLE D. KLASSEN
City Clerk of the City of
Palm Desert

[signatures continue.]

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Dated: _____, 2002

JONATHAN LEHRER-GRAIWER
Attorneys for Original Interested Party
and Interested Party

Dated: 8/12, 2002

CALIFORNIA RURAL LEGAL ASSISTANCE

By: 
ARTURO RODRIGUEZ


Dated: _____, 2002

WESTERN CENTER ON LAW AND POVERTY

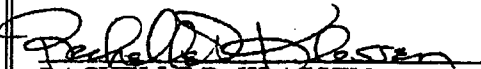
By: _____
RICHARD A. ROTHSCHILD
Attorney for Original Interested Party
and Interested Party

Dated: AUGUST 22, 2002

CITY OF PALM DESERT

By: 
RICHARD S. KELLY
Mayor of the City of Palm
Desert

ATTEST:



RACHELLE D. KLASSEN
City Clerk of the City of
Palm Desert

[signatures continue.]


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Dated: August 22, 2002

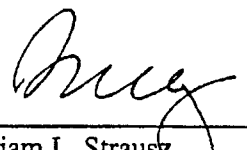
PALM DESERT REDEVELOPMENT AGENCY

By: 
RICHARD S. KELLY
Chairman of the Palm Desert
Redevelopment Agency

ATTEST:


RACHELLE D. KLASSEN
Secretary, Palm Desert
Redevelopment Agency

Dated: _____, 2002

By: 
William L. Strausz
Attorney for City of Palm
Desert and Palm Desert
Redevelopment Agency

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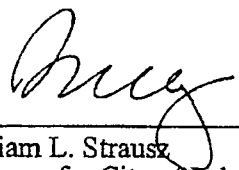
PALM DESERT REDEVELOPMENT AGENCY

By: _____
RICHARD S. KELLY
Chairman of the Palm Desert
Redevelopment Agency

ATTEST:

RACHELLE D. KLASSEN
Secretary, Palm Desert
Redevelopment Agency

Dated: 8-22, 2002

By: 
William L. Strausz
Attorney for City of Palm
Desert and Palm Desert
Redevelopment Agency

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The foregoing Stipulation is hereby approved; Maria Asuncion Sanchez is hereby substituted for Alfonso Sanchez as lead interested Party on behalf of all persons interested in the matter of the redevelopment plan for Redevelopment Project Area No. 2 for purposes of enforcement of the continuing obligations imposed by the Original Stipulation and the First Amending Stipulation and such obligations as may be imposed pursuant to such stipulations as may be approved by this Court; and the matters stipulated to at paras. (1) through (10) above are so ordered.

Dated: SEP 20 2002, 2002

Christopher J. Sheldon

Judge, Superior Court,
County of Riverside

Exhibit A

Application for Placement on the
PALM DESERT HOUSING AUTHORITY MASTER WAITING LIST

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Name: _____
Last First Middle Initial

Address: _____
Address City State Zip

Phone No.: () _____
Home

Previous Address _____
Address City State Zip

Employment: _____ () _____
Employer Name Phone

Address: _____
Address City State Zip

Occupation: _____

No. of Bedrooms you are requesting: _____

Date apartment is needed: _____

Ages of members in household: _____

Special Needs: _____

Signature: _____ Date: _____

Note: Placement of name on waiting list does not imply acceptance to affordable housing program. Additional information will be requested upon availability of appropriate unit for family size and income. All applicants will be placed on the Palm Desert Housing Authority master waiting list in the order received. The Palm Desert Housing Authority master waiting list maintained by RPM Management Company (760) 674-1139.

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF RIVERSIDE

CITY OF PALM SPRINGS,

Plaintiff,

vs.

ALL PERSONS INTERESTED IN THE
MATTER OF THE REDEVELOPMENT
PLAN FOR THE PALM DESERT
REDEVELOPMENT PROJECT AREA NO. 2,
et. al.,

Defendants.

Case No. INDIO 51124

[Consolidated with CASE NOS. INDIO
51143, 51159]

[PROPOSED] AMENDMENT NO. 2 TO
JUDGMENT

SUNRISE DESERT PARTNERS, a California
limited partnership dba SUNRISE COMPANY,

Plaintiff/Petitioner,

vs.

ALL PERSONS INTERESTED IN THE
MATTER OF THE REDEVELOPMENT
PLAN FOR PROJECT AREA NO. 2, et al.,

Defendants/Respondents.

[Caption Continues]

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CITY OF INDIAN WELLS, a municipal corporation,

Plaintiff/Petitioner,

vs.

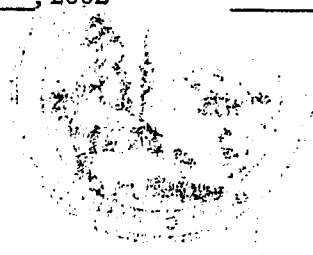
ALL PERSONS INTERESTED IN THE MATTER OF THE REDEVELOPMENT PLAN FOR PROJECT AREA NO. 2, et al.,

Defendants/Respondents.

This Court having retained jurisdiction in Case No. 51124 for the purposes of enforcing the Judgment entered pursuant to the Stipulation for Entry of Judgment ("Original Stipulation") and this Court having entered an Amendment to Judgment on June 18, 1997, incorporating the terms of a First Amending Stipulation, and the necessary parties having further stipulated to certain additional amendments, IT IS HEREBY ADJUDGED AND ORDERED that the final judgment entered in these consolidated cases, as amended by the Amendment to Judgment, is hereby further amended to incorporate the terms of the "Stipulation for Amendment No. 2 to Stipulation for Entry of Judgment" on file herein and approved by this Court. That portion of the original judgment incorporating the terms of the Settlement Agreement and Mutual Release in Case No. 51124 remains unchanged. A copy of this Amendment No. 2 and the Stipulation for Amendment No. 2 to Stipulation for Entry of Judgment shall be recorded in the Riverside County Recorder's Office.

Dated: _____, 2002

Judge of the Superior Court,
County of Riverside



CLERK OF SUPERIOR COURT
COUNTY OF RIVERSIDE

EXHIBIT 2

**AMENDED AND RESTATED HOUSING COOPERATION AGREEMENT
DATED FEBRUARY 14, 2008**

AMENDED AND RESTATED
HOUSING COOPERATION AGREEMENT

This AMENDED AND RESTATED HOUSING COOPERATION AGREEMENT is entered into this 14th day of February, 2008, by and between the Palm Desert Redevelopment Agency, a public body, corporate and politic (the "Redevelopment Agency"), duly organized and validly existing under and pursuant to the constitution and laws of the State of California, and the Palm Desert Housing Authority, a public body, corporate and politic, duly organized and validly existing under and pursuant to the constitution and laws of the State of California. The Redevelopment Agency and the Housing Authority may be referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

A. By ordinance, the City Council of the City of Palm Desert has declared the need for the Redevelopment Agency to function in the City, and the Redevelopment Agency is thereby authorized to transact business and exercise its powers.

B. By resolution, the City Council of the City of Palm Desert has declared the need for the Housing Authority to function in the City, and the Housing Authority is thereby authorized to transact business and exercise its powers.

C. Under California Health and Safety Code Section 33334.2, not less than 20 percent of all taxes which are allocated to the Redevelopment Agency pursuant to California Health and Safety Code Section 33670 shall be used by the Redevelopment Agency for the purposes of increasing, improving, and preserving the supply of low- and moderate-income housing in the City of Palm Desert available at affordable housing cost. In carrying out the purposes of Section 33334.2, the Redevelopment Agency may exercise any or all of its powers, including the acquisition of real property or building sites; the improvement of real property or building sites with onsite or offsite improvements; donating real property to private or public persons or entities; the construction of buildings or structures; the provisions of subsidies to, or for the benefit of, very low income households, lower income households, or persons and families of low or moderate income, to the extent those households cannot obtain housing at affordable costs on the open market; and the development of plans, the payment of principal and interest on bonds, loans, advances, or other indebtedness, or payment of financing or carrying charges.

D. Under Section 34509 of the Housing Cooperation Law (California Health and Safety Code Sections 34500, et. seq.), for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of Housing Projects (as hereinafter defined) located within the area in which it is authorized to act, any State public body (as hereinafter defined), such as the Redevelopment Agency, may exercise the powers prescribed in Sections 34510 to 34518, inclusive, of the Housing Cooperation Law, upon such terms, and with or without consideration, as it may determine.

E. Under Section 34516 of the Housing Cooperation Law, a State public body, such as the Redevelopment Agency, may do any and all things, necessary or convenient, to aid and cooperate in the planning, undertaking, construction, or operation of Housing Projects.

F. Under Section 34511 of the Housing Cooperation Law, a State public body, such as the Redevelopment Agency, may cause parks, playgrounds, recreational, community, educational, water, sewer or drainage facilities, or any other works which it is otherwise empowered to undertake, to be furnished adjacent to or in connection with Housing Projects.

G. Under Section 34512 of the Housing Cooperation Law, a State public body, such as the Redevelopment Agency, may furnish, dedicate, close, pave, install, grade, regrade, plan, or replan streets, roads, roadways, alleys, sidewalks, or other places which it is otherwise empowered to undertake.

H. Under Section 34515 of the Housing Cooperation Law, a State public body, such as the Redevelopment Agency, may enter into agreements with the Housing Authority respecting action to be taken by the State public body pursuant to the Housing Cooperation Law.

I. Under Section 34518 of the Housing Cooperation Law, a State public body, such as the Redevelopment Agency, may incur the entire expense of any public improvements made by it in exercising the powers granted in the Housing Cooperation Law.

J. Under Section 34518 of the Housing Cooperation Law, any law to the contrary notwithstanding, a State public body, such as the Redevelopment Agency, may make any sale, conveyance, lease, or agreement provided for in Sections 34510 to 34517, inclusive, of the Housing Cooperation Law, without appraisal, public notice, advertisement, or public bidding.

K. Under Section 34502 of the Housing Cooperation Law, the powers conferred by the Housing Cooperation Law are supplemental to the powers conferred by any other law.

L. The Redevelopment Agency is or will be the owner of certain real property (the Development Sites, as hereinafter defined), which are or will be suitable for development of the Housing Developments (as hereinafter defined).

M. The Housing Developments are Housing Projects.

N. The development of the Housing Developments pursuant to this Agreement constitutes a public use and purpose and an essential governmental function for which public money may be spent and other aid given.

O. The Redevelopment Agency is the owner of the Apartment Projects which are periodically in need of renovations, rehabilitation and repairs. The Redevelopment

Agency may acquire other apartment projects which may also be in need of renovations, rehabilitation and repairs.

P. The Apartment Projects, the other apartment projects which may be acquired, and other real property which may be owned or acquired by the Redevelopment Agency for the purpose of development of affordable housing, are Housing Projects.

Q. The Redevelopment Agency and Housing Authority held a joint public hearing on this Agreement on February 14, 2008, at which interested persons were afforded the opportunity to provide testimony.

R. Notice of the joint public hearing was duly published pursuant to California Government Code Section 6066 in the Desert Sun, a newspaper of general circulation, January 31, 2008 and February 7, 2008.

S. At least three copies of this Agreement were available for inspection by any interested person at the Redevelopment Agency counter at Palm Desert City Hall as of January 31, 2008, between the hours of 8:30 a.m. to 4:30 p.m.

T. The Redevelopment Agency and the Housing Authority wish to enter into this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties hereto agree as follows:

Section 1. Definitions. In this Agreement, unless the context otherwise requires:

(a) "Apartment Projects" means the apartment projects described in Exhibit B, attached hereto, and such other apartment projects which may be acquired or constructed by the Redevelopment Agency.

(b) "City" means the City of Palm Desert, California, and may also refer to the territorial jurisdiction within the City.

(c) "Development Sites" means the 20-acre parcel of real property owned by the Redevelopment Agency and described more fully in Exhibit "A", attached hereto, and such other land and development sites as may be owned or acquired by the Redevelopment Agency for the acquisition or development of affordable housing.

(d) "Housing Authorities Law" means the Housing Authorities Law, California Health and Safety Code Section 34200, et. seq.

(e) "Housing Cooperation Law" means the Housing Cooperation Law, California Health and Safety Code Section 34500, et. seq.

(f) "Housing Developments" means the project to carry out the development of 27 senior housing units, 93 single-family homes, and an additional 14

single-family homes to be built as part of a "self help" program, Habitat for Humanity program, or similar program, on one of the Development Sites, and any other housing development on any other Development Sites, and all on-site and off-site improvements in connection therewith which the Redevelopment Agency deems necessary and desirable.

(g) "Housing Project" means any work or undertaking to be financed in whole or in part by a State public body, such as the Redevelopment Agency, or to which a State public body, such as the Redevelopment Agency, extends assistance by supplying all or part of the labor, by guaranteeing the payment of liens, by providing financing through the issuance of its debt obligations, or otherwise, to provide decent, safe, and sanitary urban or rural dwellings, apartments, or other living accommodations for persons of low and moderate income. Such work or undertaking may include buildings, land, equipment, facilities, and other real or personal property for necessary, convenient, or desirable appurtenances, streets, sewers, water service, parks, site preparation, gardening, administrative, community, health, recreational, educational, welfare, or other purposes. "Housing Project" also includes the planning of the buildings and improvements, the acquisition of property, the demolition of existing structures, the construction, reconstruction, alteration, and repair of the improvements, and all other work in connection therewith.

(h) "Redevelopment Law" means the Community Redevelopment law, California Health and Safety Code Section 33000, et. seq.

(i) "State" means the State of California.

(j) "State public body" means any city, county, borough, commission, district, authority, or other subdivision or public body of the State. For the purposes of this definition, "State public body" also means the State, any city and county and any housing authority.

Section 2. The Redevelopment Agency shall develop the Housing Developments on the Development Sites. The Redevelopment Agency shall use its best efforts to complete construction of the 27 senior housing units on or before November 30, 2007 and shall use its best efforts to complete construction of the 93 single-family homes on or before September 30, 2008. Within 180 days of the completion of construction of the foregoing units and homes, the Redevelopment Agency shall begin the process of identifying a qualified developer or developers to assist the Agency with the development of the 14 homes.

Section 3. The Housing Authority shall use its best efforts to cause the renovation, rehabilitation and repair, where appropriate, of the Apartment Projects, including, without limitation, re-stucco, re-roofing, replacement of windows, repair or replacement of mechanical systems, retrofit landscape and hardscape, and the addition of parking, fire safety features and façade improvements, and any other work of renovation, rehabilitation or repair deemed necessary or appropriate.

Section 4. The units at the Apartment Projects shall be available at an affordable housing cost to persons and families of low and moderate income. Single-family homes shall be available at an affordable housing cost to persons and families of low and moderate income.

Section 5. The Redevelopment Agency and the Housing Authority may enter into any and all such agreements with private parties as they deem necessary to develop the Housing Developments on the Development Sites and to renovate, rehabilitate and repair the units at the Apartment Projects. The Redevelopment Agency and the Housing Authority may also enter into any and all such agreements with public entities as they deem necessary to develop the Housing Developments on the Development Sites and to renovate, rehabilitate and repair the units at the Apartment Projects; provided, however, that no other public entity shall share in the expense of the Housing Developments or the renovation, rehabilitation and repair of the units at the Apartment Projects, and the entire expense of the Housing Developments and the renovation, rehabilitation and repair of the Apartment Projects shall be borne by the Redevelopment Agency from its Low and Moderate Income Housing Fund, or from a combination of private funds and the Low and Moderate Income Housing Fund.

Section 6. The Redevelopment Agency or the Housing Authority shall perform all required preparatory work for the improvements, including the acquisition of land and rights-of-way, and shall install and construct, or cause to be installed and constructed, the improvements not previously installed and constructed. The Redevelopment Agency or the Housing Authority shall retain one or more persons or entities experienced in the design and construction of the improvements to undertake the design of the improvements and to prepare plans and specifications therefor. The Redevelopment Agency or the Housing Authority shall, install and construct, or cause to be installed and constructed, all improvements in accordance with such plans and specifications.

Section 7. The covenants established in this Agreement shall, without regard to technical classification and designation, be binding on the Parties hereto and their successors in interest.

Section 8. No member of the governing body of the Redevelopment Agency or the Housing Authority, and no official, agent, or employee of the Redevelopment Agency or the Housing Authority shall be personally liable to the other Party, or any successor in interest, in the event of any default or breach by the Redevelopment Agency or the Housing Authority, or for any amount which may become due to the Redevelopment Agency or Housing Authority, or successor, or on any obligations under the terms of this Agreement.

Section 9. The Redevelopment Agency and the Housing Authority covenant and agree for themselves, their successors and assigns that there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, marital status, sex, age, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the lands, rights-of-way, or improvements in respect of the Development Sites, the Housing

Developments and the Apartment Projects, nor shall the Redevelopment Agency, or the Housing Authority, or any person, claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the lands, rights-of-way and improvements. The Redevelopment Agency shall refrain from restricting the rental, sale, or lease of the rights-of-way and improvements on the basis of race, color, creed, religion, marital status, age, sex, national origin, or ancestry of any person. All such deeds, leases or contracts for the sale, lease, sublease or other transfer of the lands, rights-of-way and improvements shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

- A. In deeds: "The Grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed, nor shall the Grantee himself or herself, or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

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

- B. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of

Section 12955, and Section 12955.2 of the California Government Code, in the leasing, subleasing, transferring, use or occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased.

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

- C. In contracts: "The contracting party or parties hereby covenant by and for himself and their respective successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the contracting party or parties, any subcontracting party or parties, or their respective assigns or transferees, establish or permit any such practice or practices of discrimination or segregation.

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

Section 10. The Parties hereto agree to take all appropriate steps and execute any documents which may reasonably be necessary or convenient to implement the intent of this Agreement.

Section 11. Each Party shall maintain books and records regarding its duties, pursuant to this Agreement. Such books and records shall be available for inspection by the officers and agents of the other Party at all reasonable times.

Section 12. This Agreement is made in the State under the constitution and laws of the State, and is to be so construed.

Section 13. This Agreement may be amended at any time, and from time to time, by an agreement executed by both Parties to this Agreement.

Section 14. Pursuant to California Health and Safety Code Section 34518, the Redevelopment Agency shall assume the entire expense associated with carrying out its obligations under this Agreement.

Section 15. There are no third party beneficiaries to this Agreement.

Section 16. The Redevelopment Agency and the Housing Authority may utilize any and all of their powers under the Housing Cooperation Law and under any other law in exercising their rights and performing their obligations under this Agreement.

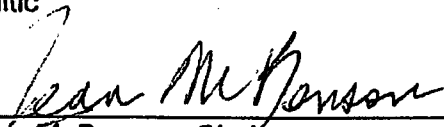
Section 17. The term of this Agreement shall extend from the date hereof until 45 years from the end of the year in which the last of the Housing Developments becomes available for occupancy.

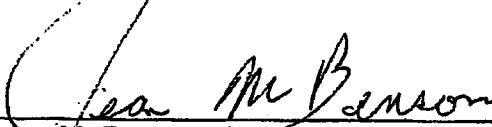
Section 18. The Housing Cooperation Agreement entered into on May 12th, 2005 between the Redevelopment Agency and the Housing Authority is hereby superceded and rescinded.

IN WITNESS THEREOF, the Parties have executed this Agreement on the date first above written.

PALM DESERT REDEVELOPMENT AGENCY, a public body, corporate and politic

PALM DESERT HOUSING AUTHORITY, public body, corporate and politic


Jean M. Benson, Chairman


Jean M. Benson, Chairman


Rachelle D. Klassen, Secretary


Rachelle D. Klassen, Secretary

CONTRACT NO. R23801

EXHIBIT "A"

[DEVELOPMENT SITE DESCRIPTION]

1. 20-Acre Site Development, west of Cook Street between 42nd Avenue and Merle Drive.
2. California Villas, 77-107 California Avenue, Palm Desert, CA 92260
3. Laguna Palms, 73-875 Santa Rosa Way, Palm Desert, CA 92260

EXHIBIT "B"

[APARTMENT PROJECTS]

PALM DESERT HOUSING AUTHORITY PROPERTIES

<u>MULTI-FAMILY APARTMENTS*</u>	<u># Units</u>
ONE QUAIL PLACE 72-600 Fred Waring Drive	384
DESERT POINTE 43-805 Monterey Avenue	64
NEIGHBORS 73-535 Santa Rosa Way	24
TAOS PALMS 44-830 Las Palmas Avenue	16
CALIFORNIA VILLAS 77-107 California Drive	141
LAGUNA PALMS 73-875 Santa Rosa Way	48
COUNTRY VILLAGE 42-455 Washington Street	66
PALM VILLAGE 73-650 Santa Rosa Way	36
<u>SENIOR APARTMENTS</u>	
LAS SERENAS 73-315 Country Club Drive	150
THE PUEBLOS 73-695 Santa Rosa Way	15
PUEBLOS EAST 73-697 Santa Rosa Way	4
CATALINA GARDENS 73-600 Catalina Way	72
CANDLEWOOD 74000 - 74002 Shadow Mountain Drive	30
LA ROCCA VILLAS 42-135 Golden Eagle Lane	27

EXHIBIT 3

SUMMARY OF REPLACEMENT RESERVE STUDY

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

SUMMARY OF REPLACEMENT RESERVE STUDY

Apartment Name	2010		2011		2012		Reserve Study Prepared On
	Actual Contribution	Special Appropriation	Actual Contribution	Special Appropriation	Actual Contribution	Special Appropriation	
California Villas	\$ 225,000	\$ -	\$ 236,250	\$ -	\$ 248,063	\$ -	7-Mar-10
Candlewood	45,000	700,000	48,150	-	51,521	-	25-Feb-10
Catalina	95,000	550,000	98,800	-	102,752	-	25-Feb-10
Desert Pointe	96,000	-	100,800	200,000	105,840	200,000	25-Mar-10
La Rocca Villas	25,000	-	27,000	-	29,160	-	25-Feb-10
Laguna Palms	62,900	-	66,045	-	69,347	-	24-Feb-10
Las Serenas	283,000	277,500	299,980	277,500	317,979	-	10-Mar-10
Neighbors Gardens	45,000	280,000	47,250	-	49,613	-	25-Feb-10
One Quail Place	750,000	1,600,000	795,000	-	842,700	-	25-Feb-10
Palm Village	76,500	-	80,325	-	84,341	-	3-Aug-09
Pueblos	25,000	180,000	26,500	-	28,090	-	25-Feb-10
Taos Palms	47,200	-	49,796	-	52,535	-	7-Mar-10
Totals	<u>\$ 1,775,600</u>	<u>\$ 3,587,500</u>	<u>\$ 1,875,896</u>	<u>\$ 477,500</u>	<u>\$ 1,981,941</u>	<u>\$ 200,000</u>	

The Reserve study for the apartment projects was completed by Association Reserves, Inc.
 The date for the various reports are listed above.

Transfers on 3/31/11 and 6/30/11:

2010 Annual	\$ 1,775,600
2010 Special	3,587,500
2011 Annual	1,875,896
2011 Special	477,500
	<u>\$ 7,716,496</u>

2012 Annual	\$ 1,981,941
2012 Special	200,000
	<u>\$ 2,181,941</u>

EXHIBIT 4
BOND DOCUMENTS

NEW ISSUE-BOOK-ENTRY ONLY

RATINGS:	Moody's	Fitch
MBIA INSURED:	Aaa	AAA
UNINSURED:	A2	

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel, based on existing law and assuming compliance with certain covenants set forth in the documents pertaining to the Series 2007 Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2007 Bonds is not included in gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Series 2007 Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Series 2007 Bonds may be subject to certain federal taxes imposed on corporations, including the corporate alternative minimum tax on a portion of that interest. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

\$86,155,000
PALM DESERT FINANCING AUTHORITY
TAX ALLOCATION (HOUSING SET-ASIDE) REFUNDING REVENUE BONDS
SERIES 2007

Dated: Date of Issuance

Due: October 1, as shown on the inside cover hereof

The Palm Desert Financing Authority (the "Financing Authority") is issuing \$86,155,000 principal amount of Tax Allocation (Housing Set-Aside) Refunding Revenue Bonds, Series 2007 (the "Series 2007 Bonds") to make a loan (the "2007 Loan") to the Palm Desert Redevelopment Agency (the "Redevelopment Agency") pursuant to a 2006 Housing Project Loan Agreement dated as of February 1, 2007 (the "2007 Loan Agreement") by and among the Authority, the Agency and Wells Fargo Bank, National Association (the "Trustee"). The Redevelopment Agency will use the proceeds of the 2007 Loan to (i) finance the development of low and moderate income housing by the Redevelopment Agency; (ii) refinance a portion of the outstanding obligations of the Redevelopment Agency under a loan agreement dated as of January 1, 1998; (iii) purchase a debt service surety bond for deposit in the Reserve Fund and (iv) pay certain costs associated with the issuance of the Series 2007 Bonds. The Series 2007 Bonds will be issued by the Financing Authority under an Indenture of Trust, dated as of February 1, 2007, by and between the Financing Authority and the Trustee (the "2007 Indenture").

The Series 2007 Bonds will be issued as fully registered instruments without coupons, in the denomination of \$5,000 or any integral multiple thereof, in book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interest in the Series 2007 Bonds. For so long as the Series 2007 Bonds are registered in the name of Cede & Co., the Trustee will make all payments of principal and interest on the Series 2007 Bonds to DTC, which, in turn, is obligated to remit such principal and interest to DTC Participants (defined herein) for subsequent disbursement to the Beneficial Owners (defined herein) of the Series 2007 Bonds. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM." Interest on the Series 2007 Bonds will be payable on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing October 1, 2007, by check or draft, mailed on the Interest Payment Date to each Owner of the Series 2007 Bonds as of the Record Date preceding such Interest Payment Date. See "THE SERIES 2007 BONDS-Description."

The Series 2007 Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein. See "THE SERIES 2007 BONDS."

The Series 2007 Bonds are special obligations of the Authority payable from and secured by Revenues (as defined herein), consisting primarily of amounts payable by the Redevelopment Agency under the 2007 Loan Agreement. The 2007 Loan Agreement is secured by and payable from Pledged Tax Revenues, as defined herein. The Redevelopment Agency may, pursuant to the terms of the 2007 Loan Agreement and the Indenture, issue additional obligations secured by Pledged Tax Revenues on a parity with the lien of the 2007 Loan Agreement (the "Parity Debt") or may issue additional obligations secured by a lien on the Pledged Tax Revenues which is subordinate to the lien of the 2007 Loan Agreement. The Redevelopment Agency currently has outstanding obligations that have a lien on certain Housing Set-Aside Revenues (as defined herein) senior to and on a parity with that of the 2007 Loan Agreement. See "SECURITY FOR THE SERIES 2007 BONDS-Senior Debt, Parity Debt and Subordinate Debt."

Payment of the principal of and interest on the Series 2007 Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2007 Bonds. See "FINANCIAL GUARANTY INSURANCE."

MBIA

THE SERIES 2007 BONDS ARE NOT A DEBT OF THE CITY OF PALM DESERT (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE FINANCING AUTHORITY, AND NONE OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE FINANCING AUTHORITY, IS LIABLE THEREFOR. THE 2007 LOAN IS NOT A DEBT OF THE FINANCING AUTHORITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF THE FINANCING AUTHORITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE REDEVELOPMENT AGENCY, IS LIABLE THEREFOR. THE OBLIGATIONS OF THE REDEVELOPMENT AGENCY WITH RESPECT TO THE 2007 LOAN IS PAYABLE SOLELY FROM THE PLEDGED TAX REVENUES (AS DEFINED HEREIN). NONE OF THE MEMBERS OF THE FINANCING AUTHORITY, THE CITY COUNCIL, THE REDEVELOPMENT AGENCY OR ANY PERSONS EXECUTING THE SERIES 2007 BONDS OR THE 2007 LOAN AGREEMENT ARE LIABLE PERSONALLY WITH RESPECT TO THE SERIES 2007 BONDS OR THE 2007 LOAN. NEITHER THE FINANCING AUTHORITY NOR THE REDEVELOPMENT AGENCY HAS TAXING POWER.

The Series 2007 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel. Certain legal matters will be passed on for the Authority by Lofton & Jennings, San Francisco, California, Disclosure Counsel, and for the Authority and the Redevelopment Agency by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California. It is anticipated that the Series 2007 Bonds will be available for delivery on or about February 7, 2007.

HUTCHINSON, SHOCKEY, ERLEY & CO.

Dated: January 25, 2007.

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p style="padding-left: 20px;">General; Authority for Issuance 1</p> <p style="padding-left: 20px;">Purpose 1</p> <p style="padding-left: 20px;">The City 2</p> <p style="padding-left: 20px;">The Financing Authority 2</p> <p style="padding-left: 20px;">The Redevelopment Agency 2</p> <p style="padding-left: 20px;">The Project Areas 2</p> <p style="padding-left: 20px;">Security for the Series 2007 Bonds 3</p> <p style="padding-left: 20px;">Bond Insurance 5</p> <p style="padding-left: 20px;">Report of the Fiscal Consultant 5</p> <p style="padding-left: 20px;">Certain Risks to Bondholders 5</p> <p style="padding-left: 20px;">Continuing Disclosure 5</p> <p style="padding-left: 20px;">Additional Information 6</p> <p>PLAN OF FINANCE 6</p> <p style="padding-left: 20px;">Development of Low and Moderate Income Housing 6</p> <p style="padding-left: 20px;">Refunding of Prior Bonds 6</p> <p style="padding-left: 20px;">Estimated Sources and Uses of Funds 8</p> <p style="padding-left: 20px;">Debt Service Schedules 8</p> <p>THE SERIES 2007 BONDS 9</p> <p style="padding-left: 20px;">Description of the Series 2007 Bonds 9</p> <p style="padding-left: 20px;">Redemption Procedures 10</p> <p>SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS 11</p> <p style="padding-left: 20px;">Revenues and Loan Agreement 11</p> <p style="padding-left: 20px;">Tax Allocation Financing 11</p> <p style="padding-left: 20px;">Allocation of Taxes; Housing Set-Aside Amounts 12</p> <p style="padding-left: 20px;">Housing Set-Aside 12</p> <p style="padding-left: 20px;">Pledged Tax Revenues 13</p> <p style="padding-left: 20px;">Redevelopment Plan Limitations 15</p> <p style="padding-left: 20px;">Reserve Fund 17</p> <p style="padding-left: 20px;">Senior Debt, Parity Debt and Subordinate Debt 18</p> <p style="padding-left: 20px;">Investment of Funds 19</p> <p>FINANCIAL GUARANTY INSURANCE 19</p> <p style="padding-left: 20px;">The MBIA Insurance Corporation Insurance Policy 19</p> <p style="padding-left: 20px;">MBIA Insurance Corporation 20</p> <p style="padding-left: 20px;">Regulation 20</p> <p style="padding-left: 20px;">Financial Strength Ratings of MBIA 21</p> <p style="padding-left: 20px;">MBIA Financial Information 21</p> <p style="padding-left: 20px;">Incorporation of Certain Documents by Reference 22</p> <p>LIMITATIONS ON TAX REVENUES 22</p> <p style="padding-left: 20px;">Article XIII A of the State Constitution 22</p> <p style="padding-left: 20px;">Article XIII B of the State Constitution; Appropriation Limitations 24</p> <p style="padding-left: 20px;">Articles XIII C and XIII D of the State Constitution 25</p> <p style="padding-left: 20px;">Taxation of Unitary Property 25</p> <p style="padding-left: 20px;">Property Tax Collection Procedures 25</p>	<p style="padding-left: 20px;">Property Tax Administrative Costs 26</p> <p style="padding-left: 20px;">Certification of Redevelopment Agency Indebtedness 27</p> <p style="padding-left: 20px;">Pass-Through Agreements and Tax Sharing Payments 28</p> <p style="padding-left: 20px;">Limitation of Tax Revenues from Certain Increased Tax Rates 29</p> <p style="padding-left: 20px;">Ballot Initiatives and Legislative Matters 29</p> <p>CERTAIN RISKS TO BONDHOLDERS 29</p> <p style="padding-left: 20px;">Added Territory Projected to Reach Limit in Fiscal Year 2020-21 29</p> <p style="padding-left: 20px;">Accuracy of Assumptions 30</p> <p style="padding-left: 20px;">Reduction of Tax Revenues 30</p> <p style="padding-left: 20px;">Appeals to Assessed Values 31</p> <p style="padding-left: 20px;">Reduction in Inflation Rate 31</p> <p style="padding-left: 20px;">Bankruptcy and Foreclosure 32</p> <p style="padding-left: 20px;">Delinquencies 32</p> <p style="padding-left: 20px;">State Budget 32</p> <p style="padding-left: 20px;">Natural Disasters 34</p> <p style="padding-left: 20px;">Hazardous Substances 35</p> <p style="padding-left: 20px;">Loss of Tax Exemption 35</p> <p style="padding-left: 20px;">Risk of Tax Audit 35</p> <p style="padding-left: 20px;">Secondary Market 35</p> <p>THE PROJECT AREAS 36</p> <p style="padding-left: 20px;">Overview 36</p> <p style="padding-left: 20px;">Project Area No. 1 43</p> <p style="padding-left: 20px;">Project Area No. 2 54</p> <p style="padding-left: 20px;">Project Area No. 3 59</p> <p style="padding-left: 20px;">Project Area No. 4 64</p> <p>THE FINANCING AUTHORITY 70</p> <p>THE REDEVELOPMENT AGENCY 70</p> <p style="padding-left: 20px;">Authority, Members and Personnel 70</p> <p style="padding-left: 20px;">Powers 72</p> <p style="padding-left: 20px;">Redevelopment Agency Finances 73</p> <p>TAX MATTERS 75</p> <p>APPROVAL OF LEGAL PROCEEDINGS 77</p> <p>ABSENCE OF MATERIAL LITIGATION 77</p> <p style="padding-left: 20px;">General 77</p> <p style="padding-left: 20px;">Other Matters 77</p> <p>FINANCIAL ADVISOR 77</p> <p>CONTINUING DISCLOSURE 78</p> <p>VERIFICATION OF MATHEMATICAL COMPUTATIONS 78</p> <p>UNDERWRITING 78</p> <p>RATINGS 79</p> <p>FINANCIAL STATEMENTS 79</p> <p>MISCELLANEOUS 80</p>
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APPENDICES

APPENDIX A -	REPORT OF THE FISCAL CONSULTANT	A-1
APPENDIX B -	REDEVELOPMENT AGENCY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2006.....	B-1
APPENDIX C -	GENERAL INFORMATION CONCERNING THE CITY OF PALM DESERT	C-1
APPENDIX D -	SUMMARY OF PRINCIPAL LEGAL DOCUMENTS	D-1
APPENDIX E -	FORM OF OPINION OF BOND COUNSEL	E-1
APPENDIX F -	FORM OF CONTINUING DISCLOSURE AGREEMENT	F-1
APPENDIX G -	DTC AND THE BOOK-ENTRY ONLY SYSTEM.....	G-1
APPENDIX H -	SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.....	H-1
APPENDIX I -	SPECIMEN RESERVE FUND SURETY BOND.....	I-1

MAPS AND TABLES

Redevelopment Project Areas.....		v
Table A	All Project Areas – Summary of Redevelopment Plan Limits	37
Table B	All Project Areas – Summary of Land Uses by Category	38
Table C	All Project Areas – Summary of Principal Taxpayers	39
Table D	All Project Areas – Summary of Housing Set-Aside Revenue Projections	41
Table E	All Project Areas Projected Housing Set-Aside Revenues and Debt Service Coverage	42
Table 1A-1	Project Area No. 1 – Original Area – Summary of Redevelopment Plan Limits	44
Table 1A-2	Project Area No. 1 – Added Territory – Summary of Redevelopment Plan Limits	45
Table 1B	Project Area No. 1 – Combined – Land Uses by Category	46
Table 1C	Project Area No. 1 – Combined – Principal Taxpayers	47
Table 1C-1	Project Area No. 1 – Original Area – Principal Taxpayers	48
Table 1C-2	Project Area No. 1 – Added Territory – Principal Taxpayers	49
Table 1D-1	Project Area No. 1 – Original Area – Historical Taxable Values and Tax Increment Verification.....	50
Table 1D-2	Project Area No. 1 – Added Territory – Historical Taxable Values and Tax Increment Verification.....	51
Table 1E-1	Project Area No. 1 – Original Area – Projection of Incremental Taxable Value and Housing Set-Aside Revenues.....	52
Table 1E-2	Project Area No. 1 – Added Territory – Projection of Incremental Taxable Value and Housing Set-Aside Revenues	53
Table 1F-1	Project Area No. 1 – Original Area – Assessment Appeals	54
Table 1F-2	Project Area No. 1 – Added Territory – Assessment Appeals	54
Table 2A	Project Area No. 2 – Summary of Redevelopment Plan Limits	55
Table 2B	Project Area No. 2 – Land Uses by Category.....	55
Table 2C	Project Area No. 2 – Principal Taxpayers	56
Table 2D	Project Area No. 2 – Historical Taxable Values and Tax Increment Verification	57
Table 2E	Project Area No. 2 – Projection of Incremental Taxable Value and Housing Set-Aside Revenues.....	58
Table 2F	Project Area No. 2 – Assessment Appeals	59
Table 3A	Project Area No. 3 – Summary of Redevelopment Plan Limits	60
Table 3B	Project Area No. 3 – Land Uses by Category.....	60
Table 3C	Project Area No. 3 – Principal Taxpayers	61
Table 3D	Project Area No. 3 – Historical Taxable Values and Tax Increment Verification	62
Table 3E	Project Area No. 3 – Projection of Incremental Taxable Value and Housing Set-Aside Revenues.....	63
Table 3F	Project Area No. 3 – Assessment Appeals	64
Table 4A	Project Area No. 4 – Summary of Redevelopment Plan Limits	65
Table 4B	Project Area No. 4 – Land Uses by Category.....	66
Table 4C	Project Area No. 4 – Principal Taxpayers	67
Table 4D	Project Area No. 4 – Historical Taxable Values and Tax Increment Verification.....	68
Table 4E	Project Area No. 4 – Projection of Incremental Taxable Value and Housing Set-Aside Revenues.....	69
Table 4F	Project Area No. 4 – Assessment Appeals	70

The Redevelopment Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Additional Information

This Official Statement contains summaries of the Series 2007 Bonds, the security for the Series 2007 Bonds, the 2007 Indenture, the 2007 Loan Agreement, the Redevelopment Law, the Redevelopment Agency, the Project Areas and certain other information relevant to the issuance of the Series 2007 Bonds. All references herein to the 2007 Indenture and the 2007 Loan Agreement are qualified in their entirety by reference to the complete text thereof and all references to the Series 2007 Bonds are further qualified by reference to the form thereof contained in the 2007 Indenture. The audited financial statements of the Redevelopment Agency for the Fiscal Year ended June 30, 2006 are included in APPENDIX B. The proposed forms of legal opinions of Bond Counsel for the Series 2007 Bonds are set forth in APPENDIX B. See APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for definitions of certain words and terms used herein. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the 2007 Indenture. The information set forth herein and in the Appendices hereto has been furnished by the Redevelopment Agency and the City and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Financing Authority or the Underwriter and is not to be construed as a representation by the Underwriter. Copies of documents referred to herein and information concerning the Series 2007 Bonds are available upon written request from the Senior Financial Analyst of the Redevelopment Agency, 73-510 Fred Waring Drive, Palm Desert, California 92260-2578; telephone: 760-346-0611. The Redevelopment Agency may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

Development of Low and Moderate Income Housing

A portion of the remaining proceeds of the 2007 Loan will be used by the Redevelopment Agency to finance the development of certain low and moderate income housing activities of the Redevelopment Agency within the Project Areas, including but not limited to (i) acquiring and/or rehabilitating multi-family housing units; (ii) acquiring land and constructing additional Redevelopment Agency owned multi-family low and moderate income housing units; and (iii) providing subsidies to facilitate the development of low and moderate income housing units.

Refunding of Prior Bonds

The Financing Authority will loan the proceeds of the Series 2007 Bonds to the Redevelopment Agency. The Redevelopment Agency will use a portion of the proceeds of the 2007 Loan to prepay certain amounts that remain due with respect to the 1998 Loan Agreement. The Financing Authority will use those prepaid loan amounts to refund a portion of the Palm Desert Financing Authority Tax Allocation (Housing Set-Aside) Revenue Bonds, Series 1998 in the principal amount of \$38,740,000 (the "Prior Bonds"). Such proceeds of the Series 2007 Bonds will be deposited in an escrow fund (the "Escrow Fund") to be held by Wells Fargo Bank, National Association, as escrow bank (the "Escrow Bank") pursuant to an Escrow Agreement dated as of February 1, 2007 (the "Escrow Agreement"), by and among the Financing Authority, the Redevelopment Agency and the Escrow Bank.

Following the refunding of the Prior Bonds, there will be \$5,725,000 principal amount of Remaining 1998 Bonds.

EXHIBIT 5

**PROJECTED REVENUES AND SPENDING REQUIREMENTS
ON ANNUAL BASIS - 2012 TO 2038 AND ASSUMPTIONS MADE**

PALM DESERT HOUSING AUTHORITY

Fiscal Year	2012	2013	2014	2015	2016	2017
Sources						
Stipulation	4,747,709	6,661,904	6,975,244	7,297,908	7,626,588	7,957,462
SERAF Reimbursement						
Note Payoff		287,629	500,000	500,000	500,000	500,000
Loan Payoffs			250,000	255,000	260,100	265,302
TOTAL SOURCES	4,747,709	6,949,533	7,725,244	8,052,908	8,386,688	8,722,764
Uses						
Administration	1,446,577	1,475,509	1,505,019	1,535,119	1,565,822	1,597,138
Programs						
PDHA Net Operations Costs		316,398	322,726	329,180	335,764	342,479
ARR		220,000	224,400	228,888	233,466	238,135
HIP		25,000	25,500	26,010	26,530	27,061
Affordability Covenant Maint		25,000	25,500	26,010	26,530	27,061
Homebuyer Assistance		250,000	255,000	260,100	265,302	270,608
Projects						
Carlos Ortega Villas Const						
Indian Springs MHP Agreement						
Developer Buy-down Subsidy						
Desert Pointe Rehabilitation				2,500,000	2,500,000	
Las Serenas Expansion						6,150,000
Sagecrest Apartments Const				3,000,000	3,000,000	
15 Acre Site Acquisition			2,250,000			
15 Acre Site Development						
Complex Acquisition						
Rehab of Complex						
NS Parkland Apts Const						
Replacement Expenditures						
California Villas Rep Exp	304,398	42,347	47,878	45,016	49,133	166,264
Candlewood Rep Exp	13,465	45,189	88,453	14,806	3,259	44,907
Carlos Ortega Rep Exp						21,174
Catalina Gardens Rep Exp	395,960	52,336	158,270	68,180	101,465	62,578
Desert Pointe Rep Exp	585,164	326,086	54,897	71,527	47,661	77,851
La Rocca Villas Rep Exp	-	5,121	-	38,031	5,596	44,527
Laguna Palms Rep Exp	2,732	4,193	4,869	34,389	-	235,049
Las Serenas Rep Exp	518,436	256,735	297,931	74,927	97,990	793,441
Las Serenas II Rep Exp						
Neighbors Rep Exp	6,259	-	165,139	9,523	17,772	29,199
One Quail Place Rep Exp	575,517	206,432	1,023,929	245,497	184,912	275,522
Palm Village Rep Exp	4,617	28,926	-	17,194	37,880	113,142
Pueblos Rep Exp	155,866	-	10,781	1,045	4,489	11,084
Sagecrest Replacement Exp						2,096
Taos Palms Rep Exp	29,520	2,898	126,187	1,433	21,062	51,051
TOTAL USES	4,038,511	3,282,170	6,586,477	8,526,875	8,524,632	10,580,368

* Projects depend on availability of funding

PALM DESERT HOUSING AUTH

Fiscal Year	2018	2019	2020	2021	2022	2023
Sources						
Stipulation	8,301,272	8,648,924	9,001,622	14,142,874	5,986,636	5,478,018
SERAF Reimbursement				4,899,949		
Note Payoff	500,000	500,000	500,000	500,000	500,000	500,000
Loan Payoffs	270,608	276,020	281,541	287,171	292,915	298,773
TOTAL SOURCES	9,071,880	9,424,944	9,783,163	19,829,994	6,779,551	6,276,791
Uses						
Administration	1,629,081	1,661,662	1,694,896	1,728,794	1,763,369	1,798,637
Programs						
PDHA Net Operations Costs	349,329	356,316	363,442	370,711	378,125	385,687
ARR	242,898	247,756	252,711	257,765	262,920	268,179
HIP	27,602	28,154	28,717	29,291	29,877	30,475
Affordability Covenant Maint	27,602	28,154	28,717	29,291	29,877	30,475
Homebuyer Assistance	276,020	281,541	287,171	292,915	298,773	304,749
Projects						
Carlos Ortega Villas Const						
Indian Springs MHP Agreement						
Developer Buy-down Subsidy						
Desert Pointe Rehabilitation						
Las Serenas Expansion	9,600,000	6,500,000				
Sagecrest Apartments Const						
15 Acre Site Acquisition						
15 Acre Site Development				5,500,000	5,000,000	5,000,000
Complex Acquisition						
Rehab of Complex						
NS Parkland Apts Const						
Replacement Expenditures						
California Villas Rep Exp	1,128,596	227,962	936,054	67,973	319,186	965,297
Candlewood Rep Exp	62,694	42,468	3,668	54,535	3,892	57,932
Carlos Ortega Rep Exp	23,939	22,508	24,567	83,132	564,298	113,981
Catalina Gardens Rep Exp	136,854	127,605	64,367	190,232	84,771	70,335
Desert Pointe Rep Exp	38,953	70,216	58,158	23,532	135,754	164,255
La Rocca Villas Rep Exp	-	21,906	-	-	200,602	48,176
Laguna Palms Rep Exp	4,860	60,443	-	5,988	743,519	70,071
Las Serenas Rep Exp	104,382	454,714	74,922	60,025	81,797	100,814
Las Serenas II Rep Exp				8,195	12,578	14,607
Neighbors Rep Exp	13,439	13,977	61,183	51,327	113,665	20,987
One Quail Place Rep Exp	523,475	1,495,997	219,609	540,934	558,337	260,392
Palm Village Rep Exp	2,707	178,271	-	-	974,299	28,361
Pueblos Rep Exp	-	53,757	-	142,220	8,517	1,324
Sagecrest Replacement Exp	2,434	17,194	-	117,525	2,430	30,221
Taos Palms Rep Exp	288,453	39,108	3,461	54,321	27,462	74,193
TOTAL USES	14,483,320	11,929,707	4,101,642	9,608,707	11,594,047	9,839,148

* Projects depend on availability o

PALM DESERT HOUSING AUTH

Fiscal Year	2024	2025	2026	2027	2028	2029
Sources						
Stipulation	5,669,196	5,856,688	6,054,706	3,579,934	3,737,132	7,443,352
SERAF Reimbursement						
Note Payoff	500,000	500,000	500,000			
Loan Payoffs	304,749	310,844	317,060	323,402	329,870	336,467
TOTAL SOURCES	6,473,945	6,667,532	6,871,766	3,903,336	4,067,002	7,779,819
Uses						
Administration	1,834,610	1,871,302	1,908,728	1,946,902	1,985,840	2,025,557
Programs						
PDHA Net Operations Costs	393,401	401,269	409,295	417,480	425,830	434,347
ARR	273,542	279,013	284,593	290,285	296,091	302,013
HIP	31,084	31,706	32,340	32,987	33,647	34,320
Affordability Covenant Maint	31,084	31,706	32,340	32,987	33,647	34,320
Homebuyer Assistance	310,844	317,060	323,402	329,870	336,467	343,196
Projects						
Carlos Ortega Villas Const						
Indian Springs MHP Agreement				2,500,000	2,500,000	
Developer Buy-down Subsidy						
Desert Pointe Rehabilitation						
Las Serenas Expansion						
Sagecrest Apartments Const						
15 Acre Site Acquisition						
15 Acre Site Development	5,000,000					
Complex Acquisition			20,000,000			
Rehab of Complex						
NS Parkland Apts Const						
Replacement Expenditures						
California Villas Rep Exp	57,606	69,564	91,113	211,825	66,063	149,636
Candlewood Rep Exp	391,985	59,615	20,909	207,867	82,765	510,046
Carlos Ortega Rep Exp	468,027	33,987	159,593	482,648	28,803	34,782
Catalina Gardens Rep Exp	206,236	174,151	417,964	216,549	81,538	116,043
Desert Pointe Rep Exp	55,399	131,866	382,081	693,948	455,256	34,588
La Rocca Villas Rep Exp	-	7,301	-	466,637	61,986	-
Laguna Palms Rep Exp	-	-	-	438,121	65,756	-
Las Serenas Rep Exp	2,118,563	78,069	74,709	140,834	470,860	209,328
Las Serenas II Rep Exp	103,166	-	705,148	14,581	181,328	-
Neighbors Rep Exp	182,750	150,040	32,231	92,612	31,125	276,064
One Quail Place Rep Exp	2,281,410	1,612,911	621,388	243,788	306,776	1,675,168
Palm Village Rep Exp	-	41,241	8,430	227,896	48,704	-
Pueblos Rep Exp	108,902	-	3,967	71,502	51,115	51,023
Sagecrest Replacement Exp	-	2,994	371,759	35,035	-	-
Taos Palms Rep Exp	218,115	30,810	32,437	8,299	9,425	285,501
TOTAL USES	14,066,723	5,324,606	25,912,425	9,102,657	7,553,023	6,515,931

* Projects depend on availability o

PALM DESERT HOUSING AUTH

Fiscal Year	2030	2031	2032	2033	2034	2035
Sources						
Stipulation	7,610,572	7,777,700	7,949,928	8,887,826	9,065,582	9,246,894
SERAF Reimbursement						504,789
Note Payoff						
Loan Payoffs	343,196	350,060	357,062	364,203	371,487	378,917
TOTAL SOURCES	7,953,768	8,127,760	8,306,990	9,252,029	9,437,069	10,130,600
Uses						
Administration	2,066,068	2,107,390	2,149,538	2,192,528	2,236,379	2,281,106
Programs						
PDHA Net Operations Costs	443,034	451,894	460,932	470,151	479,554	489,145
ARR	308,053	314,214	320,498	326,908	333,447	340,116
HIP	35,006	35,706	36,420	37,149	37,892	38,649
Affordability Covenant Maint	35,006	35,706	36,420	37,149	37,892	38,649
Homebuyer Assistance	350,060	357,062	364,203	371,487	378,917	386,495
Projects						
Carlos Ortega Villas Const						
Indian Springs MHP Agreement						
Developer Buy-down Subsidy						
Desert Pointe Rehabilitation						
Las Serenas Expansion						
Sagecrest Apartments Const						
15 Acre Site Acquisition						
15 Acre Site Development						
Complex Acquisition						
Rehab of Complex					5,000,000	10,000,000
NS Parkland Apts Const	5,000,000	5,000,000	5,000,000			
Replacement Expenditures						
California Villas Rep Exp	1,609,108	289,859	365,114	64,999	66,949	1,442,328
Candlewood Rep Exp	41,113	46,561	5,230	188,440	5,549	17,900
Carlos Ortega Rep Exp	45,557	105,913	33,032	74,818	804,554	144,929
Catalina Gardens Rep Exp	196,749	103,757	121,573	335,106	320,976	100,281
Desert Pointe Rep Exp	32,781	69,603	131,924	42,185	140,446	41,300
La Rocca Villas Rep Exp	-	92,260	303,932	-	9,527	-
Laguna Palms Rep Exp	-	141,361	4,934	7,572	-	9,058
Las Serenas Rep Exp	106,130	108,068	171,357	627,981	266,957	95,968
Las Serenas II Rep Exp	17,965	2,230,556	210,212	-	-	-
Neighbors Rep Exp	59,250	15,281	58,319	16,262	19,053	18,978
One Quail Place Rep Exp	367,594	405,280	335,312	1,714,255	719,108	412,017
Palm Village Rep Exp	-	281,763	242,504	-	53,810	-
Pueblos Rep Exp	-	230,076	-	-	35,490	19,517
Sagecrest Replacement Exp	-	219,061	32,878	-	-	70,680
Taos Palms Rep Exp	-	32,813	55,458	32,880	-	29,114
TOTAL USES	10,713,474	12,674,183	10,439,791	6,539,871	10,946,497	15,976,231

* Projects depend on availability o

PALM DESERT HOUSING AUTH

Fiscal Year	2036	2037	2038	TOTALS
Sources				
Stipulation	9,431,832	9,620,468	9,812,876	204,570,847
SERAF Reimbursement	3,680,271	7,078,858	1,657,421	17,821,288
Note Payoff				6,787,629
Loan Payoffs	386,495	394,225	402,109	8,007,575
TOTAL SOURCES	13,498,598	17,093,551	11,872,406	237,187,339
Uses				
Administration	2,326,729	2,373,263	2,420,728	51,128,291
Programs				
PDHA Net Operations Costs	498,928	508,906	519,084	10,653,407
ARR	346,918	353,856	360,933	7,407,599
HIP	39,422	40,211	41,015	841,773
Affordability Covenant Maint	39,422	40,211	41,015	841,773
Homebuyer Assistance	394,225	402,109	410,151	8,417,726
Projects				
Carlos Ortega Villas Const				-
Indian Springs MHP Agreement				5,000,000
Developer Buy-down Subsidy				-
Desert Pointe Rehabilitation				5,000,000
Las Serenas Expansion				22,250,000
Sagecrest Apartments Const				6,000,000
15 Acre Site Acquisition				2,250,000
15 Acre Site Development				20,500,000
Complex Acquisition				20,000,000
Rehab of Complex	10,000,000	5,000,000		30,000,000
NS Parkland Apts Const				15,000,000
Replacement Expenditures				
California Villas Rep Exp	122,060	650,343	1,486,050	11,042,721
Candlewood Rep Exp	72,414	22,765	90,139	2,198,565
Carlos Ortega Rep Exp	182,557	32,499	33,474	3,518,771
Catalina Gardens Rep Exp	382,839	116,112	111,642	4,514,472
Desert Pointe Rep Exp	52,082	350,664	312,645	4,580,821
La Rocca Villas Rep Exp	-	904,418	-	2,210,020
Laguna Palms Rep Exp	-	2,002,394	41,299	3,876,607
Las Serenas Rep Exp	115,174	175,770	174,150	7,850,031
Las Serenas II Rep Exp	1,314,363	197,269	-	5,009,968
Neighbors Rep Exp	79,966	198,020	13,904	1,746,325
One Quail Place Rep Exp	520,337	926,067	405,683	18,657,647
Palm Village Rep Exp	546,159	1,730,222	15,141	4,581,267
Pueblos Rep Exp	-	19,562	2,474	982,710
Sagecrest Replacement Exp	2,467	3,786	-	910,562
Taos Palms Rep Exp	78,412	38,609	11,960	1,582,981
TOTAL USES	17,114,474	16,087,059	6,491,489	278,554,036

* Projects depend on availability o

PALM DESERT HOUSING AUTHORITY

Fiscal Year

Assumptions Made

Sources

Prior Year Balance Forward

Stipulation	Based on Current Year Prop Tax (plus 2% annual increase) * 20%, Less Debt Service
SERAF Reimbursement	Based on AB 1484, estimated funds available from repayment
Note Payoff	Based on Principal Amount Due and 2012 repayment
Loan Payoffs	Based on 10 Loan Payoffs @ \$25k/loan (offset by HBA Program below)

TOTAL SOURCES

Uses

Administration	Based on Five Year Average of Admin Costs plus 2% annual inc.
Programs	
PDHA Net Operations Costs	Based on Current Budget Net Ops plus 2% annual increase
ARR	Based on Current Budget plus 2% Annual Increase
HIP	Based on Current Budget plus 2% Annual Increase
Affordability Covenant Maint	Based on Current Budget plus 2% Annual Increase
Homebuyer Assistance	Based on Current Budget plus 2% Annual Increase (offset by Loan Payoffs)
Projects (As required by Stipulation)	
Carlos Ortega Villas Const	Based on Current Estimated Costs
Indian Springs MHP Agreement	Based on HOA Settlement Agreement dated 2/27/09
Developer Buy-down Subsidy	Based on Bond Tax Certificate and Letter to SA re unspent proceeds.
Desert Pointe Rehabilitation	Based on Current Estimated Costs
Las Serenas Expansion	Based on 150 units @ \$150k/ea
Sagecrest Apartments Const	Based on Current Estimated Costs
15 Acre Site Acquisition	Based on 15 Acres @ \$150k/acre
15 Acre Site Development	Based on 100 SFH @ \$205k/unit (including subsidy)
Complex Acquisition	Based on recent asking price.
Rehab of Complex	Based on 300 units @ \$100k/unit
NS Parkland Apts Const	Based on 100 units @ \$150k/unit
Replacement Expenditures	
California Villas Rep Exp	Based on Replacement Reserve Study by ARI
Candlewood Rep Exp	Based on Replacement Reserve Study by ARI
Carlos Ortega Rep Exp	Based on half Ca Villas Study.
Catalina Gardens Rep Exp	Based on Replacement Reserve Study by ARI
Desert Pointe Rep Exp	Based on Replacement Reserve Study by ARI
La Rocca Villas Rep Exp	Based on Replacement Reserve Study by ARI
Laguna Palms Rep Exp	Based on Replacement Reserve Study by ARI
Las Serenas Rep Exp	Based on Replacement Reserve Study by ARI
Las Serenas II Rep Exp	Based on (3 times) Laguna Palms Study.
Neighbors Rep Exp	Based on Replacement Reserve Study by ARI
One Quail Place Rep Exp	Based on Replacement Reserve Study by ARI
Palm Village Rep Exp	Based on Replacement Reserve Study by ARI
Pueblos Rep Exp	Based on Replacement Reserve Study by ARI
Sagecrest Replacement Exp	Based on half Laguna Palms Study
Taos Palms Rep Exp	Based on Replacement Reserve Study by ARI

TOTAL USES

BALANCE

* Projects depend on availability of funding

EXHIBIT 6

**SETTLEMENT AND RELEASE AGREEMENT,
CITY OF PALM DESERT,
PALM DESERT REDEVELOPMENT AGENCY AND
IS PALM DESERT, LP**

SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT ("**Agreement**") is made and entered into as of ~~Feb. 27~~, 2009 by and among THE CITY OF PALM DESERT, a municipal corporation ("**City**"), the PALM DESERT REDEVELOPMENT AGENCY, a public body, corporate and politic ("**Agency**") and IS PALM DESERT, LP, a California limited partnership (successor-in-interest to INDIAN SPRINGS, LTD. ("**Park Owner**"). City, Agency and Park Owner are sometimes collectively referred to herein as the "**Parties**" and individually as a "**Party**".

RECITALS

A. Park Owner is the owner of that certain mobile home park ("**Park**") located at 49-305 State Highway 74, Palm Desert, California.

B. On or about October 4, 2005, the Park Owner filed a Verified Petition For Writ of Mandamus to Compel Approval of Subdivision Map and Complaint For Inverse Condemnation ("**Original Writ and Complaint**") in the Superior Court of the County of Riverside, Case No. INC 053903 (the "**Action**"). On or about March 7, 2008, with respect to the Action, Park Owner filed a First Amended Verified Petition for Writ of Mandamus to Compel Approval of Subdivision Map and Complaint For Inverse Condemnation and Violation of § 42 U.S.C. 1983 (collectively with the Original Writ and Complaint, "**Complaint**").

C. Park Owner has been involved in a number of disputes between it and the residents of the Park and the Indian Springs Mobile Home Park Homeowners' Association, a California nonprofit mutual benefit corporation ("**HOA**") under the City's Mobilehome Rent Stabilization Ordinance and before the City's Mobile Home Park Rent Review Board (collectively, "**Owner-Resident Disputes**").

D. The Complaint together with any and all complaints, claims, defenses, causes of action, cross-complaints, answers and denials of the Parties against the other related to, arising from, in connection with, or involving the Action are collectively referred to herein as the "**Disputes**".

E. This Agreement is entered into for the benefit of Park Owner, City and Agency. Except as provided herein, no third party shall have the right to make any claim or assert any right under this Agreement, and no third party shall be deemed a beneficiary of this Agreement.

F. The Parties desire to settle the Disputes by entering into this Agreement, without admitting liability to one another.

NOW, THEREFORE the Parties hereby agree as follows:

TERMS AND CONDITIONS

I. **Conditions Precedent.** The effectiveness of this Agreement is conditioned upon (i) the concurrent execution and delivery of the Park Owner-HOA Agreement and the City-HOA Agreement (each as defined under Section 21 hereof), and (ii) the adoption and issuance by the

City's rent control board ("**Rent Control Board**") of the Stipulated Agreement and Order (as defined in the Park Owner-HOA Agreement) (collectively, "**Conditions Precedent**").

2. **Obligations of the City.** Upon satisfaction of the Conditions Precedent and execution and delivery of this Agreement by the Park Owner, and so long as the Park Owner is not in default of its obligations in this Agreement, City shall comply with the following:

(a) Within thirty (30) days following City's receipt of a Park Owner Invoice (as defined below) for each calendar month, commencing February 1, 2009 ("**Commencement Date**"), and continuing for each calendar month thereafter until the Monthly City Payments Termination Date (as defined below), the City shall pay to Park Owner \$61.26 per resident lot ("**Monthly City Payments**") for each resident lot of the Park for which a deed transferring title to the buyer has not been recorded and for which a tenant is paying rent (collectively, "**Unsold Rent Paying Units**"). A "**Park Owner Invoice**" shall mean a written invoice prepared by Park Owner and delivered to the City certifying as to the number of Unsold Rent Paying Units. The Park Owner Invoice with respect to the Monthly City Payments for February 2009 is attached hereto as Exhibit A. The City shall continue to pay the Monthly City Payments pursuant to a Park Owner Invoice for each month during the period from the Commencement Date until the earlier of (i) the thirtieth (30th) anniversary of the Commencement Date, or (ii) the date of the sale of the last of the resident lots in the Park evidenced by the recording of a deed transferring title to the buyer (as applicable, "**Monthly City Payments Termination Date**). The City shall set aside from its existing funds into a special account an amount that the City reasonably deems to be sufficient to make all of the Monthly City Payments for such 30-year period. If the City fails to pay any Monthly City Payments within the 30-day period following receipt of a Park Owner Invoice, then a late payment charge equal to the lesser of five percent (5%) of the unpaid amount of the Monthly City Payments or the maximum amount permitted by applicable law shall be added to the amount of the Monthly City Payments for the month following the month pertaining to such unpaid sums and for each month thereafter until payment is received. The Parties acknowledge that such late payment charge is a reasonable amount in order to defray the expense incurred by Park Owner in handling and processing such delinquent payments and to compensate Park Owner for the loss of use of such delinquent payments. Monthly City Payments payable for less than a full calendar month shall be prorated based on a thirty (30) day month.

(b) City shall deliver to the HOA a check in the amount of \$86,000 made payable to the HOA ("**Settlement Payment**") within ten (10) days of the City's receipt of the Park Owner's Payment (as defined in Section 3(i) hereof). The Settlement Payment is subject to certain application restrictions as described under the terms of the Park Owner-HOA Agreement and the City-HOA Agreement.

(c) City agrees to not interfere with or take action against conversion, subdivision or the sale of lots within the Park, nor cause or encourage any other governmental agency to do so.

(d) City acknowledges and agrees that (i) Park Owner has already completed construction of a sewer system for the Park ("**Sewer System**") as evidenced by that certain Activity Report dated November 14, 2008 regarding inspection issued by the California Department of Housing and Community Development, a copy of which is attached hereto as

Exhibit B, and that certain completion and approval letter dated February 23, 2009 issued by the Coachella Valley Water District ("**Water District**"), a copy of which is attached hereto as Exhibit C. (ii) the Sewer System replaces the septic tank sewer system at the Park and connects to the Water District's sewer line under Highway 74. (iii) Park Owner has abandoned all existing septic tanks, seepage pits and leach fields at the Park, and (iv) each mobilehome in the Park, whether vacant or occupied, and all common area buildings, have been connected to the Sewer System.

(e) Within ten (10) days following the date of this Agreement, City shall deliver to Park Owner the City's written assignment of all right, title and interest of the City in and to certain prepaid per unit sewer hook-up fees (collectively, "**Prepaid Sewer Hook-Up Fees**") for the Park previously paid by the City to the Water District. The Prepaid Sewer Hook-Up Fees represent payment in full of fees payable to the Water District for connecting all mobilehomes and buildings within the Park to the Water District's sewer line under Highway 74 and the Water District sewer system. The Prepaid Sewer Hook-Up Fees do not include Water District charges for engineering, inspection, plan check or any other similar fees.

3. **Obligations of the Park Owner.** Upon satisfaction of the Conditions Precedent and execution and delivery of this Agreement by the City and Agency, and so long as the City and Agency are not in default of their obligations in this Agreement, Park Owner shall comply with the following:

(a) Within ten (10) days following the date that (i) the adoption and issuance of the Stipulated Agreement and Order by the Rent Control Board, or (ii) the City Council approves this Agreement, whichever is later, is no longer subject to appeal ("**Expiration of Appeal Periods**"), Park Owner shall file a dismissal with prejudice of all of Park Owner's claims in the Action.

(b) The purchase price for each resident lot shall be its appraised fair market value less any applicable discount hereinafter described. Park Owner shall provide a discount equal to ten percent (10%) off of the appraised fair market value of each resident lot to Park residents who are extremely low, very low or low income households, within the meaning of those terms under California Health and Safety Code Sections 33000, et seq. (collectively, "**Community Redevelopment Law**") if such resident purchaser (i) deposits into escrow an executed Park Owner and California Department of Real Estate ("**DRE**") approved form of deposit receipt sales contract (which may be subject to financing contingencies) ("**Approved Form Deposit Receipt/Sales Contract**") regarding the purchase of his, her or their lot within thirty (30) days after delivery of the final public report ("**Final Public Report**") issued by the DRE pertaining to the subdivision of the Park; and (ii) has delivered to Park Owner a Resident's Waiver and Release of Claims (as defined in the Park Owner-HOA Agreement) in accordance with the terms and delivery requirements described under the Park Owner-HOA Agreement. Such discount shall be provided to resident purchasers that satisfy the foregoing requirements, regardless of when escrow closes and regardless of when funds, including, but not limited to, any Mobilehome Park Resident Ownership Program ("**MIPROP**") funds, become available for such purchase.

(c) Park Owner shall provide a discount equal to five percent (5%) off of the appraised fair market value of each resident lot to any resident purchaser, regardless of income level, if such resident purchaser (i) deposits into escrow an executed Approved Form of Deposit Receipt/Sales Contract regarding the purchase of his, her or their lot within sixty (60) days after delivery of the Final Public Report issued by the DRE pertaining to the subdivision of the Park, and (ii) has delivered to Park Owner a Resident's Waiver and Release of Claims (as defined in the Park Owner-HOA Agreement) in accordance with the terms and delivery requirements described under the Park Owner-HOA Agreement. Such discount shall be provided to any resident purchasers that satisfy the foregoing requirements, regardless of when escrow closes and regardless of when funds, including, but not limited to, any MPROP funds, become available for such purchase. Notwithstanding the foregoing, this discount shall not be available to any resident who receives the discount benefit described under Section 3(b) above.

(d) For Park residents that (i) are "persons or families of low or moderate income" (as defined in Section 33000 et seq. of the California Health and Safety Code), (ii) enter into escrow to purchase their space, and (iii) deliver to Park Owner an executed Resident's Waiver and Release of Claims (as defined in the Park Owner-HOA Agreement) in accordance with the terms and delivery requirements described under the Park Owner-HOA Agreement, Park Owner shall provide such residents with seller financing secured by the resident's mobilehome and lot (each a "**Seller Financing Loan**") at an interest rate of three percent (3%) per annum, with interest only payments payable every six (6) months, so long as the monthly amount of such interest only payments plus homeowners' association ("**HOA**") dues do not exceed the resident's most recent total amount of monthly rent payments for the subject space. If the monthly amount of such interest only payments plus HOA dues exceeds the resident's most recent total amount of monthly rent payments for the subject space, then there shall be no requirement for interest only payments every six (6) months and all accrued interest together with unpaid principal and any other charges shall be payable in full at maturity or earlier pursuant to the terms of the Seller Financing Loan. The total amount of Seller Financing Loans made available by Park Owner to eligible residents shall not exceed the maximum aggregate principal amount of \$5,000,000 ("**Maximum Aggregate Seller Financing Amount**"). Park Owner shall have no obligation to make a Seller Financing Loan to a Park resident, unless in addition to satisfaction of the requirements set forth in clauses (i) and (ii) of this Section 3(d), the Park resident shall (x) have delivered by not later than two (2) years after the close of escrow for the sale of the first resident lot at the Park a completed and executed loan application on a form prescribed by Park Owner ("**Application Delivery Deadline**"), and (y) have satisfied Park Owner's reasonable borrower qualification requirements for obtaining a Seller Financing Loan. Notwithstanding anything to the contrary herein, Park Owner shall not be required to make any Seller Financing Loans which would cause the resident's purchase transaction to generate insufficient cash to satisfy release price payment requirements under any then existing financing secured by the Park or to pay Park Owner's closing costs related to the purchase transaction. The principal amount of each Seller Financing Loan to a resident shall be determined by Park Owner in its sole discretion. Each Seller Financing Loan provided to a Park resident will be fully due and payable upon the earlier of (a) twenty (20) years, (b) the sale, transfer, lease or encumbrance of the resident's space without Park Owner's consent, (c) when the resident ceases to occupy their space as their principal residence, or (d) when there is a resident default which is not cured after notice and during the applicable cure period.

(c) If both an Agency Financing Loan and a Seller Financing Loan are secured by the same resident mobilehome and lot, then the aggregate loan payments under both loans shall not result in loan payments which exceed the Affordable Housing Cost (as defined in Section 4(c) below) for forty-five (45) years after taking into account other costs of ownership. If both an Agency Financing Loan and a Seller Financing Loan are secured by the same resident mobilehome and lot, then Park Owner shall cooperate with Agency in determining the principal amount, monthly payments and amortization under both loans in order that the loans do not result in loan payments which exceed the Affordable Housing Cost (as defined in Section 4(c) below).

(f) Each Seller Financing Loan shall be exclusive of MPROP financing, Agency Financing Loans (as defined under Section 4(a) below) or other governmental funding made available to Park residents for the purchase of their space at the Park. Any Agency deed of trust recorded against a mobilehome and lot securing an Agency Financing Loan shall be senior and prior to any deed of trust recorded against such mobilehome and lot securing a Seller Financing Loan.

(g) Anything to the contrary herein notwithstanding, given the Maximum Aggregate Seller Financing Amount and the Maximum Aggregate Agency Financing Amount, Park Owner shall cooperate with Agency so as to determine the priority of residents who will receive Seller Financing Loans and Agency Financing Loans from the pool of residents who satisfy the qualification and eligibility requirements described in this Section 3 and the qualification and eligibility requirements described in Section 4 below.

(h) Park Owner shall comply with the requirements described under Section 2(a) of the Park Owner-HOA Agreement regarding filing of further applications, claims or actions opposing rent increase denials, decisions of the Rent Control Board, seeking hardship and fair return rent increases and seeking capital improvement increases related to the Sewer System.

(i) Park Owner shall deliver to City a check in the amount of \$43,000 made payable to the City ("**Park Owner's Payment**") within ten (10) days following the Expiration of the Appeal Period. The Park Owner's Payment is Park Owner's share of the Settlement Payment from the City to the HOA. The Settlement Payment is subject to certain application restrictions as described under the terms of the Park Owner-HOA Agreement.

(j) By not later than one (1) year after the Application Delivery Deadline, Park Owner shall deliver written notice to Agency (i) that Park Owner has identified the maximum number of Seller Financing Loans that Park Owner has made or plans to make to Park residents who have elected to purchase their lots, (ii) that except for Park Owner's identified maximum number of Seller Financing Loans already made or that Park Owner plans to make that no further Seller Financing Loans will be made to residents of the Park who have elected to purchase their lots, and (iii) that provides the total dollar amount of the Maximum Aggregate Seller Financing Amount with respect to Seller Financing Loans made or that Park Owner plans to make (collectively, "**Notice of Seller Financing Cap**").

(k) Notwithstanding anything to the contrary herein, Park Owner shall have no obligation to provide the Park resident benefits as described in this Section 3 as well as any of the Park resident benefits as described in the Park Owner-HOA Agreement to any Park resident who has filed or threatened to file any legal or administrative action, proceeding or claim against Park Owner, except for Park residents who have executed and delivered to Park Owner a Resident's Waiver and Release of Claims (as defined in the Park Owner-HOA Agreement) by the Resident Waiver and Release Deadline (as defined in the Park Owner-HOA Agreement) and who have not before the close of their escrow filed or threatened to file any legal or administrative action, proceeding or claim against Park Owner.

4. **Agency Obligations.** Upon satisfaction of the Conditions Precedent and execution and delivery of this Agreement by the Park Owner, and so long as the Park Owner is not in default of its obligations in this Agreement, Agency shall comply with the following:

(a) For Park residents who are extremely low, very low or low income households (within the meaning of those terms under the Community Redevelopment Law) that submit to the Agency by not later than the Application Delivery Deadline a fully completed and executed loan application on a form prescribed by the Agency, Agency (or at its election Agency acting through an agent) shall determine which residents shall be offered purchase-money financing by Agency secured by the resident's mobilehome and lot (each an "**Agency Financing Loan**"). Agency shall make Agency Financing Loans that do not exceed the lesser of (i) the maximum aggregate principal amount of \$5,000,000, or (ii) the total amount of Seller Financing Loans on a dollar-for-dollar basis made by Park Owner (as applicable, "**Maximum Aggregate Agency Financing Amount**"). Agency shall have no obligation to make an Agency Financing Loan to a Park resident who does not satisfy the Affordable Housing Costs requirements (as defined in Section 4(c) below). Agency Financing Loans shall not be made to moderate income households, but only to extremely low, very low and low income households (in the order of priority as determined by Agency).

(b) If both an Agency Financing Loan and a Seller Financing Loan are secured by the same resident mobilehome and lot, then the aggregate loan payments under both loans shall not result in loan payments which exceed the Affordable Housing Cost (as defined in Section 4(c) below) for forty-five (45) years after taking into account other costs of ownership. If both an Agency Financing Loan and a Seller Financing Loan are secured by the same resident mobilehome and lot, then Agency shall cooperate with Park Owner in determining the principal amount, monthly payments and amortization under both loans in order that the loans do not result in loan payments, after taking into account other costs of ownership, which exceed the Affordable Housing Cost (as defined in Section 4(c) below).

(c) If, pursuant to the Notice of Seller Financing Cap, the total amount of the Seller Financing Loans exceeds the total amount of the Agency Financing Loans already made and there are no more qualified applicants to whom Agency Financing Loans can be made in compliance with applicable law and in accordance with the definition of "affordable housing cost" contained in Health and Safety Code Section 50052.5, as amended from time to time, after taking other ownership costs into consideration ("**Affordable Housing Cost**"), then, within ten (10) days of Agency's receipt of the Notice of Seller Financing Cap, Agency shall deliver written notice to Park Owner of such depletion of qualified applicants ("**Notice of Depletion of**

Qualified Applicants”). In such event, Agency shall use up to the Maximum Aggregate Agency Financing Amount less the cumulative total of Agency Financing Loans made by the Agency under this Agreement, but in no event more than the amount by which the total of the Seller Financing Loans exceeds the total of the Agency Financing Loans, to purchase resident lots from the Park Owner occupied by extremely low, very low or low income households (in that order of priority as determined by Agency) at the same non-discounted price offered to residents. Agency’s purchase of resident lots from Park Owner shall be all cash purchases with thirty (30) day escrows. Agency shall open escrow to purchase such resident lots within ten (10) days after delivery of the Notice of Depletion of Qualified Applicants. Agency’s purchase of a resident lot shall be made subject to the terms of any existing resident lease or rental agreement regarding such resident lot, and purchase of such resident lot shall otherwise be in accordance with the Park Owner’s form of purchase documents approved by the DRE.

(d) The Agency Financing Loans shall: (i) be made in accordance with applicable law and used to achieve an Affordable Housing Cost after taking other ownership costs into consideration; (ii) include a recorded 45 year affordability covenant, (iii) be made at an interest rate of three percent (3%) per annum with interest to accrue and not be paid until maturity, and (iv) be fully due and payable upon the earlier of (A) forty-five (45) years, (B) the sale, transfer, lease or encumbrance of the resident’s space without Agency’s consent, (C) when the resident ceases to occupy their space as their principal residence, or (D) when there is a resident default which is not cured after notice and during the applicable cure periods.

(c) Anything to the contrary herein notwithstanding, given the Maximum Aggregate Seller Financing Amount and the Maximum Aggregate Agency Financing Amount, Agency shall cooperate with Park Owner so as to determine the priority of residents who will receive Seller Financing Loans and Agency Financing Loans from the pool of residents who satisfy the qualification and eligibility requirements described in Section 3 above and the qualification and eligibility requirements described in this Section 4.

(f) Each Agency Financing Loan shall be exclusive of MPROP financing, Seller Financing Loans (as defined under Section 3(d) above) or other governmental funding made available to Park residents for the purchase of their space at the Park. Any Agency deed of trust recorded against a mobilehome and lot securing an Agency Financing Loan shall be senior and prior to any deed of trust recorded against such mobilehome and lot securing a Seller Financing Loan.

5. Releases of Liability.

(a) Upon execution and delivery of this Agreement by the Parties, and upon fulfillment of the Conditions Precedent, except with respect to any claim of a violation of this Agreement, the Park Owner-HOA Agreement or the City-HOA Agreement, the Parties release and forever discharge each other and their predecessors, successors, heirs, assigns, agents, affiliated and parent companies, and each of them, and each past or present, direct or indirect, partner, parent, subsidiary, division or affiliated entity or corporation, and each past or present employee, agent, representative, attorney, accountant, officer, director, stockholder, member, manager, and all persons acting by, through, under or in concert with them, or any of them, from any and all claims, demands, actions, causes of action, suits, debts, liens, contracts, liabilities,

releases, costs, remedies (including but not limited to punitive damages, treble damages, statutory penalties and restitution), expenses or losses of any type, whether known or unknown, fixed or contingent, from the beginning of time to the present, arising out of or related to the Complaint, the Action and the Disputes.

(b) Consistent with the foregoing, the Parties expressly and voluntarily waive and relinquish all rights and benefits under Section 1542 of the California Civil Code if in any way applicable to this Agreement. Section 1542 of the California Civil Code provides as follows:

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

The Parties acknowledge in that connection that they may have sustained damages, losses, costs or expenses that are presently unknown and unsuspected, and that such damages, losses, costs or expenses as may have been sustained may give rise to additional damages, losses, cost or expense in the future. Nevertheless, the Parties acknowledge that this Agreement has been negotiated and agreed upon in light of this situation and expressly waive any and all rights which they may have under Section 1542 of the California Civil Code, or any other state or federal statute or common law principle of similar effect, to the extent applicable, if at all.

(c) Each Party acknowledges that it has received the advice of legal counsel with respect to the aforementioned waiver and understands the terms thereof.

6. **Binding Agreement.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their legal representatives, successors and permitted assigns, including, without limitation, to a new owner of the Park or any part thereof.

7. **Enforcement Of Agreement.** The Parties agree that, notwithstanding dismissal of the Action, the Court will retain jurisdiction to enforce this Agreement pursuant to California Code of Civil Procedure section 664.6, including the right to recover attorneys' fees incurred by way of seeking enforcement of the Agreement.

8. **Reference Procedure.** The Parties hereby agree to resolve all disputes with respect to any of the terms or conditions of this Agreement pursuant to the provisions of California Code of Civil Procedure §§638 through 645.1, subject to the following procedures:

(a) The Parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and report a finding and judgment thereon. If the Parties are unable to agree upon a referee within ten (10) days after a written request to do so by any Party, then any Party may thereafter seek to have a referee appointed pursuant to California Code of Civil Procedure §§638 and 640;

(b) The Parties agree that the referee shall have the power to decide all issues of fact and law and report his/her decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him/her; provided, however, that to the extent the referee is unable to issue and/or enforce any such legal and equitable relief, either Party may petition the court to issue and/or enforce such relief on the basis of the referee's decision;

(c) Discovery shall be afforded to the Parties in accordance with Code of Civil Procedure §§ 2016.010 et. seq.;

(d) The California Evidence Code rules of evidence, the California Code of Civil Procedure and the California Rules of Court shall apply to the conduct of the hearing, examination of witnesses and presentation of evidence at the trial;

(e) Any Party desiring a stenographic record of the trial may secure a court reporter to attend the trial; provided, the requesting Party notifies the other Parties of the request and pays for the costs incurred for the court reporter;

(f) The referee shall issue a written statement of decision which shall be reported to the court in accordance with California Code of Civil Procedure §643 and mailed promptly to the Parties;

(g) Judgment may be entered on the decision of the referee in accordance with California Code of Civil Procedure §644, and the decision may be excepted to, challenged and appealed according to law;

(h) The Parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms hereof; and

(i) The cost of such proceeding, including but not limited to the referee's fees, shall initially be borne equally by the Parties to the dispute or controversy. However, the prevailing Party in such proceeding shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference and its reasonable attorneys' fees as items of recoverable costs.

9. **Remedies.** In the event of a default under this Agreement, all or any one or more of the rights, powers, privileges and other remedies available to a Party under this Agreement or at law or in equity (including, but not limited to, injunctive relief) may be exercised at any time and from time to time as permitted by applicable law.

10. **Headings.** Section headings or captions contained in this Agreement are used for reference only and shall not be deemed to govern, limit, or extend the terms of this Agreement.

11. **Entire Agreement.** All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants and warranties by and between the Parties concerning the subject matter hereof other than those referred to herein are merged

herein. This is an integrated agreement. This Agreement shall not be altered, amended, modified, or otherwise changed except by a writing duly signed by all the Parties hereto.

12. **Independent Advice of Counsel.** The Parties represent and declare that in executing this Agreement they relied solely upon their own judgment, belief and knowledge, and the advice and recommendations of their own independently selected counsel, concerning the nature, extent and duration of their rights and claims, and that they have not been influenced to any extent whatsoever in executing the same by any representations or statements by one Party to the other not expressly contained or referred to in this Agreement.

13. **Severability.** If any provision of this Agreement or the application thereof to any Party or circumstance is held to be invalid or unenforceable, if such provision is not material to the basic intent of this Agreement, the remaining provisions of this Agreement and the application of such provisions to other Party or circumstances, shall not be affected thereby, the provisions of this Agreement being severable in any such instance.

14. **Fees and Costs Incurred.** The Parties shall bear their own attorneys' fees and costs incurred with respect to this Agreement.

15. **Further Necessary Action.** The Parties, without further consideration, agree to execute and deliver such other documents and take such other action as may be necessary to carry out the intent of this Agreement.

16. **Drafter.** No provision, principle, or other concept of law or equity wherein the terms and conditions of an agreement are interpreted against the Party who drafted the agreement shall have any application to this Agreement.

17. **Warranty Of Authorization.** The Parties warrant and represent that they are competent and authorized to enter in this Agreement. Each Party represents and warrants that it has taken all necessary action for the execution and delivery of this Agreement, including, as to the City and Agency's execution and delivery of this Agreement, all City and Agency authorizations required from the City Council and Agency Board, respectively approving the terms of this Agreement.

18. **No Assignment.** The Parties warrant and represent that they have not assigned, transferred or disposed of any right, title or interest in the Action or the Disputes.

19. **Counterparts.** This Agreement may be executed in one or more counterparts, and each set of duly delivered identical counterparts which includes all signatories shall be deemed to be one original document.

20. **Governing Law.** This Agreement shall be governed by, interpreted and construed in accordance with the laws of the State of California.

21. **Other Settlement and Release Agreements; Third Party Beneficiaries.** This Agreement is being entered into simultaneously with that certain Settlement and Release Agreement dated as of even date herewith by and among the Park Owner, the HOA and the HOA Directors, a copy of which is attached hereto as Exhibit D ("**Park Owner-HOA Agreement**")

and that certain Settlement and Release Agreement dated as of even date herewith by and among the City and the HOA and the HOA Directors, a copy which is attached hereto as Exhibit E ("**City-HOA Agreement**"). Notwithstanding anything to the contrary herein, this Agreement shall be of no force or effect until, and is contingent upon, the execution and delivery of the Park Owner-HOA Agreement and the City-HOA Agreement by the parties thereto. The Parties acknowledge and agree that the Park Owner-HOA Agreement and the City-HOA Agreement shall be of no force or effect until the Parties execute and deliver this Agreement. The HOA and HOA Directors shall be a third-party beneficiary of the provisions of this Agreement benefiting HOA and the HOA Directors, the City and Agency shall be third-party beneficiaries of the provisions of the Park Owner-HOA Agreement benefiting the City and Agency, and the Park Owner shall be a third-party beneficiary of the provisions of the City-HOA Agreement benefiting the Park Owner. Except as described in this Section 21, this Agreement is made and entered into for the sole benefit of the Parties, and no other person or entity shall have any rights or remedies under this Agreement. There are no third party beneficiaries to this Agreement except as described under this Section 21.

22. **No Admission of Liability.** This Agreement represents the settlement and compromise of disputed claims, and nothing contained in this Agreement shall be construed as an admission of liability or of any fact regarding the Action.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

CITY OF PALM DESERT,
a municipal corporation

By: Robert A. Spiegel
Robert A. Spiegel, Mayor

PALM DESERT REDEVELOPMENT AGENCY,
a public body, corporate and politic

By: Robert A. Spiegel
Robert A. Spiegel, Chairman

IS PALM DESERT, LP,
a California limited partnership

By: Goldstein Properties, Inc.,
a California corporation
Its General Partner

By: _____
James Goldstein, President

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

CITY OF PALM DESERT,
a municipal corporation

By: _____
Robert A. Spiegel, Mayor

PALM DESERT REDEVELOPMENT AGENCY,
a public body, corporate and politic

By: _____
Robert A. Spiegel, Chairman

IS PALM DESERT, LP,
a California limited partnership

By; Goldstein Properties, Inc.,
a California corporation
Its General Partner

By: James Goldstein
James Goldstein, President

EXHIBIT A

[See Attached February 2009 Park Owner Invoice]

IS Palm Desert, LP
c/o James & Associates
255 N. El Cielo, Ste. 140-28
Palm Springs, CA 92262

February 1, 2009

INVOICE

To: City of Palm Desert ("City")
Redevelopment Agency
73-510 Fred Waring Drive
Palm Desert, CA 92260-0611
Attn: V. Tapia, Accountant

Re: February 2009 Invoice for Sewer Rent Increase Monthly Payment
Pursuant to Park Owner – City Settlement Agreement dated February 27, 2009

As of the date hereof, there are 190 unsold resident lots in the mobilehome park, located at 49-305 State Highway 74, Palm Desert, California, for which a tenant is paying rent.

The City monthly payment for February 2009 is \$11,639.40 (\$61.26 x 190) ("Monthly City Payment").

If the City fails to pay the Monthly City Payment within 30 days following receipt of this invoice, then a late payment charge equal to the lesser of 5% of the unpaid amount or the maximum amount permitted by applicable law shall be added to the Monthly City Payment for the following month and for each month thereafter until payment is received. The parties have acknowledged that such late payment charge is a reasonable amount in order to defray the expense incurred by the park owner in handling and processing such delinquent payment(s) and to compensate park owner for the loss of use of such delinquent payment(s).

All payments are to be made payable to IS Palm Desert, LP and delivered to the address first set forth above.

EXHIBIT B

[See Attached HCD Activity Report Dated November 14, 2008]



STATE OF CALIFORNIA - BUSINESS, TRANSPORTATION AND HOUSING AGENCY

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF CODES AND STANDARDS

ACTIVITY REPORT

Date 11/14/08 Report by Jackie Feagle
Applicant NADER QOBORSI
Address 17621 IRVINE BLVD STE 210, TUSTIN
Activity Site (if other than above) INDIAN SPRINGS
49305 HWY 74 PALM DESERT
OWNER (if other than above) SAME
Address _____

AREA OFFICES
 Northern Area
8811 Folsom Blvd.
P.O. Box 1407
Sacramento, CA
95812-1407
Tel. (916) 255-2501
 Southern Area
3737 Main Street
Suite 400
Riverside, CA 92501
Tel. (909) 782-4420

PURPOSE OF REPORT: (Checked (✓) as appropriate)

- INSPECTION RECORD ONLY
- INFORMATION ONLY
- NOTICE OF VIOLATION AND RELATED INFORMATION: This report provides notice

of violations of the California Health and Safety Code, Division 13 or the California Code of Regulations, Title 25, Division 1, Chapter _____, Sections indicated. Copies of the regulations may be obtained from Barclays Law Publishers, P. O. Box 3066, South San Francisco, CA 94083-3066.

Violations indicated shall be corrected and a written request for further inspection filed with the Area Office indicated above on or before _____. The request for inspection shall be accompanied by a minimum fee of \$ _____.

A permit shall be obtained from the Area Office identified above for work to correct item(s) # _____.

If you believe this report has been issued in error or is factually incorrect, please contact the Area Supervisor at the Area Office indicated above.

INSPECTED UNIT IDENTIFICATION:

Type of Unit _____ Box Size _____ Overall Size _____ RT Desc No. _____
Manufacturer, Year and Model _____
HUD LABEL or HCD Insignia No. _____
Serial No. or V. I. N. _____

DEPARTMENT USE ONLY

FILE IDENTIFICATION
CPT/ASSIGNMENT# _____
FAC. ID # 33-0405

LABOR DATA:
DR ID 73 DATE _____
PCA/ACT CODE MP-UCI AREA S
CD 33 LOC _____ TR MLER 50
TIME: INSP/ACT 10.0 TR 2.5

INSPECTION DATA:
 TIME REPORT ONLY
 INITIAL INSPECTION REINSPECTION
HOME/UNIT _____ # FLOORS _____

VIOLATION DATA:
TOTAL 0 MP TENANT _____
S _____ F _____ E _____ M _____ P _____ G/O _____ NP _____

MH ALTERATION TYPE:
AC ACC ROOF FP O

THIRD-PARTY MONITORING:
DAA @ HQ IP DL IS
DAA #PLANS _____ #COMPLY _____

MP INSPECTION DATA:
BLG/FIX _____ MH LOT _____ RV LOT _____ AS _____

EH INSPECTION DATA:
 ACTIVE INACTIVE
MAX CAP _____ P CAP _____ OCC _____
SFD _____ DORM _____ MH/RV _____ O _____

FEE ACCOUNTING:
COL# 5185296

	USED	DUE	ATTACHED
INSPECTION			
RECORD			
OTHER			

ATTACHED FEE I.D. _____

INSPECTION RESULTS OR INFORMATION:

Conducted an under construction inspection at above listed site for the installation of a new park sewer system, and to determine compliance with Title 25, California Code of Regulations, and approved plans.
Inspection from 10-29-08 through today covered construction at noted locations.

Inspections revealed; trenching and installation of PVC SDR 35 sewer laterals to curb and PVC SCH 40 to and under mobilehomes to mobilehome sewer drain outlet and clubhouse is complete.

All sewer installation is now completed.

Septic tanks are to be pumped to removed sewer, and tanks to be back filled as noted on approved plans.

RECEIVED BY _____ TITLE _____

DEPARTMENTAL USE ONLY: Action: Close File Reinspection Required Progress Inspection Required
 Enforcement Action Needed Other _____
SEND COPIES TO: Recipient Owner SAA OL Other _____

SUPERVISOR REVIEW _____ DATE _____ COPIES SENT BY _____ DATE _____

EXHIBIT C

[See Attached Water District Completion and Approval Letter Dated February 23, 2009]



ESTABLISHED IN 1918 AS A PUBLIC AGENCY

COACHELLA VALLEY WATER DISTRICT

POST OFFICE BOX 1058 • COACHELLA, CALIFORNIA 92236 • TELEPHONE (760) 398-2651 • FAX (760) 398-3711

DIRECTORS

PETER NELSON, PRESIDENT
PATRICIA A. LARSON, VICE PRESIDENT
TELLIS CODEKAS
JOHN W. McFADDEN
RUSSELL KITAHARA

OFFICERS:

STEVEN B. ROBBINS,
GENERAL MANAGER-CHIEF ENGINEER
MARK BEUHLER,
ASST. GENERAL MANAGER
JULIA FERNANDEZ, SECRETARY
DAN PARKS, ASST. TO GENERAL MANAGER
REDWINE AND SHERRILL, ATTORNEYS

February 23, 2009

File: 0721.1

C
O
P
Y

James & Associates
255 North El Cielo, Suite 140 #28
Palm Springs, CA 92262

Ladies and Gentlemen:

Subject: Indian Springs Mobile Home Park, Palm Desert
Parcel Map 31862, Inspection No. 7700

We are pleased to report and acknowledge your project to have achieved 100% completion.

At 100% the Coachella Valley Water District recognizes your project to be acceptable and approved for final as of January 21, 2009.

Should you have any questions please contact me at (760) 398-2651, extension 3539.

Yours very truly,

Roland Bustamante
Chief Inspector

cc: Foresight Engineering
Civil Engineering and Land Surveying
17621 Irvine Blvd., Suite 210
Tustin, CA 92780

RVB:pr/pz879\7700pprv100

TRUE CONSERVATION
USE WATER WISELY

EXHIBIT D

[See Attached Park Owner – HOA Agreement]

SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT (hereinafter, "**Agreement**") is made and entered into as of February 27, 2009 by and between THE INDIAN SPRINGS MOBILE HOME PARK HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation ("**HOA**"), A MAJORITY OF THE CURRENT BOARD MEMBERS OF THE HOA (collectively, "**HOA Directors**") and IS PALM DESERT, LP, a California limited partnership (successor-in-interest to INDIAN SPRINGS, LTD.) ("**Park Owner**"). HOA, HOA Directors and Park Owner are sometimes collectively referred to herein as the "**Parties**" and singularly as a "**Party**".

RECITALS

A. Park Owner is the owner of that certain mobile home park ("**Park**") located at 49-305 State Highway 74, Palm Desert, California.

B. The HOA, HOA Directors and residents of the Park have made claims that the Park's rental charges are in violation of the rent control ordinances of the City of Palm Desert ("**City**"), including, without limitation, claims that the Park Owner has overcharged residents for rent (collectively, "**HOA Claims**"). The HOA has filed applications pertaining to the HOA Claims ("**HOA Applications**") with the City's rent control board ("**Rent Control Board**").

C. Park Owner has made claims concerning Park Owner's rights to hardship, fair return and capital improvement rent increases at the Park (collectively, "**Park Owner Claims**"). Park Owner has filed applications pertaining to the Park Owner Claims ("**Park Owner Applications**") with the Rent Control Board. The HOA Claims and Park Owner Claims are collectively referred to herein as the "**Claims**". Each of the HOA Applications and the Park Owner Applications (collectively referred to herein as the "**Applications**") are listed in that certain Stipulated Agreement and Order of the Rent Review Commission dated February ____, 2009 ("**Stipulated Agreement and Order**"), a true and correct copy of which is attached hereto as Exhibit A.

D. Except for any rights, remedies, claims, causes of action, disputes or contentions of certain Park residents pertaining to the issue of rent overcharge and roll back of rents with respect to units described under Section IV(A)(4) of the Stipulated Agreement and Order (collectively, "**Section IV(A)(4) Claims**"), the Claims and Applications together with any and all rights, remedies, causes of action, disputes, contentions, other claims and denials of the Parties against the other related to, arising from, in connection with, or involving the Claims and Applications are collectively referred to herein as the "**Disputes**".

E. This Agreement is entered into for the benefit of the Parties. The Parties agree that the intent and purpose of this Agreement is to facilitate conversion of the Park. Except as provided herein, no third party shall have the right to make any claim or assert any right under this Agreement, and except as provided herein no third party shall be deemed a beneficiary of this Agreement.

F. The Parties are now desirous of settling the Disputes and any and all claims associated therewith by entering into this Agreement, without admitting liability to one another. Therefore, the Parties hereby agree as follows:

TERMS AND CONDITIONS

1. **Conditions Precedent.** The effectiveness of this Agreement is conditioned upon (i) the concurrent execution and delivery of the Park Owner-City Agreement and the City-HOA Agreement (each as defined under Section 19 hereof), and (ii) the adoption and issuance by the Rent Control Board of the Stipulated Agreement and Order (collectively, "**Conditions Precedent**").

2. **Obligations of the Park Owner.** Upon fulfillment of the Conditions Precedent, execution and delivery of this Agreement by the HOA and HOA Directors, and so long as the HOA and HOA Directors are not in default of the HOA and HOA Directors' obligations hereunder, Park Owner shall comply with the following terms and conditions:

(a) From and after the date of this Agreement, Park Owner shall (A) not file any Waived Applications (as defined below) with the Rent Control Board, or file any claims or actions in any court of law or in any other legal or administrative tribunal or forum opposing rent increase denials or decisions of the Rent Control Board pertaining to Park Owner Applications (collectively, "**Waived Applications and Claims Requirements**"), and (B) comply with the Stipulated Agreement and Order pertaining to withdrawal of certain Park Owner Applications (collectively, "**Application Withdrawal Requirements**"). "**Waived Applications**" shall mean (i) all CPI rent increase notices or applications filed by Park Owner with the Rent Control Board prior to November 1, 2009, (ii) all sewer-related capital improvement components of rent increase applications filed by Park Owner with the Rent Control Board, and (iii) any hardship and fair return rent increase applications filed with the Rent Control Board prior to September 30, 2010 ("**Conversion Deadline**"). Notwithstanding the foregoing, Park Owner shall continue to have the right to seek CPI rent increases pursuant to applicable rent control ordinances of the City (so long as the annual CPI rent increase effective date is set for November 1 or later of each year), including seeking a CPI rent increase effective as of November 1, 2009 or later and a CPI increase effective as of November 1, 2010 or later and annually thereafter if the close of escrow for the sale of the first unit of the Park (hereinafter described as the "**Conversion**") has not occurred by such rent increase effective date. The CPI rent increase effective as of November 1, 2009 shall be computed based on the base rent for August 1, 2008 and use of the CPI-W of March 2008, and Park Owner shall remain bound by same including if the Conversion does not occur by the Conversion Deadline. Notwithstanding anything to the contrary herein, Park Owner shall continue to have all rights to file and/or pursue applications and claims and to take such legal and administrative actions as Park Owner deems appropriate in its sole discretion in connection with the Section IV(A)(4) Claims, and Park Owner shall not be deemed to have waived or forfeited any such rights pertaining to the Section IV(A)(4) Claims (except as provided under Section IV(A)(4) of the Stipulated Agreement and Order).

(b) For Park residents that are "persons or families of moderate income" (as defined in Section 50093 of the California Health and Safety Code) ("**Moderate Income Persons**") who choose to continue to rent their space and to not purchase their lot within the 90-

day right of first refusal period provided under California Government Code Section 66459, Park Owner agrees that their base rent shall be increased in equal annual increases over a five (5) year period to market rent, instead of the four (4) year period provided under state law, provided such Park residents have delivered to Park Owner by not later than ninety (90) days following the date that this Agreement has been executed and delivered by the Parties and the City-HOA Agreement and the Park Owner-City Agreement has been executed and delivered by the parties thereto ("**Resident Waiver and Release Deadline**") an executed waiver and release, which is substantially identical in form and content to the waiver and release attached hereto as Exhibit B, and which includes a waiver and release of any and all claims of such resident against Park Owner pertaining to such resident's rental or lease agreement including any Section IV(A)(4) Claims and any claims that such resident has been overcharged for rent in violation of applicable law, and which also includes a California Civil Code Section 1542 waiver and release regarding any and all such claims (collectively, "**Resident's Waiver and Release of Claims**"). The Park resident benefits described in this subsection shall also extend to Park residents who have made Section IV(A)(4) Claims and who are Moderate Income Persons, so long as such Park residents execute and deliver to Park Owner a Resident's Waiver and Release of Claims that includes without limitation a dismissal and release of all Section IV(A)(4) Claims by not later than the Resident Waiver and Release Deadline. Notwithstanding anything to the contrary herein, Park Owner agrees that any Resident's Waiver and Release of Claims delivered to Park Owner by the Resident Waiver and Release Deadline shall be of no force and effect if the Conversion does not occur by the Conversion Deadline; provided, however, if the Conversion occurs after the Conversion Deadline, Park Owner shall have the right to condition each Park resident's eligibility for benefits as described in under this Section 2(b) and (e) and under the Park Owner-City Agreement with execution and delivery of a Resident's Waiver and Release of Claims .

(c) Park Owner shall deliver to the City a check in the amount of \$43,000 made payable to the City within ten (10) days following the date that the adoption and issuance of the Stipulated Agreement and Order by the Rent Control Board, and the date that the City Council approves the Park Owner-City Agreement, whichever is later, are no longer subject to appeal. Pursuant to the terms of a City-HOA Agreement (as defined under Section 19 hereof), the City has agreed to match such payment and then to pay to the HOA the total sum of \$86,000 (collectively, the "**Settlement Payment**") within ten (10) days of the City's receipt of aforementioned sums from Park Owner. The Settlement Payment is subject to certain application restrictions as described under Section 3(a) hereof.

(d) For Park residents under rental agreements who choose to continue to rent their space, Park Owner agrees that such residents shall have the right to sublet their space and lease their mobilehome as one unit, provided such sublease and lease is for a term of not less than six (6) months' duration.

(e) In addition to the benefits to be provided to Park residents by Park Owner as described herein, Park Owner shall provide the seller financing and sales discount benefits as described under Section 3 of the Park Owner-City Agreement (as defined under Section 19 hereof).

(f) Notwithstanding anything to the contrary herein, Park Owner shall have no obligation to provide the Park resident benefits as described in Section 2(b) and (e) hereof as

well as any of the Park resident benefits as described in the Park Owner-City Agreement (as defined under Section 19 hereof) to any Park resident who has filed or threatened to file any legal or administrative action, proceeding or claim against Park Owner, except for Park residents who have executed and delivered to Park Owner a Resident's Waiver and Release of Claims by the Resident Waiver and Release Deadline (provided, however, execution and delivery by the Resident Waiver and Release Deadline shall not apply in the event the Conversion does not occur by the Conversion Deadline as described in the last sentence under Section 2(b)) and who have not before the close of their escrow filed or threatened to file any legal or administrative action, proceeding or claim against Park Owner.

3. **Obligations of the HOA and HOA Directors.** Upon fulfillment of the Conditions Precedent, execution and delivery of this Agreement by Park Owner, and so long as Park Owner is not in default of Park Owner's obligations hereunder, the HOA and HOA Directors shall comply with the following terms and conditions:

(a) All funds from the Settlement Payment (as defined in Section 2(d) above) shall be deposited into a separate bank account for the HOA (not being commingled with any other HOA funds) ("Settlement Funds Account") and shall be used by the HOA and the HOA Directors for the benefit of the Park and the HOA; provided, however, the HOA and the HOA Directors shall not apply funds from the Settlement Payment, or any part thereof, to pay for, fund or reimburse, directly or indirectly, the HOA's or the HOA Directors' past, present or future attorneys' fees or costs pertaining to the Disputes, nor to reimburse any third party who may have paid for or funded, or have agreed to pay for or fund, any attorneys' fees or costs pertaining to the Disputes. Park Owner shall have the right to request an accounting of the Settlement Funds Account, not more frequently than once annually, upon Park Owner's written request delivered via federal express, professional courier or certified mail/return receipt requested to the then president of the HOA or to the HOA's mailing address. In the event of such request, the HOA and the HOA Directors shall, within thirty (30) days of receipt of such request by the then president of the HOA or delivery of such request to the HOA's mailing address, deliver to Park Owner financials, receipts and appropriate documentation evidencing application of the Settlement Payment funds deposited into the Settlement Funds Account. If a dispute shall arise between Park Owner and the HOA regarding the HOA's compliance with the aforementioned restrictions regarding application of the Settlement Payment funds, or regarding the HOA's failure to deliver financials, receipts and appropriate documentation evidencing application of the Settlement Payment, then Park Owner shall have the right to have such dispute resolved by the reference procedure as described under Section 6 below.

(b) The HOA and the HOA Directors shall not interfere with, nor take any actions to delay, the conversion of the Park, including, but not limited to, from and after the date hereof, filing any applications with the Rent Control Board which may interfere with or delay the conversion of the Park. The Parties acknowledge and agree that the Section IV(A)(4) Claims shall not be deemed to be a violation of the requirements of this subsection.

4. **Release of Liability.**

(a) Upon execution and delivery of this Agreement by the Parties, and upon fulfillment of the Conditions Precedent, except with respect to any claim of a violation of this Agreement, the City-HOA Agreement or the Park Owner-City Agreement, the Parties release and forever discharge each other and their predecessors, successors, heirs, assigns, agents, affiliated and parent companies, and each of them, and each past or present, direct or indirect, partner, parent, subsidiary, division or affiliated entity or corporation, and each past or present employee, agent, representative, attorney, accountant, officer, director, stockholder, member, manager, and all persons acting by, through, under or in concert with them, or any of them, from any and all claims, demands, actions, causes of action, suits, debts, liens, contracts, liabilities, releases, costs, remedies (including but not limited to punitive damages, treble damages, statutory penalties and restitution), expenses or losses of any type, whether known or unknown, fixed or contingent, from the beginning of time to the present, arising out of or related to the Claims and the Disputes.

(b) Consistent with the foregoing, the Parties expressly and voluntarily waive and relinquish all rights and benefits under Section 1542 of the California Civil Code if in any way applicable to this Agreement. Section 1542 of the California Civil Code provides as follows:

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

The Parties acknowledge in that connection that they may have sustained damages, losses, costs or expenses that are presently unknown and unsuspected, and that such damages, losses, costs or expenses as may have been sustained may give rise to additional damages, losses, cost or expense in the future. Nevertheless, the Parties acknowledge that this Agreement has been negotiated and agreed upon in light of this situation and expressly waive any and all rights which they may have under Section 1542 of the California Civil Code, or any other state or federal statute or common law principle of similar effect, to the extent applicable, if at all.

(c) Each Party acknowledges that it has received the advice of legal counsel with respect to the aforementioned waiver and understands the terms thereof.

5. **Binding Agreement.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their legal representatives, successors and permitted assigns, including, without limitation, to a new owner of the Park or any part thereof. As used above, "legal representative" means, without limitation, any executor, trustee, receiver, attorney-in-fact or agent of a Party.

6. **Reference Procedure.** The Parties hereby agree to resolve all disputes with respect to any of the terms or conditions of this Agreement pursuant to the provisions of California Code of Civil Procedure §§638 through 645.1, subject to the following procedures:

(a) The Parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and report a finding and judgment thereon. If the Parties are unable to agree upon a referee within ten (10) days after a written request to do so by any Party, then any Party may thereafter seek to have a referee appointed pursuant to California Code of Civil Procedure §§638 and 640;

(b) The Parties agree that the referee shall have the power to decide all issues of fact and law and report his/her decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him/her; provided, however, that to the extent the referee is unable to issue and/or enforce any such legal and equitable relief, either Party may petition the court to issue and/or enforce such relief on the basis of the referee's decision;

(c) Discovery shall be afforded to the Parties in accordance with Code of Civil Procedure §§ 2016.010 et. seq.;

(d) The California Evidence Code rules of evidence, the California Code of Civil Procedure and the California Rules of Court shall apply to the conduct of the hearing, examination of witnesses and presentation of evidence at the trial;

(e) Any Party desiring a stenographic record of the trial may secure a court reporter to attend the trial; provided, the requesting Party notifies the other Parties of the request and pays for the costs incurred for the court reporter;

(f) The referee shall issue a written statement of decision which shall be reported to the court in accordance with California Code of Civil Procedure §643 and mailed promptly to the Parties;

(g) Judgment may be entered on the decision of the referee in accordance with California Code of Civil Procedure §644, and the decision may be excepted to, challenged and appealed according to law;

(h) The Parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms hereof; and

(i) The cost of such proceeding, including but not limited to the referee's fees, shall initially be borne equally by the Parties to the dispute or controversy. However, the prevailing Party in such proceeding shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference and its reasonable attorneys' fees as items of recoverable costs.

7. **Remedies.** In the event of a default under this Agreement, all or any one or more of the rights, powers, privileges and other remedies available to a Party under this Agreement or

at law or in equity (including, but not limited to, injunctive relief) may be exercised at any time and from time to time as permitted by applicable law.

8. **Headings.** Section headings or captions contained in this Agreement are used for reference only and shall not be deemed to govern, limit, or extend the terms of this Agreement.

9. **Entire Agreement.** All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants and warranties by and between the Parties concerning the subject matter hereof other than those referred to herein are merged herein. This is an integrated agreement. This Agreement shall not be altered, amended, modified, or otherwise changed except by a writing duly signed by all the Parties hereto.

10. **Independent Advice of Counsel.** The Parties represent and declare that in executing this Agreement they relied solely upon their own judgment, belief and knowledge, and the advice and recommendations of their own independently selected counsel, concerning the nature, extent and duration of their rights and claims, and that they have not been influenced to any extent whatsoever in executing the same by any representations or statements by one Party to the other not expressly contained or referred to in this Agreement.

11. **Severability.** If any provision of this Agreement or the application thereof to any Party or circumstance is held to be invalid or unenforceable, if such provision is not material to the basic intent of this Agreement, the remaining provisions of this Agreement and the application of such provisions to other Party or circumstances, shall not be affected thereby, the provisions of this Agreement being severable in any such instance.

12. **Fees and Costs Incurred.** The Parties shall bear their own attorneys' fees and costs incurred with respect to this Agreement.

13. **Further Necessary Action.** The Parties, without further consideration, agree to execute and deliver such other documents and take such other action as may be necessary to carry out the intent of this Agreement.

14. **Drafter.** No provision, principle, or other concept of law or equity wherein the terms and conditions of an agreement are interpreted against the Party who drafted the agreement shall have any application to this Agreement.

15. **Warranty Of Authorization.** The Parties warrant and represent that they are competent and authorized to enter in this Agreement. Each Party represents and warrants that it has taken all necessary action for the execution and delivery of this Agreement, including, with respect to the HOA's execution and delivery of this Agreement, all authorizations required from the HOA members, officers and board.

16. **No Assignment.** The Parties warrant and represent that they have not assigned, transferred or disposed of any right, title or interest in the Claims or the Disputes.

17. **Counterparts.** This Agreement may be executed in one or more counterparts, and each set of duly delivered identical counterparts which includes all signatories shall be deemed to be one original document.

18. **Governing Law.** This Agreement shall be governed by, interpreted and construed in accordance with the laws of the State of California.

19. **Other Settlement and Release Agreements; Third Party Beneficiaries.** This Agreement is being entered into simultaneously with that certain Settlement and Release Agreement dated as of even date herewith by and among the City, the HOA and the HOA Directors, a copy of which is attached hereto as Exhibit C ("City-HOA Agreement") and that certain Settlement and Release Agreement dated as of even date herewith by and among the Park Owner, City and Agency, a copy which is attached hereto as Exhibit D ("Park Owner-City Agreement"). Notwithstanding anything to the contrary herein, this Agreement shall be of no force or effect until, and is contingent upon, the execution and delivery of the City-HOA Agreement and the Park Owner-City Agreement by the parties thereto. The Parties acknowledge and agree that the City-HOA Agreement and the Park Owner-City Agreement shall be of no force or effect until the Parties execute and deliver this Agreement. The City and Agency shall be a third-party beneficiary of the provisions of this Agreement benefiting City and Agency, the HOA and HOA Directors shall be third-party beneficiaries of the provisions of the Park Owner-City Agreement benefiting the HOA and HOA Directors, and the Park Owner shall be a third-party beneficiary of the provisions of the City-HOA Agreement benefiting the Park Owner. Except as described in this Section 19, this Agreement is made and entered into for the sole benefit of the Parties, and no other person or entity shall have any rights or remedies under this Agreement. There are no third party beneficiaries to this Agreement except as described under this Section 19.

[signatures on the following page]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

HOA:

MOBILE HOME PARK

2/27/09

THE INDIAN SPRINGS HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation

By: Bette Henze
Name: Bette Henze
Title: President

By: _____
Name: _____
Title: _____

HOA Directors:

Ginger Ross
Print Name: GINGER ROSS, sec.

Ronald Lee
Print Name: RONALD LEE

Flaine Henshel
Print Name: Flaine Henshel

Carol Byron
Print Name: Carol Byron

Alvin Little
Print Name: ALVIN LITTLE

Candice Webb Anderson
Print Name: CANDICE WEBB ANDERSON

Alvin R. Buchser
Print Name: ALVIN R BUCHSER

Print Name: _____

[signatures continued on following page]

Park Owner:

IS PALM DESERT, LP,
a California limited partnership

By: Goldstein Properties, Inc.,
a California corporation
Its General Partner

By: James Goldstein
James Goldstein, President

EXHIBIT E

[See Attached City – HOA Agreement]

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement (hereinafter, "Agreement") is made and entered into as of Feb. 27, 2009 by and between THE INDIAN SPRINGS MOBILE HOME PARK HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation ("HOA"), A MAJORITY OF THE CURRENT DIRECTORS OF THE HOA (collectively, "HOA Directors") and THE CITY OF PALM DESERT ("City"). HOA, HOA Directors and City are sometimes collectively referred to herein as the "Parties" and singularly as a "Party".

RECITALS

- A. Park Owner is the owner of that certain mobile home park ("**Park**") located at 49-305 State Highway 74, Palm Desert, California.
- B. The HOA, HOA Directors on behalf of the Residents of the Park have made claims that the Park's rental charges are in violation of the rent control ordinances of the City of Palm Desert ("**City**"), including, without limitation, claims that the Park Owner has overcharged residents for rent (collectively, "**HOA Claims**"). The HOA has filed applications pertaining to the HOA Claims ("**HOA Applications**") with the City's rent control board ("**Rent Control Board**").
- C. Park Owner has made claims concerning Park Owner's rights to hardship, fair return and capital improvement rent increases at the Park (collectively, "**Park Owner Claims**"). Park Owner has filed applications pertaining to the Park Owner Claims ("**Park Owner Applications**") with the Rent Control Board. The HOA Claims and Park Owner Claims are collectively referred to herein as the "**Claims**". Each of the HOA Applications and the Park Owner Applications (collectively referred to herein as the "**Applications**") are listed in that certain Stipulated Agreement and Order of the Rent Review Commission dated _____, 2009 ("**Stipulated Agreement and Order**"), a true and correct copy of which is attached hereto as Exhibit A.
- D. Except for any rights, remedies, claims, causes of action, disputes or contentions of certain Park residents pertaining to the issue of rent overcharge and roll back of rents with respect to units described under Section IV(A)(4) of the Stipulated Agreement and Order (collectively, "**Section IV(A)(4) Claims**"), the Claims and Applications together with any and all rights, remedies, causes of action, disputes, contentions, other claims and denials of the Parties against the other related to, arising from, in connection with, or involving the Claims and Applications are collectively referred to herein as the "**Disputes**".
- E. City is the Respondent/Defendant in a lawsuit filed by Park Owner challenging certain actions of the City taken with respect to the Park, filed in Indian Springs, Ltd., a California Limited Partnership v. City of Palm Desert, a Municipal Corporation, et al., Case No. INC 053903 ("the Lawsuit").

F. This Agreement is entered into for the benefit of City, HOA and HOA Directors. Except as provided herein, no third party shall have the right to make any claim or assert any right under this Agreement, and except as provided herein no third party shall be deemed a beneficiary of this Agreement.

G. The Parties are now desirous of settling the Disputes and any and all claims associated therewith by entering into this Agreement, without admitting liability to one another, and the City is desirous of settling the Lawsuit. Therefore, the Parties hereby agree as follows:

TERMS AND CONDITIONS

1. **Conditions Precedent.** The effectiveness of this Agreement is conditioned upon (i) the concurrent execution and delivery of the Park Owner-HOA Agreement and the City-Owner Agreement (each as defined under Section 19 hereof), and (ii) the adoption and issuance by the City's rent control board ("**Rent Control Board**") of the Stipulated Agreement and Order (as defined in the Park Owner-HOA Agreement) (collectively, "**Conditions Precedent**").

2. **Obligations of the City.** Upon fulfillment of the Conditions Precedent, and execution and delivery of this Agreement by the HOA and HOA Directors, and so long as the HOA and HOA Directors are not in default of the HOA and HOA Directors' obligations hereunder, City shall comply with the following terms and conditions:

(a) Upon receipt of the \$43,000 payment from Park Owner to City as specified in the Park City-Owner Agreement, City shall pay to HOA the sum of \$86,000, to be used solely and exclusively for the benefit of the Park and the Association, and shall in no event be used to pay attorneys' fees, litigation expenses or other expenses incurred in connection with HOA, HOA Directors or Park residents in litigation or administrative proceedings against City or Park Owner. In any event, if payment is not made by the Park Owner immediately upon the deadline for Park Owner to make payment to the City pursuant to Section 3(i) of the Park Owner-HOA agreement as defined in Section 19 hereof, the City shall within 5 days of that deadline make payment for the City's portion in the amount of \$43,000 to the HOA Directors.

(b) City shall pay for an updated appraisal of the Park by an MAI recognized appraisal for the FMV of each space/lot in the Park, including the Fair Market Rent estimation on each space/lot in the Park and, the aggregate FMV of the common areas (pool/greenbelts/clubhouse, etc.) of the property and, an estimate of the Fair Market Rent of the spaces/lots.

(c) City's Redevelopment Agency shall provide purchase loan assistance in a total sum of \$5,000,000 to Park residents who are of Low, Very Low or Extremely Low income as defined in Section 50093 of the Health and Safety Code, in accordance with the terms set forth in Section 4(a) of the City-Owner Agreement as defined in Section 19 hereof.

(d) In the event City or City's Redevelopment Agency purchases any lot from Park Owner in accordance with Section 4(c) of the City-Owner Agreement as defined in Section 19 hereof, City or Agency shall continue to rent to the Park resident who lawfully occupies such lot in accordance with the applicable law and the HOA/Park Owner Agreement as defined in Section 19 hereof on the same terms as Park Owner would be required to do so were Park Owner still the owner of such lot.

3. **Obligations of the HOA and HOA Directors.** Upon fulfillment of the Conditions Precedent, execution and delivery of this Agreement by Park Owner, and so long as Park Owner is not in default of Park Owner's obligations hereunder, the HOA and HOA Directors shall comply with the following terms and conditions:

(a) All funds from the Settlement Payment (as defined in Section 2(d) above) shall be used by the HOA and the HOA Directors for the benefit of the Park and the HOA; provided, however, the HOA and the HOA Directors shall not apply funds from the Settlement Payment, or any part thereof, to pay for, fund or reimburse, directly or indirectly, the HOA's or the HOA Directors' past, present or future attorneys' fees or costs pertaining to the Disputes, nor to reimburse any third party who may have paid for or funded, or have agreed to pay for or fund, any attorneys' fees or costs pertaining to the Disputes (collectively, "**HOA Attorneys' Fees and Costs**"). City shall have the right to request an accounting of the Settlement Funds Account, not more frequently than once annually, upon City's written request delivered via federal express, professional courier or certified mail/return receipt requested to the then president of the HOA or to the HOA's mailing address. In the event of such request, the HOA and the HOA Directors shall, within thirty (30) days of receipt of such request by the then president of the HOA or delivery of such request to the HOA's mailing address, deliver to the City financials, receipts and appropriate documentation evidencing application of the Settlement Payment funds deposited into the Settlement Funds Account. If a dispute shall arise between City and the HOA regarding the HOA's compliance with the aforementioned restrictions regarding application of the Settlement Payment funds, or regarding the HOA's failure to deliver financials, receipts and appropriate documentation evidencing application of the Settlement Payment, then City shall have the right to have such dispute resolved by the reference procedure as described under Section 6 below.

(b) The HOA and the HOA Directors shall not interfere with, nor take any actions to delay, the conversion of the Park, including, but not limited to from and after the date hereof, filing any applications with the Rent Control Board which may interfere with or delay the conversion of the Park. The Parties acknowledge and agree that the Section IV(A)(4) Claims shall not be deemed to be a violation of the requirements of the subsection.

4. **Release of Liability.**

(a) Except for with respect to any rights, remedies, claims, causes of action, disputes, or contentions of certain Park residents pertaining to the issue of rent overcharge and roll back of rents with respect to units described under Section IV(A)(4) of the Stipulated Agreement and Order upon execution and delivery of this Agreement by

the Parties, except with respect to any claim of a violation of this Agreement, the Parties release and forever discharge each other and their predecessors, successors, heirs, assigns, agents, affiliated and parent companies, and each of them, and each past or present, direct or indirect, partner, parent, subsidiary, division or affiliated entity or corporation, and each past or present employee, agent, representative, attorney, accountant, officer, director, stockholder, member, manager, and all persons acting by, through, under or in concert with them, or any of them, from any and all claims, demands, actions, causes of action, suits, debts, liens, contracts, liabilities, releases, costs, remedies (including but not limited to punitive damages, treble damages, statutory penalties and restitution), expenses or losses of any type, whether known or unknown, fixed or contingent, from the beginning of time to the present, arising out of or related to the Claims and the Disputes.

(b) Consistent with the foregoing, the Parties expressly and voluntarily waive and relinquish all rights and benefits under Section 1542 of the California Civil Code if in any way applicable to this Agreement. Section 1542 of the California Civil Code provides as follows:

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

The Parties acknowledge in that connection that they may have sustained damages, losses, costs or expenses that are presently unknown and unsuspected, and that such damages, losses, costs or expenses as may have been sustained may give rise to additional damages, losses, cost or expense in the future. Nevertheless, the Parties acknowledge that this Agreement has been negotiated and agreed upon in light of this situation and expressly waive any and all rights which they may have under Section 1542 of the California Civil Code, or any other state or federal statute or common law principle of similar effect, to the extent applicable, if at all.

(c) Each Party acknowledges that it has received the advice of legal counsel with respect to the aforementioned waiver and understands the terms thereof.

5. **Binding Agreement.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their legal representatives, successors and permitted assigns, including, without limitation, to a new owner of the Park or any part thereof. As used above, "legal representative" means, without limitation, any executor, trustee, receiver, attorney-in-fact or agent of a Party.

6. **Reference Procedure.** The Parties hereby agree to resolve all disputes with respect to any of the terms or conditions of this Agreement pursuant to the

provisions of California Code of Civil Procedure §§ 638 through 645.1, subject to the following procedures:

(a) The Parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and report a finding and judgment thereon. If the Parties are unable to agree upon a referee within ten (10) days after a written request to do so by any Party, then any Party may thereafter seek to have a referee appointed pursuant to California Code of Civil Procedure §§ 638 and 640;

(b) The Parties agree that the referee shall have the power to decide all issues of fact and law and report his/her decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him/her; provided, however, that to the extent the referee is unable to issue and/or enforce any such legal and equitable relief, either Party may petition the court to issue and/or enforce such relief on the basis of the referee's decision;

(c) Discovery shall be afforded to the Parties in accordance with Code of Civil Procedure §§ 2016.010 et. seq.;

(d) The California Evidence Code rules of evidence, the California Code of Civil Procedure and the California Rules of Court shall apply to the conduct of the hearing, examination of witnesses and presentation of evidence at the trial;

(e) Any Party desiring a stenographic record of the trial may secure a court reporter to attend the trial; provided, the requesting Party notifies the other Parties of the request and pays for the costs incurred for the court reporter;

(f) The referee shall issue a written statement of decision which shall be reported to the court in accordance with California Code of Civil Procedure § 643 and mailed promptly to the Parties;

(g) Judgment may be entered on the decision of the referee in accordance with California Code of Civil Procedure § 644, and the decision may be excepted to, challenged and appealed according to law;

(h) The Parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms hereof; and

(i) The cost of such proceeding, including but not limited to the referee's fees, shall initially be borne equally by the Parties to the dispute or controversy. However, the prevailing Party in such proceeding shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference and its reasonable attorneys' fees as items of recoverable costs.

7. **Remedies.** In the event of a default under this Agreement, all or any one or more of the rights, powers, privileges and other remedies available to a Party under

this Agreement or at law or in equity (including, but not limited to, injunctive relief) may be exercised at any time and from time to time as permitted by applicable law.

8. **Headings.** Section headings or captions contained in this Agreement are used for reference only and shall not be deemed to govern, limit, or extend the terms of this Agreement.

9. **Entire Agreement.** All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants and warranties by and between the Parties concerning the subject matter hereof other than those referred to herein are merged herein. This is an integrated agreement. This Agreement shall not be altered, amended, modified, or otherwise changed except by a writing duly signed by all the Parties hereto.

10. **Independent Advice of Counsel.** The Parties represent and declare that in executing this Agreement they relied solely upon their own judgment, belief and knowledge, and the advice and recommendations of their own independently selected counsel, concerning the nature, extent and duration of their rights and claims, and that they have not been influenced to any extent whatsoever in executing the same by any representations or statements by one Party to the other not expressly contained or referred to in this Agreement.

11. **Severability.** If any provision of this Agreement or the application thereof to any Party or circumstance is held to be invalid or unenforceable, if such provision is not material to the basic intent of this Agreement, the remaining provisions of this Agreement and the application of such provisions to other Party or circumstances, shall not be affected thereby, the provisions of this Agreement being severable in any such instance.

12. **Fees and Costs Incurred.** The Parties shall bear their own attorneys' fees and costs incurred with respect to this Agreement.

13. **Further Necessary Action.** The Parties, without further consideration, agree to execute and deliver such other documents and take such other action as may be necessary to carry out the intent of this Agreement.

14. **Drafter.** No provision, principle, or other concept of law or equity wherein the terms and conditions of an agreement are interpreted against the Party who drafted the agreement shall have any application to this Agreement.

15. **Warranty Of Authorization.** The Parties warrant and represent that they are competent and authorized to enter in this Agreement. Each Party represents and warrants that it has taken all necessary action for the execution and delivery of this Agreement, including, with respect to the HOA's execution and delivery of this Agreement, all authorizations required from the HOA members, officers and board.

16. **No Assignment.** The Parties warrant and represent that they have not assigned, transferred or disposed of any right, title or interest in the Claims or the Disputes.

17. **Counterparts.** This Agreement may be executed in one or more counterparts, and each set of duly delivered identical counterparts which includes all signatories shall be deemed to be one original document.

18. **Governing Law.** This Agreement shall be governed by, interpreted and construed in accordance with the laws of the State of California.

19. **Other Settlement and Release Agreements; Third Party Beneficiaries.** This Agreement is being entered into simultaneously with that certain Settlement and Release Agreement dated as of even date herewith by and among the Park Owner, the HOA and the HOA Directors, a copy of which is attached hereto as Exhibit C ("**Park Owner-HOA Agreement**"); that certain Settlement and Release Agreement dated as of even date herewith by and among the Park Owner and City, a copy of which is attached hereto as Exhibit D ("**Park Owner-City Agreement**") and that certain "Stipulated Agreement and Order of the Rent Review Commission" ("Stipulated Findings"), copies of which are attached hereto as Exhibits "A" and "B," respectively. Notwithstanding anything to the contrary herein, this Agreement shall be of no force or effect until, and is contingent upon, the execution and delivery of the Park Owner-HOA Agreement and the Park Owner-City Agreement by the parties thereto. The Parties acknowledge and agree that the Park Owner-HOA Agreement and the Park Owner-City Agreement shall be of no force or effect until the Parties execute and deliver this Agreement. The Park Owner shall be a third-party beneficiary of the provisions of this Agreement benefiting Park Owner, the HOA and HOA Directors shall be third-party beneficiaries of the provisions of the Park Owner-City Agreement benefiting the HOA and HOA Directors, and the City and the Agency shall be a third-party beneficiaries of the provisions of the Park Owner-HOA Agreement benefiting the City. Except as described in this Section 19, this Agreement is made and entered into for the sole benefit of the Parties, and no other person or entity shall have any rights or remedies under this Agreement. There are no third party beneficiaries to this Agreement except as described under this Section 19.

[signatures on following page]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

HOA:

Mobile Home Park ¹ 2/27/09

THE INDIAN SPRINGS HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation

By: Bette Heinze
Name: Bette Heinze
Title: President

By: _____
Name: _____
Title: _____

HOA Directors:

Ronald Leeg
RONALD LEEG

Flaine Henshel
Flaine Henshel

Carol Byron
Carol Byron

Alvin Little
ALVIN LITTLE

Candice Webb Anderson
Candice Webb Anderson

Calvin R. Buchser
CALVIN R. BUCHSER

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

HOA:

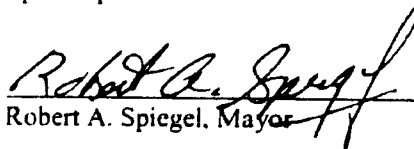
THE INDIAN SPRINGS HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

HOA Directors:

CITY OF PALM DESERT
a municipal corporation

By: 
Robert A. Spiegel, Mayor

