

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

653



FROM: Redevelopment Agency

SUBMITTAL DATE:

August 4, 2011

SUBJECT: First Amendment to the Disposition and Development Agreement for the Desert Meadows Apartments

RECOMMENDED MOTION: That the Board of Directors:

1. Approve the attached first amendment to the disposition and development agreement for the Desert Meadows Apartments (First Amendment) by and among Desert Meadows Housing Partners, L.P., and the Redevelopment Agency for the County of Riverside (Agency);
2. Authorize the Chairman of the Board to execute the attached First Amendment;
3. Authorize the Executive Director, or designee, to execute a subordination agreement with the Union Bank in connection with a construction loan in an amount up to \$13,500,000 subject to approval by Agency counsel;

(Continued)

Robert Field
Executive Director

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:	2011/12

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: No

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

C.E.O. RECOMMENDATION: APPROVE

BY:
Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: ANITA C. WILLIS
DATE: 8-11

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

Prev. Agn. Ref.: 4.6 of 5/24/11; 9.1 of 4/5/11; 4.1 of 6/29/10

District: 4

Agenda Number

4.3

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

RECOMMENDED MOTION: (Continued)

4. Authorize the Executive Director, or designee, to execute estoppel certificates in connection with the construction loan from Union Bank and contribution from equity investor subject to approval by Agency counsel;
5. Authorize the Executive Director, or designee, to execute a subordination agreement with the Union Bank in connection with a permanent loan in an amount up to \$13,500,000 subject to approval by Agency counsel;
6. Authorize the Executive Director, or designee, to execute a subordination agreement with the State of California Department of Housing and Community Development in connection with the Multi-Family Housing Program loan in amount up to \$6,300,000 subject to approval by Agency counsel; and
7. Authorize the Executive Director, or designee, to take all necessary steps to implement the First Amendment, including, but not limited to, signing subsequent necessary and relevant documents.

BACKGROUND:

On June 29, 2010, the Board of Directors (Board) approved a Disposition and Development Agreement (DDA) for the use of Redevelopment Low- and Moderate-Income Housing Funds with National Community Renaissance of California, a California nonprofit public benefit corporation, for the development and construction of an 80-unit multi-family affordable apartment complex in the unincorporated area of the County of Riverside (project).

Subsequent to that, an Assignment, Assumption, Amendment and Consent agreement was approved and executed by the board on May 24, 2011, by which all right, title and interest of National Community Renaissance of California in the DDA was assigned to Desert Meadows Housing Partners, L.P. (developer).

Due to the adverse impact on project net operating income arising from affordability restrictions to be imposed on the project under the Agency Regulatory Agreement, developer has requested that the interest rate payable under the Agency Note be reduced from one percent (1%) to one quarter of one percent (.25%). Reducing the interest rate on the agency note is crucial to the project remaining sustainable, therefore staff recommends approving the reduction of the interest rate of the note. The developer has met all the conditions of the DDA and is ready to close construction financing and start construction of the project. In connection with a construction loan being made by Union Bank, the lender is requiring that the agency subordinate its loan to their construction loan, which at project completion will convert to a permanent loan. Also, in connection with the permanent loan from the State of California Department of Housing and Community Development Multi-Family Housing Program (MHP) loan the agency will be required to subordinate its loan to the state's permanent loan. The agency's loan will be in the third position behind a construction loan which will convert to a permanent first mortgage, and the State's MHP loan.

Agency counsel has reviewed and approved the attached First Amendment to the Disposition and Development Agreement. Staff recommends approval of First Amendment.

(Continued)

Redevelopment Agency
First Amendment to the Disposition and Development Agreement for the Desert Meadows
Apartments
July 14, 2011
Page 3

Attachments:

First Amendment to Disposition and Development Agreement
Regulatory Agreement
Grant Deed
Promissory Note
Deed of Trust with Assignment of Rents
Notice of Affordability Restrictions on Transfer of Property

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: Juan Garcia

10 SPACE ABOVE THIS LINE FOR RECORDERS USE

11 **FIRST AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT**

12 This First Amendment to Disposition and Development Agreement (the "First
13 Amendment") is made and entered into as of the ____ day of _____, 2011, by
14 and between the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE, a
15 public body, corporate and politic ("AGENCY"), and DESERT MEADOWS HOUSING
16 PARTNERS, LP, a California limited partnership ("DEVELOPER").

17 WITNESSETH:

18 WHEREAS, the AGENCY and National Community Renaissance of California, a
19 California nonprofit public benefit corporation ("NCRC") entered into that certain Disposition
20 and Development Agreement dated as of June 29, 2010 ("DDA") concerning, in part, a parcel
21 of real property owned by AGENCY located at 44071 Clinton Street, Indio ("Site") in the
22 unincorporated area of Riverside County, California (Assessor's Parcel No. 608-340-031)
23 more particularly described in the DDA; and

24 WHEREAS, NCRC, the DEVELOPER and the AGENCY entered into that certain
25 Assignment, Assumption, Amendment and Consent dated for identification as of May 24,
26 2011 ("Assignment"), by which all right, title and interest of NCRC in the DDA was assigned
27 to the DEVELOPER with consent of the AGENCY; and

28 WHEREAS, pursuant to the applicable executory provisions of the DDA, upon
satisfaction of the conditions precedent thereto the AGENCY shall sell, convey and transfer
the Site to the DEVELOPER in consideration of payment by DEVELOPER of the Purchase
Price and the performance by DEVELOPER of all terms and conditions of the DDA. Escrow

1 No. 630560-VR at Fidelity National Title Company has been opened as the Agency Escrow
2 pursuant to Section 2.2 of the DDA for the purpose of conveying the Site from the AGENCY
3 to the DEVELOPER; and

4 WHEREAS, under the terms and conditions of the DDA, the AGENCY has also agreed
5 to make the Agency Loan to the DEVELOPER in a principal amount not to exceed Seven
6 Million Nine Hundred Dollars (\$7,900,000), to be made pursuant to the terms and conditions
7 described in the DDA. In satisfaction of one of the conditions precedent thereto, the
8 DEVELOPER is obligated to execute the Agency Note, Attachment No. 12 to the DDA, and
9 deliver the same to the AGENCY for release to AGENCY concurrently with close of the
10 Agency Escrow. The Agency Note is to be secured by the Agency Deed of Trust, Attachment
11 No. 13 to the DDA, and concurrently with the closing, the Agency Regulatory Agreement,
12 Attachment No. 5 to the DDA, will be recorded. The Agency Note, the Agency Deed of Trust
13 and the Agency Regulatory Agreement are included in the Agency Loan Documents; and

14 WHEREAS, due to the adverse impact on Project net operating income arising from
15 affordability restrictions to be imposed on the Site under the Agency Regulatory Agreement,
16 DEVELOPER has requested that the interest rate payable under the Agency Note be reduced
17 from one percent (1%) to one quarter of one percent (.25%) and the AGENCY is willing to grant
18 such request; and

19 WHEREAS, Union Bank, as the proposed construction lender for the Project, has
20 requested certain confirmation of the timing of and retention from AGENCY's disbursement of
21 funds from the Agency Loan in payment of costs of construction of the Project pursuant to
22 Sections 4.15.3 and 4.17 of the DDA. The DEVELOPER has requested such confirmation and
23 the AGENCY is willing to grant such confirmation; and

24 WHEREAS, by providing the modifications and changes to the DDA as provided herein,
25 the Project can move forward and the supply of affordable housing in Riverside County shall
26 increase.

27 ///

28 ///

1 NOW, THEREFORE, in consideration of the foregoing, and the promises and mutual
2 covenants and conditions hereinafter set forth, AGENCY and DEVELOPER do hereby agree as
3 follows:

- 4 1. The definition of "MHP Loan" in Section 1.1 of the DDA is deleted and replaced in its
5 entirety with the following:

6 "MHP Loan" means a loan awarded to Developer for the Housing Project by the State of
7 California Department of Housing and Community Development. in the amount of
8 \$6,112,655 under the Multifamily Housing Program."

- 9 2. Section (iii) in the definition of "Transfer" in Section 1.1 of the DDA is amended by
10 adding the following subsection (I) as a permitted transfer:

11 "(I) The pledge by the general partner of the Tax Credit Limited Partnership to the lender of the
12 primary construction loan of all of general partner's interest in Developer as security for
13 the primary construction loan."

- 14 3. Section 4.1 of the DDA is amended by deleting the last two sentences of the Section 4.1
15 of the DDA and replacing them with the following:

16 "Of the eighty (80) units, fifty (50) will be two-bedroom apartment units and twenty-nine (29)
17 will be three-bedroom apartment units. One (1) additional three-bedroom unit will be
18 set aside for an outside manager's unit."

- 19 4. Section 4.15.3 of the DDA is deleted and replaced in its entirety with the following:

20 "4.15.3 **Distribution of Funds.** AGENCY shall pay and disburse to DEVELOPER the
21 sum specified in Section 4.17 below on a 'cost-as-incurred' basis for all eligible
22 development costs up to eighty-five percent (85%) of the principal amount of the
23 Agency Loan. As a consequence, the AGENCY shall disburse to DEVELOPER a sum
24 not to exceed Six Million Seven Hundred Fifteen Thousand Dollars (\$6,715,000) of the
25 Agency Loan, with credit as set forth in Section 4.17 below, in payment of the first
26 Construction Costs incurred by DEVELOPER associated with construction of the
27 Housing Project. A sum of One Million One Hundred Eighty-Five Thousand Dollars
28 (\$1,185,000) (i.e., 15% of the Agency Loan) shall be retained by AGENCY until the

1 Housing Project receives its Certificate of Completion. Disbursement of funds provided
2 in this Section shall occur upon the presentation to AGENCY of invoices and
3 conditional (upon receipt of payment) lien releases in draw/disbursement requests for
4 Construction Costs to be paid from the proceeds of the Agency Loan. Disbursement of
5 funds shall be in accordance with the construction schedule which shall be certified and
6 documented by the project architect. With each next successive draw/disbursement
7 request made by DEVELOPER to AGENCY, DEVELOPER shall provide AGENCY
8 with copies of executed unconditional lien releases relating to the previous progress
9 draw evidencing payment of amounts for which conditional lien releases had been
10 presented to the AGENCY to evidence payment of eligible development cost amounts.”

- 11 5. Section 4.15.8 of the DDA is amended by adding the following sentence at the end of
12 Section 4.15.8 of the DDA:

13 “It is further agreed that the terms, provisions and effect of this DDA will be
14 subordinated to the primary construction loan, the primary permanent loan and the MHP
15 Loan.”

- 16 6. Section 4.17 of the DDA is deleted and replaced in its entirety by the following:

17 “4.17 Agency Loan. In accordance with and subject to the terms and conditions of
18 this DDA and the Agency Note attached as Attachment 12 hereto, the AGENCY agrees
19 to provide the Agency Loan to DEVELOPER and DEVELOPER agrees to borrow such
20 funds for the purpose of payment of the Purchase Price of the Site and of Construction
21 Costs associated with the development of the Housing Project not to exceed Seven
22 Million Nine Hundred Thousand Dollars (\$7,900,000). Upon execution of the Agency
23 Loan Documents the amount of the outstanding balance of the Predevelopment Loan
24 shall be credited against the Agency Loan that the AGENCY has agreed to lend
25 DEVELOPER pursuant to this DDA (together constituting the “Agency Loan”). The
26 Agency Loan shall be evidenced by the Agency Note, executed by DEVELOPER and
27 delivered to AGENCY prior to the Closing Date. The Agency Note shall bear simple
28 interest at the rate of one quarter of one percent (.25%) per annum and shall be due and

1 payable fifty-five (55) years from the date of the issuance of a Certificate of Occupancy
2 for the Housing Project. The Agency Note shall be due and payable in full on the date
3 of any Sale or Transfer that occurs after the date of execution of the Agency Note. The
4 Agency Note shall be nonrecourse to the DEVELOPER immediately and automatically
5 following Completion and thereafter, subject to the limitations expressed therein. At
6 such time as the Agency Loan becomes nonrecourse, no deficiency judgment may be
7 obtained against the DEVELOPER or any permitted successor or assignee except for
8 fraud, material misrepresentation, intentional bad faith waste of or on the Housing
9 Project and such other matters are referred to in the Agency Note. The Agency Note
10 shall be secured by the Agency Deed of Trust. The parties contemplate that the Agency
11 Deed of Trust shall be subordinated to the deed of trust securing the Construction Loan
12 (and later, to the deed of trust securing the Permanent Loan, if an additional or different
13 deed of trust is used for such purpose), and to the deed of trust securing the MHP Loan.
14 AGENCY shall disburse funds from the Agency Loan to DEVELOPER on a 'cost-as-
15 incurred' basis for all eligible approved costs. As provided in Section 4.15.3 above, the
16 AGENCY shall disburse a sum not to exceed Six Million Seven Hundred Fifteen
17 Thousand Dollars (\$6,715,000) (85% of the principal balance of the Agency Loan) to or
18 for the benefit of DEVELOPER in accordance with provisions of this DDA. The
19 AGENCY shall retain a sum of One Million One Hundred Eighty-Five Thousand
20 Dollars (\$1,185,000) (15% of the total Agency Loan) until the Housing Project receives
21 a Certificate of Completion. Disbursement of funds shall occur upon the basis of
22 satisfactory receipt by AGENCY of copies of invoices and conditional (upon receipt of
23 payment) lien releases for Construction Costs to be paid with the proceeds of the
24 Agency Loan. DEVELOPER shall provide unconditional lien releases to the AGENCY
25 showing payment of those items for which conditional lien releases were provided to the
26 AGENCY in connection with the previous progress draw/disbursement request
27 submitted by DEVELOPER to AGENCY. Disbursement of funds shall be in
28 accordance with the construction schedule which shall be certified and documented by

1 the project architect.”

- 2 7. Section 4.21 of the DDA is deleted and replaced in its entirety with the following:

3 “4.21 **Housing Project Budget Revisions**. The Housing Project Budget, representing
4 DEVELOPER’s estimate of Development Costs to be incurred for the Housing Project,
5 has been attached to this DDA as Attachment No. 15. AGENCY and DEVELOPER
6 acknowledge that prior to construction when plans have been approved and bids can be
7 obtained based on such approved plans, as well as during construction (in the event of
8 the discovery of unforeseen circumstances), changes to the final, approved Housing
9 Project Budget may be required. In the event that work delineated in a line item of the
10 Housing Project Budget is completed and amounts disbursed therefore, leaving a
11 balance remaining available in such line item which is unexpended toward the payment
12 of such work, such balance may either be transferred directly to another account for
13 another line item in the Housing Project Budget where such surplus may be needed or
14 transferred to the line item for contingencies. In either event, the DEVELOPER shall
15 submit a revised Housing Project Budget showing such revisions to the AGENCY. The
16 AGENCY Executive Director or his/her designee is hereby authorized to act on behalf
17 of the AGENCY to approve any revisions to the Housing Project Budget excepting for
18 any increases in the amount of money to be made available by the AGENCY as the
19 Agency Loan for the Housing Project. The total AGENCY Agreement loan amount not
20 to exceed the agreed upon amount in the DDA.

21 Because of the specialized nature of the funding for this Housing Project,
22 unanticipated material increases could constitute a challenge to Housing Project
23 completion and may cause costs to the Housing Project unanticipated in the Housing
24 Project Budget. Should DEVELOPER become aware of any such material fact or
25 circumstance which will result in a material increase in the proposed Development Costs
26 for the Housing Project, said amount shall be absorbed out of the contingency funds
27 and/or Developer Fee.”

- 28 8. Section 4.23 of the DDA is hereby revised to insert the following at the end of the

1 Section: “, and calculation and reduction of any tax credit equity adjusters.”

2 9. Notwithstanding anything to the contrary contained in the DDA, the Agency hereby
3 agrees that its right of reverter contained in Section 7.11 shall expire upon issuance of
4 the Certificate of Completion.

5 10. Attachment No. 3 of the DDA is hereby replaced with the revised Attachment No. 3 of
6 this First Amendment, which is attached hereto and by this reference incorporated
7 herein.

8 11. Attachment No. 5 of the DDA is hereby replaced with the revised Attachment No. 5 of
9 this First Amendment, which is attached hereto and by this reference incorporated
10 herein.

11 12. Attachment No. 6 of the DDA is hereby replaced with the revised Attachment No. 6 of
12 this First Amendment, which is attached hereto and by this reference incorporated
13 herein.

14 13. Attachment No. 12 of the DDA is hereby replaced with the revised Attachment No. 12
15 of this First Amendment, which is attached hereto and by this reference incorporated
16 herein.

17 14. Attachment No. 13 of the DDA is hereby replaced with the revised Attachment No. 13
18 of this First Amendment, which is attached hereto and by this reference incorporated
19 herein.

20 15. Attachment No. 14 of the DDA is hereby replaced with the revised Attachment No. 14
21 of this First Amendment, which is attached hereto and by this reference incorporated
22 herein.

23 16. The Agency hereby approves (i) the admission of the Investor Limited Partner and the
24 Special Limited Partner as limited partners of the Partnership, (ii) the withdrawal of the
25 Withdrawing Limited Partner from the Partnership, (iii) the execution by the partners of
26 the Partnership of the Amended and Restated Limited Partnership Agreement and (iv)
27 the terms and conditions of the Amended Limited Partnership Agreement.

28 17. Attachment No. 15 of the DDA is hereby replaced with the revised Attachment No. 15

1 of this First Amendment, which is attached hereto and by this reference incorporated
2 herein.

3 18. This First Amendment and the DDA set forth and contain the entire understanding and
4 agreement of the parties hereto. There are no oral or written representations,
5 understanding or ancillary covenants, undertakings or agreements which are not
6 contained or expressly referred to within this First Amendment and/or the DDA.

7
8 19. Each of the attachments and exhibits attached hereto are incorporated herein by this
9 reference.

10 20. Except as modified and amended by this First Amendment all other terms and conditions
11 of the DDA remain unmodified and in full force and effect.

12 21. This First Amendment may be signed by the different parties hereto in counterparts,
13 each of which shall be an original but all of which together shall constitute one and the
14 same agreement.

15 22. The effective date of this First Amendment is the date the parties execute this First
16 Amendment. If the parties execute the First Amendment on more than one date, then the
17 last date the First Amendment is executed by a party shall be the effective date.

18
19 (SIGNATURES ON NEXT PAGE)


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1 IN WITNESS WHEREOF, the AGENCY and DEVELOPER have executed this First
2 Amendment as of the date first above written.

3
4 "DEVELOPER"

5 Desert Meadows Housing Partners, LP,
6 a California limited partnership

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

10
11 By: 
Richard J. Whittingham, CFO

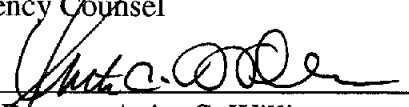
12
13 "AGENCY"

14 Redevelopment Agency for the County of Riverside,
15 a public body, corporate and politic

16 By: _____
17 BOB BUSTER
Chairman, Board of Directors

18
19 APPROVED AS TO FORM AND LEGAL CONTENT:

20 PAMELA I. WALLS
Agency Counsel

21 By: 
22 Deputy, Anita C. Willis

23 ATTEST:
24 KECIA HARPER-IHEM
25 Clerk of the Board

26 By: _____
27 Deputy, _____

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

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

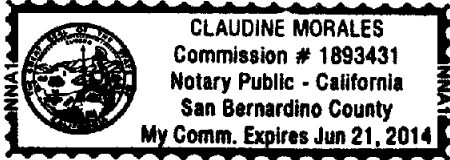
COUNTY OF San Bernardino }

On July 29, 2011, before me, Claudine Morales, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Richard J. Whittingham
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 Claudine Morales
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

ATTACHMENT NO. 3
[SCHEDULE OF PERFORMANCE]

ATTACHMENT NO. 3

SCHEDULE OF PERFORMANCE

The Agency may extend by not more than sixty (60) days the time under this Schedule of Performance by which any obligation of Developer shall be performed.

General Provisions

1. Award of Tax Credits and Tax-exempt Bond Allocation. Developer shall apply for and obtain a TCAC allocation of Tax Credits and a CDLAC Tax-exempt Bond Allocation for the Housing Project.

Developer shall apply for Tax Credits and Tax Exempt Bonds allocations in the next applicable CDLAC and TCAC bi-monthly schedule as soon as a commitment of award of MHP funds is obtained Developer shall submit to Agency evidence of any approval to Agency within fifteen (15) calendar days of its notification thereof.
2. Submission of a Plan for Resident Marketing Selection. Developer shall submit a plan for resident marketing and selection that incorporates, among other things, a plan to prohibit preferential treatment for a family members or employees of Developers.

Not later than thirty (30) calendar days prior to Close of Escrow.

Financing Commitments

1. Affordable Housing Program Funding. Developer may apply for Affordable Housing Program Funding.

Not later than the deadline imposed by the Affordable Housing Grant Program ("AHP") for the Spring 2011 round application cycle. If Developer is not successful in the Spring 2011 round, Developer may re-apply not later than the deadlines imposed by the AHP for the Fall 2011 round application cycle.
2. Multifamily Housing Program. Developer shall secure a loan from the State of California Department of Housing and Community Development

Not later than the deadline imposed by the State of California Department of Housing and Community Development Multifamily Housing Program ("MHP") for the Spring 2010 round application cycle.
3. Financing Plan. Developer shall submit to Agency current evidence of all financing proposed to fund all Development Costs including, but not limited to, commitments for the Construction Loan, including

Not later than thirty (30) calendar days after the award and Developer's receipt of Low Income Housing Tax Credits.

Construction Loan Documents, commitments for the permanent loan, evidence of Developers Equity, and evidence and commitments of all other funding sources set forth in Attachment No. 15 of the Housing Project Budget, and including commitments to fund any funding deficit or increase to any line item of the Development Costs.

4. Financing Plan. Agency shall approve or disapprove Developer's evidence of financing.

Not later than thirty (30) calendar days after Agency receives complete submission of evidence of financing.

Closing and Construction

1. Submission to Planning Department. Submit construction drawings to County Planning Department.

On or before September 30, 2010.

2. Building Permits Obtained. Developer shall apply to County Planning for all permits required to develop the Site and construct the Improvements including, but not limited to, building and grading permits, and then submit to Agency

On or before September 15, 2011.

3. Satisfaction of Agency Conditions Precedent. Developer shall satisfy the Agency Conditions Precedent.

Not later than August 15, 2011.

4. Conveyance of Title and Close of Escrow. Provided all conditions precedent to Close Escrow have been satisfied, Agency shall convey title to the Site to Developer, and escrow for the conveyance of the Site to Developer shall be closed. The Conveyance is affected by the Agency Deed, to be evidenced and made of public record by the recording of the Agency Deed.

Within thirty (30) days after the satisfaction of the Agency Conditions Precedent.

5. Commencement of Construction. The Developer shall have commenced construction of the Improvements (which shall include demotion and site

Not later than October 30, 2011.

preparation).

6. Completion of Construction. Developer shall complete construction of the Improvements on the Site (as shown on the Final Construction Drawings upon which Developer's building permit is based).

No later than eighteen (18) months after the commencement of construction of the Improvements.

7. Units Offered for Rent. Developer causes the Units to be offered for rent.

Within one hundred (100) days after the earlier of (i) completion of construction or (ii) the time established for completion of construction in this Schedule of Performance.

ATTACHMENT NO. 5
[REGULATORY AGREEMENT]

NO FEE RECORDING PURSUANT TO
GOVERNMENT CODE SECTION 6103

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Redevelopment Agency for
the County of Riverside
3403 Tenth, Suite 500
Riverside, California 92501
Attn: Juan Garcia

(Space above for Recorder's Use.)

REGULATORY AGREEMENT

These Covenants, Conditions and Restrictions, herein sometimes referred to as these "CC&Rs" or "Declaration" or "Regulatory Agreement" are made by the signatories hereto.

RECITALS

WHEREAS, each of the **REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**, a public body, corporate and politic ("Agency"), and **DESERT MEADOWS HOUSING PARTNERS, LP**, a California limited partnership ("Developer") is a party to this Declaration. The Agency and the Developer are sometimes collectively referred to herein as the "Declarants."

WHEREAS, the Agency and **NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA**, a California nonprofit public benefit corporation entered into that certain Disposition and Development Agreement dated as of June 29, 2010 (the "DDA") for the improvement and development of certain real property described in Exhibit "A" (to which these CC&Rs are an encumbrance) referred to herein as the "Site", which DDA provides for the recordation of this Regulatory Agreement. All right, title and interest of National Community Renaissance of California was assigned to Desert Meadows Housing Partners, LP, pursuant to that certain Assignment, Assumption, Amendment and Consent dated for identification as of May 24, 2011 among National Community Renaissance of California, Desert Meadows Housing Partners, LP, and the Redevelopment Agency for the County of Riverside. The DDA is incorporated herein by this reference and any capitalized term not defined herein shall have the meaning established therefore in the DDA.

WHEREAS, this Regulatory Agreement establishes a plan for the improvement, development and maintenance of the Site, for the benefit of the Project Area, as well as the rest of the Riverside County.

WHEREAS, it is contemplated under the DDA that, as of the recordation of this Regulatory Agreement, the Agency will convey to the Developer under a form of deed provided for in the DDA (and therein defined as the "Agency Deed") the "Site", which is that certain property described in the legal description attached hereto as "Exhibit A" and incorporated herein by this reference.

WHEREAS, the DDA sets forth certain restrictive covenants applicable to the Site, particularly the use of the Site for the provision of rental housing units available to Extremely Low to Very Low Income Households at Affordable Rents as those terms are defined therein.

WHEREAS, Agency and Developer wish to adopt this Regulatory Agreement to further govern the use of the Site in conjunction and along with the DDA and to ensure that the Agency achieves credit for production of affordable housing units pursuant to Section 33413 of the California Health and Safety Code.

NOW, THEREFORE, each of the Agency and the Developer (as owner of real property interests described hereinabove) declare that the Site shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied subject to the Covenants, Conditions and Restrictions hereinafter set forth expressly and exclusively for the use and benefit of said property, and the Agency. Each and all of the restrictions, limitations, conditions, covenants, liens, reservations and charges herein contained shall run with the land and be recorded on the property title and shall be binding on Declarant, its grantees, successors, heirs, executors, administrators, devisees or assigns, and all subsequent owners of all or any part of the Site.

ARTICLE I DEFINITIONS

The definitions provided herein shall be applicable to this Declaration and also to any amendment or supplemental Declaration (unless the context implicitly or explicitly shall prohibit), recorded against the Site pursuant to the provision of this Declaration.

Section 1. “Affordable Housing Project” means an affordable housing project operated in conformity with this Regulatory Agreement throughout the Required Covenant Period.

Section 2. “Affordable Rent” has the meaning set forth in Health and Safety Code Section 50053. For an Extremely Low Income Household, Affordable Rent means a monthly rent which does not exceed one twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of the Median Income for the Area for a household size appropriate to the unit. For a Very Low Income Household, Affordable Rent means a monthly rent which does not exceed one twelfth (1/12th) of thirty percent (30%) of forty percent (40%) of the Median Income for the Area for a household size appropriate to the unit. “Household size appropriate to the unit,” as used herein, means two persons for each one-bedroom unit (if any), and four persons for each two bedroom unit. The maximum monthly rental amount of the units shall be adjusted annually by the formula set forth above upon the promulgation of revised Riverside-San Bernardino Primary Metropolitan Statistical Area median income figures by regulation of the California Department of Housing and Community Development. Actual rent charged may be less than such maximum rent.

Section 3. “Agency” means the Redevelopment Agency for the County of Riverside and its successors in interest.

Section 4. “Approved Housing Project” means all improvements as provided to be developed by Developer under the DDA. The Approved Housing Project must be completed in strict conformity with all specifications contained in or referred to in the DDA.

Section 5. “Area” means the Riverside-San Bernardino Primary Metropolitan Statistical Area, as periodically defined by HUD.

Section 6. “Calculation of Affordable Rents” means the worksheet substantially in the form of Attachment No. 7 to the DDA.

Section 7. “Certificate” or “Certification” is defined in Section 3(a).

Section 8. “County” means and refers to the County of Riverside, a political subdivision of the State of California.

Section 9. “County Ordinances” means and refers to the County of Riverside County Ordinances as revised from time to time.

Section 10. “Common Areas” means all areas on the Site that are open or accessible to all tenants of the Site (such as grounds, but excluding buildings).

Section 11. “Extremely Low Income Households” means Extremely Low Income Households whose Adjusted Income does not exceed thirty percent (30%) of Median Income for the Area as determined by the United States Department of Housing and Urban Development from time to time and as set forth in Health and Safety Code Section 50105.

Section 12. “Gross Income” means all payments from all sources received by a person (together with the gross income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) whether in cash or in kind as calculated pursuant to the Department of Housing and Urban Development (“HUD”) Regulations (24 C.F.R. § 813) in effect as of the Date of Agreement.

Section 13. “Housing Project” means the eighty (80) unit multi-family apartment complex to be constructed on the Site under the DDA.

Section 14. “Median Income for the Area” means the median income for the Area as most recently determined by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, or, if programs under Section 8 are terminated, Median Income for the Area determined under the method used by the Secretary prior to such termination.

Section 15. “Prescribed Rent Levels” means rent that is Affordable Rent as follows: (a) for Extremely Low to Very Low Income Households for the following units, as indicated by number of bedrooms: (i) sixty eight (68) of the eighty (80) total units shall be restricted for Extremely Low to Very Low Income Households. Not less than eight (8) of the total Assisted Units shall be reserved for extremely low income households whose incomes do not exceed thirty percent (30%) of area median income for the County. A three bedroom unit shall be designated as a manager’s unit. Rent is not required to be Affordable Rent as to one manager’s unit.

Section 16. “Regulatory Agreement” means this Regulatory Agreement and any amendments, modifications or supplements which may also be referred to herein as these “CC&Rs” or this “Declaration”.

Section 17. “Required Assisted Unit” means a dwelling unit in the Housing Project, as constructed under the DDA, and available to, occupied by, or held vacant for occupancy only by tenants qualifying as Extremely Low to Very Low Income Households and rented at Affordable Rent conforming to the Prescribed Rent Levels.

Section 18. “Required Covenant Period” means a period of fifty-five (55) years commencing as of the issuance of a final certificate of occupancy for all of the Units and continuing until the fifty-sixth (56th) anniversary thereof.

Section 19. “Qualified Household” means a qualified low income household, as defined by California Health and Safety Code Section 50079.5 and 50105.

Section 20. “Site” means all of the real property and appurtenances as described above, including all structures and other improvements thereon, and those hereafter constructed.

Section 21. “Tax Credit Regulatory Agreement” means a reasonable agreement to be prepared or approved by counsel designated by Agency, in the event Tax Credits are made available for the Housing Project, setting forth certain covenants as to the Site.

Section 22. “Unit” means a dwelling unit on the Housing Project.

Section 23. “Very Low Income Households” means Very Low Income Households whose Adjusted Income does not exceed forty percent (40%) of Median Income for the Area as determined by the United States Department of Housing and Urban Development from time to time and as set forth in Health and Safety Code Section 50105.

Section 24. “Year” means a calendar year.

ARTICLE II

LAND USE RESTRICTIONS; IMPROVEMENTS

Section 1. Uses. The Developer shall develop the approved Housing Project on the Site in conformity with the DDA. Thereafter, the Site shall be operated as an Affordable Housing Project and devoted only to the uses specified in the DDA, the Tax Credit Regulatory Agreement and this Regulatory Agreement for the periods of time specified herein. All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to the DDA, shall conform to all applicable provisions of the County Ordinances and the County Approvals.

The Site shall be used, maintained and operated in accordance with the DDA. None of the units in the Housing Project shall at any time be utilized on a transient basis nor shall the Housing Project or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer court or park. No part of the Site, from the date the Developer acquired its interest in the Site, has been or will at any time be owned or used as a cooperative housing corporation or a community apartment project or a stock cooperative.

Developer agrees to reserve sixty eight (68) of the total rental units, for Extremely Low to Very Low Income households. Such units (“Assisted Units”) shall be limited to Extremely Low to Very Low-Income households that do not exceed thirty percent (30%) to forty percent (40%)

area median income for the County, adjusted by family size at the time occupancy, as defined by California Health and Safety Code Sections 50079.5 and 50105. Not less than eight (8) of the total Assisted Units shall be reserved for Extremely Low Income Households whose incomes do not exceed thirty percent (30%) of area median income for the County, adjusted by family size at the time of occupancy, as defined by California Health and Safety Code Sections 50079.5 and 50105.

Section 2. Affordable Housing.

Number of Units. Throughout the Required Covenant Period, not less than sixty eight (68) housing units shall be rented to and occupied by Extremely Low to Very Low Income Households. Required Assisted Units shall be continuously occupied by or held available for occupancy by Extremely Low to Very Low Income Households at Affordable Rent. Not less than eight (8) of the total Assisted Units shall be reserved for Extremely Low Income Households. All Assisted Units shall be rented at Affordable Rent. For this purpose, a tenant who qualifies as a Extremely Low or Very Low Income Household at the time he or she first occupies an Assisted Unit shall be deemed to continue to be so qualified until such time as a recertification of such individual's or family's income in accordance with Section 3 below demonstrates that such individual or family no longer qualifies as a Qualified Household. Moreover, a unit previously occupied by an Extremely Low to Very Low Income Household, and then vacated shall be considered occupied by such Qualified Household until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed thirty-one (31) days.

At such time as a tenant ceases to qualify as a Qualified Household, the unit occupied by such tenant shall cease to be a Qualified Household. The Developer shall replace each such Required Assisted Unit by designating the next available unit and any necessary units thereafter as a Extremely Low to Very Low Income Unit. For purposes of this DDA, such designated unit will be considered a Required Assisted Unit if it is held vacant and available for occupancy by a Extremely Lo to Very Low Income Household, and, upon occupancy, the income eligibility of the tenant as a Extremely Low or Very Low Income Household is verified and the unit is rented at Affordable Rent. One three bedroom unit shall be designated as a managers unit.

In the event a household's income initially complies with the corresponding income restriction for a Required Assisted Unit but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Regulatory Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed one year (measured from the time the income of the household ceases to qualify at the designated affordability level). The Developer shall include in its rental agreements provisions which implement this requirement and limitation, and the Developer shall expressly inform prospective renters as to this limitation prior to the commencement of a tenancy. So long as the Housing Project is subject to the Tax Credit Regulatory Agreement, the provisions thereof shall govern the disposition of such over income household.

Duration of Affordability Requirements. The Required Assisted Units shall be available to and occupied by Extremely Low to Very Low Income Households at Affordable Rent throughout the Required Covenant Period. All tenants residing in the Assisted Units during the last two (2) years of the Required Covenant Period shall be given notice by the Developer at least once every six (6) months prior to the expiration date of this requirement, that the rent payable on the Assisted Unit may be raised to a market rate rent at the end of the Required Covenant Period.

Selection of Tenants. As specified herein below, Developer shall demonstrate to the Agency that the proposed tenants of each of the Required Assisted Units constitutes a Extremely Low to Very Low Income Household.

Prior to the rental or lease of an Required Assisted Unit to a tenant, and as set forth in this Section 2 of Article II of this Declaration, the Developer shall require the tenant to execute a written lease and to complete an Income Verification certifying that the tenant(s) occupying the Required Assisted Unit is/are a Extremely Low to Very Low Income and meet(s) the eligibility requirements established for the Required Assisted Unit. The Developer shall verify the income of the tenant(s).

The Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. The Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.

Determination of Affordable Rent for the Assisted Units. The Assisted Units shall be rented or leased at Affordable Rent. As of the approval of the DDA, Affordable Rent is calculated in accordance with the Calculation of Affordable Rent. The maximum monthly rental for the Assisted Unit shall be adjusted annually as permitted pursuant to the Calculation of Affordable Rent.

THE DEVELOPER UNDERSTANDS AND KNOWINGLY AGREES THAT THE MAXIMUM RENTAL FOR THE ASSISTED UNITS ESTABLISHED BY THE DDA, AND THIS REGULATORY AGREEMENT IS SUBSTANTIALLY BELOW THE FAIR MARKET RENT FOR THE ASSISTED UNITS.

Section 3. Developer Verification and Program Compliance.

Income Verification and Certification. The Developer will obtain and maintain on file an Income Verification from each tenant, dated immediately prior to the initial occupancy of such tenant in the Housing Project and should obtain a recertification of income on the anniversary date thereof for each year the tenant remains in occupancy of the Housing Project.

On March 31st commencing the year in which the Certificate of Completion is issued and annually thereafter each March during the Required Covenant Period, the Developer shall file with the Agency or its designee a Certificate, containing all information required pursuant to Health and Safety Code Section 33418, in a form prescribed by the Agency. Each Certificate shall cover the immediately preceding fiscal year.

Reporting Amounts. Agency is required by Section 33418 of the California Health and Safety Code to require Developer to monitor the Assisted Units and submit the annual reports required by Section 3 of Article II of this Declaration. The Agency relies upon the information contained in such reports to satisfy its own reporting requirements pursuant to Sections 33080 and 33080.1 of the California Health and Safety Code. In the event the Developer fails to submit to the Agency or its designee the Certification as required by this Section 3, the Developer shall be in noncompliance with this Regulatory Agreement. In the event the Developer remains in noncompliance for thirty (30) days following receipt of written notice from the Agency of such noncompliance under Sections 3(a) and 3(b) of Article II hereinabove, then the Developer shall,

without further notice or opportunity to cure, pay to the Agency Two Hundred Fifty Dollars (\$250.00) per Required Assisted Unit for each year Developer fails to submit a Certificate covering each and every housing unit on the Site.

Section 4. Nondiscrimination. The Developer shall refrain from restricting the rental, sale or lease of the Site, or any portion thereof, on the basis of race, color, creed, religion, sex, marital status, national origin or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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

(2) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

"That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(3) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this DDA, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Declaration and the deeds of conveyance for the Site shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Agency, its successors and assigns, the Agency and any successor in interest to the Site, together with any property acquired by the Developer pursuant to this DDA, or any part thereof. The

covenants against discrimination as set forth in this Section 1 of Article II shall remain in effect in perpetuity.

Section 5. Parking of Vehicles. The Developer shall not permit the parking, storing or keeping of any vehicle except wholly within the parking areas designated for the Required Assisted Units. Except for Developer's vehicles used in connection with the operation of the Housing Project or the provision of social services to residents of the Housing Project, the Developer shall not permit the parking, storing or keeping of any large commercial type vehicle (dump truck, cement mixer truck, oil or gas truck, etc.), or any recreational vehicle over twenty (20) feet in length (camper unit, motor home, trailer, mobile home or other similar vehicle), boats over twenty (20) feet in length, or any vehicle other than a private passenger vehicle, upon any portion of the Common Areas, including parking spaces. For purposes of this section, a pickup truck with a pickup bed mounted camper shall be considered a private passenger vehicle; provided however, that no such vehicle shall be used for residential purposes while parked on the premises.

The Developer shall not permit major repairs or major restorations of any motor vehicle, boat, trailer, aircraft or other vehicle to be conducted upon any portion of the Common Area, including the parking areas, except for emergency repairs thereto and then only to the extent necessary to enable movement of the vehicle to a proper repair facility. No inoperable vehicle shall be stored or kept in the Common Area. The Developer shall give the vehicle owner not less than four (4) days, nor more than seven (7) days notice and an opportunity to remove any vehicle parked, stored or kept in violation of the provisions of this Declaration. Notice shall consist minimally of a reasonably diligent attempt to personally notify the vehicle owner or alternatively leaving written notice on the subject vehicle. After due notice and opportunity have been given to the vehicle owner, the Developer shall have the right to remove, at the vehicle owner's expense, any vehicle parked, stored or kept in violation of the provisions of this Declaration.

Section 6. Maximum Occupancies. No persons shall be permitted to occupy any unit within the Housing Project in excess of applicable limit of maximum occupancy set by County Ordinances and the laws of the State of California.

Section 7. Signs Required. "Illegally parked vehicles will be towed" signs in compliance with California Vehicle Code requirements will be posted and enforced by the Developer.

Section 8. Structural Change. Nothing shall be done on the Site in, on or to any building which would structurally change the exterior or the interior bearing walls of any such building or structure, except as otherwise provided herein. Nothing herein shall affect the rights of the Developer to repair, alter or construct improvements on the buildings on the Site unless such repair, alteration or improvement would impair the structural integrity and/or exterior appearance of said buildings. Nothing herein shall be deemed to prohibit work ordered to be performed by the County building official.

Section 9. Social Services. At all times any Units are occupied, continuing throughout the Required Covenant Period, Developer shall provide, or cause to be provided, activities and programs appropriate to the needs of the residents of the Housing Project, with the selection of such activities and programs to be determined by Developer, to be consistent with the description of the services outlined in the TCAC application, and shall take into consideration the needs of residents of the Housing Project. The specific types of social services to be provided shall be submitted to and

approved by the Agency, and may be revised with the prior approval of the Agency, which approval shall not be unreasonably withheld.

Section 10. Compliance with Laws. The Developer shall comply with all applicable laws in connection with the development and use of the Site, including without limitation the California Community Redevelopment Law (Health and Safety Code section 33000, *et seq.*) and Fair Housing Act (42 U.S.C. § 3601, *et seq.*, and 24 C.F.R. § 100.300, *et seq.*). The Developer is a sophisticated party, with substantial experience in the acquisition, development, financing, obtaining financing for, marketing, and operation of affordable housing projects, and with the negotiation, review, and preparation of agreements and other documents in connection with such activities. The Developer is familiar with and has reviewed all laws and regulations pertaining to the acquisition, development and operation of the Housing Project and has obtained advice from any advisers of its own choosing in connection with this DDA.

ARTICLE III

DUTIES OF DEVELOPER: SPECIFIC MAINTENANCE RESPONSIBILITIES

Section 1. Maintenance; General. The Developer shall maintain the Housing Project or cause it to be maintained in a decent, safe and sanitary manner, and in accordance with the standard of maintenance of first class apartment units within the County. If at any time Developer fails to maintain the Housing Project in accordance with this Regulatory Agreement and such condition is not corrected within five (5) days after written notice from the Agency with respect to graffiti, debris, and waste material, or thirty days after written notice from the Agency with respect to general maintenance, landscaping and building improvements, then the Agency, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Housing Project and perform all acts and work necessary to protect, maintain, and preserve the Housing Project, and to attach a lien upon the Housing Project, or to assess the Housing Project, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the Agency and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to the Agency upon demand.

Section 2 Exterior Building Maintenance. All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking and defacing marks. Any such defacing marks shall be cleaned or removed within a reasonable period of time as set forth herein.

Section 3. Front and Side Exteriors. The Developer shall at all times maintain the front exterior and yard in a clean, safe and presentable manner, free from defacing marks or any disrepair and any visible side exteriors. The Developer shall hire maintenance personnel to maintain and/or repair any front exterior or yard or visible side yard and exterior of any lot or building.

Section 4. Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures must be removed and any necessary painting or repair completed by the later to occur of (i) one hundred twenty (120) hours of their creation or (ii) one hundred twenty (120) hours after notice to Developer.

Section 5. Driveways. All driveways must be paved and maintained with impervious material in accordance with the County Ordinances. In addition, all water must be made to drain freely to the drainage facilities approved for the Housing Project without any pooling.

Section 6. Exterior Illumination. The Developer shall at all times maintain adequate lighting in all entrance ways, garages and parking areas. Adequate lighting means outdoor, night lighting designed and installed, which provides no less than one (1.0) foot candles in the parking areas and no less than one and one-half (1-1/2) foot candles in the walking areas or Common Areas and no less than 0.2 foot candles at the point of least illumination.

Section 7. Trash Bins. All trash shall be collected and placed at all times in an enclosable bin to be placed in a designated refuse/trash bin area. The designated area shall be located so that the bin will, to the extent possible, be readily accessible from the paved driving surfaces.

Section 8. Prohibited Signs. No sign of any kind shall be displayed to the public view on or from any portion of the Site without the approval of the County and appropriate County departments if any as required by the County Ordinances.

ARTICLE IV **OBLIGATION TO MAINTAIN, REPAIR AND REBUILD**

Section 1. Maintenance by Developer. The Developer shall, at its sole cost and expense, maintain and repair the Site and the improvements thereon keeping the same in a decent, safe and sanitary manner, in accordance with the United States Department of Housing and Urban Development ("HUD") Housing Quality Standards ("HQS"), and in good condition and making all repairs as they may be required by these CC&Rs and by all applicable County Ordinances and Uniform Code provisions. The Developer shall also maintain the landscaping required to be planted in a healthy condition. If, at any time, Developer fails to maintain the Housing Project or any portion thereof, and said condition is not corrected after the expiration of forty-five (45) days from the date of written notice from the Agency, the Agency may perform the necessary maintenance and Developer shall pay such costs as are reasonably incurred for such maintenance. Payment shall be due within fifteen (15) days of receipt of an invoice from the Agency.

Section 2. Damage and Destruction Affecting Project - Developer's Duty to Rebuild. If all or any portion of the Site and the improvements thereon is damaged or destroyed by fire or other casualty for which insurance proceeds are available to or for Developer as a result of such casualty, it shall be the duty of the Developer to rebuild, repair or reconstruct said portion of the Site and/or the improvements in a timely manner which will restore it to Code compliance condition.

In furtherance of the requirements of this Section 2, Developer shall keep the construction on the Site insured by carriers at all times satisfactory to Agency against loss by fire and such other hazards, casualties, liabilities and contingencies as included within an all risk extended coverage hazard insurance policy, in an amount of the full replacement cost of the constructions. In the event of loss, Developer shall give prompt notice to the insurance carrier and to the Agency.

If the Site is abandoned by the Developer, or if Developer fails to respond to Agency within thirty (30) days from the date notice is mailed by Agency to Developer that the insurance carrier offers to settle a claim for insurance benefits, subject to any claims thereto by a senior lienholder, the Agency is authorized to collect and apply the insurance proceeds at Agency's option either to restoration or repair of the Site.

Section 3. Variance in Exterior Appearance and Design. In the event the Housing Project sustains substantial physical damage due to a casualty event, the Developer may apply to the

County of Riverside for approval to reconstruct, rebuild or repair in a manner which will provide different exterior appearance and lot design from that which existed prior to the date of the casualty.

Section 4. Time Limitation. Upon damage to the Site or the Housing Project or other improvements which Developer is obligated to repair pursuant to Section 2 above, the Developer shall be obligated to proceed with all due diligence hereunder and commence reconstruction within two (2) months after the damage occurs and complete reconstruction within six (6) months after damage occurs or demolition and vacate within two (2) months, unless prevented by causes beyond their reasonable control, in which event reconstruction shall be commenced at the earliest feasible time.

ARTICLE V ENFORCEMENT

Section 1. Remedies. Breach of the covenants contained in the Declaration may be enjoined, abated or remedied by appropriate legal proceeding by the Agency.

This Declaration does not in any way infringe on the right or duties of the County of Riverside to enforce any of the provisions of the County Ordinances including, but not limited to, the abatement of dangerous buildings.

Section 2. Nuisance. The result of every act or omission whereby any of the covenants contained in this Declaration are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowable at law or equity, against a nuisance, either public or private, shall be applicable against every such result and may be exercised by any owner or its successors in interest, without derogation of the County's rights under law.

Section 3. Right of Entry. In addition to the above general rights of enforcement, the Agency shall have the right through its agents and employees, to enter upon any part of the project area for the purpose of enforcing the California Vehicle Code, and the ordinances and other regulations of the County, and for maintenance and/or repair of any or all publicly owned utilities. In addition, the Agency has the right of entry at reasonable hours and upon and after reasonable attempts to contact Developer, on the Site to effect emergency repairs or maintenance which the Developer was obligated to but has failed to perform. Subsequent to sixty (60) days written notice to the Developer specifically outlining the Developer's noncompliance, the County shall have the right of entry on the Site at reasonable hours to enforce compliance with this Declaration which the Developer has failed to perform, subject to the nonrecourse provisions of the Agency Note and Article VI, Section 4 below.

Section 4. Costs of Repair. The costs borne by the Agency of any such repairs or maintenance emergency and/or non-emergency, shall become a charge for which Developer shall be responsible.

Section 5. Cumulative Remedies. The remedies herein provided for breach of the covenants contained in this Declaration shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

Section 6. Failure to Enforce. The failure to enforce any of the covenants contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter.

Section 7. Enforcement and Nonliability. The Agency may from time to time make such efforts, if any, as it shall deem appropriate enforce and/or assist in enforcing this Declaration. However, neither the Agency nor the County will be subject to any liability for failure to affirmatively enforce any provision of this Declaration.

ARTICLE VI

GENERAL PROVISIONS

Section 1. Covenant Against Partition. By acceptance of its interest in the Site, the Developer shall be deemed to covenant for itself and for its heirs, representatives, successors and assigns, that it will not institute legal proceedings or otherwise seek to effect partition of its right and interest in the interest being conveyed to the Developer, or the burdens running with the land as a result of this Regulatory Agreement.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in all force and effect.

Section 3. Term. This Declaration shall run with and bind the interest of the Developer in the Site, and shall inure to the owner(s) of any property subject to this Declaration, his legal representatives, heirs, successors and assigns, and as provided in Article II, Sections 1 and 2, be enforceable by the Agency, for a term equal to the Required Covenant Period as defined in the DDA, provided; however, that the covenants regarding nondiscrimination set forth in Section 4 of Article II of this Declaration shall remain in effect for perpetuity.

Section 4. Nonrecourse. Liabilities of the Developer to make payments hereunder shall be nonrecourse.

Section 5. Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of rental housing available at Affordable Rent for Extremely Low to Very Low Income Households. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

The Developer shall be obligated by this Declaration to comply with the provisions hereof, as well as the provisions of the Agency Deed, and the Tax Credit Regulatory Agreement. In the event of conflict, the Developer shall comply with the most stringent requirements, in each case.

Section 6. Enforced Delay; Extension of Times of Performance. Performance hereunder shall not be deemed to be in default, and all performance and other dates specified in this Regulatory Agreement shall be extended, where delays or defaults are due to: war; insurrection; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; acts or omissions of another party, or acts or failures to act of the County or any other public or governmental agency or entity. Notwithstanding anything to the contrary in this Regulatory Agreement, an extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other parties, the Agency, within thirty (30) days of the commencement of the cause. Times of performance under this Regulatory Agreement may also be extended in writing by the mutual agreement of the Agency, and the Developer to be given or withheld at the sole discretion of each

respective party. The failure of the Developer to obtain financing for development or repairs shall not constitute grounds for enforced delay hereunder.

Section 7 Amendments. This Declaration may be amended only by the written agreement of the Developer, and the Agency.

Section 8 Encroachments. None of the rights and obligations of the Developer created herein shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of Developer if said encroachment occurs due to the willful conduct of said Developer.

Section 9. Notices. Any notice permitted or required to be delivered as provided herein to Developer shall be in writing and may be delivered either personally or by certified mail. Notice to the Agency shall be made by certified mail to the Executive Director or his designee at 3403 Tenth Street, Suite 500, Riverside, California 92501, and shall be effective upon receipt. Notice to Developer shall be made by certified mail to Developer in care of National Community Renaissance of California, a California nonprofit public corporation, 9065 Haven Avenue, Suite 100, Rancho Cucamonga, California 91730, Attention: Chief Financial Officer, and shall be effective upon receipt. Such address may be changed from time to time by notice in writing.

END OF AGREEMENT


(SIGNATURES ON NEXT PAGE)

BY SIGNING BELOW, the DEVELOPER accepts and agrees to the terms and covenants contained in this Regulatory Agreement.

DEVELOPER

Desert Meadows Housing Partners, LP,
a California limited partnership

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

By: 
Richard J. Whittingham, CFO

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of San Bernardino

On 7/29/11 before me, Claudine Morales, Notary Public,
(Here insert name and title of the officer)

personally appeared Richard J. Whittingham,

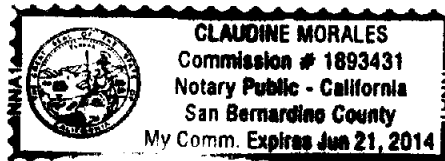
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s),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

Claudine Morales
 Signature of Notary Public

(Notary Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED

_____ (Title or description of attached document)

_____ (Title or description of attached document continued)

Number of Pages _____ Document Date _____

_____ (Additional information)

CAPACITY CLAIMED BY THE SIGNER

Individual(s)

Corporate Officer _____

Partner(s)

Attorney-in-Fact

Trustee(s)

Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e., certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he/she/they~~, ~~is/are~~) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

EXHIBIT "A" TO REGULATORY AGREEMENT

LEGAL DESCRIPTION

APN: 608-340-031

All that certain real property situated in the County of Riverside, State of California, described as follows:

That portion of the Northeast quarter of the Northwest quarter of Section 22, Township 5 South, Range 7 East, San Bernardino Meridian, in the County of Riverside, State of California, as shown by United States Government Survey approved May 14, 1914, described as follows:

Beginning 20.00 feet South of a point 15.00 feet West of the Northeast corner of said Northwest quarter;

Thence Westerly, parallel with the Northerly line of said Northwest quarter 412.50 feet;

Thence Southerly, parallel with the Easterly line of said Northwest quarter, 528.00 feet;

Thence Easterly parallel with the Northerly line of said Northwest quarter 412.50 feet, to a point 15.00 feet West of the East line thereof;

Thence Northerly, parallel with said Easterly line, 528.00 feet, to the point of beginning;

Except that portion included in the Easterly 30.00 feet of the Northwest quarter of said Section 22, described by deed to the County of Riverside, recorded February 29, 1956 as Instrument No. 14670 of Official Records of Riverside County, California.

Also except that portion lying within 44th Avenue.

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of _____

On _____ before me, _____,
(Here insert name and title of the officer)
personally appeared _____,

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 of Notary Public (Notary Seal)

ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

(Additional information)

INSTRUCTIONS FOR COMPLETING THIS FORM

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 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

CAPACITY CLAIMED BY THE SIGNER

- Individual(s)
 Corporate Officer

(Title)

- Partner(s)
 Attorney-in-Fact
 Trustee(s)
 Other _____

ATTACHMENT NO. 6
[GRANT DEED]

NO FEE FOR RECORDING PURSUANT)
 TO GOVERNMENT CODE SECTION 6103)
)
 RECORDING REQUESTED BY AND)
 WHEN RECORDED MAIL TO:)
)
 Redevelopment Agency for)
 the County of Riverside)
 3403 Tenth Street, Suite 500)
 Riverside, California 92501)
 Attention: Executive Director)

Documentary Transfer Tax: \$ _____
 Based on Full Value of Real Property Conveyed

This document is exempt from payment of a recording fee pursuant
 to Government Code Section 27383.

GRANT DEED

For valuable consideration, receipt of which is hereby acknowledged,

Effective as of the date of recordation hereof, the **REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**, a public body, corporate and politic (the "Agency") hereby grants to **DESERT MEADOWS HOUSING PARTNERS, LP**, a California limited partnership ("Developer"), the real property described in Exhibit A attached hereto and incorporated herein (the "Property"), subject to existing easements, restrictions and covenants of record, the provisions set forth in Sections 1 and 2 hereof and the requirements of the Disposition and Development Agreement dated as of June 29, 2010 ("DDA") by and between the Agency and NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA, a California nonprofit public benefit corporation; the interest of National Community Renaissance of California under the DDA was assigned to Developer (the Grantee hereunder) by virtue of that Assignment, Assumption, Amendment and Consent dated for identification as of May 24, 2011 among National Community Renaissance of California, Desert Meadows Housing Partners, LP and the Redevelopment Agency for the County of Riverside. All capitalized terms not defined herein shall have the respective meanings established therefore in the DDA.

1. Agency Right of Reentry. The Agency has the right, at its election, to reenter and take possession of the Property, with all improvements thereon, and terminate and revest in the Agency the estate conveyed to the Developer if after the Closing and before the issuance of the Certificate of Completion, the Developer (or its successors in interest) shall:

(a) fail to start the construction of the Improvements as required by the DDA for a period of ninety (90) days after written notice thereof from the Agency; or

(b) abandon or substantially suspend construction of the Improvements required by the DDA for a period of ninety (90) days after written notice thereof from the Agency; or

(c) contrary to the provisions of Section 6.3 of the DDA transfer or suffer any involuntary Transfer in violation of the DDA, and such Transfer has not been approved by the Agency or rescinded within thirty (30) days of notice thereof from Agency to Developer.

Such right to reenter, terminate and revest shall be subject to and be limited by and shall not defeat, render invalid or limit:

1. Any mortgage or deed of trust permitted by the DDA; or
2. Any rights or interests provided in the DDA for the protection of the holders of such mortgages or deeds of trust.

Upon the revesting in the Agency of title to the Property as provided in this Section 1, the Agency shall, pursuant to its responsibilities under state law, use its reasonable efforts to resell the Property as soon and in such manner as the Agency shall find feasible and consistent with the objectives of such law and of the Redevelopment Plan, as it exists or may be amended, to a qualified and responsible party or parties (as determined by the Agency) who will assume the obligation of making or completing the Improvements, or such improvements in their stead as shall be satisfactory to the Agency and in accordance with the uses specified for such Property or part thereof in the Redevelopment Plan. Upon such resale of the Property, the net proceeds thereof after repayment of any mortgage or deed of trust encumbering the Property which is permitted by this DDA, shall be applied:

i. First, to reimburse the Agency, on its own behalf or on behalf of the County, all costs and expenses incurred by the Agency, excluding County and Agency staff costs, but specifically, including, without limitation, any expenditures by the Agency or the County in connection with the recapture, management and resale of the Property or part thereof (but less any income derived by the Agency from the Property or part thereof in connection with such management); all taxes, assessments and water or sewer charges with respect to the Property or part thereof which the Developer has not paid (or, in the event that Property is exempt from taxation or assessment of such charges during the period of ownership thereof by the Agency, an amount, if paid, equal to such taxes, assessments, or charges as would have been payable if the Property were not so exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing on the Property or part thereof at the time or revesting of title thereto in the Agency, or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults or acts of the Developer, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the improvements or any part thereof on the Property, or part thereof; and any amounts otherwise owing the Agency, and in the event additional proceeds are thereafter available, then

ii. Second, to reimburse the Developer, its successor or transferee, up to the amount equal to the sum of (a) the costs incurred for the acquisition and development of the Property and for the improvements existing on the Property at the time of the reentry and possession, less (b) any gains or income withdrawn or made by the Developer from the Property or the improvements thereon.

Any balance remaining after such reimbursements shall be retained by the Agency as its property. The rights established in this Section 1 are not intended to be exclusive of any other right, power or remedy, but each and every such right, power, and remedy shall be cumulative and

concurrent and shall be in addition to any other right, power and remedy authorized herein or now or hereafter existing at law or in equity. These rights are to be interpreted in light of the fact that the Agency will have conveyed the Property to the Developer for redevelopment purposes, particularly for development of an affordable multifamily housing project, and not for speculation in undeveloped land.

3. Upon issuance by the Agency of the Certificate of Completion, Sections 1 and 2 hereof shall cease to be of further force and effect.

2. **Notice of Airport in Vicinity.** This property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the property before you complete your purchase and determine whether they are acceptable to you. Business & Professions Code Section 11010(b)(13)(A).

IN WITNESS WHEREOF, the Agency and the Developer have executed this Grant Deed as of the date first above written.

AGENCY
Redevelopment Agency for the
County of Riverside

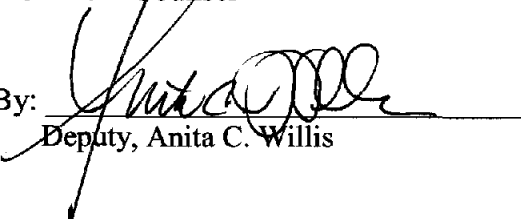
DEVELOPER
Desert Meadows Housing Partners, LP,
a California limited partnership

By: _____
BOB BUSTER
Chairman, Board of Directors

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

APPROVED AS TO FORM:
PAMELA J. WALLS
AGENCY Counsel

By: _____
Richard J. Whittingham, CFO

By: 
Deputy, Anita C. Willis

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy, _____

EXHIBIT "A" TO GRANT DEED

LEGAL DESCRIPTION OF PROPERTY

That real property located in the State of California, County of Riverside, and described as follows:

APN: 608-340-031

All that certain real property situated in the County of Riverside, State of California, described as follows:

That portion of the Northeast quarter of the Northwest quarter of Section 22, Township 5 South, Range 7 East, San Bernardino Meridian, in the County of Riverside, State of California, as shown by United States Government Survey approved May 14, 1914, described as follows:

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Thence Southerly, parallel with the Easterly line of said Northwest quarter, 528.00 feet;

Thence Easterly parallel with the Northerly line of said Northwest quarter 412.50 feet, to a point 15.00 feet West of the East line thereof;

Thence Northerly, parallel with said Easterly line, 528.00 feet, to the point of beginning;

Except that portion included in the Easterly 30.00 feet of the Northwest quarter of said Section 22, described by deed to the County of Riverside, recorded February 29, 1956 as Instrument No. 14670 of Official Records of Riverside County, California.

Also except that portion lying within 44th Avenue.

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of _____

On _____ before me, _____,
(Here insert name and title of the officer)

personally appeared _____,

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 of Notary Public (Notary Seal)

ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages ___ Document Date _____

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

- Individual(s)
- Corporate Officer

(Title)

- Partner(s)
- Attorney-in-Fact
- Trustee(s)
- Other _____

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- Securely attach this document to the signed document

ATTACHMENT NO. 12
[PROMISSORY NOTE]

PROMISSORY NOTE

\$7,900,000.00

2011
Riverside, California

FOR VALUE RECEIVED, DESERT MEADOWS HOUSING PARTNERS, LP, a California limited partnership (the "Borrower"), promises to pay to the **REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**, a public body, corporate and politic (the "Agency"), or order, at the Agency's office at 3403 Tenth Street, Suite 500, Riverside, California 92501, or such other place as the Agency may designate in writing, the sum of Seven Million Nine Hundred Thousand Dollars (\$7,900,000) (the "Note Amount"), in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

1. **Agreement.** This Promissory Note (the "Note") is given in accordance with that certain Disposition and Development Agreement dated as of June 29, 2010 ("DDA") executed by the Agency and NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA, a California nonprofit public benefit corporation, Borrower's predecessor in interest, which DDA was assigned to Borrower by that Assignment, Assumption, Amendment and Consent dated for identification as of May 24, 2011 by and among National Community Renaissance of California, Borrower and Agency. Excepting to the extent otherwise expressly defined in this Note, all capitalized terms shall have the meanings established therefore in the DDA. The rights and obligations of the Borrower and the Agency under this Note shall be governed by the DDA and by the additional terms set forth in this Note. In the event of any inconsistencies between the terms of this Note and the terms of the Agreement or any other document related to the Note Amount, the terms of this Note shall prevail.

2. **Interest.** The Note Amount shall bear simple interest at the rate of one quarter of one percent (.25%) per annum, from the respective date(s) and based on the amounts of moneys constituting the Agency Loan that are or have been advanced by Agency to Borrower until the date paid.

3. **Repayment of Note Amount.** The Note Amount shall be paid by the Borrower's annual payment to the Agency of an amount equal to Fifty Percent (50%) of the Residual Receipts (as defined below) from operation of the Housing Project (as defined in the Agreement), as determined by a residual receipts calculation from the operation of the Housing Project the preceding calendar year. If there are other lenders on the Housing Project where loans are repayable from Residual Receipt (for example, the MHP Loan), fifty (50%) percent shall be allocated among the Agency and such lenders in accordance with the respective original principal balances of each such loan. Annual Residual Receipts payments shall be by the Borrower by cashier's check and shall be delivered on or before April 30th of each Year (or such other annual period as may be mutually agreed upon in writing by the Agency and the Developer), of each Year during the term of this Note first following the date the Housing Project is placed in service, until the Note Amount and all unpaid interest thereon has been repaid in full. This Note shall be due and payable in full on the date of any Sale or Transfer that occurs after the date of execution of this Note. After the fifty-five (55) year affordability period outlined in the DDA (the "Affordability Period"), the loan is due full. Any remaining portion of the Note Amount shall be due and payable on the fifty-fifth (55th) anniversary of the date of the County's issuance of a Certificate of Occupancy for all of the Units in the Housing Project. Notwithstanding the foregoing, the full Note Amount may be accelerated as set forth in Section 12 hereof.

As used herein, "Annual Housing Project Revenue" or "Gross Revenues" means all gross income and all revenues of any kind from the residential portion of the Housing Project in a calendar year, including without limitation, Housing Project rents, Section 8 housing assistance payments, if any, late charges, vending machine income, and any other revenues of whatever kind or nature from the residential portion of the Housing Project, except that interest on security deposits and required reserves shall not be considered Annual Housing Project Revenue.

As used herein, "Audited Financial Statement" means an audited financial statement, including without limitation a profit and loss statement, generated by a third party certified public accountant acceptable to the Agency in its reasonable discretion, showing, for the previous Year, on a monthly basis and in an easily readable format, Gross Revenues, Operating Expenses, Debt Service, Operating Reserve, Capital Replacement Reserve and Residual Receipts. Depreciation and non-cash items shall not be included except as maybe required by Generally Accepted Accounting Principles.

As used herein, "Debt Service" means regularly scheduled payments of principal and interest made in connection with financing approved in writing by the Agency for the Housing Project, which is senior in lien priority to the Agency Loan, but excluding payments made pursuant to this Note.

As used herein, "Deferred Developer Fees" means any deferred developer fee allowable under the financing approved by the Agency pursuant to Section 4.4 of the DDA.

As used herein, "Operating Expenses" means actual, reasonable and customary costs, fees and expenses directly incurred and for which payment has been made and which are attributable to the operation, maintenance, and management of the Housing Project, excluding the Capital Replacement Reserve and consisting of only the following (and such additional items, if any, as to which the prior written approval of the Executive Director is first obtained. Such approval shall be granted, granted subject to conditions, or refused at the sole and absolute discretion of the Executive Director): painting, cleaning, repairs and alterations; landscaping; utilities; rubbish removal; sewer charges; costs incurred to third parties in connection with generating laundry charges (but in no event to exceed the laundry charges); real and personal property taxes and assessments; insurance premiums; security; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; the actual and customary salary and benefits payable to an on-site manager which directly and exclusively benefits residents of the Housing Project; the actual and customary remuneration of one assistant manager, one on-site maintenance manager and such other personnel, if any, as incurred for the hiring of unrelated third parties for on-site management (which remuneration may include salary, rent payments/discounts for housing within the Housing Project that are part of compensation, withholding, social security and other payroll taxes or payments required in connection with such employees), which directly and exclusively benefit residents of the Housing Project, subject to the prior written approval of the Agency Executive Director at his sole and absolute discretion; a management fee ("Management Fee") not to exceed \$40/unit/month (an increased annually as of January 1st of each year based upon the applicable change in the consumer price index applicable to Riverside County) per Year; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings; reasonable and customary fees and expenses of accountants, attorneys, consultants and other professionals as incurred commencing after the completion of the Improvements (as evidenced by the issuance by County of a certificate of occupancy for the corresponding building developed as part of the Improvements) in connection with the operation of the Housing Project; the fee paid by Borrower to any entity which provides social support services and programs to the tenants of the Project, which fee shall be initially established at \$20 per unit per

Promissory Note

Page 2 of 6

month, and which fee shall be annually adjusted based upon the corresponding increase in the consumer price index (provided that, to the extent such services are provided by an entity having one or more officers, partners or controlling parties in common with the Developer or its members, such fees shall be subject to review and concurrence by the Executive Director as to the reasonableness of amounts), tenant improvements that are not included in the costs of the Improvements, bond monitoring fees, if any, and payments made by the Developer to satisfy indemnity obligations and other payments by the Developer pursuant to this DDA other than to the Developer, the Developer's partners or other related persons; provided, however, that payments to parties related to Developer for Operating Expenses must not exceed market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported in the Audited Financial Statement and shall be broken out in line item detail.

As used herein, "Residual Receipts" means Annual Housing Project Revenue less the sum of (i) Operating Expenses, (ii) Debt Service, (iii) Capital Replacement and all other Reserve Deposits, (iv) Deferred Developer Fees plus interest thereon (if applicable, at rates not exceeding the interest rate under the Agency Note) to the extent approved under the DDA by the Agency, (v) a partnership management fee to the managing member of the Developer, and an asset management fee payable to one or more of the limited partners of the Developer, (vi) repayment to Borrower of advances made by the Borrower to the Housing Project as provided under the limited partnership agreement of Borrower, a copy of which limited partnership agreement has been made available to Agency (or Agency's counsel) prior to the approval by Agency of the DDA, and (vii) an annual audit fee, in such amounts which are set forth in the Financing Plan which is approved by the Agency, for each Year; provided, however, that if such calculation results in a negative number, Residual Receipts shall be zero for that Year.

On or before ninety (90) days after the end of each Year for the preceding Year or portion thereof commencing in the year of the issuance of a Certificate of Completion for the Housing Project, the Borrower shall annually provide the Agency an operating budget and its most recent audit for the Developer which shall describe the Annual Housing Project Revenue, Debt Service, Operating Expenses, Reserve Deposits, Asset Management Fees, Deferred Developer Fees, and Residual Receipts for that year. The Borrower shall also submit to the Agency, on or before ninety (90) days after the end of the Developer's fiscal year, of each year commencing in the year of the issuance of a certificate of occupancy for the Housing Project, an Audited Financial Statement with respect to the Developer that includes the Housing Project, together with an expressed written opinion of the certified public accountant that such financial statements present the financial position, results of operations, and cash flows fairly and in accordance with generally accepted accounting principles.

4. Security. This Note is secured by a Deed of Trust (the "Agency Deed of Trust") dated as of the same date as this Note.

5. Waivers

a. Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time at the Agency's sole discretion and that the Agency may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Borrower.

b. No extension of time for payment of this Note made by agreement by the Agency with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part.

c. The obligations of Borrower under this Note shall be absolute and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

d. Borrower waives presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights of interests in or to properties securing of this Note, and the benefit of any exemption under any homestead exemption laws, if applicable.

e. No previous waiver and no failure or delay by Agency in acting with respect to the terms of this Note or the Agency Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the Agency Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Agency Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

6. **Attorneys' Fees and Costs.** Borrower agrees that if any amounts due under this Note are not paid when due, to pay in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

7. **Joint and Several Obligation.** This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

8. **Amendments and Modifications.** This Note may not be changed orally, but only by an amendment in writing signed by Borrower and by the Agency.

9. **Agency May Assign.** Agency may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Borrower.

10. **Borrower Assignment Prohibited.** In no event shall Borrower assign or transfer any portion of this Note without the prior express written consent of the Agency, which consent shall not unreasonably be withheld, except pursuant to a transfer which is permitted or approved under Section 7.11 of the DDA.

11. **Terms.** Any terms not separately defined herein shall have the same meanings as set forth in the Agreement.

12. **Acceleration and Other Remedies.** Upon: (a) the occurrence of an event of Default as defined in the Agreement, or (b) Borrower selling, contracting to sell, giving an option to purchase, conveying, leasing, further encumbering, mortgaging, assigning or alienating the Borrower's interest in the Housing Project (other than (i) financing approved by the Agency or otherwise permitted pursuant to Section 7.11 of the DDA, (ii) leasing of individual Housing Units to

tenants in the ordinary course of business, or (iii) grant of a purchase option and/or right of first refusal granted to Borrower's general partner(s) or affiliates thereof or exercise thereof), whether directly or indirectly, whether voluntarily or involuntarily or by operation of law, or any interest in the Housing Project, or suffering its title, or any interest in the Housing Project to be divested, whether voluntarily or involuntarily, without the consent of the Agency or as otherwise approved or permitted under the DDA, Agency may, at Agency's option, declare the outstanding principal amount of this Note, together with the then accrued and unpaid interest thereon and other charges hereunder, and all other sums secured by the Agency Deed of Trust, to be due and payable immediately, and upon such declaration, such principal and interest and other sums shall immediately become and be due and payable without demand or notice, all as further set forth in the Agency Deed of Trust. All costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the security for this Note, may be added to the principal hereunder, and shall accrue interest as provided herein. Agency shall at all times have the right to proceed against any portion of the security for this Note in such order and in such manner as such Agency may consider appropriate, without waiving any rights with respect to any of the security. Any delay or omission on the part of the Agency in exercising any right hereunder, under the DDA or under the Agency Deed of Trust shall not operate as a waiver of such right, or of any other right. No single or partial exercise of any right or remedy hereunder or under the DDA or any other document or agreement shall preclude other or further exercises thereof, or the exercise of any other right or remedy. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of Agency's right to either require prompt payment when due of all other sums payable hereunder or to declare an event of Default for failure to make prompt or complete payment.

13. Successors and Assigns. Whenever "Agency" is referred to in this Note, such reference shall be deemed to include the Redevelopment Agency for the County of Riverside and its successors and assigns, including, without limitation, any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Borrower, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the Agency and Agency's successors and assigns.

14. Miscellaneous. Time is of the essence hereof. This Note shall be governed by and construed under the laws of the State of California except to the extent Federal laws preempt the laws of the State of California. Borrower irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of Riverside in connection with any legal action or proceeding arising out of or relating to this Note. Borrower also waives any objection regarding personal or in rem jurisdiction or venue.


15. No Personal Liability. In the event of any default under the terms of this Note or the Agency Deed of Trust, the sole recourse of the Agency for any and all such defaults shall be by judicial foreclosure or by the exercise of the trustee's power of sale, and Borrower and its partners shall not be personally liable for the payment of this Note or for the payment of any deficiency established after judicial foreclosure or trustee's sale; provided, however, that the foregoing shall not in any way affect any rights the Agency may have (as a secured party or otherwise) hereunder or under the DDA or the Agency Deed of Trust to recover directly from Borrower any funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Agency as a result of fraud, misrepresentation or waste committed by Borrower to or on the Housing Project (it shall not be waste if Borrower does not repair or restore the Housing Project after any destruction, damage or partial condemnation notwithstanding the availability of insurance or condemnation

proceeds), and any costs and expenses incurred by the Agency in connection therewith (including without limitation reasonable attorneys' fees and costs).

BORROWER:

Desert Meadows Housing Partners, LP,
a California limited partnership

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

By: 

Richard J. Whittingham, CFO

ATTACHMENT NO. 13
[DEED OF TRUST]

Order No.
Escrow No.
Loan No.

WHEN RECORDED MAIL TO:

Redevelopment Agency for
the County of Riverside
3403 Tenth Street, Suite 500
Riverside, California 92501
Attention: Executive Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST ("Security Instrument" or "Deed of Trust") is made on this ___ day of _____, 2011. The Trustor is DESERT MEADOWS HOUSING PARTNERS, LP, a California limited partnership ("DEVELOPER"), and whose address is 9065 Haven Avenue, Suite 100, Rancho Cucamonga, CA91730. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("COUNTY") ("Trustee" or "AGENCY"). The Beneficiary is the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE ("Lender"), a public body, corporate and politic, and whose address is 3403 Tenth Street, Riverside, CA 92501. Pursuant to the terms of the Agency Loan, Developer owes Lender the principal sum of Seven Million Nine Hundred Thousand and No/100 Dollars (U.S. \$7,900,000.00). This debt is evidenced by DEVELOPER's Promissory Note made payable to the order of Lender and dated the same date as this Deed of Trust (" Agency Note").

The Agency Note provides that:

The Note Amount shall be paid by the Borrower's annual payment to the Lender of an amount equal to Fifty Percent (50%) of the Residual Receipts (as defined below) from operation of the Housing Project (as defined in the Agreement), as determined by a residual receipts calculation from the operation of the Housing Project the preceding calendar year. If there are other lenders on the Housing Project where loans are repayable from Residual Receipt (for example, the MHP Loan), fifty (50%) percent shall be allocated among the Lender and such lenders in accordance with the respective original principal balances each of such loan. Annual Residual Receipts payments shall be by the Borrower by cashier's check and shall be delivered on or before April 30th of each Year (or such other annual period as may be mutually agreed upon in writing by the Lender and the Developer), of each Year during the term of this Note first following the date the Housing Project is placed in service, until the Note Amount and all unpaid interest thereon has been repaid in full. This Note shall be due and payable in full on the date of any Sale or Transfer that occurs after the date of execution of this Promissory Note. After the fifty-five (55) year affordability period outlined in this DDA (the "Affordability Period"), the loan is due full. Any remaining portion of the Note Amount shall be due and payable on the fifty-fifth (55th) anniversary of the date of the County's issuance of a Certificate of Occupancy for all of the Units in the Housing Project. Notwithstanding the foregoing, the full Note Amount may be accelerated as set forth in Section 12 hereof.

The loan evidenced by the Agency Note and secured by this Security Instrument is being made pursuant to California Community Redevelopment Law, California Health and Safety Code Section 33000 et seq.

The Security Instrument secures to LENDER: (a) the repayment of the debt evidenced by the Agency Note, with interest as provided in the Agency Note, and all renewals, extensions and modifications of the Agency Note; (b) the payment of all other sums, with interest as provided in the Agency Note, advanced under Section 8 to protect the security of this Security Instrument; and (c) the performance of DEVELOPER's covenants and

agreements under this Security Instrument and the Agency Note. For this purpose, DEVELOPER irrevocably grants and conveys to Trustee, in trust, with power of sale, all of DEVELOPER'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 "A" 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 Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property".

DEVELOPER COVENANTS that the DEVELOPER is lawfully seized of the estate hereby conveyed and has the right to grant and convey its fee and leasehold interest in the Property, as applicable, and, the Property is unencumbered. DEVELOPER warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

THIS SECURITY INSTRUMENT 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. DEVELOPER and LENDER covenant and agree as follows:

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

a. Prepayment. Prepayment of principal or interest may occur at any time without penalty. However, the affordability requirements shall remain in full force and effect for fifty-five (55) years after the recordation of Certificate of Completion for the Housing Project. However, notwithstanding the foregoing, DEVELOPER may cause the prepayment of all principal and interest under the Agency Note in connection with the sale of the Project.

2. Taxes and Insurance. Subject to DEVELOPER's right to obtain a "welfare exemption" under California Revenue and Taxation Code Section 214(g), DEVELOPER 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 DEVELOPER 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 DEVELOPER and without releasing DEVELOPER 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 Agency Note.

4. Prior Deeds of Trust; Charge; Liens. The DEVELOPER attests that no prior Deeds of Trust, Charges or Liens exist against the Property.

a. Except for the liens permitted by the provisions of the DDA or the DDA, DEVELOPER shall promptly discharge any lien which may have attained priority over this Security Instrument unless DEVELOPER: (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to DDA; (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; (3) bond around the lien; or (4) secures from the holder of the lien an agreement satisfactory to LENDER subordinating the lien to this Security Instrument. If LENDER determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, LENDER may give DEVELOPER a notice identifying the lien. DEVELOPER 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. The LENDER's Deed of Trust be recorded in third position behind a construction and permanent loan to the Borrower made by a lender to identified at a later date. Notwithstanding the foregoing, during the permanent financing phase of the Housing Project, (i) the MHP Loan will be secured by a second deed of trust, and (ii) this Deed of Trust will be a third priority deed of trust. Lender 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. DEVELOPER 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 DDA. The insurance carrier providing the insurance shall be chosen by DEVELOPER subject to LENDER's approval which shall not be unreasonably withheld. If DEVELOPER 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 DEVELOPER complies with the insurance requirements under this Deed of Trust. All original policies of insurance required pursuant to this Deed of Trust shall be held by the LENDER and must name the LENDER as additional insured. DEVELOPER shall promptly give to LENDER certificates of insurance showing the coverage is in full force and effect and that LENDER is named as additional insured. In the event of loss, DEVELOPER shall give prompt notice to the insurance carrier, and LENDER. LENDER may make proof of loss if not made promptly by the DEVELOPER.

b. Unless LENDER and DEVELOPER otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided DEVELOPER determines that such restoration or repair is economically feasible and there is no default continuing beyond the expiration of all applicable cure periods. If DEVELOPER 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 DEVELOPER. If the Property is abandoned by DEVELOPER, or if DEVELOPER fails to respond to LENDER within 30 days from the date notice is mailed by LENDER to DEVELOPER 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 DEVELOPER otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Agency Note. If under Section 23 the Property is acquired by LENDER, DEVELOPER'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 Security Instrument immediately prior to the acquisition.

7. Preservation, Maintenance and Protection of the Property; DEVELOPER's Loan Application; Leaseholds. DEVELOPER shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. DEVELOPER 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 Security Instrument or LENDER's security interest. DEVELOPER 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 DEVELOPER's interest in the Property or other material impairment of the lien created by this Security Instrument or LENDER's security interest. DEVELOPER shall also be in default if DEVELOPER, 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 Agency Note, including, but not limited to representations concerning DEVELOPER's use of Property for affordable housing. If this Security Instrument is on a leasehold, DEVELOPER shall comply with all provisions of the lease. If DEVELOPER 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 DEVELOPER 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 California Community Redevelopment Law) for households earning no more than forty percent (40%) of the median income within Riverside County. The use and occupancy restrictions may limit the DEVELOPER'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 DEVELOPER fails to perform the covenants and agreements contained in this Security Instrument, 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.

a. Any amounts disbursed by LENDER under this Section 8 shall become additional debt of DEVELOPER secured by this Security Instrument. Unless DEVELOPER and LENDER agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Agency Note rate and shall be payable, with interest, upon notice from LENDER to DEVELOPER requesting payment, subject to the nonrecourse provisions of the Agency Note secured hereby.

9. Mortgage Insurance. (Not used)

10. Inspection. LENDER or its agent may make reasonable entries upon and inspections of the Property. LENDER shall give DEVELOPER 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.

a. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to DEVELOPER. 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 Security Instrument immediately before the taking, unless DEVELOPER and LENDER otherwise agree in writing, the sums secured by this Security Instrument 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 DEVELOPER. 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 DEVELOPER and LENDER otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument 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 DEVELOPER for repair and/or restoration of the Project.

b. If the Property is abandoned by DEVELOPER, or if, after notice by LENDER to DEVELOPER that the condemner offers to make an award or settle a claim for damages, DEVELOPER 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 Security Instrument, whether or not then due.

c. Unless LENDER and DEVELOPER 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. DEVELOPER 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 Security Instrument granted by LENDER to any successor in interest of DEVELOPER shall not operate to release the liability of the original DEVELOPER or DEVELOPER'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 Security Instrument by reason of any demand made by the original DEVELOPER or DEVELOPER'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. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of LENDER and DEVELOPER, subject to the provisions of Section 18. DEVELOPER's covenants and agreements shall be joint and several.

14. Loan Charges. If the loan secured by this Security Instrument 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 DEVELOPER which exceeded permitted limits will be promptly refunded to DEVELOPER. LENDER may choose to make this refund by reducing the principal owed under the Agency Note or by making a direct payment to DEVELOPER. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Agency Note.

15. Notices. Any notice to DEVELOPER provided for in this Security Instrument 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 DEVELOPER's mailing address stated herein or any other address DEVELOPER designates by notice to LENDER. 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 DEVELOPER. Any notice provided for in this Security Instrument shall be deemed to have been given to DEVELOPER or LENDER when given as provided in this Section. All notices to DEVELOPER shall be copied to the Tax Credit Investor, at such time as one has been admitted as a limited partner in the Tax Credit Limited Partnership, at such address as shall be provided to LENDER.

16. Governing Law; Severability. This Security Instrument 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 Security Instrument or the Agency Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Agency Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Agency Note are declared to be severable.

17. DEVELOPER's Copy. DEVELOPER shall be given one conformed copy of the Agency Note and of this Security Instrument.

18. Transfer of the Property or a Beneficial Interest in DEVELOPER. Except for Permitted Transfers, all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in DEVELOPER is sold or transferred and DEVELOPER 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 California Community Redevelopment Law) LENDER may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by LENDER if exercise is prohibited by federal law as of the date of this Security Instrument. Nothing in this Security Instrument shall be deemed to require LENDER's approval of a transfer of limited partnership interests in the DEVELOPER.

a. If LENDER exercises the foregoing option, LENDER shall give DEVELOPER 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 DEVELOPER must pay all sums secured by this Security Instrument. If DEVELOPER fails to pay these sums prior to the expiration of this period, LENDER may invoke any remedies permitted by this Security Instrument without further notice or demand on DEVELOPER.

19. DEVELOPER's Right to Reinstate. If DEVELOPER meets certain conditions, DEVELOPER shall have the right to have enforcement of this Security Instrument 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 Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that DEVELOPER: (a) pays LENDER all sums which then would be due under this Security Instrument and the Agency 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 Security Instrument, 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 Security Instrument, LENDER's rights in the Property and DEVELOPER's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by DEVELOPER, this Security Instrument 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 Agency Note; Change of Loan Servicer. The Agency Note or a partial interest in the Agency Note (together with this Security Instrument) may be sold one or more times without prior notice to DEVELOPER. A sale may result in a change in the entity (known as the "Loan Servicer") that collects annual

Residual Receipts payments due under the Agency Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Agency Note. If there is a change of the Loan Servicer, DEVELOPER 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. DEVELOPER agree that the Agency Note and the Security Instrument will not be assigned without the LENDERS prior written consent.

22. Hazardous Substances. DEVELOPER shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. DEVELOPER 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. DEVELOPER 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 DEVELOPER has actual knowledge. If DEVELOPER 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, DEVELOPER shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the DEVELOPER shall notify the Senior Lien Holders that such remedial action is necessary and shall obtain the Senior Lien Holders' 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.

NON-UNIFORM COVENANTS. DEVELOPER and LENDER further covenant and agree as follows:

23. Acceleration; Remedies. LENDER shall give notice to DEVELOPER and to the Tax Credit Investor prior to acceleration following DEVELOPER's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to DEVELOPER 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 Security Instrument and sale of the Property. The notice shall further inform DEVELOPER 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 DEVELOPER to acceleration and sale. If the default is not cured by the DEVELOPER or the Tax Credit Investor as applicable, on or before the date specified in the notice, then LENDER at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. 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 DEVELOPER, the Tax Credit Investor, 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 DEVELOPER, 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 Security Instrument; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Security Instrument, LENDER shall release this Security Instrument without charge to DEVELOPER. DEVELOPER 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 Security Instrument 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. 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.

27. General Partner Change. The withdrawal, removal, and/or replacement of a general partner of the Tax Credit Limited Partnership pursuant to the terms of the Limited Partnership Agreement (as the same may be amended from time to time) 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 either appointed/selected in accordance with applicable provisions of the DDA or is reasonably acceptable to LENDER and is selected with reasonable promptness. Notwithstanding the foregoing, Union Bank, N.A. shall be an acceptable substitute general partner and shall not require the approval of the Lender. Any proposed General Partner replacement shall have the qualifications and financial responsibility as reasonably determined by the LENDER necessary and adequate to fulfill the obligations undertaken in the DDA, as amended.


(signatures on next page)

BY SIGNING BELOW, the DEVELOPER accepts and agrees to the terms and covenants contained in this Security Instrument.

DEVELOPER

Desert Meadows Housing Partners, LP,
a California limited partnership

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

By: 

Richard J. Whittingham, CFO

(All signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of San Bernardino

On 7/29/11 before me, Claudine Morales, Notary Public
(Here insert name and title of the officer)

personally appeared Richard J. Whitham

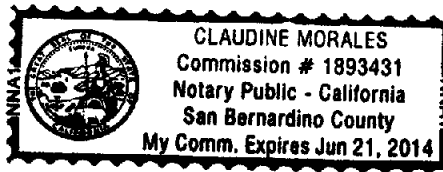
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s),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

Claudine Morales
Signature of Notary Public

(Notary Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages ____ Document Date _____

(Additional information)

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e., certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he/she/they~~, ~~is/are~~) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

CAPACITY CLAIMED BY THE SIGNER

- Individual(s)
 Corporate Officer

(Title)

- Partner(s)
 Attorney-in-Fact
 Trustee(s)
 Other _____

Exhibit "A"

APN: 608-340-031

All that certain real property situated in the County of Riverside, State of California, described as follows:

That portion of the Northeast quarter of the Northwest quarter of Section 22, Township 5 South, Range 7 East, San Bernardino Meridian, in the County of Riverside, State of California, as shown by United States Government Survey approved May 14, 1914, described as follows:

Beginning 20.00 feet South of a point 15.00 feet West of the Northeast corner of said Northwest quarter;

Thence Westerly, parallel with the Northerly line of said Northwest quarter 412.50 feet;

Thence Southerly, parallel with the Easterly line of said Northwest quarter, 528.00 feet;

Thence Easterly parallel with the Northerly line of said Northwest quarter 412.50 feet, to a point 15.00 feet West of the East line thereof;

Thence Northerly, parallel with said Easterly line, 528.00 feet, to the point of beginning;

Except that portion included in the Easterly 30.00 feet of the Northwest quarter of said Section 22, described by deed to the County of Riverside, recorded February 29, 1956 as Instrument No. 14670 of Official Records of Riverside County, California.

Also except that portion lying within 44th Avenue.

ATTACHMENT NO. 14
[NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY]

Recording Requested By:
Redevelopment Agency for
COUNTY OF RIVERSIDE

AND WHEN RECORDED MAIL TO:
REDEVELOPMENT AGENCY FOR THE
COUNTY OF RIVERSIDE
3403 Tenth Street, Suite 500
RIVERSIDE, CA 92501
ATTN: Juan Garcia

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

This Notice is to be recorded concurrently with recordation of affordability restriction or within thirty (30) days of recording such document.

In accordance with the California Health and Safety Code Section 33334.3, all new or substantially rehabilitated housing units developed or otherwise assisted, with moneys from the Low and Moderate Income Housing Fund, shall remain available at affordable housing cost to, and occupied by, persons and families of low or moderate income and very low income and extremely low income households for the longest feasible time, but not less than fifty-five (55) years for rental units that are occupied by and affordable to very low and low income households.

A Covenant and Restriction in the form of that certain Regulatory Agreement with an expiration of the Required Covenant Period, as defined therein as a period of fifty-five (55) years commencing as of the issuance of a final certificate of occupancy for all of the Units to be constructed upon the real property encumbered thereby, is recorded concurrently herewith as an encumbrance on the real property located at 44071 Clinton Street, Indio, California 92201, with an Assessor's Parcel No. of 608-340-031, and more fully described on Exhibit "A" attached hereto and incorporated herein by reference.

REDEVELOPMENT AGENCY
FOR THE COUNTY OF RIVERSIDE

Dated _____, 2011

Tom Fan, Principal Development Specialist

Exhibit "A"

APN: 608-340-031

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Thence Southerly, parallel with the Easterly line of said Northwest quarter, 528.00 feet;

Thence Easterly parallel with the Northerly line of said Northwest quarter 412.50 feet, to a point 15.00 feet West of the East line thereof;

Thence Northerly, parallel with said Easterly line, 528.00 feet, to the point of beginning;

Except that portion included in the Easterly 30.00 feet of the Northwest quarter of said Section 22, described by deed to the County of Riverside, recorded February 29, 1956 as Instrument No. 14670 of Official Records of Riverside County, California.

Also except that portion lying within 44th Avenue.

ATTACHMENT NO. 15
HOUSING PROJECT BUDGET

Project Construction Sources and Uses of Fund:

Construction Sources:

Construction Loan	\$12,700,000
Low Income Housing Tax Credit ("LIHTC") – 4%	\$1,837,635
Deferred Developer Fee	\$0
Agency Land Contribution	\$0
Agency RDA Loan	<u>\$7,900,000</u>
Total	\$22,437,635

Permanent Sources:

Permanent Loan	\$0
LIHTC – 4%	\$8,523,000
AHP	\$419,000
MHP	\$6,112,655
Deferred Developer Fee	\$35,000
Solar Credits	\$150,000
Agency RDA Loan	<u>\$7,900,000</u>
Total	\$23,139,655

Uses:

Value of Agency Land	\$1
New construction (includes site work, common area bldgs and structures)	\$13,934,754
Contractor's Overhead & Profit & General Req.	\$1,950,866
General Liability Insurance	\$257,968
Architectural & Engineering Cost	\$ 700,000
Construction Interest & Fees	\$1,089,792
Construction Contingency (Hard and Soft)	\$1,153,419
Permanent Financing costs	\$0
Legal Fees	\$115,000
Reserves	\$516,968
Land Development Impact and Permit Processing Fees	\$1,200,000
TCAC Fees	\$45,552
Other Costs, Marketing & Furnishings, Performance Bond	\$827,710
Title and Escrow	\$30,000
Bond Issuance Costs	\$117,625
Developer's overhead & Profit	<u>\$1,200,000</u>
Total Uses	\$23,139,655