

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

616



FROM: Redevelopment Agency

SUBMITTAL DATE:
April 21, 2009

SUBJECT: Subordination Agreement for Paseo De Los Heroes II Mobile Home Park

RECOMMENDED MOTION: That the Board of Directors:

1. Approve the attached Subordination Agreement and Estoppel Certificate with Paseo Housing Associates, L.P., and the State of California Department of Housing and Community Development ("HCD") for the Joe Serna Jr., Farm Worker Housing Grant Program ("FWHG");
2. Authorize the Chairman of the Board of Directors to execute the Subordination Agreement and Estoppel Certificate; and
3. Authorize the Executive Director or designee to take all necessary steps to implement this Agreement, including, but not limited to, signing subsequent, necessary and relevant documents.

BACKGROUND: Paseo Housing Associates, L.P., a California limited partnership, (the "Owner"), whose Managing General Partner is Coachella Valley Housing Coalition, a California non-profit public benefit corporation, is constructing a 53-unit-for-rent mobile home park in the community of Mecca.

(Continued on page 2)

Robert Field

Robert Field
Executive Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 1,525,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2008/2009

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: No

SOURCE OF FUNDS: Redevelopment Low- and Moderate-Income Housing Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

Jennifer L. Sargent

County Executive Office Signature

Jennifer L. Sargent

FORM APPROVED COUNTY COUNSEL
BY: *Michelle Clack*
DATE: 4/21/09
MICHELLE CLACK

Departmental Concurrence

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: 11-4-2008 item 4.3, 4-1-2008, item 4.6 | **District:** 4th | **Agenda Number:**

ATTACHMENTS FILED

WITH THE CLERK OF THE BOARD

4.1

BACKGROUND (continued): The proposed project is located on approximately 10 acres of vacant land on Lincoln Street and 64th Avenue with an Assessor Parcel Number 727-030-036. The development will consist of a combination of 52 mobile homes and park spaces for rent and an on-site manager unit.

The total estimated development cost for the project is \$19,265,989. Funding will include a FWHG loan of \$1,000,000; U.S. Department of Agriculture ("USDA") Section 514 Program loan of \$3,000,000; Limited Partner Equity of \$13,217,840; General Partner equity contribution of \$150,000; Redevelopment Agency for the County of Riverside ("Agency") Loan of \$1,525,000 and \$373,149 in deferred developer's fee. The Agency's funding will be subordinated to permanent loans by FWHG and USDA Section 514 Programs as well as a construction loan provided by Wells Fargo Bank.

On, November 4, 2008, the Board of Directors approved the Agency Loan in the amount of \$1,525,000. The Subordination Agreements for Wells Fargo Bank and USDA were included as part of Agency Loan. The FWHG Subordination Agreement was not included at that time because of funding delays that the State of California has been experiencing. It is anticipated that funding will resume and therefore requires the execution of the attached Subordination Agreement.

Agency Counsel has reviewed and approved the attached Subordination Agreement. Staff recommends approval of the attached document.

Free recording in accordance
with California Government
Code Sections 6103 and 27383

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

State of California
Department of Housing and
Community Development
P. O. Box 952052
Sacramento, CA 94252-2052
Attn: Joe Serna, Jr. Farmworker Housing
Grant Program
Coral Gaines
07-FWHG-3772

SUBORDINATION AGREEMENT AND ESTOPPEL CERTIFICATE

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT AND ESTOPPEL CERTIFICATE (the "Agreement") is dated as of May 12, 2009, for reference purposes only, and is entered into by and among **Redevelopment Agency for the County of Riverside**, (the "Junior Lienholder") and **Paseo Housing Associates, L.P., a California limited partnership** (the "Borrower"), and the Department of Housing and Community Development, a public agency of the State of California (the "Senior Lender").

RECITALS

A. Borrower is the owner of the fee simple interest or a leasehold estate in that real property described in Exhibit A attached hereto and made a part hereof (the "Property"). The Borrower is constructing a **53**-unit multifamily residential rental development on the Property (the "Improvements"). The Property and the Improvements are sometimes referred to collectively as the "Development."

B. The Junior Lienholder has made a loan to the Borrower in the principal sum of **One Million Five Hundred Twenty-Five Thousand and No/100 Dollars (\$1,525,000.00)** (the "Junior Lienholder Loan"). The Junior Lienholder Loan is evidenced by a certain promissory note (the "Junior Lienholder Note"), and is secured by a certain deed of trust (the "Junior Lienholder Deed of Trust") in the Official Records of **Riverside** County, California (the "Official Records") on November 14, 2008 as Instrument No. 2008-605448. The Junior Lienholder and Borrower have also entered into an agreement affecting the use of the Property entitled "Redevelopment Agency Covenant Agreement" which was recorded against the Property on November 14, 2008 as Instrument No. 2008-605446 of the Official Records (the "Redevelopment Agency Covenant Agreement").

The Junior Lienholder and Borrower have also entered into an agreement affecting the use of the Property entitled "Loan Agreement for Paseo De Los Heroes II Mobile Home Park in Mecca" which was recorded against the Property on November 14, 2008 as Instrument No. 2008-605447 of the Official Records (the "Redevelopment Agency Loan Agreement").

The Junior Lienholder and Borrower have also entered into an agreement affecting the use of the property entitled "Notice of Affordability Restrictions on Transfer of Property" (the "Redevelopment Agency Affordability Restrictions") which was recorded against the Property on November 14, 2008 as Instrument No. 2008-605449 of Official Records.

The Junior Lienholder Note, Junior Lienholder Deed of Trust, Redevelopment Agency Covenant Agreement, Redevelopment Agency Loan Agreement, and Redevelopment Agency Affordability Restrictions are collectively referred to herein as the "Junior Lienholder Documents."

C. In order to finance the development of the Improvements, the Senior Lender has agreed to loan the Borrower a sum not to exceed **One Million Dollars and No/100 Dollars (\$1,000,000.00)** (the "JSJFWHG Loan"), subject to the terms and conditions of: (i) a regulatory agreement restricting the use and occupancy of the Development and the income derived therefrom which shall be dated as of even date herewith and recorded as an encumbrance on the Property in the Official Records (the "JSJFWHG Regulatory Agreement"), and (ii) other loan documents. The JSJFWHG Loan will be evidenced by a promissory note (the "JSJFWHG Note"), the repayment of which will be secured by, among other things, a deed of trust by Borrower as trustor, to Senior Lender as beneficiary recorded as an encumbrance on the Property in the Official Records (the "JSJFWHG Deed of Trust") and by such other security as is identified in other loan documents.

D. The Senior Lender is willing to make the JSJFWHG Loan provided the JSJFWHG Deed of Trust and the JSJFWHG Regulatory Agreement are liens, claims or charges upon the Development prior and superior to the Junior Lienholder Documents, and provided that the Junior Lienholder specifically and unconditionally subordinates and subjects the Junior Lienholder Documents to the liens, claims or charges of the JSJFWHG Deed of Trust and the JSJFWHG Regulatory Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Senior Lender to make its JSJFWHG Loan, it is hereby declared, understood and agreed as follows:

1. The JSJFWHG Regulatory Agreement and the JSJFWHG Deed of Trust securing the JSJFWHG Note in favor of the Senior Lender, and any and all renewals, modifications, extensions or advances thereunder or secured thereby (including interest thereon) shall unconditionally be and remain at all times liens, claims, or charges on the Development prior and superior to the Junior Lienholder Documents, and to all rights and privileges of the Junior Lienholder thereunder; and the Junior Lienholder Documents together with all rights and privileges of the Junior Lienholder thereunder are hereby irrevocably and unconditionally subject and made subordinate to the liens, claims or charges of the JSJFWHG Deed of Trust and the JSJFWHG Regulatory Agreement.

2. This Agreement shall be the whole and only agreement with regard to the subordination of the Junior Lienholder Documents, together with all rights and privileges of the Junior Lienholder thereunder, to the liens, claims or charges of the JSJFWHG Deed of Trust and the JSJFWHG Regulatory Agreement, and this Agreement shall supersede and cancel any prior agreements to subordinate the claims, liens or charges of, but only insofar as would affect the priority between the claims, liens or charges of the Junior Lienholder Documents to the JSJFWHG Deed of Trust and the JSJFWHG Regulatory Agreement including, but not limited to, those provisions, if any, contained in the Junior Lienholder Documents, which provide for the subordination of the lien or charge thereof to another lien or charge on the Property or the Improvements.

3. The Junior Lienholder declares, agrees and acknowledges that:

(a) The Junior Lienholder consents and approves (i) all provisions of the JSJFWHG Note, the JSJFWHG Deed of Trust and the JSJFWHG Regulatory Agreement, and (ii) all agreements among the Junior Lienholder, Borrower and Senior Lender for the disbursement of the proceeds of the JSJFWHG Loan, including without limitation any loan escrow agreements which have been provided to the Junior Lienholder for review;

(b) The Senior Lender, in making disbursements of the JSJFWHG Loan pursuant to the JSJFWHG Note or any other agreement, is under no obligation or duty to, nor has the Senior Lender represented that it will, see to the application of such proceeds by the person or persons to whom the Senior Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(c) That none of the execution, delivery or recordation of any of the JSJFWHG Note, JSJFWHG Deed of Trust, or JSJFWHG Regulatory Agreement, or the performance of

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON (OR ENTITY) OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

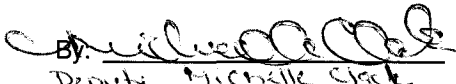
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above and agree to be bound hereby:

JUNIOR LIENHOLDER:

Redevelopment Agency for the County
of Riverside, California

By: _____
Jeff Stone
Chairman, Board of Directors

Approved as to form:

By:  4/30/09
Deputy, Michelle Clark
Name: Pamela J. Wells

Its: Agency Counsel

Attest:

By: _____

Name: Kecia Harper-Ihem

Title: Clerk of the Board

SENIOR LENDER:

**The Department of Housing and
Community Development**, a public
Agency of the State of California

By: _____
Benjamin Dudek, Manager
Joe Serna, Jr. Farmworker
Housing Grant Program

[Signatures must be acknowledged]

EXHIBIT A

Legal Description of the Property

THAT PORTION OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 5, TOWNSHIP 7 SOUTH, RANGE 9 EAST, OF SAN BERNARDINO MERIDIAN, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST QUARTER CORNER OF SECTION 5 AT THE INTERSECTION OF LINCOLN STREET AND 64TH AVENUE;

THENCE NORTH 03° 26' 15" EAST, ALONG THE WESTERLY LINE OF SAID SOUTHWEST QUARTER AND THE CENTERLINE OF SAID LINCOLN STREET, A DISTANCE OF 661.79 FEET;

THENCE SOUTH 89° 42' 40" EAST, A DISTANCE OF 1,317.92 FEET TO A POINT IN THE EASTERLY LINE OF SAID SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER;

THENCE SOUTH 03° 20' 56" WEST, ALONG THE EASTERLY LINE OF SAID SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, A DISTANCE OF 661.73 FEET TO A POINT IN THE SOUTHERLY LINE OF SAID SECTION 5 AND THE CENTERLINE OF SAID 64TH AVENUE;

THENCE NORTH 89° 42' 40" WEST, ALONG THE SOUTHERLY LINE OF SECTION 5 AND THE CENTERLINE OF SAID 64TH AVENUE, A DISTANCE OF 1,318.94 FEET TO THE POINT OF BEGINNING.

CERTIFICATE OF COMPLIANCE RECORDED MARCH 30, 2006 AS INSTRUMENT NO. 2006-224806, OFFICIAL RECORDS.