

RESOLUTION NO. RA 04-02

A RESOLUTION OF THE PASO ROBLES REDEVELOPMENT AGENCY
APPROVING A SECOND IMPLEMENTATION AGREEMENT TO THE PARTICIPATION AGREEMENT
IN CONJUNCTION WITH A LOAN OF REDEVELOPMENT LOW AND MODERATE INCOME HOUSING
FUNDS TO ASSIST THE DEVELOPMENT OF AFFORDABLE HOUSING BY PEOPLES' SELF-HELP
HOUSING CORP. AND APPROPRIATING FUNDS FOR SAID LOAN
(CANYON CREEK)

WHEREAS, Canyon Creek is a proposed 68 unit affordable apartment project, to be developed by Peoples' Self-Help Housing Corp. (PSHHC); to be located on a 7 acre, R-2,PD zoned site on the southwest corner of Oak Hill Road and Nicklaus Drive; residency in Canyon Creek would be limited to households whose income is 80 percent of less of the County Median Income; and

WHEREAS, at its meeting of February 20, 2001, the Redevelopment Agency adopted Resolution RA 01-02 to approve a Participation Agreement whereby PSHHC was approved for a loan of \$300,000 in Low and Moderate Income Housing (LMIH) Funds over a period of 35 years to assist in the Development of Canyon Creek Apartments; and

WHEREAS, at its meeting of October 16, 2001, the Redevelopment Agency adopted Resolution RA 01-10 to approve an Implementation Agreement to amend the Participation Agreement for the purpose of updating the Schedule of Performance attached to the Participation Agreement as Exhibit "D"; and

WHEREAS, on September 25, 2003, the California Tax Credit Allocation Committee awarded tax credit financing to the Canyon Creek Apartments project; and

WHEREAS, PSHHC has requested that the Participation Agreement be further modified to accomplish the following objectives:

- a. To reduce the required percentage of affordable units from 100% to 49% in order to avoid any potential legal complications to the project that might arise related to Article 34 of the State Constitution;
- b. To extend the period of the loan of LMIH Funds from 35 years to 55 years to coincide with the period of affordability required by both LMIH and Tax Credit funding;
- c. To update the Schedule of Performance;
- d. To make other minor revisions related to tax credit funding; and

WHEREAS, in addition to the LMIH fund assistance provided by the Agency, the County of San Luis Obispo has approved a grant of \$250,000 in 2001 federal HOME funds to assist this project; and

WHEREAS, as a condition of obtaining Tax Credit financing, which is not subject to the provisions of Article 24 of the State Constitution, 100% of the dwelling units must be affordable to low income persons; and

WHEREAS, PSHHC has demonstrated that they are making steady progress on financing and developing the project; and

WHEREAS, the Canyon Creek project would help the City meet its low-income housing needs, as set forth in the 2003 Housing Element of the General Plan; and

WHEREAS, at its meeting of April 14, 2004, the Project Area Committee (PAC) unanimously recommended that the Redevelopment Agency approve the Second Implementation Agreement.

NOW, THEREFORE, BE IT RESOLVED, by the Paso Robles Redevelopment Agency to approve the Second Implementation Agreement to Participation Agreement for Canyon Creek Apartments, with Peoples' Self-Help Housing Corp., in substantially the form attached to this resolution as Exhibit A, subject to any technical and non-substantive changes approved by Agency Counsel. The Agency's Executive Director and Secretary are authorized and directed to execute the Implementation Agreement on behalf of the Agency, and subject to the terms and conditions set forth in the Participation Agreement, to take all acts and execute such additional documents as may be necessary to carry out the Agency's obligations under the Participation Agreement.

PASSED AND ADOPTED by the Paso Robles Redevelopment Agency on this 4th day of May 2004 by the following vote:

AYES:	Heggarty, Mecham, Nemeth, Picanco, and Finigan
NOES:	None
ABSTAIN:	None
ABSENT:	None

George P. Finigan, Chairman

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

**SECOND IMPLEMENTATION AGREEMENT
TO
PARTICIPATION AGREEMENT
(Canyon Creek)**

This Second Implementation Agreement to Participation Agreement (this "Implementation Agreement") is entered into as of _____, 2004, by and between the **REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES** (the "Agency"), **PEOPLE'S SELF-HELP HOUSING CORPORATION**, a California non-profit public benefit corporation (the "Participant").

Recitals

A. The Agency and Participant previously entered into a Participation Agreement, dated May 17, 2001, and a First Implementation Agreement to Participation Agreement, dated October 16, 2001 (collectively, the "Participation Agreement"), pursuant to which the Agency agreed to provide a loan (the "Construction Loan") to the Participant to assist in the development of a multi-family residential housing complex consisting of approximately 68 affordable rental dwelling units for affordable housing purposes (the "Project"). The Project is to be developed on certain real property (the "Site") owned by the Participant and located within the City of Paso Robles, California.

B. In addition to the Construction Loan to be provided by the Agency, the parties intend that the Project will be financed with funds received through federal and/or state Low-Income Housing Tax Credit programs (the "Tax Credit Financing") as well as other alternative funding sources which are or may become available to the Participant for the Project. To date, the Participant has obtained commitments for funding from various sources, and received approval from the California Tax Credit Allocation Committee for Tax Credit Financing for the Project.

C. In light of current conditions and circumstances and the further planning and decisions of the parties, the Agency and Participant now desire to make certain modifications to the Participation Agreement to conform to the Tax Credit Financing secured for the Project, and to make certain other conforming and clarifying modifications related to the Project, all as set forth below.

Agreements

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Agency and Participant hereby agree as follows:

Section 1. Purpose of this Implementation Agreement

The purpose of this Implementation Agreement is to effectuate and implement the Participation Agreement by making certain modifications necessary to reflect certain changes, in light of current conditions and circumstances and the further planning and decisions of the parties following execution of the Participation Agreement.

Section 2. Assignment and Assumption

Pursuant to Section 104 of the Participation Agreement, the Agency has pre-approved certain transfers of interest in the Participant ("Approved Transferees"), including without limitation a transfer to an affiliate or non-profit corporation, partnership or other entity created by Participant of which Participant or an affiliate of Participant is the sole owner or general partner. Canyon Creek Limited Partnership ("Canyon Creek") is a California limited partnership formed by Participant to develop and own the Project. It is the intent of the Participant to convey the Site to Canyon Creek, and following such conveyance, all rights and obligations of the Participant under the Participation Agreement shall be assigned to and assumed by Canyon Creek. In furtherance of such intent, an Assignment and Assumption Agreement ("Assignment and Assumption Agreement") has been prepared to formalize such assignment to and assumption by Canyon Creek. The parties agree that Canyon Creek qualifies as an Approved Transferee under the Participation Agreement and, following conveyance of the Site to Canyon Creek, and execution of the Assignment and Assumption Agreement, in substantially the form attached hereto as Exhibit I and incorporated herein by reference, Canyon Creek shall thereafter be substituted as the "Participant", as such term is defined in the Participation Agreement.

Section 3. Scope of Development

Section 202 of the Participation Agreement is hereby amended in its entirety to read as follows [revisions are shown in bold]:

[§ 202] Scope of Development

The Site shall be developed with a multi-family residential housing complex consisting of approximately 68 affordable rental dwelling units (each referred to herein as a "Unit") pursuant to architectural, site and construction plans approved by the City, the terms of this Agreement and the Scope of Development attached hereto as **Exhibit C**. Upon completion of construction of the Project, **forty-nine percent (49%) of the completed Units (i.e., 33 Units)** shall be rented to Eligible Households (as defined in Section 401 hereof). Participant shall

diligently pursue the acquisition of the Site and development of the Project in accordance with the Scope of Development and in accordance with the Schedule of Performance attached hereto as **Exhibit D**.

Section 4. Affordable Housing Covenant

Section 303 of the Participation Agreement is hereby amended in its entirety to read as follows [revisions are shown in bold]:

[§303] Affordable Housing Covenant

Concurrently with execution of the Promissory Note, and prior to and as a condition precedent to funding of any portion of the Construction Loan, the Participant shall also execute and deliver an affordable housing covenant (the "Affordable Housing Covenant") to the Agency in the form substantially as set forth in Exhibit H hereto and incorporated herein by reference. The Affordable Housing Covenant shall be recorded against the entire Site.

The Agency agrees that the Affordable Housing Covenant shall be subordinate to a regulatory agreement or other covenants and restrictions relating to the Tax Credit Financing or other financing to be secured by Participant for acquisition of the Site and development of the Project, **including but not limited to financing previously approved by the Agency and obtained through Washington Mutual Bank, Rural Communities Assistance Corporation, and California Department of Housing and Community Development.**

Section 5. Subordination of Agency Loan

Section 304 of the Participation Agreement is hereby amended in its entirety to read as follows [revisions are shown in bold]:

B. [§304] Subordination of Agency Loan

The Agency agrees to subordinate the Deed of Trust provided for in Section 302, above, to financing obtained by Participant through the Tax Credit Financing, or alternative financing obtained by Participant, **including but not limited to financing previously approved by the Agency and obtained through Washington Mutual Bank, Rural Communities Assistance Corporation, and California Department of Housing and Community Development;** provided the total aggregate amount of such financing secured by the Participant, together with the

Construction Loan, shall not exceed the appraised value of the completed Project; and provided, further, that any such subordination shall be subject to the provisions set forth in this Section 304 and paragraph 3 of the Addendum to Deed of Trust (Exhibit G-2). The Agency shall have the right to review and approve the terms and conditions of any such senior financing, which approval shall not be unreasonably withheld. The Agency shall have the right to record a request that the Agency receive notice of any default by the Participant under the Tax Credit Financing or other financing obtained by the Participant with respect to the Project. To implement any such subordination, the Agency agrees to cooperate with the Participant and execute such subordination agreements and/or intercreditor agreements that may be reasonably required, in form and content approved by Agency counsel.

Section 6. Affordable Units

Section 401 of the Participation Agreement is hereby amended in its entirety to read as follows [revisions are shown in bold]:

[§ 401] Affordable Units; Preferences for Local Residents

The Site shall be developed with a multi-family residential complex containing approximately 68 rental units (collectively, the "Units", and each a "Unit"), **forty-nine percent (49%) of which (i.e., 33 Units)** are required to be affordable to Eligible Households (as defined below) (**the "Affordable Units"**). The Units shall be developed on the Site by the Participant pursuant to plans approved by the City and pursuant to the Scope of Development.

The Participant covenants and agrees for itself, its successors, its assigns and every successor in interest, that the **Affordable** Units constructed on the Site shall be rented to qualified low income persons and families whose income does not exceed eighty percent (80%) of the area median income ("Eligible Households") in compliance with the Affordable Housing Covenant.

The maximum housing cost of the Eligible Households for each of the income levels set forth above must comply with the regulations promulgated by the California Department of Housing and Community Development Sections 6910-6932 in Title 25 of the California Code of Regulations, governing the Agency's set aside housing fund, or with the eligibility requirements established by the Tax Credit Financing or the

regulatory agreement relating to any other federally administered program providing financing for the Project.

Rental restrictions establishing the criteria for rental of the **Affordable** Units to Eligible Households are contained in the Affordable Housing Covenant to be recorded against the Site and applicable to the Units. The **Affordable** Units shall remain affordable for the longer of: (a) **fifty-five (55)** years from the date of recordation of the Affordable Housing Covenant, or (b) until payment in full of all amounts owed to the Agency under the Promissory Note.

Participant shall use its best efforts to rent the Affordable Units to persons and families who currently reside or work within the City of El Paso de Robles.

Section 7. Schedule of Performance

The Schedule of Performance (Exhibit D to the Participation Agreement), as previously amended by the First Implementation Agreement to Participation Agreement, is hereby further amended and replaced in its entirety with the Schedule of Performance (Revised--March 2004), which is attached hereto and incorporated herein by reference.

Section 8. Promissory Note

A. Section 1 of the Form of Promissory Note (Exhibit F to the Participation Agreement) is hereby amended in its entirety to read as follows [revisions are shown in bold]:

1. This Note is made pursuant to Section 302 of that certain Participation Agreement between People's Self-Help Housing Corporation, a California nonprofit public benefit corporation, Maker's predecessor in interest, and Holder dated **May 17, 2001, as amended by a First Implementation Agreement to Participation Agreement, dated October 16, 2001, and as further amended by a Second Implementation Agreement to Participation Agreement, dated _____, 2004** (collectively, the "PA"). This is a promissory note for the repayment to Holder of funds advanced on behalf of Maker (the "Construction Loan") for costs related to the development of the Project on that real property described in the PA as the "Site". Pursuant to the PA, Maker shall construct on the Site a multi-family residential housing project consisting of approximately 68 residential units (the "Units"), **forty-nine percent (49%) of which (i.e., 33 Units)** shall be rented to qualified low-income

persons and families (the "Project"), all as described in the PA. All capitalized terms not defined in this Note shall have the meaning set forth in the PA.

B. Section 3 of the Form of Promissory Note (Exhibit F to the Participation Agreement) is hereby amended in its entirety to read as follows [revisions are shown in bold]:

3. Except as provided below, this Note shall be due and payable in full **fifty-five (55)** years from the date hereof. Payments of interest and principal shall be made to the Agency from "Surplus Cash" which is hereinafter defined. To the extent there is Surplus Cash available from the Project, Maker shall pay to Holder on an annual basis payments in accordance with the Schedule of Payments attached hereto as Exhibit A and incorporated herein by reference, which provides for repayment of all amounts due hereunder within **fifty-five (55)** years from the date hereof. If in any year Maker does not have sufficient Surplus Cash to make the full payment set forth in the Schedule of Payments, the unpaid principal amount shall continue to accrue interest. All payments made hereunder shall be credited first to any accrued but unpaid interest, then to current interest due and owing and lastly to principal. Interest not paid current shall accrue and shall not be compounded. The entire outstanding balance of principal and interest owing under this Note shall be due and payable in full **fifty-five (55)** years from the date hereof.

For convenience purposes, a new Form of Promissory Note (Revised), incorporating the above-referenced amendments, is attached hereto and incorporated herein by reference, and shall replace in its entirety the Form of Promissory Note attached as Exhibit F to the Participation Agreement.

Section 9. Agency Deed of Trust

A new Section 7 is hereby added to the Form of Agency Deed of Trust / Addendum to Deed of Trust (Construction Loan) (Exhibit G-2 to the Participation Agreement), to read as follows:

7. Foreclosure Under Tax Credit Financing. Notwithstanding anything to the contrary contained herein or in any documents secured by this deed of trust or contained in any subordination agreement, the Beneficiary acknowledges and agrees that in any event of a foreclosure or deed-in-lieu of foreclosure (collectively, "Foreclosure") with respect to the property encumbered by this deed of trust, the following rule

contained in Section 42(h)(6)(E)(ii) of the Internal Revenue Code of 1986, as amended, shall apply:

For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the regulatory agreement with the California Tax Credit Allocation Committee, (i) none of the tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

For convenience purposes, a new Form of Agency Deed of Trust, including the Addendum to Deed of Trust (Construction Loan) (Revised), incorporating the above-referenced amendment, is attached hereto and incorporated herein by reference, and shall replace in its entirety the Form of Agency Deed of Trust and Addendum to Deed of Trust attached as Exhibit G-1 and G-2 to the Participation Agreement.

Section 10. Affordable Housing Covenant

Section 1.B. of the Affordable Housing Covenant (Exhibit H to the Participation Agreement) is hereby amended in its entirety to read as follows [revisions are shown in bold]:

B. Rent and Income Restrictions. **Forty-nine percent (49%)** of the residential units (**i.e., 33 units**) to be developed on the Site (the "Affordable Units") shall be rented to low-income households whose income does not exceed eighty percent (80%) of the area median income ("Eligible Households"). These Affordable Units shall be available at rents that do not exceed 30% of 80% of the Median Income, adjusted by Household Size, less a utility allowance.

Section 10 of the Affordable Housing Covenant (Exhibit H to the Participation Agreement) is hereby amended in its entirety to read as follows [revisions are shown in bold]:

10. SUBORDINATION. Upon written request by Owner, Agency shall agree that the terms and conditions of this Covenant shall be subject to and subordinate to the terms and conditions of financing obtained by Owner, through a lender **approved under Section 303 of the Participation Agreement, or otherwise** acceptable to the Agency (the "Lender") and upon terms and conditions reasonably approved by the Agency, for construction or permanent financing, to be secured by a

mortgage against the Site; provided the total aggregate amount of such financing secured by Owner, together with the Construction Loan provided for under the Participation Agreement, shall not exceed the appraised value of the completed Project; and provided, further, any Lender for construction or permanent financing that is not obtained through an approved federal or state program shall agree to include in its subordination agreement and deed of trust the following conditions: (i) Agency shall receive any notices of default issued by Lender to Owner; (ii) Agency shall have the right to cure any default by Owner within forty-five (45) days after a notice of default; (iii) Agency shall have the right to foreclose its Deed of Trust without Lender accelerating its debt, provided Agency has cured or is attempting to cure any defaults under the deed of trust; and (iv) Agency shall have the right to transfer the Project to another nonprofit corporation, or to a limited partnership whose general partner is a nonprofit corporation, who shall own and operate the Project as an affordable rental housing project with the consent of Lender, which consent shall not be unreasonably withheld.

For convenience purposes, a new Affordable Housing Covenant (Revised), incorporating the above-referenced amendments, is attached hereto and incorporated herein by reference, and shall replace in its entirety the Affordable Housing Covenant attached as Exhibit H to the Participation Agreement.

Section 11. Force and Effect

The effective date of this Implementation Agreement shall be the date that this Implementation Agreement is signed by the Agency. Except as modified and amended by this Implementation Agreement, all other provisions of the Participation Agreement shall remain unchanged and in full force and effect.

The parties hereto have entered into this Second Implementation Agreement as of the date first above written.

AGENCY:

REDEVELOPMENT AGENCY OF THE CITY
OF EL PASO DE ROBLES

By: _____
Executive Director

Attest:

By: _____
Agency Secretary

PARTICIPANT:

PEOPLE'S SELF-HELP HOUSING
CORPORATION, a California non-profit
public benefit corporation

By: _____
Executive Director

EXHIBIT D

SCHEDULE OF PERFORMANCE [REVISED--MARCH 2004]

	<u>Action</u>	<u>Date</u>
1.	Execution of this Agreement	Completed
2.	Submission of Conceptual Review Site Plan	Completed
3.	Submission of Application for PUD with Planning Department	Completed (determination of substantial conformity)
4.	Acquisition of Site by the Participant	Completed
5.	Submission of application for Tax Credit Financing (1st Round)	Completed
6.	Announcement of Tax Credit Awards (1st Round)	Completed - Not Awarded
7.	Approval of PUD Application by City	Completed (determination of substantial conformity)
8.	Submission of application for Tax Credit Financing (2nd Round)	Completed
9.	Announcement of Tax Credit Awards (2nd Round)	Completed - Awarded September 29, 2003
10.	Submission of Evidence of Equity Capital or Mortgage Financing for remainder of construction costs	February 25, 2004 (or such later date as may be approved by TCAC for close of all construction financing)
11.	Submission of construction plans, working drawings and related documents and application for Building Permit	Completed - November 25, 2003

- | | | |
|-----|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 12. | Obtain all other Project approvals and permits | Prior to Commencement of Construction |
| 13. | Execution of Promissory Note and recordation of Deed of Trust | Prior to funding of Construction Loan |
| 14. | Execution and recordation of Affordable Housing Covenant | Concurrently with execution of Promissory Note |
| 15. | Release of funds for Construction Loan | After completion of items 10-14, above and delivery of lenders policy. |
| 16. | Commencement of Construction Work | Not later than June 24, 2004 (or such later date as may be approved by TCAC for the Tax Credit Financing) |
| 17. | Approval/Execution of Property Management Agreement | Prior to completion of the Project |
| 18. | Completion of Construction Work | Within 15 months after commencement of construction |
| 19. | Issuance of Certificate of Completion | Upon completion of construction work |

EXHIBIT F

FORM OF PROMISSORY NOTE
(REVISED)

Not to Exceed
\$300,000

_____, 200_
Paso Robles, California

FOR VALUE RECEIVED, **CANYON CREEK LIMITED PARTNERSHIP**, a California limited partnership (the "Maker"), having an address of _____, promises to pay the **REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES**, ("Holder"), the principal sum of **THREE HUNDRED THOUSAND DOLLARS (\$300,000)** with simple interest at the rate of **THREE PERCENT (3%)** per annum.

1. This Note is made pursuant to Section 302 of that certain Participation Agreement between People's Self-Help Housing Corporation, a California nonprofit public benefit corporation, Maker's predecessor in interest, and Holder, dated May 17, 2001, as amended by a First Implementation Agreement to Participation Agreement, dated October 16, 2001, and as further amended by a Second Implementation Agreement to Participation Agreement, dated _____, 2004 (collectively, the "PA"). This is a promissory note for the repayment to Holder of funds advanced on behalf of Maker (the "Construction Loan") for costs related to the development of the Project on that real property described in the PA as the "Site". Pursuant to the PA, Maker shall construct on the Site a multi-family residential housing project consisting of approximately 68 residential units (the "Units"), forty-nine percent (49%) of which (i.e., 33 Units) shall be rented to qualified low income persons and families (the "Project"), all as described in the PA. All capitalized terms not defined in this Note shall have the meaning set forth in the PA.

2. Payment of this Note is secured by a deed of trust, assignment of rents, security agreement and fixture filing (the "Deed of Trust") from Maker to Holder upon the Site.

3. Except as provided below, this Note shall be due and payable in full fifty-five (55) years from the date hereof. Payments of interest and principal shall be made to the Holder from "Surplus Cash" which is hereinafter defined. To the extent there is Surplus Cash available from the Project, Maker shall pay to Holder on an annual basis payments in accordance with the Schedule of Payments attached hereto as Exhibit A and incorporated herein by reference, which provides for repayment of all amounts due hereunder within fifty-five (55) years from the date hereof. If in any year Maker does

not have sufficient Surplus Cash to make the full payment set forth in the Schedule of Payments, the unpaid principal amount shall continue to accrue interest. All payments made hereunder shall be credited first to any accrued but unpaid interest, then to current interest due and owing and lastly to principal. Interest not paid current shall accrue and shall not be compounded. The entire outstanding balance of principal and interest owing under this Note shall be due and payable in full fifty-five (55) years from the date hereof.

Maker may, if it has sufficient Surplus Cash available, prepay all or any part of this Note, without penalty, at any time during the term of this Note.

Notwithstanding the foregoing or anything in this Note to the contrary, in the event Maker fails, for any reason, to commence construction of the Project pursuant to the PA by June 24, 2004 (or such later date as may be approved by Tax Credit Allocation Committee for the Tax Credit Financing), then the entire outstanding balance of principal and all accrued interest owing under this Note shall be due and payable in full on October 1, 2004.

4. "Surplus Cash" for purposes of this Note shall mean the sum of money computed as follows:

(a) All rents, revenues, consideration or income (of any form) derived by Maker in connection with or relating to the ownership or operation of the Project, including any revenue derived from any refinancing of the Project, less all of the following: all customary and reasonable costs and expenses in connection with the operation and maintenance of the Project; a property management fee (previously approved by Holder); expenses in connection with resident health and community services; principal and interest paid by Maker on account of any loan(s) or other obligations approved by Holder; amounts (previously approved by Holder) expended to restore the Project after a casualty loss or condemnation; reasonable and customary cost for accounting and auditing the books and records of the Project; an administrative fee ("Investment Asset Management Fee") charged by a Tax Credit investment partner, not to exceed \$5,000; any deferred developer fee approved by Holder, and amounts (previously approved by Holder) reserved by Maker as an operating contingency reserve account and a replacement reserve account (and deposited in an account approved by Holder) for the Project.

(b) Notwithstanding the generality of the foregoing, the following items are not expenses or deductible in computing Surplus Cash:

(i) Payment of any fees or expenses or of any portion of the Surplus Cash to Maker or any affiliate of Maker, other than the Investment

Asset Management Fee, any deferred developer fee and a Partnership Management Fee (as described below) paid to the general partner for performing its general partnership duties, including but not limited to the following: reviewing the monthly operating budget; overseeing the performance of the property manager; meetings, coordination and conflict resolution with the adjacent property owner; review and approval of the annual operating budget; prepare, review and approval of annual partnership reports; review and approval of tax returns; coordination with the investor limited partner; and resolution of miscellaneous issues normally associated with the ownership and operation of multi-family housing. For purposes of this Note, the "Partnership Management Fee" shall not exceed the lesser of: (y) \$20,000, which amount shall be adjusted annually by the lesser of the change in the Consumer Price Index or three and one-half percent (3.5%); or (z) the amount of Surplus Cash paid to the Agency hereunder;

(ii) Income taxes imposed upon Maker's income;

(iii) Payment of interest on any indebtedness of Maker to any affiliate of Maker (individual or entity) or to any other third-party lender or partner not otherwise approved by Holder; and

(iv) Depreciation, cost recovery, amortization and similar items which do not involve the expenditure of cash.

5. Maker shall deliver semi-annual balance sheets showing all revenues and expenses of the Project. An audited financial statement shall be delivered within ninety (90) days of the end of each calendar year along with payment of the Surplus Cash. Holder shall have the right to inspect and audit Maker's books and records concerning the calculation of Surplus Cash within thirty (30) days from receipt of Maker's statement. Failure to timely object shall be deemed acceptance. If Holder does object, Holder shall specify the reasons for disapproval. Maker shall have thirty (30) days to reconcile any disapproved item. If Maker and Holder cannot agree on the amount of the Surplus Cash, an independent auditor mutually selected by Maker and Holder shall resolve any disputed items. The cost of the auditor shall be shared equally by Maker and Holder.

6. Maker shall prepare and submit to Holder a proposed annual operating budget for the management and operation of the Project for the following year by no later than November 1 of each year until this Note is paid in full. The proposed budget shall include a line item showing the projected Surplus Cash from the Project for the year. Holder will review the proposed budget and, if acceptable, approve it, which approval shall not be unreasonably withheld. If the budget is not acceptable, Holder shall specify the reasons for disapproval. The intent of this paragraph is to provide

Holder an opportunity to disapprove any unreasonable expenses which would diminish the Surplus Cash from the Project. Once approved, any changes to the budget which exceed ten percent (10%) of the total budget shall require Holder's prior written consent, which consent shall not be unreasonably withheld.

7. Notwithstanding anything to the contrary provided herein, in the event that the Project is in material default under the terms of the Affordable Housing Covenant or the Tax Credit Financing provisions such that the affordability restrictions are no longer in effect, or if there shall have been an event of default under this Note or the Deed of Trust securing this Note, then after the expiration of applicable cure periods, the entire unpaid principal of this Note and accrued interest thereon shall be immediately due and payable.

8. Payment shall be made in lawful money of the United States to Holder c/o The City of Paso Robles, 1000 Spring Street, Paso Robles, California 93446. The place of payment may be changed from time to time as the Holder may from time to time designate in writing.

9. Maker hereby covenants and agrees that it shall maintain, or cause to be maintained, the Site in a manner consistent with the provisions set forth therefor in the Paso Robles Municipal Code, and shall keep the entire Site reasonably free from any accumulation of debris or waste materials prior to and after construction.

If, at any time, Maker fails to maintain the Site, and has either failed to commence to cure such condition or to diligently prosecute to completion the condition or the condition is not corrected after expiration of thirty (30) days from the date of written notice from Holder to Maker, Holder may perform the necessary corrective maintenance, and Maker shall pay such costs as are reasonably incurred for such maintenance. The Holder shall have the right to place a lien on the property should Maker not reimburse Holder for such costs within sixty (60) days following Holder's written demand to Maker for reimbursement of such costs. Maker, on behalf of itself its heirs, successors and assigns, hereby grants to Holder and its officers, employees and agents, an irrevocable license to enter upon the Site to perform such maintenance during normal business hours after receipt of written notice from Holder as hereinabove described and Maker's failure to cure or remedy such failure within thirty (30) days of such notice. Any such entry shall be made only after reasonable notice to Maker, and Holder shall indemnify and hold Maker harmless from any claims or liabilities pertaining to any such entry by Holder.

Failure by Maker to maintain the Site in the condition provided in this Section 9 after the expiration of the applicable cure period may, in Holder's reasonable discretion, constitute a default under this Note and the related Deed of Trust.

The foregoing covenants shall remain in effect for the Site for a period of fifty-five (55) years from the date of this Note, or until all amounts due Holder hereunder are paid in full.

10. The occurrence of any of the following shall constitute an event of default under this Note: (i) Maker fails to pay any amount due hereunder within fifteen (15) days of its due date; or (ii) Any default by Maker under this Note, the Deed of Trust or the PA after the expiration of applicable notice and cure periods.

Upon the occurrence of any event of default, or at any time thereafter, at the option of the Holder hereof and without notice, the entire unpaid principal and interest owing on this Note shall become immediately due and payable. This option may be exercised at any time following any such event, and the acceptance of one or more installments thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise such option shall not constitute a waiver of such option with respect to any subsequent event. Holder's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

11. At all times when Maker is in default hereunder by reason of Maker's failure to pay principal due under this Note or any amounts due under any loan documents securing this Note, the interest rate on the sums as to which Maker is in default (including principal, if Holder has elected to declare it immediately due and payable), shall be the lower of the highest rate then allowed by law or two percent (2%) over the prime interest rate announced by Wells Fargo Bank, N.A., as of the date of the default.

12. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.

13. Maker agrees to pay immediately upon demand all costs and expenses of Holder including reasonable attorneys' fees, (i) if after an event of default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after an event of default hereunder or under the Deed of Trust, the PA or under any loan document referred to herein Holder finds it necessary or desirable to secure the services or advice

of one or more attorneys with regard to collection of this Note against Maker, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, the PA or other loan document, or (iii) if Holder seeks to have the Site abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

14. If Holder shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the property or the title thereto or the interest of the Holder under the Deed of Trust, including, without limitation, any form of condemnation or eminent domain proceeding, Holder shall be reimbursed by maker immediately upon demand for all costs, charges and attorneys' fees incurred by Holder in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Site.

15. Payment of this Note is secured solely by the Deed of Trust recorded against the Site and all improvements thereon, without recourse of any kind against Maker or its constituent entities or limited partners.

16. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the address stated in this Note or at such address as either party may designate by written notice.

17. This Note shall be binding upon Maker, its successors and assigns.

18. This Note shall be construed in accordance with and be governed by the laws of the State of California.

19. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

CANYON CREEK LIMITED PARTNERSHIP,
a California limited partnership

By: PEOPLE'S SELF-HELP HOUSING
CORPORATION, a California non-
profit, public benefit corporation,
Its: General Partner

By: _____

Its: _____

EXHIBIT A

SCHEDULE OF PAYMENTS

[To Be Inserted.]

EXHIBIT G-1

FORM OF AGENCY DEED OF TRUST
[Construction Loan]

[STEWART TITLE COMPANY (OR OTHER TITLE COMPANY APPROVED BY AGENCY) STANDARD FORM OF DEED OF TRUST TO BE USED WITH THE ATTACHED "ADDENDUM TO DEED OF TRUST" ATTACHED THERETO.]

ADDENDUM TO DEED OF TRUST
(Construction Loan)
(REVISED)

This Addendum to Deed of Trust is part of the Deed of Trust dated _____ to which it is attached between **CANYON CREEK LIMITED PARTNERSHIP**, a California limited partnership, as Trustor, and the **REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES**, as Beneficiary. The following provisions are made a part of the Deed of Trust:

1. No Discrimination. The Trustor covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, age, marital status, physical handicap, medical condition, sexual orientation, source of income, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Trustor itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property.

2. Nondiscrimination Clauses. All deeds, leases or contracts made relative to the Property, the improvements thereon or any part thereof, shall contain or be subject to the nondiscrimination clauses set forth in California Health and Safety Code Section 33436.

3. Subordination. Beneficiary agrees that the terms and conditions of the Note and this Deed of Trust shall be subject to and subordinate to the terms and conditions of financing obtained by Trustor through a lender acceptable to Beneficiary for the construction of the Affordable Units (as defined in the Note and the Participation Agreement between People's Self-Help Housing Corporation, a nonprofit public benefit corporation, Trustor's predecessor in interest (as "Participant") and Beneficiary (as "Agency") dated May 17, 2001, as amended by a First Implementation Agreement to Participation Agreement, dated October 16, 2001, and as further amended by a Second Implementation Agreement to Participation Agreement, dated _____, 2004 (collectively, the "PA")); provided the total aggregate amount of such financing secured by the Trustor, together with the Construction Loan (as defined in the PA), shall not exceed the appraised value of the completed Project; and provided, further that if such alternative construction financing is not provided pursuant to an adopted federal or state program, such lender shall agree to include in its deed of trust the following conditions: (i) Beneficiary shall receive any notices of default issued by such lender to Trustor; (ii) Beneficiary shall have the right to cure any default by Trustor within forty-five (45) days after a notice of default; (iii) Beneficiary shall have

the right to foreclose under its Deed of Trust without the lender accelerating its debt, provided Beneficiary has cured or is attempting to cure any defaults under such lender's deed of trust; and (iv) Beneficiary shall have the right to transfer the Project to a nonprofit corporation who shall own and operate the Project as an affordable rental housing project with the consent of such lender, which consent shall not be unreasonably withheld.

4. Default. Notwithstanding any other provisions in this Deed of Trust, the occurrence of any of the following shall constitute an event of default under the Note and this Deed of Trust, and a default may be declared under this Deed of Trust solely upon the occurrence of any of the following: (i) Any failure by Trustor to pay any amount due under the Note within fifteen (15) days of its due date; or (ii) Any sale or transfer to a non-Eligible Household in violation of the provisions of the Affordable Housing Covenant recorded against the Property; or (ii) Any other default by Trustor under the terms of the Affordable Housing Covenant provisions after expiration of applicable notice and cure periods.

5. Hazardous Substances.

(a) As used in this Section 5, the following terms shall have the following meanings:

(i) "Environmental Laws" means all statutes, ordinances, orders, rules, regulations, plans, policies or decrees and the like now or hereafter in effect relating to (A) Hazardous Substance Activity or Hazardous Substances; (B) the generation, use, storage, transportation or disposal of Hazardous Substances, or solid waste; or (C) occupational safety and health, industrial hygiene, land use or the protection of human, plant or animal health, safety or welfare, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.) ("CRELA"); the Hazardous Material Transportation Act (49 U.S.C. Section 180 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. Section 136 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); the Clean Air Act (42 U.S.C. Section 740 et seq.); the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.); the Occupational Safety and health Act (29 U.S.C. Section 651 et seq.); the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.); the Porter-Cologne Water Quality Control Act (California Water Code Section 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (California Health & Safety Code Section 25249.5 et seq.); the Hazardous Substance Account Act (California Health & Safety Code Section 25300 et seq.); the Hazardous Waste Control Act (California Health & Safety Code Section 25100 et seq.); The California Environmental Quality Act (California Public Resources Code Section 2100 et seq.); and the rules, regulations and ordinances of the City of Paso

Robles or any applicable federal, state and local agencies or bureaus, as amended from time to time.

(ii) "Foreclosure Transfer" means the transfer of title to all or any part of the Property or the Trust Estate at a foreclosure sale under the Deed of Trust, either pursuant to judicial decree or the power of sale contained in the Deed of Trust, or by deed in lieu of such foreclosure.

(iii) "Hazardous Substances" means (A) any chemical, compound, material, mixture or substance that is now or hereafter defined or listed in, or otherwise classified pursuant to, any Environmental Laws as a "hazardous substance," "hazardous material," "hazardous waste," "extremely hazardous waste," "acutely hazardous waste," "radioactive waste," "infectious waste," "biohazardous waste," "toxic substance," "pollutant," "toxic pollutant," "contaminant" as well as any other formulation not mentioned herein intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "EP toxicity" or "TCLP toxicity"; (B) petroleum, natural gas, natural gas liquids, liquified natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources; (C) "hazardous substance" as defined in Section 2782.6(d) of the California Civil Code; (D) "waste" as defined in Section 13050(d) of the California Water Code; (E) asbestos in any form; (F) urea formaldehyde foam insulation; (G) polychlorinated biphenyls (PCBs); (H) radon; and (I) any other chemical, material, or substance that, because of its quantity, concentration, or physical or chemical characteristics, exposure to which is limited or regulated for health and safety reasons by any governmental authority, or which poses a significant present or potential hazard to human health and safety or to the environment if released into the workplace or the environment; provided, however, Hazardous Substances shall not include those substances regularly used in the development and operations of multi-family housing in accordance with all applicable laws.

(iv) "Hazardous Substance Activity" means any actual, proposed, or threatened use, storage, holding, existence, location, release (including, without limitation, any spilling, leaking, leaching, pumping, pouring, emitting, emptying, dumping, disposing into the environment, and the continuing migration into or through soil, surface water, groundwater or any body of water or the air), discharge, deposit, placement, generation, processing, construction, treatment, abatement, removal, disposal, disposition, handling, or transportation of any Hazardous Substance from, under, in, into, or on the Property, including without limitation, the movement or migration of any Hazardous Substances from surrounding property, surface water,

groundwater or any body of water, or the air under, in, into or onto the Property and any residual Hazardous Substances contamination in, on, or under the Property.

(v) "Losses" means all charges, losses, liabilities, damages (whether actual, consequential, punitive, or otherwise denominated), costs, fees, demands, claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, causes of action, assessments, fines, penalties, costs, and expenses of any kind or character, foreseeable and unforeseeable, liquidated and contingent, proximate and remote, including, without limitation, the following: (A) the reasonable fees and expenses of outside legal counsel; (B) the reasonable fees and expenses of accountants, third-party consultants, and other independent contractors retained by an Beneficiary; (C) costs, including capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions or any clean-up, remedial, removal or restoration work required or performed by any federal, state or local governmental agency or political subdivision or performed by any non-governmental entity or person that is required by Environmental Laws or administrative ruling or directive because of the presence, suspected presence, release or suspected release of Hazardous Substances in violation of Environmental Laws in the air, soil, surface water or groundwater at the Property; (D) any and all diminution in value of the Property, loss of use or damage to the Property, or loss of profits or loss of business opportunity; and (E) reasonable costs and expenses of enforcing this Section 5.

(vi) "Environmental Losses" means Losses rising out of or as a result of: (A) the occurrence of any Hazardous Substance Activity; (B) any violation of any applicable Environmental laws relating to the Property or to the ownership, use, occupancy or operation thereof; (C) any investigation, inquiry, order, hearing, action, or other proceeding by or before any governmental agency in connection with any Hazardous Substance Activity; or (D) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnitee which directly or indirectly relates to, arises from or is based on any of the matters described in clauses (A), (B), or (C), or any allegation of any such matters.

(b) Trustor represents and warrants to Beneficiary that Trustor has conducted as appropriate inquiry and investigation, and, except as disclosed to Beneficiary in writing, to the best of Trustor's knowledge, based on such inquiry and investigation, no portion of the Property is being used or has ever been used at any previous time, for the disposal, storage, treatment, processing or other handling of Hazardous Substances, nor have any Hazardous Substances migrated onto or from the Property. Neither the Property nor Trustor is in violation of or subject to any existing, pending or threatened investigation by any governmental authority under any Environmental Law. Trustor's prior and intended use of the Property will not result in

the disposal or release of any Hazardous Substances on, under, about or to the Property or the migration of any Hazardous Substances from the Property. The foregoing representations and warranties shall be continuing and shall be true and correct for the period from the date hereof to the release of this Deed of Trust (whether by payment of the indebtedness secured hereby or foreclosure or action in lieu thereof), and these representations and warranties shall survive such release.

(c) Trustor represents and warrants to Beneficiary that Trustor has complied with all recommendations by any engineers retained by Trustor and all requirements of any applicable department of environmental resources, environmental protection agency or similar governmental agency, and there are no recommendations by said engineers or requirements ordered by said agency or any other governmental body for environmental investigation or cleanup with respect to the Property.

(d) On and after the date hereof, Trustor shall not (a) allow any Hazardous Substances to be installed, used, introduced, stored, treated, disposed of, generated, manufactured, discharged, dumped, transported or brought in, upon or over the Property in violation of applicable law; (b) allow any soil or ground water contamination or pollution with any Hazardous Substances on the Property in violation of applicable law; (c) allow any Hazardous Substances to migrate from the Property in violation of applicable law; (d) allow any Hazardous Substances to migrate onto the Property from any adjacent properties in violation of applicable law; or (e) allow or cause the Property to be in violation of, or to trigger a duly initiated and prosecuted investigation of the Property by any governmental authority under applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules or timetables contained in any local, state and/or federal laws, regulations, codes, ordinances, plans, administrative or judicial orders, decrees, judgments, notices or demand letters issued, entered, promulgated or approved thereunder relating to the environment, land use, water and air quality and Hazardous Substances ("Environmental Requirements").

(e) If the presence of any Hazardous Substances on the Property caused or permitted by Trustor results in any contamination of the Property, Trustor shall promptly take all actions, at its sole expense, as are necessary to return the Property to the condition existing prior to the introduction of any such Hazardous Substances to the Property; provided that Beneficiary's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Property. Beneficiary's approval shall not be required in the event such Hazardous Substances present an immediate danger to health or property; provided, however, that Trustor shall promptly notify Beneficiary in writing of any such actions taken.

(f) At any time after the occurrence and during the continuance of any default under this Section 5, Beneficiary shall have the following rights and remedies, in addition to any other rights and remedies Beneficiary has under this Deed of Trust:

(i) As provided in California Code of Civil Procedure Section 564, Beneficiary or its employees, acting by themselves or through a court appointed receiver may do any of the following: (i) enter upon, possess, manage, operate, dispose of, and contract to dispose of the Property or any part thereof; (ii) take custody of all accounts; (iii) negotiate with governmental authorities with respect to the Property's environmental compliance and remedial measures; (iv) take any action necessary to enforce compliance with environmental provisions, including spending Rent Payments to abate any environmental problem; (v) make, terminate, enforce or modify leases of part or all of the Property; (vi) contract for goods and services, hire agents, employees, and counsel, make repairs, alterations, and improvements to the Property necessary in Beneficiary's judgment to protect or enhance the security hereof; and/or (vii) take any and all other actions which may be necessary or desirable to comply with Trustor's obligations hereunder and under the Loan Documents. All sums realized by the receiver or Beneficiary under this subparagraph, less all costs and expenses incurred by either of them under this subparagraph, including attorneys' fees, and less such sums as Beneficiary or the receiver deems appropriate as a reserve to meet future expenses under this subparagraph, shall be applied on any indebtedness secured hereby in such order as Beneficiary shall determine. Neither application of said sums to said indebtedness, nor any other action taken by Beneficiary or the receiver under this subparagraph shall cure or waive any default or notice of default hereunder, or nullify the effect of any such notice of default. Beneficiary, or any employee or agent of Beneficiary, or a receiver appointed by a court, may take any action or proceeding hereunder without regard to the adequacy of the security for the indebtedness secured hereunder, the existence of a declaration that the indebtedness secured hereby has been declared immediately due and payable, or the filing of a notice of default.

(ii) With or without notice, and without releasing Trustor from any obligation hereunder, to cure any default of Trustor or in connection with any such default, Beneficiary or its agents, acting by themselves or through a court-appointed receiver, may enter upon the Property or any part thereof and perform such acts and things as Beneficiary deems necessary or desirable to inspect, investigate, assess, and protect the security hereof, including of any of Beneficiary's other rights: (i) to obtain a court order to enforce Beneficiary's right to enter and inspect the Property under California Civil Code Section 2929.5 (in respect of which the decision of Beneficiary as to whether there exists a release or threatened release of hazardous substance, as defined therein, onto the Property shall be deemed reasonable and conclusive as between the parties hereto); and (ii) to have a receiver appointed under California Code

of Civil Procedure Section 564 to enforce Beneficiary's right to enter and inspect the Property for hazardous substances as defined therein. All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations which Beneficiary or its agents or employees may conduct, including the fees of engineers, laboratories, contractors, consultants, and attorneys, shall be paid by Trustor. All costs and expenses incurred by Trustee and Beneficiary pursuant to this subparagraph (including court costs, consultant fees and attorney fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the rate of three percent (3%) per annum, from the date they are incurred until said sums have been paid.

(iii) Beneficiary may seek a judgment that Trustor has breached its covenants, representations and/or warranties with respect to the environmental matters set forth above in this Section 5, by commencing and maintaining an action or actions in any court of competent jurisdiction for breach of contract pursuant to California Code of Civil Procedure Section 736, whether commenced prior to foreclosure of the Property or after foreclosure of the Property, and to seek the recovery of any and all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other out-of-pocket costs or expenses actually incurred by Beneficiary or advanced by Beneficiary (collectively, the "Environmental Costs") relating to the cleanup, remediation or other response action required by applicable law or which Beneficiary believes necessary to protect the Property, it being conclusively presumed between Beneficiary and Trustor that all such Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remediation, or other response action respecting the Property were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary under this subparagraph (including court costs, consultant fees and attorney fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Note Rate, from the date of expenditure until said sums have been paid. Beneficiary shall be entitled to bid, at any sale of the Property held hereunder, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash.

(iv) As provided in California Code of Civil Procedure Section 726.5, Beneficiary may waive its lien against the Property or any portion thereof, to the extent such property is found to be environmentally impaired as defined therein, and to exercise any and all rights and remedies of an unsecured creditor against Trustor and all of Trustor's assets and property for the recovery of any deficiency and Environmental Costs, including seeking an attachment order under California Code of Civil Procedure Section 483.010. Beneficiary and Trustor each represents and warrants for itself that it has no actual knowledge of any release of any Hazardous Substance (as defined in Section 726.5) on, to or under the Property. As between Beneficiary and

Trustor, for purposes of California Code of Civil Procedure Section 726.5, Trustor shall have the burden of proving that Trustor or any related party (or any affiliate or agent of Trustor or any related party) did not cause or contribute to, and was not in any way negligent in permitting, any release or threatened release of the Hazardous Substance.

(v) Trustor acknowledges and agrees that notwithstanding any term or provision contained herein or in the Loan Documents, the Environmental Costs and all judgments and awards entered against Trustor pursuant to Section 5(f)(iii) above shall be exceptions to any nonrecourse or exculpatory provision of the Loan Documents, and Trustor shall be fully and personally liable for the Environmental Costs and such judgments and awards and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust, and Trustor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Property or this Deed of Trust.

(g) Trustor hereby agrees to indemnify, defend and hold harmless Beneficiary from and against any and all Environmental Losses.

6. Casualty, Condemnation. In the event of any fire or other casualty to the Project (as defined in the PA) or eminent domain proceedings resulting in condemnation of the Project or any part thereof, Trustor shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Construction Loan out of default and rebuild the Project in a manner that provides adequate security to Beneficiary for repayment of the Construction Loan or if such proceeds are insufficient then Trustor shall have funded any deficiency, (b) Beneficiary shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the PA, the Note, the Affordable Housing Covenant or this Deed of Trust. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Construction Loan in a manner that provides adequate security to Beneficiary for repayment of the remaining balance of the Construction Loan.

7. Foreclosure Under Tax Credit Financing. Notwithstanding anything to the contrary contained herein or in any documents secured by this deed of trust or contained in any subordination agreement, the Beneficiary acknowledges and agrees that in any event of a foreclosure or deed-in-lieu of foreclosure (collectively, "Foreclosure") with respect to the property encumbered by this deed of trust, the following rule contained in Section 42(h)(6)(E)(ii) of the Internal Revenue Code of 1986, as amended, shall apply:

For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the regulatory agreement with the California Tax Credit Allocation Committee, (i) none of the tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

CANYON CREEK LIMITED PARTNERSHIP,
a California limited partnership

By: PEOPLES SELF-HELP HOUSING
CORPORATION, a California non-profit,
public benefit corporation
Its: General Partner

By: _____

Its : _____

EXHIBIT H

RECORDING REQUESTED BY AND
AFTER RECORDATION, MAIL TO:

The Redevelopment Agency of
the City of Paso Robles
1000 Spring Street
Paso Robles, California 93446
Attn: _____

AFFORDABLE HOUSING COVENANT (REVISED)

For valuable consideration, the receipt of which is hereby acknowledged, REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES ("Agency"), acting to carry out the obligations under Section 33334.2 of the California Health and Safety Code establishing an affordable housing program for the City of El Paso de Robles, and CANYON CREEK LIMITED PARTNERSHIP, a California limited partnership ("Owner"), hereby agree with respect to that certain parcel of real property (the "Site") legally described on **Exhibit A**, that the Site and the multi-family residential units to be constructed thereon (the "Project") will be subject to the conditions, restrictions, reservations and rights of Agency specified below:

1. USE OF THE SITE. The Owner hereby covenants and agrees, for itself, its lessees, successors and assigns, as follows:

A. In consideration for the Agency's contribution to the development of the Project, the Agency and Owner have executed this Agreement to assure the Property meets the requirements of California Health and Safety Code Sections 33334.2 and 33413, and remains affordable for the longest feasible period, but for not for fewer than fifty-five (55) years.

B. Rent and Income Restrictions. Forty-nine percent (49%) of the residential units (i.e., 33 units) to be developed on the Site (the "Affordable Units") shall

be rented to low-income households whose income does not exceed eighty percent (80%) of the area median income ("Eligible Households"). These Affordable Units shall be available at rents that do not exceed 30% of 80% of the Median Income, adjusted by Household Size, less a utility allowance.

The maximum housing cost of the Eligible Households for each of the income levels set forth above must comply with the regulations promulgated by the California Department of Housing and Community Development Sections 6910-6932 in Title 25 of the California Code of Regulations, governing the Agency's set aside housing fund, or with the eligibility requirements established by the Tax Credit Financing or the regulatory agreement relating to any other federally administered program providing financing for the Project.

For purposes of this Covenant:

"Median Income" shall mean the median income for households in San Luis Obispo County, California, as published from time to time by the United States Department of Housing and Urban Development ("HUD") in a manner consistent with the determination of median gross income under Section 8 of the United States Housing Act of 1937, as amended, and as defined in Title 25, California Code of Regulations, Section 6932. In the event that such income determinations are no longer published by HUD, or are not updated for a period of at least 18 months, the Agency shall provide the Owner with other income determinations that are reasonably similar with respect to methods of calculation to those previously published by HUD.

C. Reporting Requirements. Annual reports and annual income recertifications must be submitted to the Agency. The reports, at a minimum, shall include:

- (1) The number of persons per unit
- (2) Tenant name
- (3) Initial occupancy date
- (4) Rent paid per month
- (5) Gross income per year
- (6) Percent of rent paid in relation to income.

Such information shall be reported to the Agency pursuant to Health and Safety Code Section 33418, in substantially the form attached hereto as **Exhibit B**, or in a substantially equivalent format acceptable to the Agency.

Annual income recertifications shall also contain those documents used to certify eligibility. Agency may, from time to time during the term of this Covenant,

request additional or different information and Owner shall promptly supply such information in the reports required hereunder. Owner shall maintain all necessary books and records, including property, personal and financial records, in accordance with requirements prescribed by Agency with respect to all matters covered by this Covenant. Owner, at such time and in such forms as Agency may require, shall furnish to Agency statements, records, reports, data and information pertaining to matters covered by this Covenant. Upon request for examination by Agency, Owner, at any time during normal business hours, shall make available all of its records with respect to all matters covered by this Covenant. Owner shall permit Agency to audit, examine and make excerpts or transcripts from these records.

2. MAINTENANCE. The Owner and all successors in interest, agree that they shall maintain, or cause to be maintained, the Site in a manner consistent with the provisions set forth therefor in the Paso Robles Municipal Code, and shall keep the entire Site reasonably free from any accumulation of debris or waste materials prior to and after construction.

If, at any time, Owner fails to maintain the Site, and has either failed to commence to cure such condition or to diligently prosecute to completion the condition or the condition is not corrected after expiration of thirty (30) days from the date of written notice from Agency to Owner, Agency may perform the necessary corrective maintenance, and Owner shall pay such costs as are reasonably incurred for such maintenance. The Agency shall have the right to place a lien on the Site should Owner not reimburse Agency for such costs within sixty (60) days following Agency's written demand to Owner for reimbursement of such costs. Owner, on behalf of itself, its heirs, successors and assigns, hereby grants to Agency and its officers, employees and agents, an irrevocable license to enter upon the Site to perform such maintenance during normal business hours after receipt of written notice from Agency as hereinabove described and Owner's failure to cure or remedy such failure within thirty (30) days of such notice. Any such entry shall be made only after reasonable notice to Owner, and Agency shall indemnify and hold Owner harmless from any claims or liabilities pertaining to any such entry by Agency.

Failure by Owner to maintain the Site in the condition provided in this Section 2 after the expiration of applicable cure periods may, in Agency's reasonable discretion, constitute a default under this Covenant.

3. NO TRANSFER. Except with respect to Approved Transferees as defined in the Participation Agreement between Agency and Peoples Self-Help Housing Corporation, Owner's predecessor in interest, dated May 17, 2001, as amended by a First Implementation Agreement to Participation Agreement, dated October 16, 2001, and as further amended by a Second Implementation Agreement to Participation

Agreement, dated _____, 2004 (collectively, the "Participation Agreement"), the Owner shall not sell, transfer, convey, encumber, assign or lease the whole or any part of the Site without the prior approval of the Agency, which shall not be unreasonably withheld. Owner shall request approval by written notice at least ninety (90) days prior to any proposed transfer. This prohibition shall not be deemed to prevent the granting of easements or permits to facilitate the rehabilitation or development of the Site or to prohibit or restrict the rental or leasing of units when the rehabilitation of the Project is completed.

4. MANAGEMENT. During the term of this Covenant, Owner shall promptly notify the Agency in the event there is any change in the property management company managing the Project. The property management and maintenance agreement shall name the Agency as a third-party beneficiary permitting the Agency the right to enforce said agreement. Owner shall submit a copy of such agreement to the Agency, provided the Agency shall not have the right to approve or disapprove such agreement except to ensure compliance of such agreement with the provisions of this paragraph 4.

5. NO DISCRIMINATION. The Owner covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, physical handicap, medical condition, sexual orientation, source of income, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall the Owner itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Site.

6. NONDISCRIMINATION AND NONSEGREGATION CLAUSES. All deeds, leases or contracts made relative to the Site, the improvements thereon or any part thereof, shall contain or be subject to substantially the following nondiscrimination and nonsegregation clauses:

A. **In deeds:** The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, physical handicap, medical condition, sexual orientation, source of income, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or

occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.

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

That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, physical handicap, medical condition, sexual orientation, source of income, national origin or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein leased.

C. **In contracts:** There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, physical handicap, medical condition, sexual orientation, source of income, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land.

7. **NO IMPAIRMENT OF LIEN.** No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Covenant shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other financing or security instrument; provided, however, that any successor of Owner to the Site shall be bound by such covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

8. **DURATION.** The covenants contained in paragraph 1 of this Covenant shall be deemed to run with the land in accordance with Section 33334.3(f) of the Health and Safety Code or any successor statute and shall remain in effect for not less than fifty-five (55) years following recordation of this Covenant. The covenants against discrimination contained in paragraphs 5 and 6 of this Covenant shall be deemed to run with the land in accordance with Section 33438 of the Health and Safety Code or any successor statute and shall remain in effect in perpetuity.

9. SUCCESSORS AND ASSIGNS. The covenants contained in this Covenant shall be binding for the benefit of the Agency and its respective successors and assigns, third party beneficiaries, and any successor in interest to the Site or any part thereof, and such covenants shall run in favor of the Agency and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard to whether the Agency is or remains an owner of any land or interest therein to which such covenants relate. The Agency, and such aforementioned parties, in the event of any breach of any such covenants, shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants contained in this Covenant shall be for the benefit of and shall be enforceable only by the Agency, and its respective successors and assigns, third party beneficiaries, and such aforementioned parties.

10. SUBORDINATION. Upon written request by Owner, Agency shall agree that the terms and conditions of this Covenant shall be subject to and subordinate to the terms and conditions of financing obtained by Owner, through a lender approved under Section 303 of the Participation Agreement, or otherwise acceptable to the Agency (the "Lender") and upon terms and conditions reasonably approved by the Agency, for construction or permanent financing, to be secured by a mortgage against the Site; provided the total aggregate amount of such financing secured by Owner, together with the Construction Loan provided for under the Participation Agreement, shall not exceed the appraised value of the completed Project; and provided, further, any Lender for construction or permanent financing that is not obtained through an approved federal or state program shall agree to include in its subordination agreement and deed of trust the following conditions: (i) Agency shall receive any notices of default issued by Lender to Owner; (ii) Agency shall have the right to cure any default by Owner within forty-five (45) days after a notice of default; (iii) Agency shall have the right to foreclose its Deed of Trust without Lender accelerating its debt, provided Agency has cured or is attempting to cure any defaults under the deed of trust; and (iv) Agency shall have the right to transfer the Project to another nonprofit corporation, or to a limited partnership whose general partner is a nonprofit corporation, who shall own and operate the Project as an affordable rental housing project with the consent of Lender, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the Agency and Owner have caused this instrument to be executed on their behalf by their respective officers thereunto duly authorized, this ____ day of _____, 200__.

AGENCY:

REDEVELOPMENT AGENCY OF THE CITY
OF EL PASO DE ROBLES

By: _____
Executive Director

Approved as to form:

Agency Counsel

OWNER:

CANYON CREEK LIMITED PARTNERSHIP,
a California limited partnership

By: PEOPLE'S SELF-HELP HOUSING
CORPORATION, a California non-
profit, public benefit corporation
Its: General Partner

By: _____

Its: _____

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, before me, the undersigned notary public, personally appeared _____

- personally known to me; or
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is 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.

WITNESS my hand and official seal.

Signature _____

Type of Document: _____

* * * * *

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, before me, the undersigned notary public, personally appeared _____

- personally known to me; or
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is 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.

WITNESS my hand and official seal.

Signature _____

Type of Document: _____

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

[To Be Inserted.]

EXHIBIT B

Tenant Income Certification

Project: Canyon Creek

Date: _____

Affordable Unit 50% of Median Income
 80% of Median Income
 120% of Median Income

1BR
 2BR
 3BR

Address/Unit Number: _____

Rent: _____

Tenant/Household Name: _____

Date of Lease: _____

Size of Household: _____

Expiration: _____

Total Household Income: _____ per year

The following list includes each member of the household and their income. Attached are federal or state income tax returns for the most recent tax year, current stubs from paychecks or other evidence of the income of each income producing member of the household.

Name of Household Member	Relationship	Age	Social Security Number	Annual Income	Source of Income/ Name of Employer
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

I/We the undersigned have read and answered fully, frankly and personally each of the above questions under penalty of perjury and do hereby swear they are true.

Head of Household Date

Owner/Owner's Agent Date

CERTIFICATION OF CONTINUING COMPLIANCE

Project: **Canyon Creek**

Date: _____

Total Affordable Housing Units in Project:

Very-Low Income Units (not to exceed 50% of Median Income): _____

Low-Income Units (not to exceed 80% of Median Income): _____

Moderate-Income Units (not to exceed 120% of Median Income): _____

The Owner, in accordance with the Affordable Housing Covenant with the Redevelopment Agency of the City of Paso Robles, dated _____ does hereby certify that during the preceding year, the units identified on the following pages were occupied in accordance with the Affordable Housing Covenant and does hereby further certify that the representations set forth herein are true and correct to the best of the undersigned's knowledge.

Signed: _____

Owner/Owner's Agent

Date: _____

[See Attached.]

EXHIBIT I

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is entered into as of the _____ day of _____, 200__, by and between the **PEOPLE'S SELF-HELP HOUSING CORPORATION**, a California nonprofit public benefit corporation ("PSHHC"), and **CANYON CREEK LIMITED PARTNERSHIP**, a California limited partnership, ("Canyon Creek").

RECITALS

A. The Redevelopment Agency of the City of El Paso de Robles (the "Agency") and PSHHC (as the "Participant") entered into a Participation Agreement dated May 17, 2001, a First Implementation Agreement to Participation Agreement dated October 16, 2001, and a Second Implementation Agreement to Participation Agreement dated _____, 2004 (collectively, the "Participation Agreement").

B. The Participation Agreement creates certain rights and duties on the part of both the Agency and PSHHC concerning the development of a multi-family residential housing complex consisting of approximately 68 affordable rental dwelling units for affordable housing purposes (the "Project"), to be developed on that certain real property described in the Participation Agreement as the "Site." Pursuant to the Participation Agreement, the Agency has agreed to provide a loan (the "Construction Loan") to the Participant to assist in the development of the Project.

C. Pursuant to Section 104 of the Participation Agreement, the Agency has pre-approved certain transfers of interest in the Participant ("Approved Transferees"), including without limitation "a transfer to an affiliate or non-profit corporation, partnership or other entity created by Participant of which Participant or an affiliate of Participant is the sole owner or general partner." Canyon Creek is a California limited partnership formed by PSHHC to develop and own the Project. It is the intent of PSHHC and Canyon Creek that PSHHC shall convey the Site to Canyon Creek, and following such conveyance, all rights and obligations of PSHHC under the Participation Agreement shall be assigned to and assumed by Canyon Creek.

D. The parties desire to enter into this Agreement for the purpose of providing for the assignment and assumption of all of the Participant's rights, interest and obligations under the Participation Agreement from PSHHC to Canyon Creek, and the continuation of said Participation Agreement in full force and effect, in compliance with Section 104 of the Participation Agreement.

AGREEMENTS

NOW, THEREFORE, PSHHC AND CANYON CREEK HEREBY AGREE AS FOLLOWS:

1. Site Described. The Site consists of all of the property shown on the Map of the Site, attached hereto as Exhibit A and incorporated herein by reference, and described in the Legal Description of the Site, attached hereto as Exhibit B and incorporated herein by reference.

2. Assignment by PSHHC. Upon conveyance of fee title to the Site from PSHHC to Canyon Creek, PSHHC hereby assigns to Canyon Creek all of its rights, title and interest in the Participation Agreement.

3. Acceptance and Assumption by Canyon Creek. Canyon Creek hereby accepts the assignment of PSHHC's rights, title and interest in the Participation Agreement. Canyon Creek hereby further assumes the obligations of the Participant (PSHHC) under the Participation Agreement, and agrees to be bound by the covenants and conditions set forth in the Participation Agreement. It is the express intention of both PSHHC and Canyon Creek that, upon conveyance of fee title to the Site from PSHHC to Canyon Creek, Canyon Creek shall be substituted for PSHHC as the "Participant", as such term is defined in the Participation Agreement.

4. Terms Are Binding. All of the terms, covenants, conditions and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

5. Execution in Counterparts. This Agreement may be executed in any number of counterparts (by facsimile signature or otherwise), each of which when executed and delivered will be deemed to be an original and all of which, taken together, shall will be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first above written.

PSHHC:

PEOPLE'S SELF-HELP HOUSING CORPORATION, a California non-profit, public benefit corporation

By: _____

Its: _____

CANYON CREEK:

CANYON CREEK LIMITED PARTNERSHIP, a California limited partnership

By: PEOPLE'S SELF-HELP HOUSING CORPORATION, a California non-profit, public benefit corporation
Its: General Partner

By: _____

Its: _____

EXHIBIT A

MAP OF THE SITE

[To Be Inserted.]

EXHIBIT B

LEGAL DESCRIPTION OF THE SITE

[To Be Inserted.]