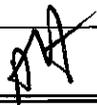




Meeting Date: 11/27/12

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Larry White  Agenda Item No. I-12

Reviewed By: City Manager  City Attorney  Finance  Other (Specify) _____

DATE: November 14, 2012

TO: City Council

FROM: William E. Wilkins, Housing Director 
Curtis P. Cannon, Community Development Director

SUBJECT: Amendment of Affordable Housing Loan Agreement Previously Approved by the City Council June 21, 2011, and amended on December 13, 2011, regarding the Las Villas de Paseo Nuevo Project Located in the Cypress Neighborhood Southwest of the Intersection of Cypress Road and Pleasant Valley Road.

RECOMMENDATION

That the City Council approve and authorize the Mayor to execute a Second Amendment to the Affordable Housing Pre-Development and Construction Loan Agreement eliminating the payment in-lieu of taxes (PILOT) from the agreement.

DISCUSSION

In 2011, the City of Oxnard ("City") and Paseo Nuevo Partners, L.P., a California limited partnership ("Partnership") entered into an Affordable Housing Pre-Development and Construction Loan Agreement (Agreement No. 7407) and First Amendment thereto ("Loan Agreement"). The City loaned \$5,000,000 from the City's Low and Moderate Income Housing Fund to the Partnership to assist the Partnership in the development and construction of a 72 unit affordable housing development in South Oxnard commonly referred to as Las Villas de Paseo Nuevo ("Project"). The Housing Authority of the City of Oxnard ("Housing Authority") and Las Cortes, Inc., a California non-profit public benefit corporation, which was formed by the Housing Authority, are general partners in the Partnership.

The Partnership was formed for the purpose of obtaining an allocation of Federal Low Income Housing Tax Credits from the California Tax Credit Allocation Committee in order to assist in the funding of the construction of the Project. This effort resulted in excess of \$8,300,000 in equity being contributed for the construction of the Project in exchange for the benefit of the Federal tax credits. The Project is currently under construction and is scheduled to be complete in March, 2013.

The Loan Agreement includes, among other things, a requirement that the Partnership pay to the City certain PILOT compensation. The stated purpose of the PILOT compensation is to compensate the

City for the loss of property tax revenue from the Project due to the fact that the affordable housing development was exempt from the payment of property taxes in accordance with California Revenue & Taxation Code section 214 (g).

Pursuant to the Loan Agreement, City and Partnership agreed that the payment of PILOT compensation would be paid from 50% of residual receipts after all other Partnership obligations had been satisfied. In other words, PILOT compensation was the Partnership's lowest priority debt obligation. In addition, any PILOT compensation not paid in any given year was forgiven. Based upon the Project's financial projections no PILOT compensation would be paid to the City by the Partnership until the year 2056 at the earliest.

In response to the Partnership's request that the Project be exempt from the payment of property taxes in accordance with Revenue & Taxation Code section 214 (g), the Ventura County Assessor's Office informed the Partnership that the County was rejecting the Partnership's property tax exemption request. The County Assessor's rejection was based upon his determination that the Partnership was unable to make the following certification required by Section 214 (g):

"In order to be eligible for the exemption provided by this subdivision, the owner of the property shall do the following: . . . Certify that the funds that would have been necessary to pay property taxes are used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income households."

According to the County Assessor, because of the Partnership's obligation to pay PILOT compensation, the Partnership was unable to make this certification. In response to the County Assessor's determination, Partnership representatives met with representatives from the County Assessor's Office to discuss this matter. County Assessor staff was informed that there was no PILOT compensation being paid to the City until 2056 at the earliest. Based upon this fact, the Partnership took the position that the Partnership was able to make the certification required by Revenue and Tax Code section 214 (g) described above.

County Assessor staff acknowledged the reasonableness of the Partnership's position and confirmed that there was nothing unlawful about the City's imposition of the PILOT Compensation in connection with the Loan Agreement. Nevertheless, County Assessor staff confirmed that the Assessor was rejecting the Partnership's property tax exemption request based upon the existence of the PILOT Compensation.

Given the significant financial impacts created by the imposition of property taxes on the Project, and the fact that no PILOT Compensation will be received by the City until 2056, the recommended course of action is to amend the Loan Agreement to eliminate the PILOT Compensation. Once this is completed, the County Assessor has assured the Partnership that the County Assessor will authorize the property tax exemption.

FINANCIAL IMPACT

The Second Amendment does not alter or affect the amount of residual receipts allocated to the repayment of the City's \$5,000,000 Loan.

ATTACHMENTS

1. Second Amendment of Affordable Housing Pre-Development and Construction Loan Agreement.
2. First Amendment of Affordable Housing Pre-Development and Construction Loan Agreement approved by the City Council on December 13, 2011.
3. Affordable Housing Pre-Development and Construction Loan Agreement approved by the City Council on June 21, 2011.

**SECOND AMENDMENT OF LAS VILLAS DE PASEO NUEVO
AFFORDABLE HOUSING PRE-DEVELOPMENT
AND CONSTRUCTION LOAN AGREEMENT**

This Second Amendment of Affordable Housing Pre-Development and Construction Loan Agreement (“Second Amendment”) is made and entered into as of October 23, 2012, (“**Effective Date**”) by and between the City of Oxnard, a municipal corporation (“City”) and Paseo Nuevo Partners, L.P., a California limited partnership (“Paseo Nuevo Partners”) and amends the Affordable Housing Pre-Development and Construction Loan Agreement and first amendment thereto (“Loan Agreement”) entered into by and between City and Paseo Nuevo Partners dated June 21, 2011. City and Paseo Nuevo Partners are sometimes referred to herein individually as a “Party” or collectively as the “Parties.”

RECITALS

- A. The Loan Agreement relates to the development and operation of seventy-two (72) affordable apartment units (including one manager’s unit) for persons or families of low income according to the terms thereof (the “Project”).
- B. The Parties desire to amend certain provisions of the Loan Agreement related to the payments in lieu of taxes.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. Amendment of Section 1.16 of Loan Agreement. Section 1.16 is amended and restated to state as follows:

“1.16 ‘DEEDS OF TRUST’ means the ‘City Deed of Trust’ in the form attached to Exhibit G of the Loan Agreement and incorporated herein by this reference. Any reference to the PILOT Compensation Deed of Trust is eliminated from the Loan Agreement.”
2. Amendment of Section 1.35 of Loan Agreement. Section 1.35 is amended and restated to state as follows:

“1.35 ‘NET PROCEEDS’ means the proceeds of a sale, transfer or refinancing of any portion of the Site and/or the Improvements, less the amount required to pay in full (i) the City Loan and (ii) all other loans secured by the Site that have priority over the Notes, and the reasonable costs of the transaction incurred by Paseo Nuevo Partners.”
3. Deletion of Section 3.1 of the Loan Agreement. Section 3.1 is hereby deleted from the Loan Agreement.
4. Amendment of Section 3.5 (b) of the Loan Agreement. Section 3.5 (b) is amended and restated to state as follows:

“(b) Residual Receipts. 50% of Residual Receipts shall be distributed to City and shall be applied in the following order: (A) first, to pay interest and principal on the City Loan (described in Section 3.2, including accruals) and (B) second, to pay any payments due under the AHILF Loan.”

5. Amendment of Section 3.6 (d) (2) of Loan Agreement. Section 3.6 (d) (2) is amended and restated to state as follows:

(2) Order of Priority – Second Draw. At the Loan Closing in connection with the Second Draw pursuant to Section 4.1.(b), the following documents shall be recorded (and subordinated as necessary) against the Site in the following order of priority, and no other debt shall be encumbered on the Site:

- (A) Grant Deed conveying fee title to the Site to Paseo Nuevo Partners;
- (B) Agreement Containing Covenants;
- (C) Notice of Affordability Restrictions;
- (D) Deeds of Trust securing the Permitted Mortgages;
- (E) Deed of Trust securing the Seller Carry-Back Note;
- (F) City Deed of Trust securing the City Note; and
- (G) City Deed of Trust securing the AHILF Loan Note.

6. Amendment of Section 3.6 (d) (3) of the Loan Agreement. Section 3.6 (d) (3) is amended and restated to state as follows:

“(3). Loan Coverage. The City Loan, in combination with all other Permitted Mortgages, the Seller Carry-Back Note and AHILF Loan shall not exceed the Loan Coverage Threshold at the time that the Site is encumbered by liens from permanent loans, unless such requirement is waived by Director.”

7. City agrees to execute a Full Reconveyance and such other documents as may be necessary to effect a release and cancelation of the PILOT Compensation Deed of Trust and the obligations there under.

8. Conflicts. In the event the terms of this Second Amendment are inconsistent or conflict with the terms of the Loan Agreement, the terms of this Second Amendment shall govern.

9. Governing Law. This Second Amendment shall be governed by and construed in accordance with California law.

10. Separate Counterparts. This Second Amendment may be executed in two or more separate counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall, together, constitute and be one and the same instrument.

11. Except as modified by this Second Amendment, the Loan Agreement shall remain in full force and effect.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this First Amendment as of the Effective Date written above.

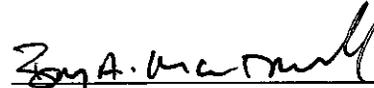
CITY OF OXNARD, a municipal corporation

PASEO NUEVO PARTNERS, L.P., a California limited partnership

By _____
Dr. Thomas E. Holden, Mayor

By: LAS CORTES, INC., a California nonprofit public benefit corporation, its general partner

ATTEST:

 _____

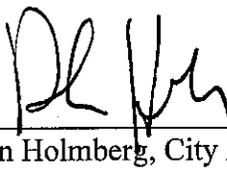
Name: Bryan A. MacDonald

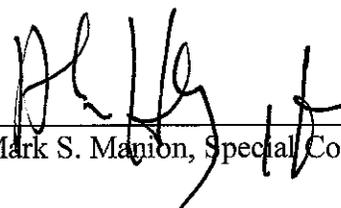
Title: President

Daniel Martinez, City Clerk

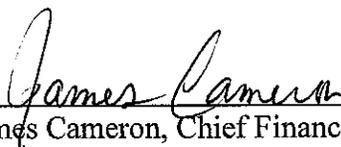
APPROVED AS TO FORM

APPROVED AS TO FORM

 _____
Alan Holmberg, City Attorney

 _____
Mark S. Manion, Special Counsel

APPROVED AS TO INSURANCE

 _____
James Cameron, Chief Financial Officer

**FIRST AMENDMENT OF LAS VILLAS DE PASEO NUEVO
AFFORDABLE HOUSING PRE-DEVELOPMENT
AND CONSTRUCTION LOAN AGREEMENT**

This First Amendment of Affordable Housing Pre-Development and Construction Loan Agreement ("First Amendment") is made and entered into as of December 13, 2011 ("Effective Date") by and between the City of Oxnard, a municipal corporation ("City") and Paseo Nuevo Partners, L.P., a California limited partnership ("Paseo Nuevo Partners") and amends the Affordable Housing Pre-Development and Construction Loan Agreement ("Loan Agreement") entered into by and between City and Paseo Nuevo Partners dated June 21, 2011. City and Paseo Nuevo Partners are sometimes referred to herein individually as a "Party" or collectively as the "Parties."

RECITALS

- A. The Loan Agreement relates to the development and operation of seventy-two (72) affordable apartment units (including one manager's unit) for persons or families of low and moderate income according to the terms thereof (the "Project").
- B. The Parties desire to amend certain provisions of the Loan Agreement related to, among other things, the payments in lieu of taxes, in order to facilitate investment in the Project by a tax credit investor.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. Amendment of Section 1.16 of Loan Agreement. Section 1.16 is amended and restated to state as follows:

"1.16 'DEEDS OF TRUST' collectively means the 'City Deed of Trust' in the form attached to Exhibit G of the Loan Agreement and incorporated herein by this reference and the PILOT Compensation Deed of Trust attached hereto as Attachment 1 and incorporated herein by this reference ("PILOT Compensation Deed of Trust"), recorded against the Site as security for the City Loan and PILOT Compensation by Paseo Nuevo Partners, as trustor with City as beneficiary, as well as any amendments to, modification of, and restatement of said deeds of trust."

2. Amendment of Section 1.28 of Loan Agreement. Section 1.28 is amended and restated to state as follows:

"1.28 'LOAN COVERAGE THRESHOLD' shall mean an amount not to exceed ninety percent (90%) of the Value of the Site at the time the Site is encumbered by liens from permanent loans."

3. Amendment of Section 1.35 of Loan Agreement. Section 1.35 is amended and restated to state as follows:

“1.35 ‘NET PROCEEDS’ means the proceeds of a sale, transfer or refinancing of any portion of the Site and/or the Improvements, less the amount required to pay in full (i) the City Loan; (ii) any PILOT Compensation owed, if the sale, transfer or refinancing continues the Project’s tax exempt status; and (iii) all other loans secured by the Site that have priority over the Notes, and the reasonable costs of the transaction incurred by Paseo Nuevo Partners.”

4. Amendment of Section 1.36 of the Loan Agreement. Section 1.36 is amended and restated to state as follows:

“1.36 ‘NOTES’ means the ‘City Promissory Note and occasionally referred to as City Note’ in the form of Exhibit F attached hereto and incorporated herein by this reference, executed by Paseo Nuevo Partners in favor of the City evidencing City Loan, which is secured by the Deeds of Trust, as well as any amendments to, modifications of, or restatements of the City Promissory Note.”

5. Amendment of Section 1.37 of the Loan Agreement. Section 1.37 is amended and restated to state as follows:

“1.37 ‘OPERATING EXPENSES’ with respect to each Calendar Year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property and other taxes and assessments imposed on the Project; premiums for property damage and liability insurance; utility services not paid for directly or reimbursed by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial, supplies, and similar customary utility services; any license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and marketing, security services and systems, professional fees for legal, audit, accounting and tax returns for the limited partnership, and similar customary administrative expenses; property management fees, not to exceed \$45.00 per unit per month in the first year with annual increases thereafter in proportion to the increases in affordable rent for the Project or six percent (6%) of Revenue, whichever is higher; an asset management fee not to exceed \$7,500 payable to the tax credit investor and a separate partnership management fee not to exceed \$10,000 payable to the managing general partner(s) beginning in the first year and increased thereafter at an annual rate not to exceed three percent (3%); cash deposited into a replacement reserve in the amount of \$250 per unit per year, subject to annual increases not to exceed three percent (3%) or as otherwise required by a Permitted Mortgagee; cash deposited into an operating reserve in such reasonable amounts as are required by the Permitted Mortgagees, TCAC, or Paseo Nuevo Partners’ tax credit investor from time to time; and debt service payments on Permitted Mortgages which are senior in priority to the Deeds of Trust and on the Seller Carry-Back Note, to the extent debt service payments are related to loans that are shown on the City-approved Budget, payment of any Deferred Developer Fee and Contractor Fee. ‘Annual Operating Expenses’ shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a

reserve account. Annual Operating Expenses shall be subject to the reasonable approval of Director.”

6. Amendment of Section 1.41 of the Loan Agreement. The last paragraph in Section 1.41 is amended and restated to state as follows:

“‘Permitted Mortgages’ shall collectively mean all of the Permitted Mortgages. ‘Permitted Mortgagee’ shall mean the holder of any Permitted Mortgage.”

7. Amendment of Section 1.48 of the Loan Agreement. Section 1.48 is amended and restated to state as follows:

“1.48 ‘RESIDUAL RECEIPTS’ shall mean, in a particular Calendar Year, the amount by which Gross Revenue exceeds Operating Expenses, as determined by an audit to be completed not later than 90 days after the end of each Calendar Year during the term of the City Promissory Note, by an independent certified public accountant reasonably acceptable to the Director, using generally accepted accounting principles and based on actual expenses incurred and revenues received during each such Calendar Year (the “Audit”). The first such Audit shall be for the partial year beginning on the date a Certificate of Occupancy has been issued for the Project and ending on December 31 of that year. The Director shall review and approve such Audit, or request revisions, within 30 days after receipt. The Audit shall determine the amount of Residual Receipts, if any, generated in that year, together with payment of City’s fifty percent (50%) share of such Residual Receipts. All calculations of Residual Receipts shall be subject to: (i) verification; and (ii) reasonable written approval by the Director.”

8. Amendment of Section 2 of the Loan Agreement. The Form of PILOT Promissory Note attached as Exhibit D and the Form of PILOT Deed of Trust attached as Exhibit E to the Loan Agreement are hereby deleted from the Loan Agreement. Further, City agrees to execute a Cancellation deed of trust releasing and cancelling the PILOT Deed of Trust and the obligations under the PILOT Promissory Note.

9. Amendment of Section 3.1 of the Loan Agreement. Section 3.1 is amended and restated to state as follows:

“3.1 PILOT COMPENSATION.

(a) Compensation Amount. Paseo Nuevo Partners shall compensate City for loss of property tax revenue as a result of the tax exempt status of Paseo Nuevo Partners’ managing general partner (“PILOT Compensation”). Commencing on the first Payment Date and terminating on the termination of this Loan Agreement, Paseo Nuevo Partners shall pay to City as and for the PILOT Compensation the sum of One Hundred Twenty Thousand Five Hundred Ninety Seven Dollars (\$120,597.00) (the “Base Amount”) plus, commencing on the second Payment Date and each Payment Date thereafter terminating on the term of this Loan Agreement, an increase of the Base Amount at an annual rate of two percent (2%).

(b) Repayment Obligation. The obligation of Paseo Nuevo Partners under Section 3.1 (a) shall be secured by a PILOT Compensation Deed of Trust upon the Site in the form set forth in Attachment 1 attached hereto and incorporated in full herein by this reference, which PILOT Compensation Deed of Trust shall be in such lien priority as set forth in Section 3.6(d) (2). The PILOT Compensation shall be paid to City in annual installments from Residual Receipts as provided in Section 3.5. If Residual Receipts (as they may be available from time to time) are not sufficient to pay in full the annual amount of PILOT Compensation, provided that Paseo Nuevo Partners is not in default under any Loan Documents, any unpaid PILOT Compensation shall be forgiven annually.”

10. Amendment of Section 3.5 (b) of the Loan Agreement. Section 3.5 (b) is amended and restated to state as follows:

“(b) Residual Receipts. 50% of Residual Receipts shall be distributed to City and shall be applied in the following order: (A) first, to pay interest and principal on the City Loan (described in Section 3.2, including accruals), (B) second, to pay any payments due under the AHILF Loan; and (C) third, to pay PILOT Compensation (described in Section 3.1).

11. Amendment of Section 3.6 (d) (2) of Loan Agreement. Section 3.6 (d) (2) is amended and restated to state as follows:

(2) Order of Priority – Second Draw. At the Loan Closing in connection with the Second Draw pursuant to Section 4.1.(b), the following documents shall be recorded (and subordinated as necessary) against the Site in the following order of priority, and no other debt shall be encumbered on the Site:

- (A) Grant Deed conveying fee title to the Site to Paseo Nuevo Partners;
- (B) Agreement Containing Covenants;
- (C) Notice of Affordability Restrictions;
- (D) Deeds of Trust securing the Permitted Mortgages;
- (E) Deed of Trust securing the Seller Carry-Back Note;
- (F) City Deed of Trust securing the City Note; and
- (G) City Deed of Trust securing the AHILF Loan Note.
- (H) Deed of Trust securing PILOT Compensation.

12. Amendment of Section 3.6 (d) (3) of the Loan Agreement. Section 3.6 (d) (3) is amended and restated to state as follows:

“(3). Loan Coverage. The City Loan, in combination with all other Permitted Mortgages, the Seller Carry-Back Note and AHILF Loan (but not including the PILOT Compensation Deed of Trust) shall not exceed the Loan Coverage Threshold at the time that the Site is encumbered by liens from permanent loans, unless such requirement is waived by Director.”

13. Amendment of Section 3.6 (k) (3) of the Loan Agreement. Section 3.6 (k) (3) is amended and restated to state as follows:

“(3) Prior to the Site being encumbered by one or more liens from permanent loan(s), Paseo Nuevo Partners shall have: (i) delivered to City, and the Director shall have approved, a current appraisal of the Site in writing, which is prepared at Paseo Nuevo Partners’ expense by an independent certified M.A.I. appraiser with at least ten years relevant experience who is acceptable to the Director; and (ii) evidenced that the City Loan, in combination with all other debt secured on the Site (excluding the PILOT Compensation Deed of Trust) will not exceed the Loan Coverage Threshold.”

14. Amendment of Sections 3.6 and 4.3 of the Loan Agreement. The performance dates specified in the last paragraphs of Section 3.6 and 4.3 are extended by one year and hereby amended to read December 31, 2012, and June 30, 2013, respectively.

15. Exhibits. Exhibit B attached to the Loan Agreement (BUDGET) is replaced in its entirety by Attachment 2 (BUDGET) attached hereto and incorporated herein by such reference, which Budget may be updated from-time-to-time upon the reasonable approval by Director.

16. Conflicts. In the event the terms of this First Amendment are inconsistent or conflict with the terms of the Loan Agreement, the terms of this First Amendment shall govern.

17. Governing Law. This First Amendment shall be governed by and construed in accordance with California law.

18. Separate Counterparts. This First Amendment may be executed in two or more separate counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall, together, constitute and be one and the same instrument.

19. Except as modified by this First Amendment, the Loan Agreement shall remain in full force and effect.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this First Amendment as of the Effective Date written above.

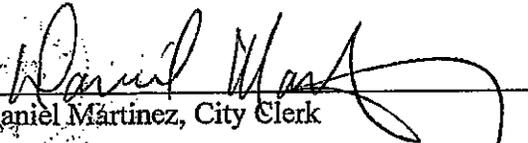
CITY OF OXNARD, a municipal corporation

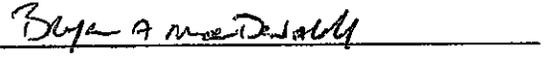
PASEO NUEVO PARTNERS, L.P., a California limited partnership

By 
Dr. Thomas E. Holden, Mayor

By: LAS CORTES, INC., a California nonprofit public benefit corporation, its general partner

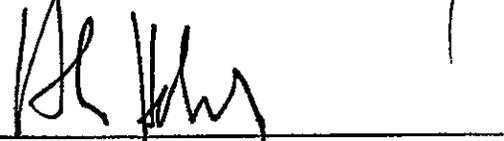
ATTEST:

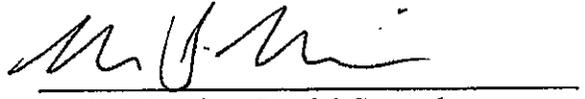

Daniel Martínez, City Clerk


Name: Bryan MacDonald
Title: President

APPROVED AS TO FORM

APPROVED AS TO FORM


Alan Holmberg, City Attorney


Mark S. Manion, Special Counsel

APPROVED AS TO INSURANCE


James Cameron, Chief Financial Officer

ATTACHMENT 1
PILOT COMPENSATION DEED OF TRUST

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Oxnard
Community Development Department
214 South C Street
Oxnard, CA 93030
Attn: Community Development Director

Request recording without fee. Record for the benefit of the
City of Oxnard pursuant to Section 27383 of the Government Code.

(Space above this line for Recorder's use)

A-7404

DEED OF TRUST WITH ASSIGNMENT OF RENTS
(This Deed of Trust contains an acceleration clause)
(Secures PILOT Compensation Contained in Affordable Housing Pre-Development and
Construction Loan Agreement and amendment thereto)

This DEED OF TRUST is made ____ day of _____, 20____, between Paseo Nuevo Partners, L.P., a California limited partnership, herein called TRUSTOR, whose address is 435 South D Street, Oxnard, CA 93030, Lawyers Title Company, herein called TRUSTEE, and the City of Oxnard, a California municipal corporation (the "City"), herein called BENEFICIARY,

WITNESSETH: That Trustor grants to Trustee in Trust, with Power of Sale, that certain real property in the City of Oxnard, County of Ventura, State of California more particularly described in Exhibit A (the "Property") attached hereto and incorporated herein by this reference;

Together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues, and profits.

This grant is made for the purpose of securing the performance of each agreement of Trustor incorporated by reference or contained herein; and performance of that certain obligation to pay PILOT Compensation as set forth in the certain Affordable Housing Pre-Development and Construction Loan Agreement dated June 21, 2011 ("Agreement"), as amended by that certain First Amendment to Affordable Housing Pre-Development and Construction Loan Agreement dated December 13, 2011 ("First Amendment"). This Deed of Trust secures the obligations to pay PILOT Compensation as set out in the Agreement and First Amendment. Any default in the performance of such obligations under any of such agreements is a default under each of the agreements and is a default hereunder, and entitles Beneficiary and Trustee to exercise all rights and remedies herein described.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Madera	911	136	San Luis Obispo	1311	137
Alpine	3	130-31	Marin	1849	122	San Mateo	4778	175
Amador	133	438	Mariposa	90	453	Santa Barbara	2065	881
Butte	1330	513	Mendocino	667	99	Santa Clara	6626	664
Calaveras	185	338	Merced	1660	753	Santa Cruz	1638	607
Colusa	323	391	Modoc	191	93	Shasta	800	633
Contra Costa	4684	1	Mono	69	302	San Diego Series5	1964	14977
Del Norte	101	549	Monterey	357	239	Sierra	38	187
El Dorado	704	635	Napa	704	742	Siskiyou	506	762
Fresno	5052	623	Nevada	363	94	Solano	1287	621
Glenn	469	76	Orange	7182	18	Sonoma	2067	427
Humboldt	801	83	Placer	1028	379	Stanislaus	1970	56
Imperial	1189	701	Plumas	166	1307	Sutter	655	585
Inyo	165	672	Riverside	3778	347	Tehama	457	183
Kern	3756	690	Sacramento	5039	124	Trinity	108	595
Kings	858	713	San Benito	300	405	Tulare	2530	108
Lake	437	110	San Bernardino	6213	768	Tuolumne	177	160
Lassen	192	367	San Francisco	A-804	596	Ventura	2607	237
Los Angeles	T-3878	874	San Joaquin	2855	283	Yolo	769	16
						Yuba	398	693

shall inure to and bind the parties hereto, with respect to the property above described. Said Agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties, and attached hereto), are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein (provided that in the event any said provision is inconsistent with the language in this Deed of Trust, the language of this Deed of Trust shall control), and Beneficiary may charge for a statement regarding the obligation secured hereby; provided the charge therefore does not exceed the maximum allowed by law.

The Trustor acknowledges receipt of a copy of such provisions of such fictitious deed of trust.

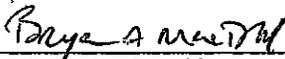
If the Trustor shall sell, convey or alienate said property, or any part thereof, or any interest therein, or shall be divested of his title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the written consent of the beneficiary being first had and obtained, beneficiary shall have the right, at its option, except as prohibited by law, to declare any indebtedness or obligations secured hereby, irrespective of the maturity date specified in any note evidencing the same, immediately due and payable.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be made to him as his address hereinbefore set forth.

SIGNATURE OF TRUSTOR

PASEO NUEVO PARTNERS, L.P.

By: Las Cortes, Inc., a public benefit nonprofit corporation, its general partner



By: Bryan MacDonald
Its: President

State of California)
) ss
County of Ventura)

On December 5, 2011, before me, Angelica Navarro,
Notary Public, personally appeared Bryan A. MacDonald,
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.

Angelica Navarro

(Seal)



ATTACHMENT 2

BUDGET

	Project Costs	Land and Non-Amort./Depr. Costs	Amortizable Costs	Expensed Costs	Reserves	Syndication	Depreciable Costs	Depreciable but Noneligible costs	Eligible Basis
LAND ACQUISITION									
Land	\$ 4,000,000	\$ 4,000,000					\$ -		\$ -
Land Rent from Relocation Prior to Constr	50,000	50,000					-		-
Demolition	175,000	175,000					-		-
Closing Costs	50,000	50,000					-		-
Acquisition	-	-					-		-
Subtotal	4,275,000	4,275,000							
Site Work									
Grading, Drainage, Utilities, Curb, Gutter, Paving, Site Landscape, Shoring, Underground Improvements	2,282,950						2,282,950		2,282,950
Remediation	50,000						50,000		50,000
Off-sites: utilities, street improvements, ra	392,650						392,650		392,650
Subtotal	2,725,600						2,725,600		2,725,600
CONSTRUCTION									
Construction	6,908,050						6,908,050		6,908,050
Common Facilities	600,000						600,000		600,000
Solar Costs	880,000						880,000		880,000
Retail Tenant Improvements	-						-		-
Construction Contingency	607,991						607,991		607,991
Subtotal	8,996,041						8,996,041		8,996,041
CONTRACTOR FEES									
General Requirements	668,989						668,989		668,989
Contractor Profit & Overhead	945,505						945,505		945,505
Subtotal	1,614,494						1,614,494		1,614,494
FINANCING COSTS									
Title, Escrow, Recording (construction term)	32,500						32,500		32,500
Title and Recording (permanent loan)	27,500		27,500				-		-
Construction Interest	800,000			300,000			500,000		500,000
Interest on City Loans & Seller Carryback	400,000						400,000		400,000
Construction Loan Fees	135,000						135,000		135,000
Permanent Inspections	-						-		-
Permanent Loan Fees	-						-		-
Bond Issuance Costs and Legal Fees	250,000		250,000				-		-
City Review	-						-		-
Tax Credit Agency Fees	39,977		39,977				-		-
Subtotal	1,684,977		317,477	300,000			1,067,500		1,067,500
PROFESSIONAL FEES									
Architectural and Engineering	480,883						480,883		480,883
Developer Legal	64,000		64,000				-		-
Accounting Fees	16,000						16,000		16,000
Consulting/Professional Fees	200,000						200,000		200,000
Taxes	50,000						50,000		50,000
Environmental Audit	28,000						28,000		28,000
Capital Needs Assessment	-						-		-
Appraisal	4,600						4,600		4,600
Impact Fees/Permit Processing Fees	2,162,966						2,162,966		2,162,966
Relocation Costs	550,000						550,000		550,000
Performance Bond Premium	133,605						133,605		133,605
Furniture, Fixtures, and Equipment	20,000						20,000		20,000
Soft Cost Contingency	130,462		80,462				50,000		50,000
Insurance During Construction	125,000						125,000		125,000
General Liability Insurance	133,605						133,605		133,605
Investor Due Diligence	50,000		50,000				-		-
Marketing	10,000			10,000			-		-
Market Study	6,000						6,000		6,000
Subtotal	4,165,121		194,462	10,000			3,960,659		3,960,659
RESERVE									
Section 8 Transition Reserve-2 Year	-						-		-
Operating Reserve	450,000				450,000		-		-
Subtotal	450,000				450,000				
DEVELOPER FEES									
Developer fee	1,250,000						1,250,000		1,250,000
Developer fee-Housing Authority & Non-p	1,250,000						1,250,000		1,250,000
Total	\$ 26,411,233	\$ 4,275,000	\$ 511,939	\$ 310,000	\$ 450,000	\$ -	\$ 20,864,294	\$ -	\$ 20,864,294

**EXHIBIT B TO LOAN AGREEMENT
BUDGET**

Permanent Financing Sources:	
Tax-Exempt Bonds	\$ 7,800,000
Tax Credit Equity-LIHC	8,511,661
Solar Tax Credit Equity	211,179
Solar Rebates	450,000
Seller Carryback Note	2,000,000
City Loan	5,000,000
AHILF Loan	2,000,000
Accrued Interest During Construction on Seller Note & City Loans	400,000
Deferred Developer Fee	38,394
Total	<u>\$ 26,411,233</u>

Construction Financing Sources:	
Tax-Exempt Bonds	\$ 12,932,067
Tax Credit Equity-LIHC	1,702,332
Solar Tax Credit Equity	42,236
Solar Rebates	450,000
Seller Carryback Note	2,000,000
City Loan	5,000,000
AHILF Loan	2,000,000
Accrued Interest During Construction on Seller Note & City Loans	400,000
Deferred Developer Fee	1,884,598
Total	<u>\$ 26,411,233</u>