

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

736



FROM: Economic Development Agency

SUBMITTAL DATE:

March -3, 2011

SUBJECT: Third Amendment, Assignment, Assumption, and Modification Agreement for Brisas de Paz Apartments in the City of Desert Hot Springs

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Third Amendment to the HOME Loan Agreement and Deed of Trust;
2. Approve the attached Assignment, Assumption, and Modification Agreement by and among Coachella Valley Housing Coalition, Brisas de Paz Associates, L.P., and the County of Riverside;
3. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a subordination agreement with Wells Fargo, N.A. in an amount up to \$8,600,000, in connection with a construction loan, subject to approval by County Counsel;
4. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a subordination agreement with a permanent lender to be named later, in connection with a permanent loan in an amount up to \$2,000,000, subject to approval by County Counsel;
5. Authorize the Chairman of the Board of Supervisors to execute the Third Amendment, Deed of Trust, Assignment, Assumption, and Modification Agreement; and

(Continued)

Robert Field

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:	2010/11

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: *Anita C. Willis* 2-16-11
DATE
ANITA C. WILLIS

Departmental Concurrence

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

RECOMMENDED MOTION: (Continued)

6. Authorize the Assistant County Executive Officer/EDA, or designee, to take all necessary steps to implement the attached agreements, but not limited to, signing subsequent necessary and relevant documents.

BACKGROUND:

On March 31, 2009, the Board of Supervisors approved a Loan Agreement for the use of HOME funds with Coachella Valley Housing Coalition (CVHC), a California nonprofit public benefit corporation, for the development and construction of a 62-unit multi-family apartment complex. The Loan Agreement called for a loan of \$1,000,000 with a 1% interest payable in 55 years.

The Board approved the First Amendment to the Loan Agreement on March 16, 2010, for an additional \$300,000 in HOME funds to help cover increased cost due to the requirement of paying prevailing wages. Subsequent to that, the Board approved the Second Amendment to the Loan Agreement on June 29, 2010, for an additional \$650,000 in HOME funds to offset the decrease in equity market pricing. The total HOME Loan amount is for \$1,950,000.

The project was awarded tax credits on September 22, 2010, and CVHC is now ready to commence construction utilizing the maximum amount of tax credits. In order to obtain the highest possible credit pricing, CVHC has requested to increase the Loan Agreement interest rate from 1.00% to 3.00%. The project is anticipated to break ground by March 2011, with an estimated 24 month construction period.

CVHC has formed Brisas de Paz Associates, L.P. (BPALP), a California limited partnership, for the purpose of constructing the project, with the general partner as CVHC. CVHC is requesting the county's approval to assign CVHC's rights and obligations under the HOME Loan, Deed of Trust, and Promissory Note, including all existing amendments ("HOME Loan Documents") to BPALP. The attached Assignment, Assumption, and Modification Agreement assigns all the rights and obligations of CVHC under the HOME Loan Documents to BPALP.

Also, CVHC has requested that the county subordinate its HOME Loan to construction loan being made by Wells Fargo, N.A., and permanent first mortgage from a permanent lender to be named at a later date. The above mentioned lenders will require that the county execute a subordination agreement at a later date to signify their senior positions to the HOME Loan. The county's HOME Loan will be in the second position behind the construction loan and permanent first mortgage.

County Counsel has reviewed and approved as to form the attached Third Amendment to the HOME Loan Agreement, Assignment and the Assignment, Assumption Modification Agreement. Staff recommends that the Board approve the attached Third Amendment.

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 3403 Tenth Street, Suite 500
8 Riverside, CA 92501
9 Attn: Benjamin Cendejas

10 SPACE ABOVE THIS LINE FOR RECORDERS USE

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

14 This Third Amendment to the Loan Agreement for the Use of HOME Funds, Promissory
15 Note and Deed of Trust with Assignment of Rents (the "Third Amendment") is made and
16 entered into as of the ____ day of _____, 2011, by and between the COUNTY
17 OF RIVERSIDE ("COUNTY"), a political subdivision of the State of California and COACHELLA
18 VALLEY HOUSING COALITION ("OWNER"), a California nonprofit public benefit corporation.

19 WITNESSETH:

20 **WHEREAS**, COUNTY and OWNER entered into a HOME loan agreement for the use
21 of HOME funds (the "HOME Loan Agreement") dated March 31, 2009; and

22 **WHEREAS**, pursuant to the HOME Loan Agreement, OWNER proposed to develop
23 sixty-two (62) affordable rental housing units for low income families including one (1)
24 manager's unit (the "Project") on an identified site of approximately 4.77 acres situated on the
25 southeast corner of Flora Avenue and West Drive in the City of Desert Hot Springs with
26 Assessor's Parcel Number of 663-320-016 as more particularly described in the attached
27 Exhibit "A"; and

28 **WHEREAS**, on March 31, 2009, COUNTY agreed to loan OWNER HOME funds in the
original principal amount of \$1,000,000 (the "HOME Loan") for construction and permanent
financing; and

WHEREAS, on March 16, 2010, COUNTY and OWNER agreed to amend the HOME

1 Loan ("First Amendment") and increase the principal amount of the HOME Loan by \$300,000,
2 increasing the HOME Loan from \$1,000,000 to \$1,300,000. The additional funding was to
3 help cover increased costs due to the requirement of paying prevailing wages; and

4 **WHEREAS**, on June 29, 2010, COUNTY and OWNER agreed to amend the HOME
5 Loan ("Second Amendment") and increase the principal amount of the HOME Loan by
6 \$650,000, increasing the HOME Loan from \$1,300,000 to \$1,950,000. The additional funding
7 was to offset the decrease in equity market pricing and improve the Project's tax credit
8 application competitiveness scoring; and

9 **WHEREAS**, the parties have agreed to modify the interest rate from one percent (1%)
10 to three percent (3%); and

11 **WHEREAS**, the legal description in the HOME Loan Agreement has been revised and
12 reflected in Exhibit "A" and Exhibit "B-1".

13 **NOW, THEREFORE**, in consideration of the foregoing, and the promises and mutual
14 covenants and conditions hereinafter set forth, COUNTY and OWNER do hereby agree as
15 follows:

16 1. Section 4(c) of the HOME Loan Agreement is deleted and replaced in its entirety with
17 the following:

18 Interest. The interest rate shall be three percent (3.00%) simple interest per annum."

19 2. Section 4(d)(1) of the HOME Loan Agreement is deleted and replaced in its entirety with
20 the following:

21 "That the HOME Loan will accrue simple interest at a rate of three percent (3.00%) per
22 annum, except in the case of default as hereinafter provided, and shall be repaid on an
23 annual basis from the Project's Residual Receipts as defined herein."

24 3. Section 4(d)(4) of the HOME Loan Agreement is amended as follows:

25 a. Subparagraph (iii) is deleted and all of the succeeding subparagraphs are
26 renumbered;

27 b. New subparagraph (vi) is deleted and replaced with the following: "(vi) a general
28 partner monitoring fee, which shall be in the initial amount of \$15,000 and

1 increasing annually by 3%"; and

2 c. New subparagraph (vii) is modified by adding at the end thereof the following:
3 "increasing by 3% annually".

4 4. Section 30(b)(3) of the HOME Loan Agreement is deleted and replaced in its entirety with
5 the following: "failure to operate the Project in accordance with the terms of this
6 Agreement;"

7 5. Exhibit "A" of the HOME Loan Agreement is hereby replaced with the revised Exhibit "A"
8 of this Third Amendment, which is attached hereto and by this reference incorporated
9 herein.

10 6. The legal description attached to the deed of trust with assignment of rents dated June
11 29, 2010 is hereby replaced with the revised legal description, Exhibit "B-1", of this Third
12 Amendment, which is attached hereto and by this reference incorporated herein.

13 7. Exhibit "B-2" of the HOME Loan Agreement is hereby replaced with the revised Exhibit
14 "B-2" of this Third Amendment, which is attached hereto and by this reference
15 incorporated herein.

16 8. This Third Amendment, the Second Amendment, First Amendment, and HOME Loan
17 Agreement set forth and contain the entire understanding and agreement of the parties
18 hereto. There are no oral or written representations, understandings, or ancillary
19 covenants, undertakings or agreements, which are not contained or expressly referred to
20 within this Third Amendment, Second Amendment, First Amendment, and the HOME
21 Loan Agreement.

22 9. Each of the attachments and exhibits attached hereto are incorporated herein by this
23 reference.

24 10. Except as modified and amended by First Amendment, Second Amendment, and Third
25 Amendment all other terms and conditions of the HOME Loan Agreement remain
26 unmodified and in full force and effect.

27 11. This Third Amendment may be signed by the different parties hereto in counterparts,
28 each of which shall be an original but all of which together shall constitute one and the

1 same agreement.

2 12. The effective date of this Third Amendment is the date the parties execute the Third
3 Amendment. If the parties execute the Third Amendment on more than one date, then the
4 last date the Third Amendment is executed by a party shall be the effective date.

5 13. This Third Amendment is not binding until approved by the Board of Supervisors.

6
7 (SIGNATURES ON NEXT PAGE)

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

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4
5 COUNTY OF RIVERSIDE

OWNER

6 COAHCELLA VALLEY HOUSING COALITION

7
8 By: _____
9 Bob Buster
10 Chairman, Board of Supervisors

By: 
Pedro S.G. Rodriguez
Chief Financial Officer

11
12 APPROVED AS TO FORM:

13 PAMELA J. WALLS, County Counsel

14
15 By: 
16 Anita C. Willis, Deputy

17
18
19
20 (Signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }
COUNTY OF Riverside }

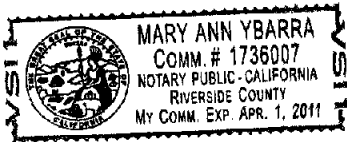
On February 23, 2011, before me, Mary Ann Ybarra, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Pedro S.G. Rodriguez
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.



Place Notary Seal Above

Signature Mary Ann Ybarra
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.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "A"

OWNER: Coachella Valley Housing Coalition
Address: Plaza I, 45-701 Monroe Street, Suite G
Indio, CA 92201
Project Title: Brisas de Paz

Location: The project site is approximately 4.77 acres and situated on the southwest corner of Flora Avenue and West Drive in the City of Desert Hot Springs. The Assessor's Parcel Number is 663-320-016.

Description:

OWNER will utilize \$1,950,000 in HOME funds for the development and construction of a 62-unit multifamily housing complex in the City of Desert Hot Springs in Eastern Riverside County. The project consists of 11 one-bedroom units, 26 two-bedroom units, and 24 three-bedroom units. One additional three-bedroom unit will be set-aside for an onsite manager's unit. The units will be located in 9 one- and two-story, wood frame, stucco buildings. The one-bedroom units are approximately 650 square feet, the two-bedroom units are approximately 930 square feet, and the three-bedroom units are approximately 1,130 square feet. All units will be equipped with a refrigerator, dishwasher, combination range/oven, garbage disposal, and central heating/cooling. The residents of Brisas de Paz will have access to a sports court, tot lots, swimming pool, open space play areas, and BBQ picnic area.

The Project will include a community building of approximately 2,000 square feet with a kitchen, restrooms, laundry facilities, a computer lab room, and a manager's office.

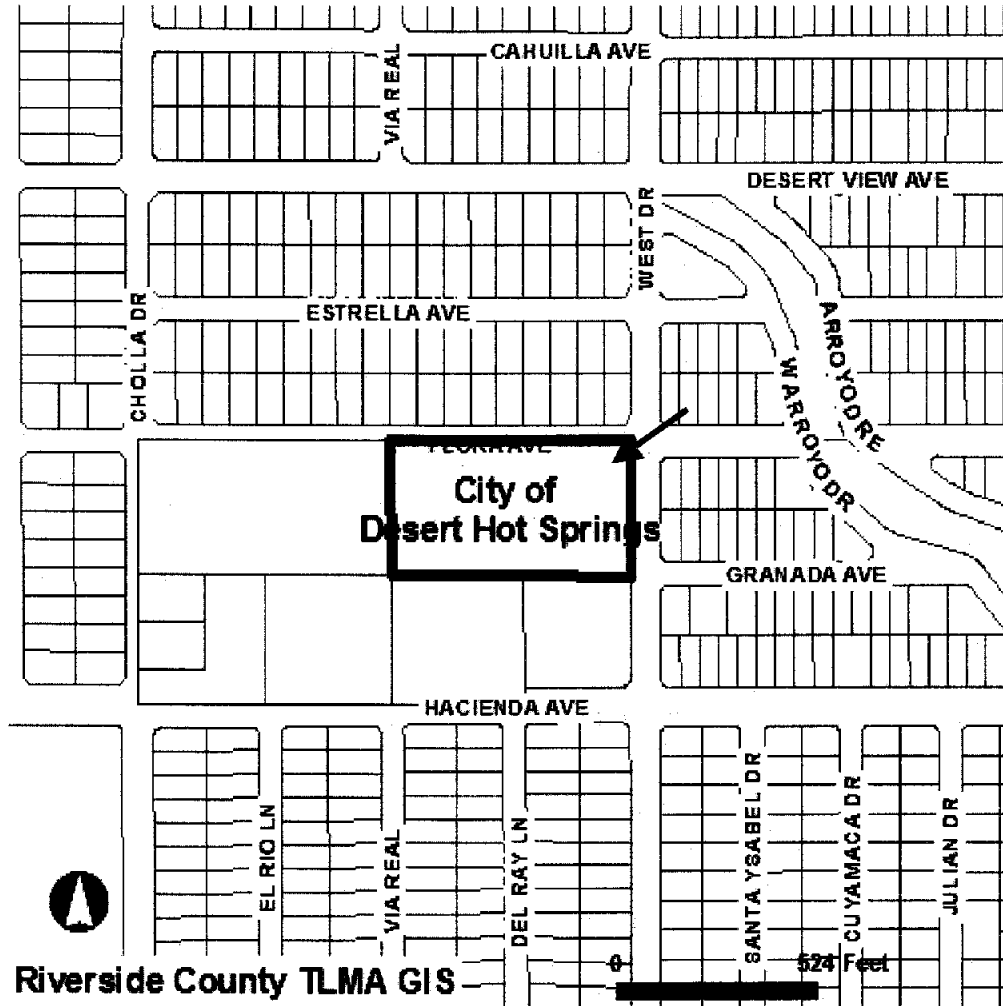
A total of thirty units (30) shall be designated as floating Low HOME assisted units. Twenty Three units (4 – 1 Bedroom, 10 – 2 Bedroom, and 9 – 3 Bedroom) shall be limited to households whose incomes do not exceed fifty percent (50%) of the median family income for the County of Riverside, adjusted by family size at the time of occupancy. Seven units (2 – 1 Bedroom, 2 – 2 Bedroom, and 3 – 3 Bedroom) shall be limited to households whose incomes do not exceed thirty percent (30%) of the median family income for the County of Riverside, adjusted by family size at the time of occupancy. The HOME units shall be restricted for a period of at least 55 years from the issuance of Certificate of Occupancy.

LEGAL DESCRIPTION OF PROPERTY

PARCEL 1 OF PARCEL MAP 13353, AS SHOWN BY MAP ON FILE IN BOOK 73, PAGES
32 AND 33 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 663-320-016

APN's : 663-320-016



Project Permanent Sources and Uses of Fund:

Sources:

Loan 55 Yrs @ 3%	
with grant funds from the City of Desert Hot Springs	
Redevelopment Agency	\$ 1,700,000
AHP – Affordable Housing Program 55 Yrs @ 0%	\$ 610,000
Conventional Loan	\$ 1,649,700
Deferred Developer Fee	\$ 239,791
Limited Partner Tax Credit Equity	\$ 9,545,773
Developer Equity	\$ 50,100
County of Riverside HOME Loan 55 Yrs @ 3%	<u>\$ 1,950,000</u>
Total Sources	\$ 15,745,364

Uses:

New construction (includes site work, common area bldgs and structures)	\$ 8,581,315
Contractor's Overhead & Profit & Gen'l Req.	\$ 523,625
General Liability Insurance	\$ 95,450
Permanent Financing costs	\$ 27,373
Construction Contingency (Hard and Soft)	\$ 460,016
Architectural & Engineering Cost	\$ 615,000
Construction Interest & Fees	\$ 874,452
Reserves	\$ 206,903
Land Development Impact and Permit Processing Fees	\$ 1,444,884
Other Fees, Marketing & Furnishings	\$ 230,000
TCAC Fees	\$ 75,891
Legal Fees	\$ 25,000
Developer's Overhead & Profit	\$ 1,480,000
Land & Acquisition Cost	<u>\$ 1,105,455</u>
Total Uses	\$ 15,745,364

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 (\$1,950,000) are required. The HOME match in the amount of \$487,500 will be satisfied from the below-market interest loan from the Affordable Housing Program (AHP).

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

Date	Milestone	Completion
	1. TCAC Award	September 30, 2010
	2. Permanent Financing Commitment	March 1, 2011
	3. Building Permit	March 1, 2011
	4. Begin Construction	March 15, 2011
	5. Marketing & Affirmative Action	February 1, 2012
	6. Lease Agreement, Proposed Rents, and Utilities	February 1, 2012
	7. Certificate of Occupancy	May 1, 2012
	8. Occupancy of HOME units	July 1, 2012
	9. Submission of Final actual project costs and Sources/Uses of Funds	September 1, 2012
	10. Submission of income & ethnic characteristics report	July 1, 2012

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. Construction Activities Reporting	Monthly, due by the 15 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for OWNER 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.
3. Minority & Women Business Enterprise Report – HUD form 2516, and Section 3 Reporting	Semi-Annually– Sept 30th & March 31st
4. Section 504 Architect Certification	Beginning of Construction – initial letter End of Construction – final letter
5. HOME Match Contribution	Beginning of Construction
6. Project Site Photos	Bimonthly, due by the 5 th of each month
7. Notice of Completion	End of Construction
8. Certificate of Occupancy	End of Construction
9. Tenant Checklist Reporting	Close of Project; and Semi-Annually– Sept 30th & March 31st
10. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Project
11. Project Completion Report	Close of Project
12. Final Development Cost - Sources and Uses	Close of Project
13. Final Cost Certification by CPA	Close of Project and Audits Completed
14. Final 15/30 Year Cash Flow Projection	Close of Project
15. Affirmative Fair Housing Marketing Plan, HUD form 935.2A	Marketing Stage
16. Management Plan	Marketing Stage
17. Tenant Selection Policy	Marketing Stage
18. Copy of Lease Agreement	Marketing Stage
19. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
20. Project Operating Budget	Annual submission
21. 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
3403 Tenth St., Suite 500
Riverside, CA 92501
ATTN: Benjamin Cendejas

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 _____, 2011. The trustor is COACHELLA VALLEY HOUSING COALITION, a California nonprofit public benefit corporation ("Borrower" or "OWNER"), and whose address is 45-701 Monroe Street, Suite G, Indio, CA 92201. 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 3403 Tenth St. Suite 500, Riverside, CA 92501. Pursuant to the terms of the HOME Loan Agreement, dated March 31, 2009, as amended by the Second Amendment dated March 16, 2010, as amended by the Third Amendment dated _____, Borrower owes Lender the principal sum of One Million Nine Hundred Fifty Thousand and No/100 Dollars (U.S. \$1,950,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the HOME Loan Agreement.

The Note provides the following: (1) That the HOME Loan will accrue simple interest at a rate of three percent (3.00%) 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) The Note shall be repaid as defined herein: i) thirty-four and ninety-three hundredths percent (34.93%) of the Project's Residual Receipts shall be used towards the payment of the loan from Coachella Valley Housing Coalition ("CVHC Loan"); ii) forty and seven hundredths percent (40.07%) of the Project's Residual Receipts towards the payment of the HOME Loan; and iii) the remaining twenty-five percent (25%) 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. Available residual receipts shall be determined based on a review of certified financial statements for the project. Annual audited financial statements shall be submitted within sixty (60) days following the close of the project fiscal year. In addition, the annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) July 1, 2067 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the issuance of the first Certificate of Occupancy for the Project, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on each July 1st thereafter to the extent of available Residual Receipts until the Loan maturity date 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) 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) operating expenses; iv) reserves; v) deferred developer's fee; vi) a general partner monitoring fee, which shall be in the initial amount of \$15,000 and increasing annually by 3% annually; vii) a Limited Partnership asset management fee not to exceed \$2,500 per year increasing by 3% annually; and viii) payments of principal and interest on amortized 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 or July 1, 2067 whichever is sooner.

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 for the Deed of Trust in favor of the Senior Lien Holder "First Deed of Trust", and other encumbrances of record acceptable to the Senior Lien Holder, the Property is 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 not less than second position, subordinate only to a construction first mortgage during the construction phase; to a permanent first mortgage after permanent closing. 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.

d. Notwithstanding anything to the contrary herein, the Lender's rights to collect and apply condemnation 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 Deed of Trust.

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 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 or of a conveyance of an easement interest in the Property for utility purposes.

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 give 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 investor 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 investor 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 investor 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 investor 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 investor 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.

29. Counter Parts. This Agreement may be signed by the different parties hereto in counterparts, each of which shall be an original but all of which together shall constitute one and the same agreement.

(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: _____

BORROWER:

**COACHELLA VALLEY HOUSING COALITION,
a California nonprofit public benefit corporation**

By: 
Pedro S.G. Rodriguez, Chief Financial Officer

(SIGNATURES CONTINUE ON NEXT PAGE)

BORROWER'S SIGNATURES MUST BE NOTARIZED

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF Riverside }

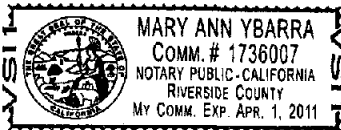
On February 23, 2011, before me, Mary Ann Ybarra, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Pedro S.G. Rodriguez
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.



Place Notary Seal Above

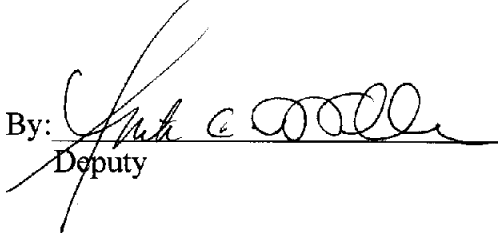
Signature Mary Ann Ybarra
Signature of Notary Public

LENDER:

COUNTY OF RIVERSIDE

By: _____
Bob Buster
Chairman, Board of Supervisors

APPROVED AS TO FORM:
PAMELA J. WALLS, County Counsel

By: 
Deputy

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 OF PARCEL MAP 13353, AS SHOWN BY MAP ON FILE IN BOOK 73, PAGES 32 AND 33 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 663-320-016

EXHIBIT "B-2"

AMENDED AND RESTATED PROMISSORY NOTE \$1,950,000 Riverside, CA

In installments as hereafter stated, for value received, Coachella Valley Housing Coalition, a California nonprofit public benefit corporation ("Borrower" or "OWNER") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 3403 Tenth Street, Suite 500, CA 92501, the sum of One Million Nine Hundred Fifty Thousand and No/100 Dollars (U.S. \$1,950,000.00) with simple interest on the unpaid principal amount, at the rate of three percent (3.00%) per annum (the "HOME Loan"), interest and principal payable as follows:

This Promissory Note (the "Note") shall provide the following: (1) That the HOME Loan will accrue simple interest at a rate of three percent (3.00%) 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) The Note shall be repaid as defined herein: i) thirty-four and ninety-three hundredths percent (34.93%) of the Project's Residual Receipts shall be used towards the payment of the loan from Coachella Valley Housing Coalition ("CVHC Loan"); ii) forty and seven hundredths percent (40.07%) of the Project's Residual Receipts towards the payment of the HOME Loan; and iii) the remaining twenty-five percent (25%) 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. Available residual receipts shall be determined based on a review of certified financial statements for the project. Annual audited financial statements shall be submitted within sixty (60) days following the close of the project fiscal year. In addition, the annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) July 1, 2067 or (ii) fifty-five (55) years from the issuance of the first Certificate of Occupancy for the Project. The first payment shall be due on, the first July 1st in the first full calendar year following the date of the issuance of the first Certificate of Occupancy for the Project, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on each July 1st thereafter to the extent of available Residual Receipts until the Loan maturity date 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) 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) operating expenses; iv) reserves; v) deferred developer's fee; vi) a general partner monitoring fee, which shall be in the initial amount of \$15,000 and increasing annually by 3%; viii) a Limited Partner asset management fee not to exceed \$2,500 per year increasing by 3% annually; and viii) payments of principal and interest on amortized 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).


This Note replaces that certain note from Borrower in favor of COUNTY in the amount of One Million Nine Hundred Fifty Thousand Dollars (\$1,950,000) which is null and void and of no force and effect.

(SIGNATURE ON NEXT PAGE)

DATE: _____

BORROWER:

COACHELLA VALLEY HOUSING COALITION,
a California nonprofit public benefit corporation

By: 
Pedro S.G. Rodriguez, Chief Financial Officer

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Coachella Valley Housing Coalition
45-701 Monroe Street, Suite G, Plaza 1
Indio, CA 92201

SPACE ABOVE THIS LINE FOR RECORDER'S USE

ASSIGNMENT, ASSUMPTION AND MODIFICATION AGREEMENT

This ASSIGNMENT, ASSUMPTION AND MODIFICATION AGREEMENT (this "Assignment") is executed by and among COACHELLA VALLEY HOUSING COALITION, a California nonprofit public benefit corporation ("Assignor"), and BRISAS DE PAZ ASSOCIATES, L.P., a California limited partnership ("Assignee") and the COUNTY OF RIVERSIDE, a public political subdivision of the State of California (the "County"), as of the ___ day of _____, 2011, with reference to the following facts:

A. Assignor and the County, have entered into that certain Loan Agreement for Use of HOME Funds dated March 31, 2009, as amended by that certain First Amendment to Loan Agreement for Use of HOME Funds, Promissory Note and Deed of Trust with Assignment of Rents, dated March 16, 2010, and as further amended by that certain Second Amendment to Loan Agreement for Use of HOME Funds, Promissory Note and Deed of Trust with Assignment of Rents, dated June 29, 2010, and that certain Third Amendment to Loan Agreement for Use of HOME funds, Promissory Note and Deed of Trust with Assignment of Rents, dated _____, 2011 (collectively, the "Loan Agreement"), pursuant to which County has agreed to make a loan to Assignor in the principal amount of \$1,950,000.00 (the "Loan"). All terms not expressly defined herein shall have the meanings ascribed thereto in the Loan Agreement.

B. Assignor is conveying the real property legally described on Exhibit A attached hereto (the "Property") to Assignee for Assignee's development thereon of the Project. Assignor previously executed an Amended and Restated Promissory Note, dated _____, 2011 (the "Note") and a Deed of Trust with Assignment of Rents, dated _____, 2011 (the "Deed of Trust" and collectively with the Loan Agreement and the Note, the "Loan Documents").

C. Assignor now desires to assign and transfer to Assignee, and Assignee desires to accept from Assignor all of Assignor's right, title and interest in and to the Loan Documents and Assignee and County desire to make certain changes to the Loan Documents, as more specifically set forth herein.

THEREFORE, Assignor, Assignee and County agree as follows:

1. Assignment. Assignor hereby assigns, conveys, transfers and delivers to Assignee all of Assignor's right, title, and interest in and to the Loan Documents, and Assignee hereby accepts such assignment and agrees to assume performance of all terms, covenants and

conditions occurring or arising under the Loan Documents on or after the date of this Assignment. County hereby consents to the foregoing assignment.

2. **Assumption of Obligations.** By acceptance of this Assignment, Assignee hereby agrees to assume all of Assignor's right, title, and interest in and to the Loan Documents, and Assignee agrees to timely discharge, perform or cause to be performed and to be bound by all of the liabilities, duties and obligations imposed in connection with the Loan Documents from and after the date of this Assignment to the same extent as if Assignee had been the original party thereto. County hereby consents to the foregoing assumption by Assignee.

3. **Further Assurances.** Each party hereto hereby agrees to execute any additional documents, and take any further actions necessary to effect or evidence the assignment and assumption set forth in Section 1 and Section 2 above.

4. **Counterparts.** This Assignment may be executed in counterparts, each of which shall be deemed an original, and both of which together shall constitute one and the same instrument.

5. **Miscellaneous.** This Assignment shall be binding on and inure to the benefit of the parties and their respective successors and assigns. The paragraph headings of this Assignment are for convenient reference only and shall not be used in interpreting this Assignment.

6. **California Law.** This Assignment shall be governed by and interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles. Venue shall be in Riverside County.

7. **Invalidity.** Any provision of this Assignment which is determined by a court to be invalid or unenforceable shall be deemed severed herefrom, and the remaining provisions shall remain in full force and effect as if the invalid or unenforceable provision had not been a part hereof.

8. **Third-Party Rights.** Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties and their respective successors and assigns, any rights or remedies.

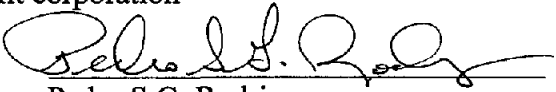
9. **Release of Assignor.** The Partnership and the County release Assignor from all obligations imposed under any of the Loan Documents.

[SIGNATURES INCLUDED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the date and year first above written.

“ASSIGNOR”

COACHELLA VALLEY HOUSING
COALITION, a California nonprofit public
benefit corporation

By: 

Pedro S.G. Rodriguez

Its: Chief Financial Officer

“ASSIGNEE”

BRISAS DE PAZ ASSOCIATES, L.P.,
a California limited partnership

By: Brisas de Paz LLC,
a California limited liability company,
its general partner

By: Coachella Valley Housing Coalition,
a California nonprofit public benefit
corporation, its member/manager

By: 

Pedro S.G. Rodriguez

Its: Chief Financial Officer

[SIGNATURE ON THIS PAGE MUST BE NOTARIZED]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

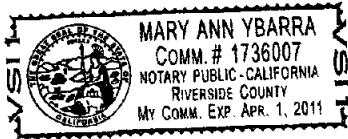
STATE OF CALIFORNIA }
COUNTY OF Riverside }

On February 23, 2011, before me, Mary Ann Ybarra, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Pedro S.G. Rodriguez
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.



Place Notary Seal Above

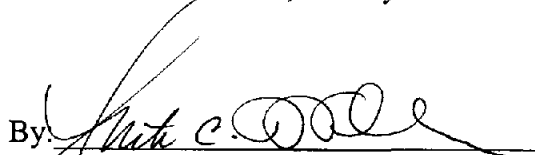
WITNESS my hand and official seal.

Signature Mary Ann Ybarra
Signature of Notary Public

COUNTY OF RIVERSIDE

By: _____
Bob Buster,
Chairman, Board of Supervisors

APPROVED AS TO FORM:
PAMELA J. WALLS, County Counsel

By:  _____
Deputy

[SIGNATURES ON THIS PAGE 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 _____
Signature of Notary Public

Place Notary Seal Above

Exhibit A

All of that certain real property located in the City of Desert Hot Springs, County of Riverside, State of California, described as follows:

PARCEL 1 OF PARCEL MAP 13353, AS SHOWN BY MAP ON FILE IN BOOK 73, PAGES 32 AND 33 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 663-320-016