

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

921



FROM: Economic Development Agency

SUBMITTAL DATE:
March 14, 2013

SUBJECT: Assignment, Assumption and Consent Agreement of the HOME Loan Agreement for the Pueblo Nuevo Apartments in the City of Coachella

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Assignment, Assumption and Consent Agreement (Assignment Agreement) by and among Coachella Valley Housing Coalition, Pueblo Nuevo Housing Associates, L.P., and the County of Riverside;
2. Approve the attached First Amendment to HOME Loan Agreement, Deed of Trust and Promissory Note (First Amendment) with Pueblo Nuevo Housing Associates, L.P.;

(Continued)

Lisa Brandl

Robert Field
Assistant County Executive Officer/EDA
By: Lisa Brandl, Managing Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2012/13

COMPANION ITEM ON BOARD AGENDA: No

SOURCE OF FUNDS: HOME Investment Partnerships Act Grant Funds

Positions To Be Deleted Per A-30	☐
Requires 4/5 Vote	☐

C.E.O. RECOMMENDATION: APPROVE

BY: *Jennifer L. Sargent*
Jennifer L. Sargent

County Executive Office Signature

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

Prev. Agn. Ref.: 3.12 of 7/17/12; 3.25 of 6/5/2012

District: 4/4

Agenda Number

3-4

RECOMMENDED MOTION: (Continued)

3. Authorize the Chairman of the Board of Supervisors to execute the attached Assignment Agreement and First Amendment;
4. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement with the U.S Department of Agriculture in connection with a Rural Rental Housing loan in the amount up to \$350,000, subject to approval by County Counsel;
5. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement with Wells Fargo Bank, National Association in connection with a construction loan in the amount up to \$3,500,000, subject to approval by County Counsel;
6. Authorize the Assistant County Executive Officer/EDA, or designee, to execute a Subordination Agreement with California Community Reinvestment Corporation in connection with a permanent loan in the amount up to \$1,500,000, subject to approval by County Counsel; and
7. Authorize the Assistant County Executive Officer/EDA, or designee, to take all necessary steps to implement the Assignment Agreement, First Amendment, and any Subordination Agreements with the various construction and permanent lenders, including, but not limited to, signing subsequent necessary and relevant documents subject to County Counsel's approval.

BACKGROUND:

On July 17, 2012, the Board of Supervisors approved a HOME loan in the amount of \$500,000 (HOME Loan), for the use of HOME funds with Coachella Valley Housing Coalition, a nonprofit public benefit corporation (Developer), for the rehabilitation of a 50-unit farmworker multi-family affordable housing complex located at 1492 Orchard Avenue, Coachella, also known as the Pueblo Nuevo Apartments (Project).

The total cost of the rehabilitation is estimated to be \$4,970,780. In addition to the HOME funds, the Developer secured a tax credit financing in the amount of \$2,537,132 and the balance from a loan of \$1,000,000 loan from the California Community Reinvestment Corporation, a deferred developer fee of \$39,648, and \$244,000 in general partner equity.

As is typical of tax credit financing the Developer has formed a limited partnership, Pueblo Nuevo Housing Associates, L.P., (Partnership) and Developer wishes to convey title to the real property and transfer ownership of the Project to the Partnership. There are currently two U.S. Department of Agriculture (USDA) loans with a total balance of \$325,942. As part of the USDA condition for the loan to be transferred to the Partnership, the two loans will be consolidated into one loan and the transfer value shall not exceed the property appraised value of \$650,000. As a result, the Developer will carry back approximately \$324,058 in the new ownership structure and the Partnership will assume the remaining USDA loan balance of \$325,942.

(Continued)

BACKGROUND: (Continued)

The Developer is requesting the County's approval to assign the Developer's rights and obligations under the Agreement for the Use of HOME Funds (HOME Loan Documents) to Pueblo Nuevo Housing Associates, L.P. The general partner for Pueblo Nuevo Housing Associates, L.P. will be Pueblo Nuevo Apartments, L.L.C. and Coachella Valley Housing Coalition/Developer will be the sole/manager of the general partner.

The attached Assignment Agreement assigns all the rights and obligations of the Developer under the HOME Loan Documents to Pueblo Nuevo Housing Associates, L.P., contingent upon the recording of the grant deed transferring title and ownership of the real property for the Project to Pueblo Nuevo Housing Associates, L.P.

Pueblo Nuevo Housing Associates, L.P., is requesting to amend the HOME Loan Documents to match with the terms of the Partnership agreement. The Developer has met all the conditions of the HOME Loan and is ready to close construction loan in the amount not to exceed \$3,500,000 with Wells Fargo Bank, National Association and begin construction. This construction loan will be paid off at the completion of construction and will be converted to a permanent loan by California Community Reinvestment Corporation. The First Amendment will also be contingent upon the recording of the grant deed transferring ownership and title of the real property for the Project to Pueblo Nuevo Housing Associates, L.P. Escrow is scheduled to close for the transfer of title on or about April 5, 2013, and the tax credit deadline for the Project is April 7, 2013.

The County's HOME Loan will be in the third position behind the USDA loan and California Community Reinvestment Corporation at permanent closing. The County's HOME loan will be behind the construction loan by Wells Fargo Bank, National Association during the construction. As such, all the senior lenders will require the County to enter into Subordination Agreements to their loans, subject to approval as to form by County Counsel.

County Counsel has reviewed and approved the Assignment Agreement and First Amendment as to form. Staff recommends that the Board approve the attached documents.

FINANCIAL DATA:

All the costs related to the development of the Project will be fully funded with HOME funds. The County of Riverside has budgeted this expense in the FY 2012/2013 budget.

Attachments:

Assignment, Assumption and Consent Agreement
First Amendment to HOME Loan Agreement
Deed of Trust
Promissory Note

ASSIGNMENT, ASSUMPTION AND CONSENT

THIS ASSIGNMENT, ASSUMPTION AND CONSENT (this "Assignment") is dated for identification as of _____, 2013 and is by and among THE COACHELLA VALLEY HOUSING COALITION, a California nonprofit public benefit corporation ("ASSIGNOR" or "CVHC"), PUEBLO NUEVO HOUSING ASSOCIATES, L.P., a California limited partnership (the "ASSIGNEE") and the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), with reference to the following matters.

RECITALS

A. COUNTY and ASSIGNOR entered into that certain Loan Agreement for the use of HOME funds dated as of July 7, 2012, Promissory Note and Deed of Trust with Assignment of Rents, dated July 7, 2012, (collectively the "HOME LOAN") for the rehabilitation of a 50-unit farmworker multi-family affordable housing complex located at 1492 Orchard Avenue, Coachella, CA 92236, Assessor Parcel Number 778-120-002, also known as the Pueblo Nuevo Apartments ("Project"), more particularly described in the HOME LOAN.

B. Pursuant to applicable provisions of the HOME LOAN, ASSIGNOR's interests under the HOME LOAN are deemed "Permitted Transfers" if such conveyance is made to an assignee in which the sole member of the general partner is ASSIGNOR.

D. The sole member of General Partner of the ASSIGNEE is ASSIGNOR.

E. This Assignment is being made pursuant to applicable provisions of the HOME LOAN, or the purpose of assigning to the ASSIGNEE all of ASSIGNOR's right, title, interest, and obligations in and to the following (collectively, the "Assigned Matters"):

(i) All project entitlements developed and to be developed for use in connection with rehabilitation of the Project, all conceptual and other plans and specifications

1 prepared for the construction of any offsite and/or onsite improvements on or to the Project, all
2 conceptual and other site plans, all studies, filings, all agreements, applications, processing
3 material and contracts with any individual, entity, government or quasi-governmental entity or
4 utility provider with respect to rehabilitation of the Project, including, without limitation, all
5 architectural, civil engineering and similar contracts, and all other matters and things previously
6 developed by or for ASSIGNOR relating to the Project to be constructed thereon; and
7

8 (ii) The HOME LOAN, and all rights, interests, and obligations appurtenant
9 thereto.

10 F. ASSIGNOR intends to convey the real property located at 1492 Orchard Avenue,
11 Coachella, CA 92236, Assessor Parcel Number 778-120-002 ("Property") to ASSIGNEE for
12 ASSIGNEE's development thereon of the Project as more particularly described in the HOME
13 LOAN.
14

15 G. ASSIGNOR desires to assign the Assigned Matters to the Assignee upon the
16 terms and conditions contained herein and the Assignee desires to acquire ASSIGNOR's
17 interest in the Assigned Matters upon such terms and conditions including, but not limited to,
18 assumption by the Assignee of all of the duties and obligations of the ASSIGNOR arising from
19 or relating to the HOME LOAN, from and after the date of execution hereof.
20

21 H. Assignment by ASSIGNOR of its rights under the HOME LOAN requires the
22 approval and written consent of the COUNTY.
23

24 I. Unless otherwise defined herein, all capitalized terms used herein shall have the
25 meanings ascribed thereto in the HOME LOAN.
26

27 OPERATIVE PROVISIONS

28 NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of

1 which is hereby acknowledged, ASSIGNOR and the ASSIGNEE hereby agree as follows, and
2 such agreement is approved and consented to, as required, by the COUNTY, as follows:

3
4 1. Assignment by ASSIGNOR.

5
6 1.1 Assigned Matters. Subject to the provisions of paragraph 1.2 below,
7 ASSIGNOR hereby assigns, conveys and transfers to the ASSIGNEE all of the Assigned
8 Matters. COUNTY hereby consents to the foregoing Assignment

9
10 1.2 Retained Rights. ASSIGNOR retains any and all warranty rights,
11 indemnity rights (including defense and other related rights) and any and all other rights and
12 claims against any person relating to any event with respect to which any claim (whether valid
13 or invalid) is at any time made against ASSIGNOR under and/or related to any of the Assigned
14 Matters; provided, however that the ASSIGNEE shall have the primary/leading role in
15 enforcing any such rights and/or claims.

16
17 2. Acceptance and Assumption. The ASSIGNEE hereby accepts the assignment of the
18 Assigned Matters as provided in Section 1 above, and assumes the responsibility of performing,
19 and shall perform, any and all of the duties and obligations of ASSIGNOR under and/or relating
20 to any of the Assigned Matters, and shall execute all documents and instruments which
21 ASSIGNOR was, is or will be obligated to execute under the provisions of the HOME LOAN.
22 County hereby consents to the foregoing assumption by ASSIGNEE.

23
24 3. Conditions Precedent to Effectiveness of Assignment/Effective Date. As
25 conditions precedent to the effectiveness of this Assignment, this Assignment shall not be
26 effective until and unless both of the following conditions have been satisfied: the Assignment
27 shall be executed by the Chairman of the Board of Supervisors for the County of Riverside,
28 ASISIGNOR and ASSIGNEE; and, a grant deed shall be recorded with the County of

1 Riverside Assessor-County Clerk-Recorder's office evidencing the transfer of ownership and
2 title of the Property from ASSIGNOR to ASSIGNEE. The effective date ("Effective Date") of
3 the Assignment shall be the date the grant deed conveying title and ownership of the Property
4 from ASSIGNOR to ASSIGNEE is recorded with the County of Riverside Assessor-County
5 Clerk-Recorder's office.

6
7 4. Representations and Warranties of ASSIGNOR. ASSIGNOR represents and
8 warrants to the ASSIGNEE and the COUNTY as follows:

9 (a) ASSIGNOR has not heretofore transferred, assigned, pledged or
10 encumbered the Assigned Matters.

11 (b) To the knowledge of ASSIGNOR and except as otherwise disclosed to the
12 Assignee and the County, (i) ASSIGNOR has in all material respects complied with its
13 obligations under the HOME LOAN, required of it to be performed as of the date hereof, and
14 (ii) no material default by ASSIGNOR exists thereunder.

15
16 5. Indemnification.

17
18 (a) The ASSIGNEE's Indemnification by ASSIGNOR. ASSIGNOR shall, to
19 the fullest extent permitted by law, indemnify, defend (with legal counsel reasonably acceptable
20 to the ASSIGNEE), protect and hold harmless the ASSIGNEE and the ASSIGNEE's partners,
21 members, directors, officers, employees, agents, successors and assigns from and against any
22 and all claims, actions, causes of action, rights, defenses, demands, allegations, damages, fines,
23 penalties, liabilities, losses, liens, obligations, judgments, awards, appeals, costs and expenses
24 (including, but not limited to, reasonable fees and costs of attorneys, expert witnesses and other
25 consultants) of any kind or character at law, in equity or otherwise, regarding, arising out of or
26 in connection with, or in any manner related to (i) any of the Assigned Matters prior to the date
27 hereof, and/or (ii) any breach or default by ASSIGNOR under this Assignment.

1 (b) ASSIGNOR's Indemnification by the ASSIGNEE. The ASSIGNEE shall,
2 to the fullest extent permitted by law, indemnify, defend (with legal counsel reasonably
3 acceptable to ASSIGNOR), protect and hold harmless ASSIGNOR and ASSIGNOR's
4 members, directors, officers, employees, agents, successors and assigns from and against any
5 and all claims, actions, causes of action, rights, defenses, demands, allegations, damages, fines,
6 penalties, liabilities, losses, liens, obligations, judgments, awards, appeals, costs and expenses
7 (including, but not limited to, reasonable fees and costs of attorneys, expert witnesses and other
8 consultants) of any kind or character at law, in equity or otherwise, regarding, arising out of or
9 in connection with, or in any manner related to (i) any of the Assigned Matters from and after
10 the date hereof, and/or (ii) any breach or default by the ASSIGNEE under this Assignment.

11
12 6. Indemnification of the COUNTY by ASSIGNOR and the ASSIGNEE. The
13 ASSIGNEE and ASSIGNOR shall, to the fullest extent permitted by law, indemnify, defend
14 (with legal counsel acceptable to the COUNTY), protect and hold harmless the COUNTY and
15 the COUNTY's members, officers, employees, agents, successors and assigns from and against
16 any and all claims, actions, causes of action, rights, defenses, demands, allegations, damages,
17 fines, penalties, liabilities, losses, liens, obligations, judgments, awards, appeals, costs and
18 expenses (including, but not limited to, reasonable fees and costs of attorneys, expert witnesses
19 and other consultants) of any kind or character at law, in equity or otherwise, regarding, arising
20 out of or in connection with, or in any manner related to (i) any of the Assigned Matters and/or
21 (ii) any breach or default by either or both of ASSIGNOR and the ASSIGNEE under this
22 Assignment.

23
24 7. Additional Indemnity Obligations of ASSIGNEE. As a consequence of the
25 assignment provided herein, ASSIGNEE hereby agrees to assume and perform the indemnity
26 obligations of ASSIGNOR under the HOME LOAN. Specifically, the ASSIGNEE shall
27 indemnify and hold harmless the COUNTY, its agencies, Boards, Districts, Special Districts
28 and departments and their respective directors, officers, Board of Supervisors, elected and

1 appointed officials, employees, agents and representatives (collectively, "Indemnified Parties")
2 from any liability whatsoever, based upon or asserted upon any services of the ASSIGNEE in
3 its capacity as the "Developer" under the HOME LOAN, or of its officers, employees,
4 subcontractors, agents or representatives arising out of or in any way relating to the HOME
5 LOAN, including, but not limited to, property damage, bodily injury or death, or any other
6 element of any kind or nature whatsoever arising from the performance of the ASSIGNEE as
7 the "Developer" thereunder, or of its officers, agents, employees, subcontractors or
8 representatives of its obligations under the HOME LOAN. The ASSIGNEE shall defend, at its
9 sole expense, and pay all costs and fees including, but not limited to, reasonable attorneys' fees,
10 costs of investigation, defense and settlement or awards, of the Indemnified Parties in any claim
11 or action based upon such alleged acts or omissions.
12

13 With respect to any action or claim subject to indemnification hereunder by and from the
14 ASSIGNEE, the Assignee shall, at its sole cost, have the right to use counsel of its own choice
15 and shall have the right to adjust, settle or compromise any such action or claim without the
16 prior consent of the COUNTY; provided, however, that any such adjustment, settlement, or
17 compromise in no manner whatsoever limits or circumscribes the ASSIGNEE's indemnification
18 of COUNTY as set forth herein.
19

20 The ASSIGNEE's obligation hereunder shall be satisfied when the ASSIGNEE has
21 provided to COUNTY the appropriate form of dismissal or other resolution of the applicable
22 dispute or action relieving the Indemnified Parties from any liability for the action or claim
23 involved.
24

25 The specified insurance limits required in the HOME LOAN shall in no way limit or
26 circumscribe the ASSIGNEE's obligations to indemnify and hold harmless the Indemnified
27 Parties herein from and against third party claims.
28

1 8. Further Assurances. Each of the parties to this Assignment shall execute and
2 deliver any and all additional papers, documents and other assurances and shall do any and all
3 acts and things reasonably necessary in connection with the performance of their obligations
4 under this Assignment and to carry out the intent and agreement of the parties to this
5 Assignment.

6
7 9. Successors and Assigns. This Assignment shall be binding upon and inure to the
8 benefit of the permitted successors and assigns of the parties hereto.

9
10 10. Incorporation of Recitals. The Recitals set forth at the beginning of this
11 Assignment are incorporated into this Assignment as though set forth in full herein.

12
13 11. Authority. Each person signing this Assignment represents and warrants that he
14 or she has the proper authority to bind the party on whose behalf he or she signs this
15 Assignment.

16
17 12. Counterparts. This Assignment may be executed in counterparts, each of which
18 shall be deemed an original but all of which shall together constitute one and the same
19 instrument.

20 //

21 //

22 //

(SIGNATURES ON NEXT PAGE)

23 //

24 //

25 //

26 //

27 //

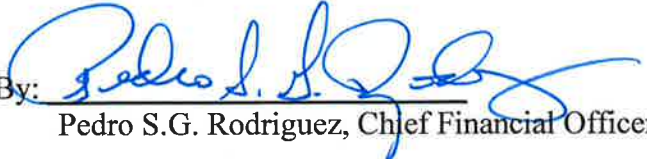
28 //

1
2 IN WITNESS WHEREOF, the parties have executed this Assignment as of the Effective
3 Date as set forth above.

4 "ASSIGNOR"

5 The Coachella Valley Housing Coalition,
6 a California nonprofit public benefit corporation

7 Date: March 20, 2013

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

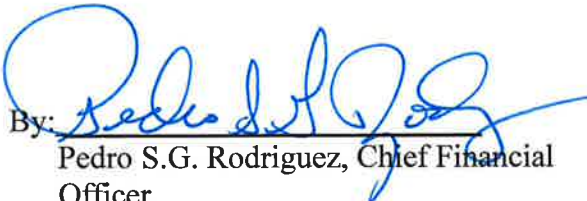
9
10 "ASSIGNEE"

11 Pueblo Nuevo Housing Associates, L.P.,
12 a California Assignee

13 By:
14 Pueblo Nuevo Apartments LLC
15 a California limited liability company
its general partner

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

18
19
20 Date: March 20, 2013

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

For the sole purpose of providing written consent to the assignment of the HOME
LOAN, as contemplated by this Assignment, Assumption and Consent.

"COUNTY"

County of Riverside,
a political subdivision of the State of California

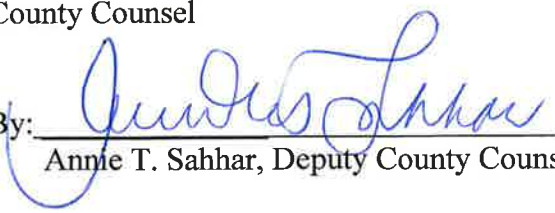
By: _____
John J. Benoit
Chairman, Board of Directors

Date: _____, 2013

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

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

By:  _____
Annie T. Sahhar, Deputy County Counsel

ACKNOWLEDGEMENT

State of California

County of Riverside

On March 20, 2013 before me, Mary Ann Ybarra, Notary Public

personally appeared Pedro S.G. Rodriguez,

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

Mary Ann Ybarra



1 NO FEE FOR RECORDING PURSUANT
2 TO GOVERNMENT CODE SECTION 6103

3 Order No.
4 Escrow No.
5 Loan No.

6 RECORDING REQUESTED BY AND
7 WHEN RECORDED MAIL TO:

8 County of Riverside
9 Economic Development Agency
10 5555 Arlington Ave.
11 Riverside, CA 92504
12 Attn. Juan Garcia

13 SPACE ABOVE THIS LINE FOR RECORDERS USE

14 **FIRST AMENDMENT TO HOME LOAN AGREEMENT**
15 **FOR THE USE OF HOME FUNDS**

16 This First Amendment to the Loan Agreement for the use of HOME funds
17 (“First Amendment”) is made and entered into as of the ____ day of _____, 2013 by
18 and between the COUNTY OF RIVERSIDE (“COUNTY”), a political subdivision of the State
19 of California, and PUEBLO NUEVO HOUSING ASSOCIATES, L.P., a California limited
20 partnership (“BORROWER” or “PUEBLO NUEVO HOUSING ASSOCIATES”).

21 WITNESSETH:

22 WHEREAS, the Home Investment Partnerships (“HOME”) Program, which was
23 enacted under Title II of the Cranston-Gonzalez National Affordable Housing Act (the “Act”),
24 as amended (commencing at 42 U.S.C. 12701 et seq.), and implemented under 24 CFR Part 92,
25 has as its purposes to expand the supply of decent, safe, sanitary, and affordable housing with
26 primary attention to rental housing, for very low-income and low-income families; to
27 strengthen public-private partnerships to carry out affordable housing programs; and to provide
28 for coordinated assistance to participants in the development of affordable low-income
housing; and

WHEREAS, COUNTY has qualified as an “Urban County” for purposes of
receiving HOME funds which are to be used to assist and undertake essential housing
assistance activities pursuant to the Act; and

1 WHEREAS, COUNTY and THE COACHELLA VALLEY HOUSING
2 COALITION (“CVHC”) entered into a loan agreement for the use of HOME funds (the
3 “HOME Loan Agreement”) dated July 17, 2012; and

4 WHEREAS, CVHC and PUEBLO NUEVO HOUSING ASSOCIATES have
5 entered into a purchase and sale agreement, transferring title and ownership of the 50-unit
6 farmworker multi-family affordable housing complex located at 1492 Orchard Avenue,
7 Coachella, CA 92236, Assessor Parcel Number 778-120-002 (“Project”), also known as the
8 Pueblo Nuevo Apartments as more particularly described in **Exhibit “A”**;

9 WHEREAS, COUNTY, CVHC and PUEBLO NUEVO HOUSING ASSOCIATES,
10 have entered into an Assignment, Assumption and Consent agreement dated as of April __,
11 2013 for the purpose of assigning to PUEBLO NUEVO HOUSING ASSOCIATES, all of
12 CVHC’s right, title and interest in the HOME Loan Agreement (the “Assignment”); and

13 WHEREAS, Pueblo Nuevo Apartments LLC is the general partner of PUEBLO
14 NUEVO HOUSING ASSOCIATES; and

15 WHEREAS, CVHC is the sole member/manager of the general partner PUEBLO
16 NUEVO HOUSING ASSOCIATES; and

17 WHEREAS, PUEBLO NUEVO HOUSING ASSOCIATES is not a certified
18 Community Housing Development Organization” (CHDO) and therefore HOME funds used for
19 this project will not come from the HOME CHDO set-aside funds; and

20 WHEREAS, pursuant to the HOME Loan Agreement and the Assignment,
21 BORROWER will rehabilitate the Project; and

22 WHEREAS, the COUNTY and BORROWER wish to amend the assigned HOME Loan
23 Agreement; and

24 WHEREAS, by providing the modification and change to the HOME Loan Agreement
25 as provided herein, the Project can move forward and the supply of affordable housing in
26 Riverside County will continue to improve.

27 NOW, THEREFORE, in consideration of the foregoing, and the promises and
28 mutual covenants and conditions hereinafter set forth, COUNTY and BORROWER mutually

agree as follows:

1. All references to "Certificate of Occupancy" in the HOME Loan Agreement in relation to the "term of the HOME Loan Agreement", "maturity of HOME Loan" or "affordability period of HOME Loan Agreement" are deleted and replaced with "the filing of Notice of Completion". The maturity of the HOME Loan Agreement shall be the first to occur of (i) July 1, 2069, or (ii) fifty-five (55) years from the filing of Notice of Completion.

2. **Section 4.d.2** of the HOME Loan Agreement is deleted and replaced in its entirety with the following:

2. The HOME Note shall be repaid according to the following:

i) Fifty percent (50%) of the Project's Residual Receipts shall be used towards the payment of the Residual Receipts loans secured by the Project, and the payment shall be prorated based on the percentage of each relative loan amount based upon the total amount of all such loans, until the HOME Note is repaid in full; and

ii) The remaining fifty percent (50%) of the Project's Residual Receipts will be paid to BORROWER.

3. **Section 4.d.3** of the HOME Loan Agreement is deleted and replaced in its entirety with the following:

3. Available Residual Receipts shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days of the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within 120 days of the close of the calendar year. All outstanding principal along with accrued interest shall be payable on the first to occur of (i) July 31, 2069, or (ii) fifty five (55) years from the filing of Notice of Completion. The first payment shall be due on July 1st

of the year after the calendar year in which the Notice of Completion is filed, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on July 1st thereafter to the extent of available Residual Receipts until sooner of full repayment of the Loan or the Loan maturity date as set forth above and

4. **Section 4.d.4** of the HOME Loan Agreement is deleted in its entirety and is replaced with the following:

4. [INTENTIONALLY OMITTED]

5. **Section 4.d.5** of the HOME Loan Agreement is deleted and replaced in its entirety with the following:

5. Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following:

- i) auditing and accounting fees;
- ii) a property management fee not to exceed \$58 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index ("CPI");
- iii) operating expenses (any expense reasonably and normally incurred in carrying out the Project's day-to-day activities, which shall include administration, on-site management, utilities, on-site staff payroll, payroll taxes, and maintenance);
- iv) reserves;
- v) deferred developer fee;
- vi) a General Partner management fee, which shall be in the initial amount of \$12,000;
- vii) a Limited Partnership asset management fee not to exceed \$6,000 annually;

- viii) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by COUNTY (collectively, the “Senior Debt”); and
- ix) An annual monitoring fee not to exceed \$5,000, due to the County of Riverside.

6. **Section 4.e** of the HOME Loan Agreement is deleted and replaced in its entirety with the following:

- e. Security. COUNTY hereby agrees that the HOME Deed of Trust and the terms of this Agreement shall be subordinated to: 1) a deed of trust in connection with a construction loan being made by Wells Fargo Bank, National Association; 2) a deed of trust in connection with permanent financing from the U.S Department of Agriculture; 3) a deed of trust in connection with permanent financing from California Community Reinvestment Corporation (collectively, the “Senior Loans”). In addition, COUNTY agrees to execute any and all documents necessary to effectuate subordination of this Agreement and the HOME Deed of Trust to the deeds of trust securing the Senior Loans and any future refinancing upon BORROWER’S request.

7. **Section 6** of the HOME Loan Agreement is hereby amended by deleting the phrase “of fifty-five (55) years from and after the issuance of a Certificate of Occupancy for the last unit for which rehabilitation is completed within the Project” and replacing it with “ending on the first to occur of (i) July 1, 2069, or (ii) fifty five (55) years from the filing of Notice of Completion.”

8. **Section 7.a** of the HOME Loan Agreement is deleted and replaced in its entirety with the following:

- a. Authority. BORROWER is a limited partnership in good standing

1 under the laws of the State of California. The copies of the
2 documents evidencing the organization of BORROWER, which
3 have been delivered to COUNTY, are true and complete copies of
4 the originals, amended to the date of this Agreement.
5 BORROWER has full right, power and lawful authority to accept
6 the conveyance of the Project, as defined in **Exhibit "A"**, and
7 undertake all obligations as provided herein and the execution,
8 performance and delivery of this Agreement by BORROWER has
9 been fully authorized by all requisite actions on the part of
10 BORROWER.

11 9. **Section 11** of the HOME Loan Agreement is deleted and omitted from the HOME
12 Loan Agreement.

13 10. **Section 14** of the HOME Loan Agreement is deleted and replaced it its entirety with
14 the following:

15 DISTRIBUTION OF FUNDS. The HOME Investment Trust Fund account established in the
16 United States Treasury is managed through HUD, Integrated Disbursement and Information
17 System (IDIS) for the HOME Investment Partnerships Program. The IDIS System is a
18 computerized system which manages, disburses, collects, and reports information on the use of
19 HOME funds in the United States Treasury Account. Disbursement of HOME funds shall
20 occur upon the satisfactory receipt of copies of invoices and conditional (upon receipt of
21 payment) lien releases for construction costs to be paid with the proceeds of the HOME Loan.
22 Any disbursement of funds is expressly conditioned upon the satisfaction of conditions set forth
23 in **Section 13**. COUNTY shall pay BORROWER the sum specified in **Section 1** above on a
24 "cost-as-incurred" basis for all eligible approved costs under itemized schedule shown in
25 **Exhibit "A"**:

- 26 a. Up to fifty percent (50%) of the HOME Loan at the
27 commencement of construction.
28 b. Up to ninety percent (90%) of the HOME Loan upon fifty-one

percent (51%) completion of Project, as certified and documented by the project architect.

- c. COUNTY shall release final draw down of ten percent (10%) of the COUNTY Loan following receipt of all of the items listed in **Section 13(k).**

11. **Section 24** of the HOME Loan Agreement is deleted and replaced in its entirety with the following:

a) SALE OR TRANSFER OF THE PROJECT. BORROWER hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project or any portion thereof, without obtaining the prior written consent of the COUNTY, which consent shall be conditioned solely upon receipt by the COUNTY of reasonable evidence satisfactory to the COUNTY that transferee has assumed in writing and in full, and is reasonably capable of performing and complying with the BORROWER's duties and obligations under this Agreement and where upon BORROWER shall be released of all obligations hereunder which accrue from and after the date of such sale. Notwithstanding anything to the contrary contained herein, upon notice to COUNTY, BORROWER may (i) admit limited partners to BORROWER, and provide for the purchase of any such limited partnership interest or interests by BORROWER's general partner; (ii) replace BORROWER's general partner with an affiliate of the general partner; (iii) remove BORROWER's general partner, provided that any replacement general partner for BORROWER will require the consent of the County, which consent will not be unreasonably withheld, conditioned or delayed; (iv) the lease for occupancy of all or any of the Units; (v) the granting of easements or permits to facilitate the development of the Property in accordance with this HOME Loan Agreement; and (vi) the withdrawal and/or replacement of any limited partner of BORROWER. The parties hereto acknowledge that "affiliate" for purposes of this section means, as to any Person (as defined below), any general partnership, limited partnership, corporation, joint venture, trust, business trust, cooperative, association,

1 limited liability company or individual (collectively, a "Person") that (A) directly or
2 indirectly controls or is controlled by (such as any partnership or limited liability
3 company in which the Person, directly or indirectly, serves as a general partner or
4 managing member, respectively) or is under common control with the specified
5 Person; (B) is an officer or director of, commissioner of, partner in, member of or
6 trustee of, or serves in a similar capacity with respect to, the specified Person or of
7 which the specified Person is an officer, director, member, partner or trustee, or with
8 respect to which the specified Person serves in a similar capacity; or (C) is the
9 beneficial owner, directly or indirectly, of 10% or more of any class of equity
10 securities of the specified Person or of which the specified Person is directly or
11 indirectly the owner of 10% or more of any class of equity securities. The term
12 "control" (including the term "controlled by" and "under common control with")
13 means the possession, direct or indirect, of the power to direct or cause the direction of
14 the management and policies of a Person, whether through the ownership of voting
15 securities, by contract or otherwise.

16 12. **Section 30** of the HOME Loan Agreement is amended by deleting the phrase "last
17 Certificate of Occupancy" and replacing it with the phrase "Notice of Completion".

18 13. **Section 32(b)(2)** of the HOME Loan Agreement is deleted and replaced in its entirety
19 with the following:

20 Except for the liens permitted by the County, BORROWER shall promptly discharge any
21 other lien which shall have attained priority over the HOME Deed of Trust unless
22 BORROWER: (A) agrees in writing to the payment of the obligation secured by the lien in a
23 manner acceptable to the County; (B) contests in good faith the lien by, or defends against
24 enforcement of the lien in, legal proceedings which in the County's opinion operate to prevent
25 the enforcement of the lien; (C) bonds around the lien; or (D) secures from the holder of the
26 lien an agreement satisfactory to County subordinating the lien to the HOME Deed of Trust.
27 Except for the liens approved herein, if County determines that any part of the Property is
28 subject to a lien which may attain priority over the HOME Deed of Trust, County may give

BORROWER a notice identifying the lien. BORROWER shall satisfy such lien or take one or more of the actions set forth above within 30 days of the giving of notice.

14. **Section 57** of the HOME Loan Agreement is deleted and replaced in its entirety with the following:

NOTICES. All notices, requests, demands and other communication required or desired to be served by either party upon the other shall be addressed to the respective parties as set forth below or the such other addresses as from time to time shall be designated by the respective parties and shall be sufficient if sent by United States first class, certified mail, postage prepaid, or express delivery service with a receipt showing the date of delivery.

COUNTY

Attn: Assistant Director, Housing
Riverside County
Economic Development Agency
3403 Tenth Street, Suite 500

BORROWER

Pueblo Nuevo Housing Associates, LP
Plaza I, 45-701 Monroe Street, Suite G
Indio, CA 92201

Investor Limited Partner

Attn: Director of Asset Management
Wells Fargo Affordable Housing Community Development Corporation
MAC D1053 170
301 South College Street, 17th Floor
Charlotte, NC 28288

15. **Exhibit "A"** of the HOME Loan Agreement is hereby replaced with the revised **Exhibit "A"** of this First Amendment, which is attached hereto and by this reference incorporated herein.

16. **The Deed of Trust, Exhibit "B-1"** of the HOME Loan Agreement is hereby replaced with the revised **Exhibit "B-1"** of this First Amendment, which is attached hereto and by this reference incorporated herein.

17. **The Promissory Note, Exhibit "B-2"** of the HOME Loan Agreement is hereby replaced with the revised **Exhibit "B-2"** of this First Amendment, which is attached hereto and by this reference incorporated herein.

18. This First Amendment and HOME Loan Agreement set forth and contain the entire

1 understanding and agreement of the parties hereto. There are no oral or written representations,
2 understandings, or ancillary covenants, undertakings or agreements, which are not contained or
3 expressly referred to within this First Amendment and the HOME Loan Agreement.

4 19. The exhibits attached hereto are incorporated herein by this reference.

5 20. Except as modified and amended by this First Amendment, all other terms and
6 conditions of the HOME Loan Agreement remain unmodified and in full force and effect.

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

10 22. This First Amendment is not binding until executed by the Chairman of the Board of
11 Supervisors for the County of Riverside and BORROWER and a grant deed is recorded with the
12 County of Riverside Assessor-County Clerk-Recorder's office evidencing the transfer and
13 ownership of the real property located at 1492 Orchard Avenue, Coachella, CA 92236, Assessor
14 Parcel Number 778-120-002 ("Property") from CVHC to PUEBLO NUEVO HOUSING
15 ASSOCIATES. The effective date ("Effective Date") of this First Amendment shall be the date
16 the grant deed conveying title of the Property from CVHC to PUEBLO NUEVO HOUSING
17 ASSOCIATES is recorded with the County of Riverside Assessor-County Clerk-recorder's
18 office.

19 (SIGNATURES ON NEXT PAGE)

20 //

21 //

22 //

23 //

24 //

25 //

26 //

27 //

28 //

IN WITNESS WHEREOF, COUNTY and BORROWER have executed this First Amendment
to HOME Loan Agreement as of the date first above written.

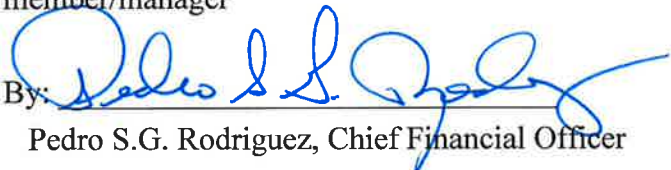
COUNTY OF RIVERSIDE

BORROWER

PUEBLO NUEVO HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: _____ By: Pueblo Nuevo Apartments LLC, its general partner
John J. Benoit, Chairman,
Board of Supervisors

By: The Coachella Valley Housing Coalition, its sole
member/manager

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

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

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

By: 
Annie Sahhar, Deputy

(Signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "A"

BORROWER: PUEBLO NUEVO HOUSING ASSOCIATES, L.P.

Address: Plaza I, 45-701 Monroe Street, Suite G
Indio, CA 92201

Project Title: Pueblo Nuevo Apartments

Location: 1492 Orchard Avenue, Coachella, CA 92236. The site is identified as Assessor
Parcel Map No. 778-120-002.

Description:

PUEBLO NUEVO HOUSING ASSOCIATES, L.P. ("BORROWER") is proposing to use up to \$500,000 in HOME funds for the rehabilitation of a 50-unit farmworker multi-family affordable housing complex (the "Project") previously owned and developed by The Coachella Valley Housing Coalition ("CVHC") in 1986, also known as the Pueblo Nuevo Apartments. No new construction or expansion of the existing complex is proposed as part of this project. There will be no changes in use and unit density. The apartment complex includes a leasing office, laundry facility, open play areas, and a community center.

A total of eleven units shall be designated as floating HOME assisted units. Eleven units (11) (2 – 2 Bedroom, 4 – 3 Bedroom, and 5 – 4 Bedroom) shall be limited to households whose incomes do not exceed fifty percent (50%) of Riverside County median family income, of that a minimum of Five (5) units shall be limited to households whose incomes do not exceed thirty percent (30%) of the median family income for the County of Riverside, adjusted by family size at the time of occupancy. The HOME units shall be restricted for a period of fifty five (55) years from the filing of Notice of Completion.

Upon completion COUNTY must sign off on all the work that is being proposed below.

Scope of Development:

The project is in need of major renovations and the BORROWER is proposing to do major capital improvements that include installing new double-pane low-E windows, blinds, air conditioning and heating systems, water heaters, kitchen cabinets and counter tops, new paint, flooring, roofing, light fixtures, plumbing fixtures, and solar tubes. All the units will be equipped with energy star rated appliances to include refrigerators and stoves/ovens. BORROWER is also proposing to repair existing asphalt and concrete and install new carports.

LEGAL DESCRIPTION OF PROPERTY

PARCEL 1 OF PARCEL MAP NO. 19436, IN THE CITY OF COACHELLA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP ON FILE IN BOOK 128, PAGE 59, OF PARCEL MAPS, RIVERSIDE COUNTY RECORDS.

APN: 778-120-002

APN: 778-120-002



Project Permanent Sources and Uses of Fund:

Sources:

California Community Reinvestment Corporation	\$ 1,000,000
USDA-RDA 514	\$ 325,942
Seller (CVHC) take back loan	\$ 324,058
General Partner Equity – Pueblo Nuevo Apts., LLC	\$ 244,000
Limited Partner Equity – Wells Fargo	\$ 2,537,132
Deferred Developer Fee	\$ 39,648
County HOME Loan	<u>\$ 500,000</u>
Total Sources	\$ 4,970,780

Uses:

New construction (includes site work, common area bldgs. and structures)	\$ 2,091,826
Contractor's Overhead & Profit & Gen'l Req.	\$ 208,029
General Liability Insurance	\$ 40,000
Permanent Financing costs	\$ 12,000
Construction Contingency (Hard)	\$ 298,981
Architectural & Engineering Cost	\$ 70,000
Construction management, testing and inspection	\$ 25,000
Environmental	\$ 7,000
Construction Interest & Fees	\$ 151,455
Reserves	\$ 446,948
Investor – Capitalized Asset Management Fee	\$ 90,000
Land Development Impact and Permit Processing Fees	\$ 25,000
Other Fees, Marketing & Furnishings	\$ 35,000
TCAC Fees	\$ 30,971
Legal Fees	\$ 80,500
Relocation Expenses	\$ 150,000
Developer's Fee	\$ 343,069
Title and Escrow	\$ 40,000
Appraisal	\$ 10,000
Market Study	\$ 10,000
Syndication Consultant	\$ 40,000
Audit	\$ 15,000
Soft Cost Contingency	\$ 100,000
Land & Acquisition Cost	<u>\$ 650,000</u>
Total Uses	\$ 4,970,780

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

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

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. CTCAC Award	September 2012
2. Letter Confirmation of CTCAC award due to County	September 2012
3. Permanent Financing Commitment	April 1, 2013
4. Building Permit	February 2013
5. Begin Construction	April 2013
6. Project Financing Contingency (Section 52)	April 2013
7. Marketing & Affirmative Action	September 2013
8. Lease Agreement, Proposed Rents, and Utilities	September 2013
9. Final City Inspection	November 2013
10. Occupancy of HOME units	December 2013
11. Submission of income & ethnic characteristics report	December 2013
12. Submission of Final actual project costs and Sources and Uses of Funds	February 2014

DOCUMENT SUBMISSION SCHEDULE

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

EXHIBIT “B-1”

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

Riverside County
Economic Development Agency
5555 Arlington Ave.
Riverside, CA 92504
ATTN: Juan Garcia

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST

This DEED OF TRUST is made on this _____ day of _____, 2012. The trustor is PUEBLO NUEVO HOUSING ASSOCIATES, L.P., a California limited partnership ("OWNER" or "BORROWER"), and whose address is 45-701 Monroe Street, Suite G, Indio, CA 92201. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a political subdivision of the State of California, and whose address is 5555 Arlington Avenue,, Riverside, CA 92504. Pursuant to the terms of the HOME Loan Agreement, dated July 7, 2012, Borrower owes Lender the principal sum of Five Hundred Thousand and No/100 Dollars (U.S. \$500,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the HOME Loan Agreement.

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

exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

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

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be the first to occur of (i) July 31, 2069, or (ii) fifty-five (55) years from the filing of Notice of Completion.

This Deed of Trust secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under **Section 8** to protect the security of this Deed of Trust; and (c) the performance of Borrower's covenants and agreements under this Deed of Trust and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of the holder of the First Deed of Trust (the "Senior Lien Holder"), all of Borrower's right, title and interest in and to the property located in Riverside County, California. The legal description of the property is further described in **Exhibit "B-1"** attached hereto;

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

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the fee interest of the Property and, except for the Deed of Trust in favor of Wells Fargo Bank, N.A. (as it may be assigned to California Community Reinvestment Corporation and the U.S. Department of Agriculture ("Senior Deeds of Trust")), and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

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

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

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

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

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

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

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

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

5. Subordination. This Deed of Trust shall be recorded in third position behind a deed of trust in connection with a construction loan being made by Wells Fargo Bank, National Association and a deed of trust in connection with a loan from the U.S Department of Agriculture. At permanent closing the construction loan will be paid off and the deed of trust to the California Community Reinvestment Corporation in connection with permanent financing; and the loan from the U.S. Department of Agriculture will convert to permanent financing. COUNTY hereby agrees to execute any and all documents necessary to effectuate such subordination. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.

6. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term

"extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the HOME Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with **Section 8**.

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

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

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

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

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Deed of Trust or Lender's security interest. Borrower may cure such a default and reinstate, as provided in **Section 19**, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Deed of Trust or Lender's

security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrower's use of Property for affordable housing. If this Deed of Trust is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

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

8. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then, subject to any applicable grace periods or cure periods, Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Deed of Trust (including sums secured by the First Deed of Trust), appearing in court, paying reasonable attorneys' fees, and entering on the Property to make repairs. Although Lender may take action under this **Section 8**, Lender does not have to do so.

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

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

9. Not used

10. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower at least forty-eight (48) hours to an inspection specifying reasonable cause for the inspection.

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

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

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

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

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

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

14. Loan Charges. If the loan secured by this Deed of Trust is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan

charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be promptly refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

15. Notices. Any notice to Borrower provided for in this Deed of Trust shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated herein or any other address Borrower designates by notice to Lender. All such notices to Borrower shall also be provided to the Investor Limited Partner, Wells Fargo Affordable Housing Community Development Corporation, MAC D1053-170, 201 South College Street, 17th Floor, Charlotte, NC 28288, Attention: Director of Asset Management. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to the Investor Limited Partner shall be given by first class mail to such other address the Investor Limited Partner designates by notice to the Borrower. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given as provided in this Section.

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

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

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

a. If Lender exercises this Option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Deed of Trust. If Borrower fails to pay these sums prior to the expiration of this period,

Lender may invoke any remedies permitted by this Deed of Trust without further notice or demand on Borrower.

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

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

d. Notwithstanding anything to the contrary contained herein, the transfer of the limited partner interest to the investment limited partner or the assignment of that interest to a limited liability company or limited partnership in which the investor limited partner or an affiliate is the managing member or general partner, respectively, shall not constitute a prohibited transfer under this Deed of Trust.

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

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

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

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

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

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

23. Acceleration; Remedies. Lender shall give notice to Borrower, the investor limited partner, and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, which shall not be more than sixty (60) calendar days from the mailing of the notice for a monetary default, or a date, which shall not be more than ninety (90) calendar days from the mailing of the notice for a non-monetary default, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holder or the investor limited partner have not exercised their right to cure the default, but subject to any non-recourse provisions then in effect, then Lender at its option may require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in **Section 8** above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder and the investor limited partner at least 60 days' prior written notice. Lender shall be entitled to collect all expenses

incurred in pursuing the remedies provided in this **Section 23**, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

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

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

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

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

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

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

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

necessary and adequate to fulfill the obligations undertaken in the HOME Loan Agreement, as amended, and any such General Partner replacement shall require consent by the COUNTY, which consent shall not be unreasonably withheld, conditioned or delayed.

29. Removal, Demolition or Alteration of Personal Property and Fixtures. Except to the extent permitted by the following sentence, no personal property or fixtures shall be removed, demolished or materially altered without the prior written consent of the Beneficiary. Borrower may remove and dispose of, free from the lien of this HOME Deed of Trust, such personal property and fixtures as from time to time become worn out or obsolete, providing that, (a) the same is done in the ordinary course of business, and (2) either (i) at the time of, or prior to, such removal, any such personal property or fixtures are replaced with other personal property or fixtures which are free from liens other than encumbrances permitted hereunder and which have a value at least equal to that of the replaced personal property and fixtures (and by such removal replacement Borrower shall be deemed to have subjected such replacement personal property and fixtures to the lien of this HOME Deed of Trust), or (ii) such personal property and fixtures may not require replacement if functionally, economically or operationally obsolete and so long as the fair market value of and operational efficiency of the Project is not reduced or adversely effected thereby.

(SIGNATURE ON NEXT PAGE)

BY SIGNING BELOW, the BORROWERS accepts and agrees to the terms and covenants contained in this Deed of Trust.

Date: March 20, 2013

BORROWER:

PUEBLO NUEVO HOUSING ASSOCIATES, L.P. a California limited partnership

By: Pueblo Nuevo Apartments LLC, its general partner

By: The Coachella Valley Housing Coalition, its sole member/manager

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

(Signature on this page needs to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF Riverside }

On March 20, 2013 before me, Mary Ann Ybarra, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Pedro S.G. Rodriguez, Chief Financial Officer
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.

Signature

Signature of Notary Public



Place Notary Seal Above

BY SIGNING BELOW, the BORROWERS accepts and agrees to the terms and covenants contained in this Deed of Trust.

Date: _____

BORROWER:

PUEBLO NUEVO HOUSING ASSOCIATES, L.P. a California limited partnership

By: Pueblo Nuevo Apartments LLC, its general partner

By: The Coachella Valley Housing Coalition, its sole member/manager

By: _____
John Mealey, Executive Director

(Signature on this page needs to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "B-1"

LEGAL DESCRIPTION OF PROPERTY

PARCEL 1 OF PARCEL MAP NO. 19436, IN THE CITY OF COACHELLA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP ON FILE IN BOOK 128, PAGE 59, OF PARCEL MAPS, RIVERSIDE COUNTY RECORDS.

APN: 778-120-002

EXHIBIT “B-2”

PROMISSORY NOTE

\$500,000

Riverside, CA

In installments as hereafter stated, for value received, PUEBLO NUEVO HOUSING ASSOCIATES, L.P., a California limited partnership ("Borrower") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 5555 Arlington Ave., Riverside, CA 92504, the sum of Five Hundred Thousand and No/100 Dollars (U.S. \$500,000.00) (the "HOME Loan") which at the time of payment is lawful for the payment of public and private debts.

This Promissory Note (the "Note") is given in accordance with that certain Loan Agreement for the use of HOME Funds executed by COUNTY and Borrower, dated as of _____ (the "HOME Loan Agreement"). Excepting to the extent otherwise expressly defined in this Note, all capitalized terms shall have the meanings established in the HOME Loan Agreement. The rights and obligations of the Borrower and COUNTY under this Note shall be governed by the Agreement and by the additional terms of as follows:

(1) That the HOME Loan will accrue simple interest at a rate of three percent (3.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) The Note shall be repaid as defined herein: i) Fifty percent (50%) of the Project's Residual Receipts shall be used towards the payment of the residual receipts loans secured by the Project, and the payment shall be prorated based on the percentage of each relative loan amount of all such loan; and ii) The remaining fifty percent (50%) of the Project's Residual Receipts will be paid to BORROWER. (3) The HOME Loan shall be subordinated to one permanent loan from the U.S Department of Agriculture and one permanent loan from the California Community Reinvestment Corporation. Available residual receipts shall be determined based on a review of certified financial statements for the Project. Quarterly financial statements shall be submitted within forty-five (45) days following the close of each quarter of the project fiscal year. In addition, the annual audited financial statements shall be submitted within ninety (90) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) July 31, 2069 or (ii) fifty-five (55) years from the filing of Notice of Completion. The first payment shall be due on July 1st of the year after the calendar year in which the Notice of Completion is filed, to the extent of available Residual Receipts, as set forth above. Subsequent payments shall be made on July 1st thereafter to the extent of available residual Receipts until sooner of full repayment of the Loan or the Loan maturity date as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) property management fee not to exceed \$58 per unit per month and increased annually by the percentage equal to the percentage increase in the Consumer Price Index ("CPI"); iii) operating expenses (any expense reasonably and normally incurred in carrying out the Project's day-to-day activities, which shall include administration, on-site management, utilities, on-site staff payroll, payroll taxes, and maintenance); iv) reserves; v) deferred developer's fee; vi) a General Partner management fee, which shall be in the initial amount of \$12,000; vii) a Limited Partnership asset management fee not to exceed \$6,000 annually; viii) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by COUNTY (collectively, the "Senior Debt"), and ix) an annual monitoring fee not to exceed \$5,000, due to the County of Riverside.

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

Pursuant to the HOME Loan Agreement, the HOME Loan shall mature on the first to occur of (i) July 31, 2069, or (ii) fifty five (55) years from the filing of Notice of Completion.

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

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

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

This Note supersedes the prior note executed by Borrower in the amount of \$500,000 in favor of the County, which prior note is of no further force and effect.

DATE: March 20, 2013

BORROWER:

PUEBLO NUEVO HOUSING, L.P. a California limited partnership

By: Pueblo Nuevo Apartments LLC, its general partner

By: The Coachella Valley Housing Coalition, its sole member/manager

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