

324



**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

FROM: Economic Development Agency

SUBMITTAL DATE:
March 4, 2010

SUBJECT: First Amendment to Loan Agreement for Cimarron Heights at Dream Homes Apartments in Cathedral City

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached First Amendment to HOME Loan Agreement and Deed of Trust for the Use of HOME funds with Dream Homes Housing Partners, L.P.;
2. Authorize the Chairman of the Board to sign the attached First Amendment to HOME Loan Agreement and Deed of Trust; and
3. Authorize the Assistant County Executive Officer/EDA or designee to take all necessary steps to implement the Agreements, including signing subsequent essential and relevant documents.

BACKGROUND: (Commences on Page 2)

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	09/10

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: HOME Investment Partnerships Act Grant Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY:
Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: MICHELLE CLACK
DATE: 2/24/10
Departmental Concurrence

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

Prev. Agn. Ref.: 3.18 of 2/5/08, 3.24 of 2/26/08, 3.16 of 3/18/08
District: 4
Agenda Number:

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

3.14

BACKGROUND:

On June 24, 2008, the Board of Supervisors approved a Loan Agreement for the use of HOME funds with Dream Homes Housing Partners, L.P., a California limited partnership ("OWNER"), whose Managing General Partner is Southern California Housing Development Corporation of the Inland Empire, for the development and construction of an 84-unit multi-family apartment complex ("Project"). The Agreement called for a loan of \$800,000 with a 1% interest payable in 55 years.

The project has been put on hold due to the uncertainty of its financing. The State of California Department of Housing and Community Development ("HCD") is not able to issue a firm commitment for the \$6,428,188 in Multifamily Housing Program funds that was awarded to the Project. There is no indication when the State will be able to issue this commitment.

In addition, the Cathedral City Redevelopment Agency ("Agency") may be required to remit a portion of their redevelopment funds to the State of California as approved in Assembly Bill ABX4-26 and that would result in a reduction or elimination of the redevelopment loan in the amount of \$8,725,185 the Agency has committed to the Project.

The OWNER has requested to shift \$500,000 of the \$800,000 County HOME funds committed to the Cimarron Heights project to another eligible affordable housing project (River Canyon Apartments) that the OWNER is working on to help cover a funding gap. The original HOME Loan amount for the Cimarron Heights project of \$800,000 will be amended to \$300,000. The current development cost of the project is estimated at \$26,399,102.

County Counsel has reviewed and approved as to form the attached Agreement. Staff recommends that the Board approve the attached document.

1 NO FEE FOR RECORDING PURSUANT
2 TO GOVERNMENT CODE 6103

3 RECORDING REQUESTED BY AND
4 WHEN RECORDED MAIL TO:

5 County of Riverside
6 Economic Development Agency
7 1325 Spruce Street, Suite 400
8 Riverside, CA 92501
9 Attn: Juan Garcia

10 SPACE ABOVE THIS LINE FOR RECORDERS USE

11 **FIRST AMENDMENT TO LOAN AGREEMENT FOR THE USE OF**
12 **HOME FUNDS, PROMISSORY NOTE, AND DEED OF TRUST**
13 **WITH ASSIGNMENT OF RENTS**

14 This First Amendment to the Loan Agreement for the Use of HOME Funds,
15 Promissory Note and Deed of Trust with Assignment of Rents (the "First Amendment") is
16 made and entered into as of the ____ day of _____, 2010, COUNTY OF
17 RIVERSIDE ("COUNTY"), and Dream Homes Housing Partners, L.P., a California limited
18 partnership ("OWNER"), whose Managing General Partner is Southern California Housing
19 Development Corporation of the Inland Empire, a California nonprofit public benefit
20 corporation..

21 WITNESSETH:

22 WHEREAS, the COUNTY and the OWNER entered into a HOME loan agreement for
23 the use of HOME funds (the "HOME Loan Agreement") dated June 24, 2008 and recorded on
24 July 18, 2008, as Instrument No. 2008-0393434 in the Official Records of Riverside County ;

25 WHEREAS, pursuant to the HOME Loan Agreement, OWNER proposed to develop
26 eighty four (84) affordable rental housing units for low income families including one (1)
27 manager's unit (the "Project") on certain identified sites of approximately 8.16 acres located
28 east of San Antonio Drive, north of Ramon Road, northeast of San Diego Drive and west of
the Whitewater Wash floodway in the City of Cathedral City with Assessor's Parcel Numbers
of 677-410-009, 677-331-003, and 677-332-003 as more particularly described in the attached
Exhibit A;

WHEREAS, under the terms and conditions of the HOME Loan Agreement, the

1 COUNTY has agreed to loan OWNER HOME funds in the original principal amount of
2 \$800,000 (the "HOME Loan") for construction and permanent financing. The HOME Loan is
3 evidenced by a promissory note (the "HOME Note") and secured by a deed of trust with
4 assignment of rents dated June 24, 2008 and recorded on July 18, 2008, as Instrument No.
5 2008-0393433 in the Official Records of Riverside County (the "Home Deed of Trust"). The
6 HOME Loan Agreement, the HOME Note, the HOME Deed of Trust and any other documents
7 evidencing or securing the HOME Loan shall collectively be referred to herein as the "County
8 HOME Documents";

9 WHEREAS, due to the State of California budget crisis the State of California
10 Department of Housing and Community Development ("HCD") is not able to issue a firm
11 commitment for the \$6,428,188 in Multifamily Housing Program funds that was awarded to
12 the Project;

13 WHEREAS, without a firm commitment from HCD the OWNER is not able to secure
14 construction and permanent financing from a financial institution;

15 WHEREAS, the Cathedral City Redevelopment Agency ("RDA") might have to remit
16 a portion of their redevelopment funds to the State of California and that would result in a
17 reduction of the \$8,725,185 redevelopment loan the Agency has committed to the Project;

18 WHEREAS, due to the uncertainty of the HCD and RDA financing the Project has
19 been put on hold;

20 WHEREAS, the OWNER is working on another affordable housing project in
21 Cathedral City known as River Canyon Apartments which has a \$500,000 financing gap;

22 WHEREAS, the OWNER has requested to shift \$500,000 of the \$800,000 HOME Loan
23 to the River Canyon Apartments project;

24 WHEREAS, shifting \$500,000 to the River Canyon Apartments project will allow that
25 project to be completed, and thereby increasing the COUNTY's supply of affordable housing.

26 NOW, THEREFORE, in consideration of the foregoing, and the promises and mutual
27 covenants and conditions hereinafter set forth, COUNTY and OWNER do hereby agree as
28 follows:

- 1 1. The principal amount of the HOME Loan shall be decreased by Five Hundred Thousand
2 Dollars (\$500,000);
- 3 2. Section 1 of the HOME Loan Agreement is deleted and replace in its entirety with the
4 following:
5 “PURPOSE. The COUNTY has agreed to lend up to Three Hundred Thousand Dollars
6 (\$300,000) of HOME Funds to the OWNER upon the terms and conditions set forth
7 herein (the “HOME Loan”). Subject to Section 51 hereof, Project Financing
8 Contingency, OWNER promises and agrees to undertake and assist with the HOME
9 activities by utilizing such HOME funds, as specifically identified in Exhibit “A”, which
10 is attached hereto and by this reference incorporated herein.”
- 11 3. Exhibit “A” of the COUNTY HOME Loan Agreement is hereby replaced with the
12 revised Exhibit “A” of this First Amendment, which is attached hereto and by this
13 reference incorporated herein.
- 14 4. Exhibit “B” and “B-1” of the COUNTY HOME Loan Agreement is hereby replaced
15 with the revised Exhibit “B” and “B-1” of this First Amendment, which is attached
16 hereto and by this reference incorporated herein.
- 17 5. The COUNTY shall reconvey the deed of trust with assignment of rents dated June 24,
18 2008, Instrument No. 2008-0393433, and replace it with the attached deed of trust,
19 Exhibit “B” and “B-1”.
- 20 6. Exhibit “B-2” of the COUNTY HOME Loan Agreement is hereby replaced with the
21 revised Exhibit “B-2” of this First Amendment, which is attached hereto and by this
22 reference incorporated herein.
- 23 7. This First Amendment and HOME Loan Agreement set forth and contain the entire
24 understanding and agreement of the parties hereto. There are no oral or written
25 representations, understandings, or ancillary covenants, undertakings or agreements,
26 which are not contained or expressly referred to within this First Amendment and
27 HOME Loan Agreement.
- 28 8. Each of the attachments and exhibits attached hereto are incorporated herein by this

1 reference.

2 9. All other terms and conditions of the HOME Loan Agreement remain unmodified and in
3 full force and effect.

4 10. This First Amendment may be signed by the different parties hereto in counterparts,
5 each of which shall be an original but all of which together shall constitute one and the
6 same agreement.

7 11. The effective date of this First Amendment is the date the parties execute the First
8 Amendment. If the parties execute the First Amendment on more than one date, then the
9 last date the First Amendment is executed by a party shall be the effective date.

10
11 (SIGNATURES ON NEXT PAGE)

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1 IN WITNESS WHEREOF, the COUNTY and OWNER have executed this Agreement as of
2 the date first above written.

3
4
5 COUNTY OF RIVERSIDE

OWNER
DREAM HOMES HOUSING PARTNERS, L.P.,
a California limited partnership

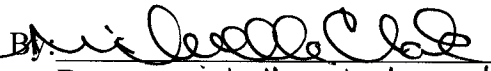
6
7
8 By: _____
MARION ASHLEY
9 Chairman, Board of Supervisors

By: Southern California Housing Development
Corporation of the Inland Empire
a California nonprofit public benefit corporation,
its Managing General Partner

10
11
12 By: _____
13 Richard J. Whittingham, Chief Financial Officer

14 APPROVED AS TO FORM:

15 PAMELA J. WALLS
16 County Counsel

17
18 By: 
Deputy Michelle Clock 2/24/10

19
20
21 ATTEST:
22 KECIA HARPER-IHEM
23 Clerk of the Board

24 By: _____
25 Deputy

26
27 (All signatures on this page need to be notarized)
28


1 IN WITNESS WHEREOF, the COUNTY and OWNER have executed this Agreement as of
2 the date first above written.

3
4
5 COUNTY OF RIVERSIDE

OWNER
DREAM HOMES HOUSING PARTNERS, L.P.,
a California limited partnership

6
7
8 By: _____
MARION ASHLEY
9 Chairman, Board of Supervisors

By: Southern California Housing Development
Corporation of the Inland Empire
a California nonprofit public benefit corporation,
its Managing General Partner

10
11
12 By:  _____
13 Richard J. Whittingham, Chief Financial Officer

14 APPROVED AS TO FORM:

15 PAMELA J. WALLS
16 County Counsel

17
18 By: _____
Deputy

19
20
21 ATTEST:
22 KECIA HARPER-IHEM
23 Clerk of the Board

24 By: _____
25 Deputy

26
27 (All signatures on this page need to be notarized)
28

ALL-PURPOSE ACKNOWLEDGMENT

State of California)
County of San Bernardino) ss.

On January 22, 2010, before me, Hilda Hernandez, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard J. Whittingham
Names(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Hilda Hernandez
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document:

Document Dated Number of Pages:

Signer(s) Other Than Named Above:

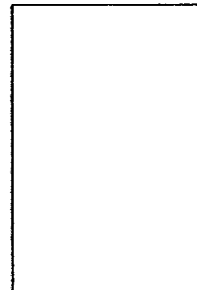
Capacity(ies) Claimed by Signer

Signer's Name:

Right Thumbprint of Signer

- Individual
Corporate Officer - Title(s):
Partner - Limited General
Attorney in Fact
Co-Trustee
Guardian or Conservator

Other:
Signer is Representing:



CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Place Notary Seal Above

Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Place Notary Seal Above

Signature of Notary Public

EXHIBIT "A"

OWNER: Dream Homes Housing Partners, L.P.

Address: c/o Southern California Housing Development Corporation of the Inland Empire
9065 Haven Avenue, Suite 100
Rancho Cucamonga, CA 91730

Project Title: Cimarron Heights at Dream Homes

Location: The project site is east of San Antonio Drive, north of Ramon Road, northeast of San Diego Drive and west of the Whitewater Wash floodway. The project site is a combination of three distinct parcels containing a total of 8.16 acres within the community of Dream Homes in the city of Cathedral City. Single-family residential homes are located to the north, west and south of the project site. Directly to the east of the project site is the Whitewater Wash floodway and further across the channel is the Cimarron Golf Resort. The Assessor's Parcel Numbers are 677-410-009, 677-331-003, and 677-332-003.

Description:

Dream Homes Housing Partners, L.P., a California limited partnership, is proposing to use up to \$300,000 in HOME funds for the development and construction of an eighty-four (84) unit multi-family apartment complex for low-income families in the community of Dream Homes in the city of Cathedral City in Riverside County. The proposed project will consist of 56 two-bedroom rental units and 27 three-bedroom rental units including one three-bedroom manager unit. All of the units will be located in six two-story apartment buildings. The apartment complex will include a leasing office, laundry facility, open play areas, a swimming pool and community room. Neighboring the apartment complex as part of the development, west across San Diego Drive, will be a 5,020 square foot community center available to both the residents of Cimarron Heights and the extended community of Dream Homes. **No HOME funds will be allowed to be used for the construction of this community center.**

The applicant intends to use HOME funds for soft and hard costs to construct the 84-unit multi-family housing complex. Other funding sources include a \$1,226,000 loan from Hudson; a loan of \$6,428,188 from the California HCD Multi-family Housing Program (MHP); a loan of \$8,725,185 from the Redevelopment Agency for the City of Cathedral City; a loan of \$705,709 from the Affordable Housing Program; a deferred developer fee of \$250,000; and a tax credit equity contribution of \$8,764,020. The total cost of development is estimated to be \$26,399,102.

FORTY (40) FLOATING Low HOME-assisted rental units (27 two-bedroom and 13 three-bedroom) are set-aside for the benefit of very low-income households whose incomes do not exceed fifty percent (50%) of the median family income. The Project shall be affordable for a period of at least 55 years.

The developer's fee shall not exceed \$1,400,000.

LEGAL DESCRIPTION OF PROPERTY

PARCEL 1:

THAT CERTAIN REAL PROPERTY LOCATED IN THE CITY OF CATHEDRAL CITY,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

LOT "A" OF TRACT 26698-1, IN THE COUNTY OF RIVERSIDE, STATE OF
CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 242, PAGES 14 THROUGH 17 OF
MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, ASSESSOR'S PARCEL
NUMBER: 677-410-009.

PARCEL 2:

THAT CERTAIN REAL PROPERTY LOCATED IN THE CITY OF CATHEDRAL CITY,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

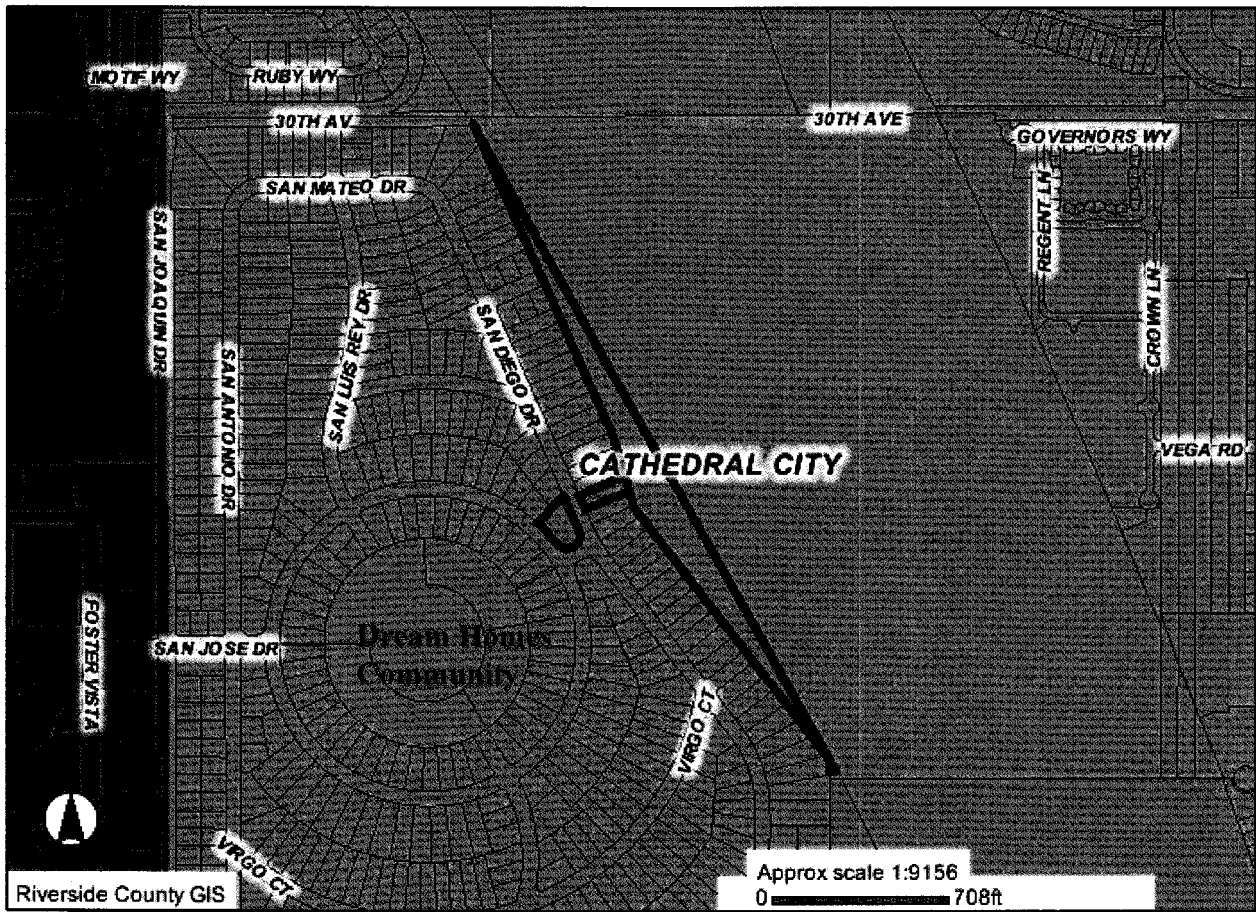
LOT 625 OF PALM SPRINGS COUNTRY CLUB ESTATES, AS PER MAP RECORDED IN
BOOK 22, PAGES 40 AND THROUGH 44 OF MAPS, IN THE OFFICE OF THE COUNTY
RECORDER OF RIVERSIDE COUNTY.

STREET ADDRESS: 30600 SAN DIEGO DRIVE
ASSESSOR'S PARCEL NUMBER 677-332-003

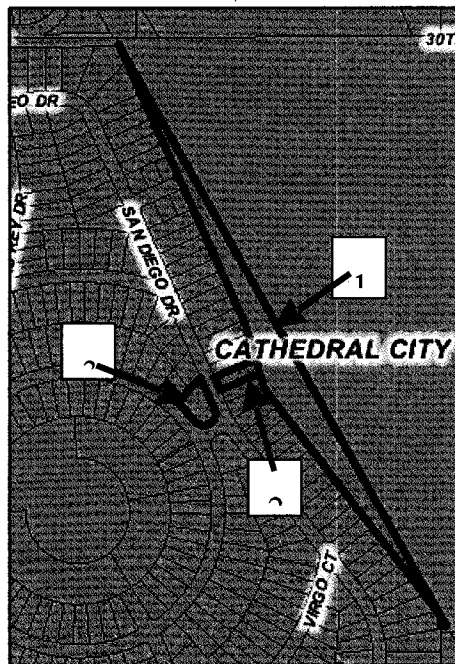
PARCEL 3:

THAT CERTAIN REAL PROPERTY LOCATED IN THE CITY OF CATHEDRAL CITY,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

LOT 239 OF PALM SPRINGS COUNTRY CLUB ESTATES, AS PER MAP RECORDED IN
BOOK 22, PAGES 40 THROUGH 44 OF MAPS, IN THE OFFICE OF THE COUNTY
RECORDER OF RIVERSIDE COUNTY, ASSESSOR'S PARCEL NUMBER: 677-331-003.
ADDRESS: 30638 SAN DIEGO DRIVE IN CATHEDRAL CITY, CALIFORNIA



Parcel #1 APN 677-410-009
Parcel #2 APN 677-332-003
Parcel #3 APN 677-331-003



Project Permanent Sources and Uses of Fund:

Sources:

Hudson 30 Yrs @ 5.75%	\$ 1,226,000
The Redevelopment Agency of the	\$ 8,725,185
City of Cathedral City 55 Yrs @ 1.00%	
HCD MHP Loan 55 Yrs @ 3.00%	\$ 6,428,188
Deferred Developer Fee	\$ 250,000
Limited Partner Tax Credit Equity	\$ 8,764,020
County of Riverside HOME Loan 55 Yrs @ 1.00%	\$ 300,000
Affordable Housing Program (AHP)	<u>\$ 705,709</u>
Total Sources	\$ 26,399,102

Uses:

Land Acquisition (AGENCY purchased)	\$ 3,060,000
Off-Site Work	\$ 679,930
Structures	\$ 14,098,214
General Requirements/Contractor Overhead & Profit	\$ 2,048,940
General Liability Insurance	\$ 370,053
Architectural & Engineering	\$ 650,000
Construction Interest & Fees	\$ 925,500
Construction contingency	\$ 970,000
Permanent Financing	\$ 42,020
Legal Fees	\$ 65,000
Reserves	\$ 132,790
Appraisal, Environmental, Market Study	\$ 55,000
TCAC Application/Allocation/Monitor Fees	\$ 47,692
Local Development Impact Fees	\$ 1,330,000
Marketing & Furnishings	\$ 145,000
Developer's Fee	\$ 1,400,000
Bond Issuance Cost	\$ 83,400
Audit Expense	\$ 40,000
Lease-Up Reserve	\$ 20,000
Performance Bond	<u>\$ 305,563</u>
Total Uses	\$ 26,399,102

The OWNER will obtain a reservation of Federal/State tax credit award from the California Tax Credit Allocation Committee.

HOME Match:

Matching funds in a minimum amount of twenty-five percent (25%) of the total HOME allocation (\$300,000) are required. The HOME match in the amount of \$75,000 will be satisfied from the below-market interest loan from the Redevelopment Agency of the City of Cathedral City Set-Aside Funds.

OWNER shall submit to the COUNTY copies of the final funding commitment, copies of all executed agreements, final Certified Public Accountant's construction cost certification, and proof that the funds were disbursed for this project.

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. Architectural, Engineering & Construction Drawings	July 1, 2009
2. MHP Fund Application	March 27, 2008
3. MHP Fund Loan Commitment	August 19, 2009
4. TCAC Application	October 15, 2010
5. TCAC Award & Permanent Financing Commitment	January 1, 2011
6. Building Permit	February 1, 2011
7. Begin Construction	February 1, 2011
8. Marketing & Affirmative Action	October 1, 2011
9. Lease Agreement, Proposed Rents, and Utilities	February 1, 2012
10. Certificate of Occupancy	April 1, 2012
11. Occupancy of HOME units	July 1, 2012
12. Submission of Final actual project costs and Sources and Uses of Funds	August 1, 2012
13. Submission of income & ethnic characteristics report	August 1, 2012

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. Construction Activities Reporting	Monthly, due by the 5 th of each month
2. Davis Bacon Certified Payroll submission	Weekly
3. Liability and Certificate of Workers' Compensation Insurance for RHDC and General Contractor (GC)	OWNER – At the execution of this Agreement. GC – Before start of construction. Copies of Certificates must be filed and up-to-date throughout the course of the Project with the COUNTY additionally insured.
4. Minority & Women Business Enterprise Report – HUD form 2516, and Section 3 Reporting	Semi-Annually–Sept 30th & March 31st
5. Section 504 Architect Certification	Beginning of Construction – initial letter End if Construction – final letter
6. HOME Match Contribution	Quarterly, by the 5th
7. Project Site Photos	Bimonthly, due by the 5 th of each month
8. Notice of Completion	End of Construction
9. Certificate of Occupancy	End of Construction
10. Tenant Checklist Reporting	Close of Project; and Semi-Annually–Sept 30th & March 31st
11. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Project
12. Project Completion Report	Close of Project
13. Final Development Cost - Sources and Uses	Close of Project
14. Final Cost Certification by CPA	Close of Project and Audits Completed
15. Final 15/30 Year Cash Flow Projection	Close of Project
16. Affirmative Fair Housing Marketing Plan, HUD form 935.2A	Marketing Stage
17. Management Plan	Marketing Stage
18. Tenant Selection Policy	Marketing Stage
19. Copy of Lease Agreement	Marketing Stage
20. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
21. Project Operating Budget	Annual submission
22. Audited Yearly Income Expense Report for the Project	Annual submission

EXHIBIT "B"

EXEMPT RECORDING FEE CODE 6103
RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Riverside County
Economic Development Agency
1325 Spruce St., Suite 400
Riverside, CA 92507
ATTN: Juan Garcia

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST is made on this _____ day of _____, 2010. The grantor is Dream Homes Housing Partners, L.P., a California limited partnership ("Borrower" or "OWNER"), and whose address is 9065 Haven Avenue, Suite 100, Rancho Cucamonga, CA 91730. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a public agency, organized and existing under the laws of the State of California, and whose address is 1325 Spruce St. Suite 400, Riverside, CA 92507. Pursuant to the terms of the HOME Loan Agreement, dated _____, Borrower owes Lender the principal sum of Three Hundred Thousand and No/100 Dollars (U.S. \$300,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note").

The Note shall provide the following: (1) That the HOME Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) Prior to payment in full of the MHP Loan (the "MHP Senior Debt") the Note shall be repaid according to the following: i) Nineteen and one-half percent (19.5%) of the Project's Residual Receipts shall be used towards the payment of the MHP Loan; ii) Twenty-six percent (26%) of the Project's Residual Receipts shall be used towards the payment of the AGENCY Loan; iii) Two and one-half percent (2.5%) of the Project's Residual Receipts towards the payment of the HOME Loan; iv) Two percent (2%) of the Project's Residual Receipts towards the payment of the AHP Loan; and v) The remaining fifty percent (50%) of the Project's Residual Receipts will be paid to OWNER. (3) The HOME Loan shall be subordinated to a construction loan and permanent first mortgage, the MHP Senior Debt and the AGENCY Loan. Available Residual Receipts shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days of the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within 120 days of the close of the calendar year. All outstanding principal along with accrued interest shall be the first to occur: (i) due July 1, 2067 or (ii) payable fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on July 1, 2010, to the extent of available Residual Receipts, as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) a property management fee not to exceed \$40 per unit per month, increased annually by an

amount equal to the increase in the Consumer Price Index (CPI); iii) an Investor Annual Review Fee not to exceed \$5,000; iv) operating costs; v) reserves; vi) deferred developer's fee; vii) partnership management fees provided under OWNER'S partnership agreement not to exceed \$25,000 per year; and viii) payments of principal and interest on loans and indebtedness senior to the HOME Loan, which have been approved by the COUNTY (collectively, the "Senior Debt").

The Borrower and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of the COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME documents shall be enforced personally against the Borrower or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME Loan of all the rights and remedies of the COUNTY, nor does it impair the right of the COUNTY to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this non-recourse provision does not relieve the Borrower of personal liability for damage to or loss suffered by the County as a result of any of the following (i) fraud or willful misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and that are payable or applicable prior to any foreclosure under the HOME Deed of Trust; (iii) the fair market value of any personal property of fixtures removed or disposed of by the Borrower other than in accordance with the HOME Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by the Borrower after the COUNTY has properly exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

The HOME Loan evidenced by the Note and secured by this Deed of Trust is being made pursuant to the HOME Investment Partnerships Program and the regulations issued thereunder (Title II, the Cranston-Gonzales National Affordable Housing Act, Public Law No. 101-625, 104 Stat. 4079 (1990), (24 C.F.R. Part 92) (the "HOME Program").

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project.

This Deed of Trust secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under Section 8 to protect the security of this Deed of Trust; and (c) the performance of Borrower's covenants and agreements under this Deed of Trust and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of the Senior Lien Holder under the First Deed of Trust, all of Borrower's right, title and interest in and to the

property located in Riverside County, California. The legal description of the property is further described in **Exhibit "B-1"** attached hereto;

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Deed of Trust. All of the foregoing is referred to in this Deed of Trust as the "Property."

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the fee interest of the Property and, except for the MMA Financial Loan Deed of Trust ("First Deed of Trust"), the MHP Deed of Trust ("Second Deed of Trust"), the Deed of Trust in favor of the Redevelopment Agency of the City of Cathedral City ("Third Deed of Trust") and other encumbrances of record acceptable to the Senior Lien Holder, the Property is or will be unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

THIS DEED OF TRUST combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any late charges due under the Note.

2. Taxes and Insurance. Borrower shall pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

a. Should Borrower fail to make any payment or to do any act herein provided, then Lender or Trustee, but without obligation so to do and upon written notice to or demand upon Borrower and without releasing Borrower from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Lender or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under Sections 1 and 2 shall be applied: first, to amounts payable under Section 2; second, to interest due; third, to principal due; and last, to any late charges due under the Note.

4. Prior Deeds of Trust; Charge; Liens. The Borrower shall perform all of the Borrower's obligations under the First Deed of Trust, including Borrower's covenants to make

payments when due. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any, subject to applicable cure periods. Borrower shall pay these obligations in the manner provided in Section 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

a. Except for the liens permitted by the Lender, Borrower shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Borrower: (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (2) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (3) bond around the lien (4) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. Except for the lien of the First Deed of Trust, if Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within 30 day of the giving of notice.

5. Subordination. This Deed of Trust shall be recorded in fourth position behind: a construction loan and permanent first mortgage; after permanent closing, behind the second mortgage from the California Department of Housing and Community Development (HCD) Multifamily Housing Program (MHP); and a permanent third mortgage in favor of the Redevelopment Agency of the City of Cathedral City. COUNTY hereby agrees to execute any and all documents necessary to effectuate such subordination. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.

6. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the HOME Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with Section 8.

a. All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if the Borrower complies with the insurance requirements under the First Deed of Trust. All original policies of insurance required pursuant to the First Deed of Trust shall be held by the Senior Lien Holder; provided, however, Lender may be named as a loss payee as its interest may appear and may be named as an additional insured. Borrower shall promptly give to Lender certificates of insurance showing the coverage is in full force and effect and that COUNTY is named as additional insured. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holder and Lender. Lender may make proof of loss if not made promptly by the Senior Lien Holder or the Borrower.

b. Unless Lender and Borrower otherwise agree in writing and subject to the rights of senior lenders, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided Borrower determines that such restoration or repair is economically feasible and there is no default continuing beyond the expiration of all applicable cure periods. If Borrower determines that such restoration or repair is not economically feasible or if a default exists after expiration of all applicable cure periods, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

c. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under Section 23 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to the acquisition.

d. Notwithstanding the above, the Lender's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holder to collect and apply such proceeds in accordance with the Senior Deeds of Trust.

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Deed of Trust or Lender's security interest. Borrower may cure such a default and reinstate, as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Deed of Trust or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrower's use of Property for affordable housing. If this Deed of Trust is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

a. The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting the Property's use to "low-income housing" within the meaning of the HOME Program. The use and occupancy restrictions may limit the Borrower's ability to rent the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the Lender to the remedies provided in Section 23 hereof.

8. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate,

for condemnation or forfeiture or to enforce laws or regulations), then, subject to any applicable grace periods or cure periods, Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Deed of Trust (including sums secured by the First Deed of Trust), appearing in court, paying reasonable attorneys' fees, and entering on the Property to make repairs. Although Lender may take action under this Section 8, Lender does not have to do so.

a. Any amounts disbursed by Lender under this Section 8 shall become additional debt of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

b. Prior to taking any actions under this Section 8, however, Lender shall notify the Senior Lien Holder of such default in the manner provided in Section 23 of this Deed of Trust, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Deed of Trust. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the Deed of Trust held by such Senior Lien Holder. In addition, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Deed of Trust.

9. Not used

10. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

11. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of the Senior Deeds of Trust.

a. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Deed of Trust, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Deed of Trust immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Deed of Trust shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Deed of Trust whether or not the sums are then due. Notwithstanding the

foregoing, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the project.

b. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemner offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust, whether or not then due.

c. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in Sections 1 and 2 or change the amount of such payments.

12. Borrower Not Released; Forbearance By Lender Not a Waiver. Except in connection with any successor in interest approved by Lender, extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Deed of Trust shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of Section 18. Borrower's covenants and agreements shall be joint and several.

14. Loan Charges. If the loan secured by this Deed of Trust is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be promptly refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

15. Notices. Any notice to Borrower provided for in this Deed of Trust shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated herein or any other address Borrower designates by notice to Lender. All such notices to Borrower shall also be provided to the Investment Limited Partner. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to the Senior Lien Holder shall be given by first class mail to such other address the Senior Lien Holder designates by notice to the Borrower. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given as provided in this Section.

16. Governing Law; Severability. This Deed of Trust shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision. To this end the provisions of this Deed of Trust and the Note are declared to be severable.

17. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Deed of Trust.

18. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the trustee under the First Deed of Trust or the Second Deed of Trust or the Third Deed Trust or a transfer or encumbrance of limited partner interests as is customarily made in connection with the syndication and sale of tax credits, if all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for "low-income housing" within the meaning of the HOME Program) Lender may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Deed of Trust. Nothing in this Deed of Trust shall be deemed to require Lender's approval of a transfer of a limited partnership interest in the Borrower.

a. If Lender exercises this Option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Deed of Trust. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Deed of Trust without further notice or demand on Borrower.

b. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. The Borrower's limited partners shall have the same right to cure as Senior Lien Holder.

c. The Borrower and the Lender agree that whenever the Note or this Deed of Trust gives the Lender the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holder pursuant to the Senior Deeds of Trust, the Senior Lien Holder's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Borrower and the Lender.

d. Notwithstanding anything to the contrary contained herein, the transfer of the limited partner interest to the Investment Limited Partner or the assignment of that interest to a limited liability company or limited partnership in which the Investment Limited Partner or an affiliate is

the managing member or general partner, respectively, shall not constitute a prohibited transfer under this Deed of Trust.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Deed of Trust discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Deed of Trust; or (b) entry of a judgment enforcing this Deed of Trust. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Deed of Trust and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Deed of Trust, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unchanged. Upon reinstatement by Borrower, this Deed of Trust and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

20. Sale of Note; Change of Loan Servicer. The Note or a partial interest in the Note (together with this Deed of Trust) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Deed of Trust. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with Section 15 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

21. No Assignment. Until the loan secured by the First Deed of Trust has been satisfied in full, the Lender and the Borrower agree that the Note and the Deed of Trust will not be assigned without the Senior Lien Holder's prior written consent.

22. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses, construction, and to maintenance of the Property.

a. Borrower shall promptly given Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified in writing by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

b. As used in this Section 22, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this Section 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

23. Acceleration; Remedies. Lender shall give notice to Borrower, the Investment Limited Partner, and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 60 days from the date the notice is given to Borrower and the Investment Limited Partner (and with respect to the Senior Lien Holder, 60 days from the date the notice is given to the Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holder or the Investment Limited Partner have not exercised their right to cure the default, but subject to any non-recourse provisions then in effect, then Lender at its option may require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder and the Investment Limited Partner at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

a. If Lender invokes the power of sale, Lender or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the Investment Limited Partner, the Senior Lien Holder and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

b. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Deed of Trust; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Deed of Trust, Lender shall release this Deed of Trust without charge to Borrower. Borrower shall pay any recordation costs.

25. Substitute Trustee. Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Deed of Trust is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

26. Modification of First Deed of Trust Loan Documents. The Lender consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones, extends, reduces, or modifies any provisions of the Senior Deeds of Trust Loan Documents, including any provisions requiring the payment of money.

27. Prohibition against tenancy under foreclosure. Notwithstanding anything to the contrary set forth in this Deed of Trust or in any documents secured by this Deed of Trust or contained in any subordination agreement, the Lender acknowledges and agrees that, in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

28. General Partner Change. The withdrawal, removal, and/or replacement of a general partner of the Borrower pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan, provided that any required substitute general partner is reasonably acceptable to Lender and is selected with reasonable promptness. Any proposed General Partner replacement shall have the qualifications and financial responsibility as reasonably determined by the County necessary and adequate to fulfill the obligations undertaken in the HOME Loan Agreement, as amended.

(SIGNATURES ON NEXT PAGE)


BY SIGNING BELOW, the Borrower and the Lender accept and agree to the terms and covenants contained in this Deed of Trust.

Date: January 22, 2010

BORROWER:

DREAM HOMES HOUSING PARTNERS, L.P.,
a California limited partnership

By: Southern California Housing Development Corporation of the Inland Empire,
a California nonprofit public benefit corporation
its Managing General Partner

By: 
Richard J. Whittingham, Chief Financial Officer

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

ALL-PURPOSE ACKNOWLEDGMENT

State of California)
County of San Bernardino) ss.

On January 22, 2010, before me, Hilda Hernandez, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

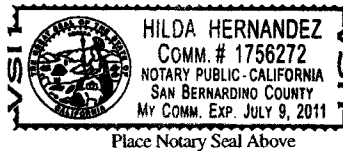
personally appeared Richard J. Whithornham
Names(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Hilda Hernandez
Signature of Notary Public



OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document:

Document Dated Number of Pages:

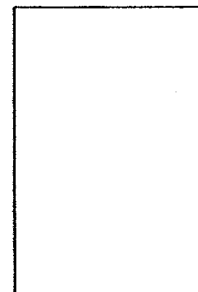
Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer

Signer's Name:

Right Thumbprint of Signer

- Individual
Corporate Officer - Title(s):
Partner - Limited General
Attorney in Fact
Co-Trustee
Guardian or Conservator
Other:
Signer is Representing:

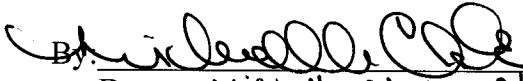


LENDER:

COUNTY OF RIVERSIDE

By: _____
MARION ASHLEY
Chairman, Board of Supervisors

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

By: 
Deputy Michelle Clark 2/24/10

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }
COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Place Notary Seal Above

Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Place Notary Seal Above

Signature of Notary Public

EXHIBIT "B-1"

LEGAL DESCRIPTION OF PROPERTY

PARCEL 1:

THAT CERTAIN REAL PROPERTY LOCATED IN THE CITY OF CATHEDRAL CITY,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

LOT "A" OF TRACT 26698-1, IN THE COUNTY OF RIVERSIDE, STATE OF
CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 242, PAGES 14 THROUGH 17 OF
MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, ASSESSOR'S PARCEL
NUMBER: 677-410-009.

PARCEL 2:

THAT CERTAIN REAL PROPERTY LOCATED IN THE CITY OF CATHEDRAL CITY,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

LOT 625 OF PALM SPRINGS COUNTRY CLUB ESTATES, AS PER MAP RECORDED IN
BOOK 22, PAGES 40 AND THROUGH 44 OF MAPS, IN THE OFFICE OF THE COUNTY
RECORDER OF RIVERSIDE COUNTY.

STREET ADDRESS: 30600 SAN DIEGO DRIVE
ASSESSOR'S PARCEL NUMBER 677-332-003

PARCEL 3:

THAT CERTAIN REAL PROPERTY LOCATED IN THE CITY OF CATHEDRAL CITY,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

LOT 239 OF PALM SPRINGS COUNTRY CLUB ESTATES, AS PER MAP RECORDED IN
BOOK 22, PAGES 40 THROUGH 44 OF MAPS, IN THE OFFICE OF THE COUNTY
RECORDER OF RIVERSIDE COUNTY, ASSESSOR'S PARCEL NUMBER: 677-331-003.

ADDRESS: 30638 SAN DIEGO DRIVE IN CATHEDRAL CITY, CALIFORNIA

EXHIBIT "B-2"

PROMISSORY NOTE

\$300,000

Riverside, CA

In installments as hereafter stated, for value received, Dream Homes Housing Partners, L.P., a California limited partnership ("Borrower" or "OWNER") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 1325 Spruce St. Suite 400, Riverside, CA 92507, the sum of Three Hundred Thousand and No/100 Dollars (U.S. \$300,000.00) with simple interest on the unpaid principal amount, at the rate of one percent (1.00%) per annum (the "HOME Loan"), interest and principal payable as follows:

This Promissory Note shall provide the following: (1) That the HOME Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) Prior to payment in full of the MHP Loan (the "MHP Senior Debt") the Note shall be repaid according to the following: i) Nineteen and one-half percent (19.5%) of the Project's Residual Receipts shall be used towards the payment of the MHP Loan; ii) Twenty-six percent (26%) of the Project's Residual Receipts shall be used towards the payment of the AGENCY Loan; iii) Two and one-half percent (2.5%) of the Project's Residual Receipts towards the payment of the HOME Loan; iv) Two percent (2%) of the Project's Residual Receipts towards the payment of the AHP Loan; and v) The remaining fifty percent (50%) of the Project's Residual Receipts will be paid to OWNER. (3) The HOME Loan shall be subordinated to a construction loan and permanent first mortgage, the MHP Senior Debt and the AGENCY Loan. Available Residual Receipts shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days of the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within 120 days of the close of the calendar year. All outstanding principal along with accrued interest shall be the first to occur: (i) due July 1, 2067 or (ii) payable fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on July 1, 2010, to the extent of available Residual Receipts, as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) a property management fee not to exceed \$40 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index (CPI); iii) an Investor Annual Review Fee not to exceed \$5,000; iv) operating costs; v) reserves; vi) deferred developer's fee; vii) partnership management fees provided under OWNER'S partnership agreement not to exceed \$25,000 per year; and viii) payments of principal and interest on loans and indebtedness senior to the HOME Loan, which have been approved by the COUNTY (collectively, the "Senior Debt").

This note may be prepaid in whole or in part by the undersigned at any time without prepayment penalty or premium.

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project.

In any action commenced to enforce the obligation of the Borrower to pay principal and interest under the Note, the obligations hereunder shall be non-recourse to the Borrower and the judgment shall not be enforceable personally against the Borrower, Borrower's partners, or the Borrower's assets, and the recourse of the County for the collection of such amounts shall be limited to actions against the Property described in the Deed of Trust executed by the Borrower to secure the Note and the rents, profits, issues, products, and income from the Property.

Should default be made in payment of principal and interest when due and such default shall continue beyond the applicable notice and cure period provided in the Deed of Trust, the whole sum of principal and interest shall become immediately due at the option of the holder of this Note. Principal and interest are payable in lawful money of the United States. If action be instituted on this Note, the undersigned promises to pay such sums as the Court may fix as attorney's fees.

The Borrower and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of the COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME documents shall be enforced personally against the Borrower or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME Loan of all the rights and remedies of the COUNTY, nor does it impair the right of the COUNTY to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this non-recourse provision does not relieve the Borrower of personal liability for damage to or loss suffered by the County as a result of any of the following (i) fraud or willful misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and that are payable or applicable prior to any foreclosure under the HOME Deed of Trust; (iii) the fair market value of any personal property of fixtures removed or disposed of by the Borrower other than in accordance with the HOME Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by the Borrower after the COUNTY has properly exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

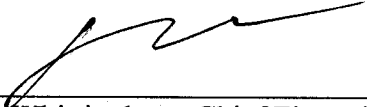
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DATE: January 22, 2010

BORROWER:

DREAM HOMES HOUSING PARTNERS, L.P.,
a California limited partnership

By: Southern California Housing Development Corporation of the Inland Empire,
a California nonprofit public benefit corporation
its Managing General Partner

By: 
Richard J. Whittingham, Chief Financial Officer

ALL-PURPOSE ACKNOWLEDGMENT

State of California)

County of San Bernardino) ss.

On January 22, 2010, before me, Hilda Hernandez, Notary Public

Date

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard J. Whittingham

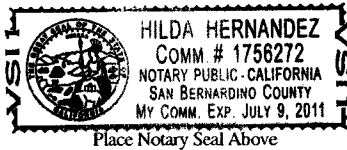
Names(s) of Signer(s)

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WITNESS my hand and official seal.

Hilda Hernandez
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

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Description of Attached Document

Title or Type of Document:

Document Dated Number of Pages:

Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer

Signer's Name:

Right Thumbprint of Signer

- Individual
Corporate Officer - Title(s):
Partner - Limited General
Attorney in Fact
Co-Trustee
Guardian or Conservator

Other:
Signer is Representing:

