



**CALL AND NOTICE OF REGULAR
MEETING AT 6:45 PM OF THE
HOUSING AUTHORITY OF THE CITY
OF VALLEJO**


MEMBERS

Andrea Sorce - (Chair)
Peter Bregenzer (Vice-Chair)
Helen-Marie Gordon
Tonia Lediju, PhD
Alexander Matias
Diosdado "JR" Matulac
Charles Palmares

NOVEMBER 18, 2025

HYBRID MEETING
www.Cityofvallejo.net

**Council Chambers
555 Santa Clara Street
Vallejo, CA 94590**

<p>NOTICE: Members of the Public will be able to participate in-person or remotely via Zoom</p>	<p>City Hall and the Council Chambers will be open to members of the public 30 minutes prior to the start of the meeting.</p>
<p>PUBLIC COMMENT: Members of the Public may provide public comments during the City Council Meeting in person or via ZOOM (https://ZoomRegular.Cityofvallejo.net), or via phone, by dialing (669) 900-6833.</p>	<p>For additional instructions on how to speak remotely during public comment, please visit, www.cityofvallejo.net/publiccomment</p>
<p>VIEW THE MEETING: There are four different ways you can view this public meeting:</p> <ul style="list-style-type: none"> • In Person • Watch Vallejo local channel 28 • Stream from the City website: www.cityofvallejo.net/Streaming • Join the Zoom webinar: https://ZoomRegular.Cityofvallejo.net 	<p>Scan QR code for live captions and translation in Spanish and Tagalog.</p> <div align="center">  </div>
<p align="center">Hybrid Options are available for members of the public to participate. To participate remotely</p>	
<p><u>Option to Join by Computer</u> From your browser go to https://ZoomRegular.CityofVallejo.net to launch and join the zoom application. Meeting ID: 914 0075 0676# Meeting Password: 131313</p>	<p><u>Option to Join by Phone</u> Dial (669) 900-6833 Enter Meeting ID: 914 0075 0676# Meeting Password: 131313 Press *9 to digitally raise your hand from the phone. Press *6 to unmute/mute</p>
<p>Any supplemental writing related to an agenda item for an open session of a regular meeting that is distributed to all or a majority of all members of the City Council less than 72 hours before the meeting will be posted concurrently on the City's website at www.cityofvallejo.net/agendas Written material distributed during the meeting, will be available at the meeting if prepared by the City or after the meeting if prepared by someone else. Such materials may be obtained from the City Clerk</p>	



Vallejo City Council Chambers ADA compliant. Devices for the hearing impaired are available from the City Clerk. Requests for disability related modifications or accommodations, aids or services may be made by a person with a disability to the City Clerk's office no less than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof

AGENDA

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **CONSENT CALENDAR AND APPROVAL OF AGENDA**

Members of the public wishing to address the Housing Authority on Consent Calendar items may do so in person by signing in to the Public Speaker's kiosk located in the back of the Council Chambers or via ZOOM:(<https://ZoomRegular.Cityofvallejo.net>), Option to join by phone: Dial (669) 900-6833. Enter Meeting ID: 914 0075 0676#. Press * 9 to digitally raise your hand from the phone. Press *6 to unmute/mute. For additional instructions on how to speak remotely during public comment, please visit, www.cityofvallejo.net/publiccomment. In person speakers will be recognized first. Each speaker is limited to three minutes pursuant to Vallejo Municipal Code Section 2.02.310. Requests for removal of Consent Items received from the public are subject to approval by a majority vote of the Council. Items removed from the Consent Calendar will be heard immediately after approval of the Consent Calendar and Agenda

- A. **ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HOUSING AUTHORITY OF THE CITY OF VALLEJO AS THE SUCCESSOR HOUSING AGENCY CONSENTING TO 1) THE ASSIGNMENT AND AMENDMENT OF TWO FORMER REDEVELOPMENT AGENCY LOANS AND CITY LOAN PROVIDED TO SERENO VILLAGE ASSOCIATES; 2) PARTIAL REPAYMENT TO THE CITY OF THE LOANS MADE FROM PARK FEES (COMMONLY REFERRED TO AS GVRD FEES) AND GENERAL FUND DOLLARS; AND 3) FULL REPAYMENT OF THE VALLEJO FLOOD AND WASTEWATER DISTRICT LOAN**

Recommendation: Adopt a resolution of the Board of Directors consenting to the assignment and amendment of two Former Redevelopment Agency provided to Sereno Village, partial repayment of the Park Fees and General Fund Loan and full repayment of the Vallejo flood and Wastewater District Loan.

Contact: Gillian Haen, Assistant City Manager (707) 648-4163
Gillian.haen@cityofvallejo.net

4. **ACTION CALENDAR**

5. ADJOURNMENT

ADDITIONAL CITY INFORMATION

Members of the public can:

- Like us on Facebook and Instagram ([@cityofvallejo](#))
- Sign up to receive City Communications via e-mail (www.cityofvallejo.net/subscribe)
- Sign up for emergency alerts at: alertsolan.com

Dated: Friday, November 14, 2025



Andrea Sorce, Mayor

I, Dawn Abrahamson, City Clerk do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to

Andrea Sorce - (Chair)
Peter Bregenzer (Vice-Chair)
Helen-Marie Gordon
Tonia Lediju, PhD
Alexander Matias
Diosdado "JR" Matulac
Charles Palmares,

at the time and in the manner prescribed by law and that this agenda was posted at City Hall, 555 Santa Clara Street, CA at 2:30 p.m., Friday, November 14, 2025.

Dated: Friday, November 14, 2025





DATE: November 18, 2025
TO: Chair and Members of the Vallejo Housing Authority Board
FROM: Gillian Haen, Assistant City Manager
SUBJECT: **ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HOUSING AUTHORITY OF THE CITY OF VALLEJO AS THE SUCCESSOR HOUSING AGENCY CONSENTING TO 1) THE ASSIGNMENT AND AMENDMENT OF TWO FORMER REDEVELOPMENT AGENCY LOANS AND CITY LOAN PROVIDED TO SERENO VILLAGE ASSOCIATES; 2) PARTIAL REPAYMENT TO THE CITY OF THE LOANS MADE FROM PARK FEES (COMMONLY REFERRED TO AS GVRD FEES) AND GENERAL FUND DOLLARS; AND 3) FULL REPAYMENT OF THE VALLEJO FLOOD AND WASTEWATER DISTRICT LOAN**

RECOMMENDATION

Adopt a resolution of the Board of Directors consenting to the assignment and amendment of two Former Redevelopment Agency provided to Sereno Village, partial repayment of the Park Fees and General Fund Loan and full repayment of the Vallejo flood and Wastewater District Loan.

REASONS FOR RECOMMENDATION

Eden Housing has received an award for 4% tax credits and tax-exempt bonds from the State of California to support a substantial rehabilitation of Sereno Village, a 100% affordable housing community located in the City of Vallejo. The Assignment and Amendment of the City of Vallejo's and Former Redevelopment Agency existing loan documents and regulatory agreements on the property will allow Eden to close construction and permanent financing, rehabilitate the property, and preserve 125 low-income units. The revisions to the loan documents will also clean up obsolete language and ensure upgrades to the affordable housing at Sereno Village is maintained for the City of Vallejo residents.

BACKGROUND AND DISCUSSION

Sereno Village is a 125-unit family apartment complex located at 750 Sereno Drive in Vallejo, CA. The project is 100% affordable and is under an existing California Tax Allocation Committee (CTCAC) regulatory agreement which expires in 2059 and an existing Redevelopment Agency of the City of Vallejo Affordable Housing Covenant which expires in 2055. Sereno Village was originally developed by Citizens Housing Corporation (CHC). After the dissolution of CHC, Eden Housing took over ownership and operation of Sereno Village and assumed the existing loans on title.

The project currently has three loans with the Former RDA/City of Vallejo:

1. A loan made in 2003 by the former Redevelopment Agency of the City of Vallejo in the original principal amount of \$1,900,000 and having a current principal balance of \$1,900,000 and accrued interest balance of \$1,352,852. The term of the loan is 30-years, it is repayable from residual receipts, and it bears simple interest at a rate of 3%.
2. An acquisition loan made in 2003 by the former Redevelopment Agency of the City of Vallejo in the original principal amount of \$600,000 and having a current principal balance of \$600,000 and accrued

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interest balance of \$448,767. The term of the loan is 30-years, it is repayable from residual receipts, and it bears simple interest at a rate of 3%.

3. A loan made in 2003 by the City of General Fund monies in the amount of \$1,400,000 and having a current principal balance of \$777,221 and accrued interest balance of \$347,834 and of Park Fees in the original principal amount of \$202,463 and having a current principal balance of \$138,760 and accrued interest balance of \$62,793. The term of the loan is 15 and is now matured, it was repayable from residual receipts, and it bore simple interest at a rate of 3%. The project currently has one loan with the Vallejo Flood and Wastewater District (“VFWD”) (formerly, Vallejo Sanitation and Flood Control District – “VFSCD”):
4. A loan made by the Vallejo Sanitation and Flood Control District (VSFCD) in the original principal amount of \$351,635 and having a current principal balance of \$253,368 and accrued interest balance of \$117,025. The Loan has matured and is due and payable.

Below is a table summarizing the project’s current loans.

LENDER	LOAN TYPE/ YEAR	ORIGINAL PRINCIPAL	CURRENT PRINCIPAL	ACCRUED INTEREST	TERM	REPAYMENT	INTEREST RATE/NOTES	LOAN STATUS
City of Vallejo (Redevelopment Agency)	Permanent Loan / 2003	\$1,900,000	\$1,900,000	\$1,352,852	30 years	Residual receipts	3% simple interest	Current
City of Vallejo (Redevelopment Agency)	Acquisition Loan / 2003	\$600,000	\$600,000	\$448,767	30 years	Residual receipts	3% simple interest	Current
City of Vallejo	General Fund and Park fees loan / 2003	\$1,602,463	\$915,981	\$410,627	15 years (matured)	Residual receipts	3% simple interest prior to maturity	Matured
Vallejo Flood and Waste District (VFWD)	VFWD Loan	\$351,635	\$253,368	\$117,025	Matured	Due and Payable	-	Matured

Sereno Village is in need of a substantial renovation to ensure the affordable units do not fall offline. The property was originally constructed in 2003, and except for exterior painting and ongoing maintenance, no major capital repairs have occurred.

On November 19, 2025, Sereno Village was awarded 4% tax credits from CTCAC to fund a rehabilitation of Sereno Village. These funds will be used to complete much needed upgrades to the property that will improve the lives of Vallejo residents.

In order to facilitate a rehabilitation of the property, Eden is requesting that the City and Housing Authority as successor Housing Agency, approve a payoff and partial payoff of the matured VFWD and General Fund loan and Park fees loans on title. Eden anticipates repaying the full VFWD loan and repaying the same amount to the General fund loan and Park Fees loan. The value of the remaining principal and accrued interest on the

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VFWD loan will be determined at construction loan closing. Eden estimates this will be approximately \$375,000. Eden will repay the same amount, approximately \$375,000, to the General Fund loan and Park Fees loan.

In addition, Eden is requesting that the City/Successor Agency (SA) approve and extend the remaining three City/RDA loans, including the remaining balance on the RDA Loans, and the General Fund loan and Park Fees loan, to match the CTCAC regulatory agreement term of 55 years. Eden is also requesting approval from the City/SA to subordinate the remaining three loans to the construction lender at construction loan closing, and to the permanent loan lender at permanent loan conversion. It is anticipated the Parties will amend the existing affordable housing covenants to extend the term of the restrictions to 57 years to cover the construction period and the 55-year regulatory agreement term.

The loan modifications include:

1. Extending the loan term to align with the California Tax Credit Allocation Committee (CTCAC) regulatory agreement term of 55 years;
2. Recasting the outstanding loan principal and accrued interest at the Applicable Federal Rate (AFR);
3. Subordinating the remaining loans to the Project's construction and permanent lenders; and
4. Consenting to repayment and partial repayment of subordinate debt to VFWD and the City of Vallejo.

Extending the term of the loans and matching the maturity date of the CTCAC regulatory agreement is a requirement for tax credit re-syndications. It will allow the project to avoid multiple refinancings and will ensure the City/SA has continued control and involvement in the property, and its long-term affordability. The construction loan and permanent loan lenders will require subordinations from the City/SA as a condition to closing construction financing. The formal documents effectuating such modifications will come back to the Board for approval.

This same process was recently approved for the Marina Towers project in order to allow the new owner of Marina Towers to refinance and conduct several upgrades to the site to maintain the affordable senior housing in Vallejo.

FISCAL IMPACT

There is no immediate fiscal impact to the City/SA. The proposed loan modifications: extending the loan term, recasting principal and interest at the Applicable Federal Rate, and subordinating the loans to the Project's construction and permanent financing, are structured to preserve the long-term viability of the Sereno Village affordable housing project while maintaining the City's ability to recover the outstanding loan balance over time. These changes do not require additional City/SA funding at this time.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably

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foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS


1.	Resolution Consenting to the Assignment and Amendment of the Loans Housing Authority- CAO STAMP
2.	SV - Vallejo RDA Promissory Note \$1.9M (scanned executed)
3.	SV - Vallejo RDA DOT \$1.9M
4.	SV - Vallejo RDA Amend DOT \$1.9M
5.	SV - Vallejo RDA Promissory Note \$600K
6.	SV - Vallejo RDA Acq Loan Note \$600K (scanned)
7.	SV - Vallejo RDA DOT \$600K
8.	SV - Vallejo RDA DOT Adendum \$600K
9.	SV - Vallejo RDA Affordable Housng Covenant - 12-5-00

CONTACT

Gillian Haen, Assistant City Manager (707) 648-4163

Gillian.haen@cityofvallejo.net

Approved as to form:

By:  for
Veronica Nebb, City Attorney

RESOLUTION NO. _____ N.C.

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HOUSING AUTHORITY OF THE CITY OF VALLEJO AS THE SUCCESSOR HOUSING AGENCY CONSENTING TO 1) THE ASSIGNMENT AND AMENDMENT OF TWO FORMER REDEVELOPMENT AGENCY LOANS AND CITY LOAN PROVIDED TO SERENO VILLAGE ASSOCIATES; 2) PARTIAL REPAYMENT TO THE CITY OF THE LOANS MADE FROM PARK FEES (COMMONLY REFERRED TO AS GVRD FEES) AND GENERAL FUND DOLLARS AND (3) FULL REPAYMENT OF THE VALLEJO FLOOD AND WASTEWATER DISTRICT

WHEREAS, Sereno Village Associates (the “Partnership”) is the owner and operator of Sereno Village, a 125-unit low-income affordable housing property located at 750 Sereno Drive in the City of Vallejo (the “Project”). The Partnership took control of the Project upon Citizens Housing Corporation dissolution; and

WHEREAS, the Project has received an allocation of tax-exempt bonds and corresponding tax credits, which will be used to finance the substantial rehabilitation thereof. The associated finance transaction will involve the transfer of the Project to an affiliate of Eden Housing, Inc. (the “Project Re-syndication”); and

WHEREAS, the former Redevelopment Agency of the City of Vallejo, made two loans to Citizens Housing Corporation, which were subsequently assigned to the Partnership, one in the original principal amount of \$1,900,000 and having a current principal balance of \$1,900,000 and accrued interest balance of \$1,352,852, and another in the original principal amount of \$600,000 and having a current principal balance of \$600,000 and accrued interest balance of \$448,767 (collectively, the “RDA Loans”); and

WHEREAS, the City of Vallejo also made a loan to Citizens Housing Corporation of General Fund monies in the amount of \$1,400,00 and having a current principal balance of \$777,221 and accrued interest balance of \$347,834 and Park Fees, in the original principal amount of \$202,463 and having a current principal balance of \$138,760 and accrued interest balance of \$62,793 which was subsequently assigned to the Partnership, (the “General Fund and Park Fees Loan”); and

WHEREAS, the Vallejo Flood and Wastewater District “VFWD” (formerly, Vallejo Sanitation and Flood Control District) made a loan to Citizens Housing Corporation, which was subsequently assigned to the partnership, in the original principal amount of \$351,635 and having a current principal balance of \$253,368 and accrued interest balance of \$117,025 (the “VFWD” Loan”); and

WHEREAS, given the anticipated Project Re-syndication, staff is recommending City Council consent to: (i) the assignment and amendment of the RDA Loans and the General Fund and Park Fees Loan, and their corresponding Affordable Housing Covenants; (ii) the partial repayment by the Partnership of the General Fund and Park Fees Loan, and (iii) the repayment in full of the VFWD. The modification documents will return to the Board for action.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors of the Housing Authority as the Successor Housing Agency of the Former Redevelopment Agency of the City of Vallejo (“HA Board”) hereby consents to the following modifications to the RDA Loans and General Fund and Park Fees Loan: 1) extend the loan term to match the California Tax Credit Allocation Committee (“CTCAC”) regulatory agreement term of 55 years, 2) recast the outstanding loan principal and accrued interest at the Applicable Federal Rate (AFR), and 3) subordinate the loans to the construction and permanent loan lenders in a form acceptable to the City, with the documents effectuating such changes to come back to the Board for approval; and

BE IT FURTHER RESOLVED that the Board hereby consents: 1) to the assignment and amendment of the RDA and City General Fund and Park Fees Loans; 2) to a partial repayment of the City General Fund and Park Fees Loan; recasting the outstanding loan principal and remaining accrued interest at the Applicable Federal Rate (AFR), and 3) subordinate the loans to the construction and permanent loan lenders in a form acceptable to the Board; and

BE IT FURTHER RESOLVED that the Board of Directors of the Housing Authority as the Successor Housing Agency of the Former Redevelopment Agency of the City of Vallejo hereby consents to the Partnership’s repayment in full of the VFWD Loan; and

PASSED AND ADOPTED by the Board of Directors of the Housing Authority as the Successor Housing Agency of the Former Redevelopment Agency of the City of Vallejo at a regular meeting thereof held on November 18, 2025 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ANDREA SORCE, MAYOR

ATTEST:

DAWN G. ABRAHAMSON, CITY CLERK

PERMANENT FINANCING LOAN NOTE

Not to Exceed
\$1,900,000

February 11, 20002
Vallejo, California

FOR VALUE RECEIVED, SERENO VILLAGE ASSOCIATES, a California limited partnership (the "Maker"), having an address of 26 O'Farrell Street, Suite 506, San Francisco, California 94108, promises to pay to the order of REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO ("Holder"), the initial principal sum of ONE MILLION NINE HUNDRED THOUSAND DOLLARS (\$1,900,000) with simple interest at the rate of three percent (3%) per annum. The Managing General Partner of Maker is Citizens Housing Corporation, a California nonprofit public benefit corporation ("Citizens"); and the Administrative General Partner of Maker is Affordable Housing Affiliation, a California nonprofit public benefit corporation ("AHA") (Citizens and AHA are collectively referred to herein as the "General Partners").

1. This Note is made pursuant to Section 303 of that certain Participation Agreement between Citizens and Holder dated November 28, 2000, which Participation Agreement was assigned to and assumed by Maker pursuant to that certain Assignment Agreement Re: Property and Financing between Citizens and Maker, dated February 11, 2002 (as so assigned, the "PA"). Pursuant to the PA, Maker has acquired that certain real property defined in the PA as the "Site", and shall construct on the Site a multi-family residential housing project consisting of approximately 125 residential units (the "Units") which shall be rented to qualified very-low income persons and families (the "Project"), all as described in the PA. This is a promissory note for the repayment to Holder of funds advanced on behalf of Maker pursuant to Section 303 of the PA (referred to therein as the "Permanent Financing Loan"), which funds are being made available to the Project from funds available in the Agency's Affordable Housing Fund, which funds do not constitute proceeds of tax exempt bonds, and shall be used for construction and a portion of the permanent financing pursuant to said Section 303. 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, or applicable portion thereof covered by this Note.

3. Except as provided below, this Note shall be due and payable in full thirty (30) 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, Surplus Cash shall be disbursed and credited as follows:

a. If the entire Developer Fee for the Project, in an amount not to exceed \$1,200,000 (the "Developer Fee") is paid to or retained by the General Partners from the proceeds of the permanent financing to be obtained for the

Project, then ONE HUNDRED PERCENT (100%) of the Surplus Cash from the Project shall be paid to the Holder as repayment of amounts due and owing hereunder.

b. If all or any portion of the Developer Fee for the Project is deferred and not paid to or retained by the General Partners from the proceeds of the permanent financing to be obtained for the Project, then the Surplus Cash from the Project shall be disbursed and credited as follows. The Agency shall have the right to approve the amount of the Developer Fee to be deferred.

(1) FIFTY PERCENT (50%) of the Surplus Cash from the Project may be paid to or retained by the General Partners, until such time as the entire deferred Developer Fee is paid to the General Partners; provided, the total amount paid to the General Partners pursuant to this subsection 3.b.(1) shall not exceed the amount of Surplus Cash paid to the Agency; and provided, further, that the total aggregate amount paid to the General Partners pursuant to this subsection 3.b.(1) shall not exceed the amount of the deferred Developer Fee approved by the Agency.

(2) The entire remaining amount of Surplus Cash from the Project (including the remaining Fifty Percent (50%) of the Surplus Cash from the Project, plus all Surplus Cash remaining after payment in full of the Developer Fee), shall be paid to the Holder as repayment of amounts due and owing hereunder.

(3) Following payment to the General Partners of the maximum amount set forth in subsection 3.b.(1), above, and thereafter, ONE HUNDRED PERCENT (100%) of the Surplus Cash from the Project shall be paid to the Holder as repayment of amounts due and owing hereunder.

All payments made hereunder shall be credited first to any interest due and owing and then to principal. Interest not paid current shall accrue and shall not be compounded. In any event, the entire outstanding balance of principal and interest owing under this Note shall be due and payable in full thirty (30) years from the date hereof.

This promissory note is the second of two (2) promissory notes to be executed and delivered to Holder pursuant to the PA, both of which notes require repayment from the Surplus Cash from the Project. Unless otherwise approved by Holder, the entire amount of Surplus Cash from the Project which is not used to pay the deferred Developer Fee shall be paid to Holder and credited first toward any amounts due under the separate Acquisition Loan Note executed and delivered by Citizens to Holder pursuant to the PA which Note was assigned to and assumed by Maker pursuant to the Assignment Agreement referenced in Section 1, above, and following repayment in full of the Acquisition Loan Note, such Surplus Cash from the Project shall then be paid to Holder and credited toward any amounts due and owing under this Note.

If and so long as the Secretary of Housing and Urban Development or his/her successors or assigns, are the insurers or holders of the first or senior mortgage on the Project, payments due under this Note shall be payable only from surplus cash of the Project, as the term surplus cash is defined in the Regulatory Agreement between HUD and Maker. The restriction on payment imposed by this paragraph shall not excuse any default caused by the failure of the Maker to pay the indebtedness evidenced by this Note.

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. Any unauthorized prepayments, as determined by HUD, shall be the responsibility of the Maker to return to the Project.

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 net revenue derived from any refinancing of the Project and any revenue from contributions, loans or grants which is not required to meet future project obligations, less all of the following: all customary and reasonable costs and expenses in connection with the construction, operation and maintenance of the Project; property and asset management fees (previously approved by Holder); principal and interest paid by Maker on account of any loan(s) or other obligations approved by Holder or evidenced by this Note; 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; taxes; any 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; and any other reserves required by an approved lender or investor. (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 a management fee not to exceed \$15,000 paid to Maker for 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;

(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.

(c) This promissory note is one of two promissory notes executed and delivered by Maker to Holder. Although the language of paragraph 4(a) appears in each note, Maker may deduct the items identified in paragraph 4(a) once to determine the Surplus Cash from the Project.

5. Maker shall deliver monthly balance sheets showing all revenues and expenses of the Project. An audited financial statement shall be delivered within one hundred twenty (120) days of the end of each calendar year along with payment of the Surplus Cash (if any). Holder shall have the right to inspect and audit Maker's books and records concerning the calculation of Surplus Cash and to object within ninety (90) 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 no later than October 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 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 the entire unpaid principal of this Note and accrued interest thereon shall be immediately due and payable, at the option of holder.

8. Payment shall be made in lawful money of the United States to Holder c/o The City of Vallejo, 555 Santa Clara Street, Vallejo, California 94590. 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 Vallejo 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 may, in Holder's sole 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, whichever comes first.

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; provided, however, that notice of any such default shall be sent to the General Partners and Limited Partners, who shall have (i) with respect to a default by Maker to make any payment due hereunder, fifteen (15) days after the date of such notice of default to pay any amount due; and (ii) with respect to any other default by Maker, the same cure period applicable to Maker, beginning after the date of such notice of default, to cure any such default. 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.

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Holder agrees that in the event any such default is cured by a General Partner or Limited Partner within the times set forth herein, it shall accept such cure as a cure of the default under this Note.

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 default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a 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 general 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.

SERENO VILLAGE ASSOCIATES,
a California limited partnership

By: CITIZENS HOUSING CORPORATION, a
California nonprofit public benefit corporation,
its Managing General Partner

By: *L. M. Buckley*
Its: *President*

By: AFFORDABLE HOUSING AFFILIATION, a
California nonprofit public benefit corporation,
its Administrative General Partner

By: *Butler*
Its: *executive director*

Recording Requested By

AND WHEN RECORDED MAIL TO:

Redevelopment Agency of the City of Vallejo
Economic Development Department

555 Santa Clara Street, 3rd Floor

Vallejo, CA 94590

Certified to be a true & correct
copy of the original recorded

2-13-02 in Book _____

Page, _____ Series No. 2002-00019392

Solano County Records

North American Title Co.

By Laura Viera

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS
(INDIVIDUAL)**

J.P.N.

A.P.N.

This Deed of Trust, made this 11th day of February, 2002, between Sereno Village Associates, a California Limited Partnership, herein called **Trustor**,

whose address is 26 O'Farrell Street, Ste. 506 San Francisco, CA 94108

North American Title Company, a California corporation, herein called **Trustee**, and the Redevelopment Agency of the City of Vallejo, herein called **Beneficiary**,

Witnesseth: That Trustor **IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to TRUSTEE IN TRUST, WITH POWER OF SALE**, That property in the City of Vallejo, County of Solano, California, described as follows:

SEE EXHIBIT A

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (10) of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

For the Purpose of Securing:

1. Performance of each agreement of Trustor incorporated by reference or contained herein. 2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, in the principal sum of \$1,900,000 executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS (INDIVIDUAL)

The following is a copy of provisions (1) to (14), inclusive, of the fictitious deed of trust, recorded in each county in California, as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

To Protect the Security of This Deed of Trust, Trustor Agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon: not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such actions or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

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

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

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

That any award of damages in connection with any condemnation for public use or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him/her/them in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(6) That any award of damages in connection with any condemnation for public use or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him/her them in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(7) That by accepting payment of any sum secured hereby after its due date, beneficiary does not waive his right either to require prompt payment when due all other sums so secured or to declare default for failure so to pay.

(8) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may; reconvey any part of said property, consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(9) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such full reconveyance, Trustee may destroy this document (unless directed in such request to retain it).

(10) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to adequacy of any security for the indebtedness hereby secured enter upon and take possession of said property or any part thereof, in his/her/their own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(11) That upon default by trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said Note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not the repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(12) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(13) That this Deed applies to inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the Note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(14) That trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

To Protect the Security of This Deed of Trust, Trustor Agrees: By the execution and delivery of this Deed of Trust and the note secured hereby, that provisions (1) to (14), inclusive, of the fictitious deed of trust recorded in Santa Barbara County and Sonoma County October 18, 1961, and in all other counties October 23, 1961, 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 the county, viz.:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	435	684	Kings	792	833	Placer	895	301	Sierra	29	335
Alpine	1	250	Lake	362	39	Plumas	151	5	Siskiyou	468	181
Amador	104	348	Lassen	171	471	Riverside	3005	523	Solano	1105	182
Butte	1145	1	Los Angeles	T2055	899	Sacramento	4331	62	Sonoma	1851	689
Calaveras	145	152	Madera	810	170	San Benito	271	383	Stanislaus	1715	456
Colusa	296	617	Marin	1508	339	San Bernardino	5567	61	Sutter	572	297
Contra Costa	3978	47	Mariposa	77	292	San Francisco	A332	905	Tehama	401	289
Del Norte	78	414	Mendocino	579	530	San Joaquin	2470	311	Trinity	93	366
El Dorado	568	456	Merced	1547	538	San Luis Obispo	1151	12	Tulare	2294	275
Fresno	4626	572	Modoc	184	851	San Mateo	4078	420	Tuolumne	135	47
Glenn	422	184	Mono	52	429	Santa Barbara	1878	860	Ventura	2062	386
Humboldt	657	527	Monterey	2194	538	Santa Clara	5336	341	Yolo	653	245
Imperial	1091	501	Napa	639	86	Santa Cruz	1431	494	Yuba	334	486
Inyo	147	598	Nevada	305	320	Shasta	684	528			
Kern	3427	60	Orange	5889	611	San Diego	Series2 Book 1961, Page 183887				

(which provisions, identical in all counties, are printed on attached herewith) hereby are adopted and incorporated herein and made a part hereof as fully as though set forth herein at length; that he will observe and perform said provisions; and that the references to property, obligations and parties in said provisions shall be construed to refer to the property, obligations, and parties set forth in this Deed of Trust.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at his address hereinbefore set forth.

TRUSTOR:

SERENO VILLAGE ASSOCIATES, a California Limited Partnership

By: Citizens Housing Corporation, a California nonprofit public benefit corporation, its managing general partner

By: *L. M. Barclay*
Its: President

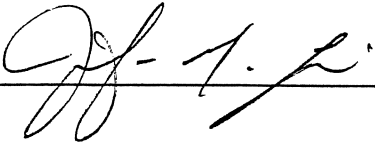
By: Affordable Housing Affiliation, a California nonprofit public benefit corporation, its administrative general partner

By: *Bullman*
Its: executive director

STATE OF CALIFORNIA)
)ss.
COUNTY OF ALAMEDA)

On February 11, 2002 before me, the undersigned, a Notary Public, personally appeared Bill McCune, proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

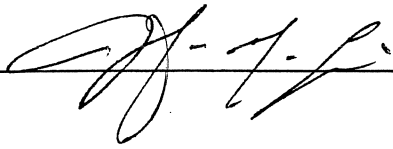




STATE OF CALIFORNIA)
)ss.
COUNTY OF ALAMEDA)

On February 11, 2002 before me, the undersigned, a Notary Public, personally appeared James M. Buckley, proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.





ADDENDUM TO DEED OF TRUST
(Permanent Financing Loan)

This Addendum to Deed of Trust is part of the Deed of Trust dated February 13, 2002, to which it is attached between SERENO VILLAGE ASSOCIATES, a California limited partnership, as Trustor, and the REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO, 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, sexual preference, age, marital status, physical handicap, medical condition, 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 Permanent Financing 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 acquisition and construction of the Affordable Units (as defined in the Permanent Financing Note and the Participation Agreement between Citizens Housing Corporation, a California nonprofit public benefit corporation ("Citizens"), and Beneficiary dated November 28, 2000, which Participation Agreement was assigned to and assumed by Trustor (as so assigned, the "PA"); provided the total aggregate amount of financing secured by Trustor, whether secured through the Tax Credit Financing or other sources, for the acquisition and development of the Project, together with the Acquisition Loan and the Permanent Financing Loan (as defined in the PA), shall not exceed an amount acceptable to the Agency in its reasonable discretion; 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; and (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 pays for all costs to rescind any notice of default or to dismiss the receiver (including, without limitation, lender's attorney's fees and court costs).

The Permanent Financing Note secured hereby is the second of two (2) promissory notes to be executed and delivered to Beneficiary pursuant to the PA. So
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long as any amounts are due and payable under the Acquisition Loan Note and the Acquisition Loan Deed of Trust, the terms and conditions of the Permanent Financing Note and this Deed of Trust shall be subject to and subordinate to the terms and conditions of the Acquisition Loan Note and Acquisition Loan Deed of Trust.

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 Permanent Financing 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 Permanent Financing 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 (iii) 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 Vallejo or County of Solano 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, VAL/Sereno/PermNote

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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.

(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 VAL/Sereno/PermNote

2/7/02

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 6.09.

(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, 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. "Hazardous Substances" shall not include commercially reasonable amounts of such materials used in the ordinary course of operation of the Property which are used and stored in accordance with all applicable environmental laws, ordinances and regulations.

(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 further 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 prosecution 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.

(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 approved by a court under 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 event of default of Trustor or in connection with any such event of 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 set forth in Paragraph 11 of the Permanent Financing Note, 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 rate set forth in Paragraph 11 of the Permanent Financing Note, 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 as of the date of this Addendum

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)(iv) 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.

SERENO VILLAGE ASSOCIATES,
a California limited partnership

By: CITIZENS HOUSING CORPORATION, a
California nonprofit public benefit corporation,
its Managing General Partner

By: *S. M. Buckley*
Its: *President*

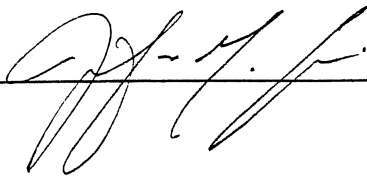
By: AFFORDABLE HOUSING AFFILIATION, a
California nonprofit public benefit corporation,
its Administrative General Partner

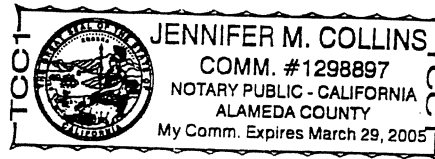
By: *Bill [unclear]*
Its: *executive director*

STATE OF CALIFORNIA)
)ss.
COUNTY OF ALAMEDA)

On February 11, 2002 before me, the undersigned, a Notary Public, personally appeared Bill McCune, personally known to me/or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

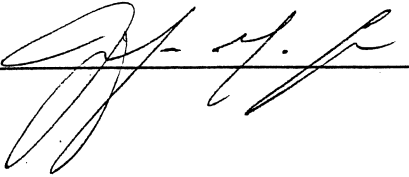




STATE OF CALIFORNIA)
)ss.
COUNTY OF ALAMEDA)

On February 11, 2002 before me, the undersigned, a Notary Public, personally appeared James M. Buckley, personally known to me/or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.





ACQUISITION LOAN NOTE

Not to Exceed
\$600,000

November 30, 2000
Vallejo, California

FOR VALUE RECEIVED, CITIZENS HOUSING CORPORATION, a California nonprofit public benefit corporation (the "Maker"), having an address of 26 O'Farrell Street, Suite 506, San Francisco, California 94108, promises to pay the REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO, or order ("Holder"), the initial principal sum of **SIX HUNDRED THOUSAND DOLLARS (\$600,000)** 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 (the "PA") between Maker and Holder dated November 28, 2000. This is a promissory note for the repayment to Holder of funds advanced on behalf of Maker (the "Acquisition Loan") for acquisition costs related to the purchase of that real property described in the PA as the "Site". Pursuant to the PA, Maker shall acquire the Site and construct on the Site a multi-family residential housing project consisting of approximately 125 residential units (the "Units") which shall be rented to qualified very-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 thirty (30) 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, Surplus Cash shall be disbursed and credited as follows:
 - a. If the entire Developer Fee for the Project (the "Developer Fee") is paid to or retained by Maker from the proceeds of the permanent financing to be obtained for the Project, then ONE HUNDRED PERCENT (100%) of the Surplus Cash from the Project shall be paid to the Holder as repayment of amounts due and owing hereunder.
 - b. If all or any portion of the Developer Fee for the Project is deferred and not paid to or retained by Maker from the proceeds of the permanent financing to be obtained for the Project, then the Surplus Cash from the Project shall be disbursed and credited as follows. The Agency shall have the right to approve the amount of any such deferred Developer Fee.

(1) FIFTY PERCENT (50%) of the Surplus Cash from the Project may be paid to or retained by Maker, until such time as the deferred Developer Fee is paid to Maker; provided, the total amount paid to Maker pursuant to this subsection 3.b.(1) shall not exceed the amount of Surplus Cash paid to the Agency; and provided, further, that the total aggregate amount paid to Maker pursuant to this subsection 3.b.(1) shall not exceed the amount of the deferred Developer Fee.

(2) The entire remaining amount of Surplus Cash from the Project (including the remaining Fifty Percent (50%) of the Surplus Cash from the Project, plus all Surplus Cash remaining after payment in full of the deferred Developer Fee), shall be paid to the Holder as repayment of amounts due and owing hereunder.

(3) Following payment to Maker of the maximum amount set forth in subsection 3.b.(1), above, and continuing thereafter, ONE HUNDRED PERCENT (100%) of the Surplus Cash from the Project shall be paid to the Holder as repayment of amounts due and owing hereunder.

All payments made hereunder shall be credited first to any interest due and owing and then to principal. Interest not paid current shall accrue and shall not be compounded. In any event, the entire outstanding balance of principal and interest owing under this Note shall be due and payable in full thirty (30) years from the date hereof.

This promissory note is the first of two (2) promissory notes to be executed and delivered by Maker to Holder, both of which notes require repayment from the Surplus Cash from the Project. Unless otherwise approved by Holder, the entire amount of Surplus Cash from the Project shall be paid to Holder and credited first toward any amounts due under this Note, and following repayment in full of this Note, Surplus Cash from the Project shall then be paid to Holder and credited toward any amounts due and owing under the separate Permanent Financing Loan Note to be executed and delivered by Maker to Holder pursuant to the PA.

If and so long as the Secretary of Housing and Urban Development or his/her successors or assigns, are the insurers or holders of the first or senior mortgage on the Project, payments due under this Note shall be payable only from surplus cash of the Project, as the term surplus cash is defined in the Regulatory Agreement between HUD and Maker. The restriction on payment imposed by this paragraph shall not excuse any default caused by the failure of the Maker to pay the indebtedness evidenced by this Note.

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. Any unauthorized prepayments, as determined by HUD, shall be the responsibility of the Maker to return to the Project.

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 February 1, 2003, then the entire outstanding balance of principal and all accrued interest owing under this Note shall be due and payable in full on February 1, 2003.

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); principal and interest paid by Maker on account of any loan(s) or other obligations approved by Holder or evidenced by this Note; 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; taxes; any 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; and any other reserves required by an approved lender or investor.

(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 a management fee not to exceed \$15,000 paid to Maker for 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;

(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.

(c) This promissory note is one of two promissory notes to be executed and delivered by Maker to Holder. Although the language of paragraph 4(a) may appear in each note, Maker may deduct the items identified in paragraph 4(a) once to determine the Surplus Cash from the Project.

5. Maker shall deliver monthly 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 sixty (60) 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 no later than October 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 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 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 Vallejo, 555 Santa Clara Street, Vallejo, California 94590. 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 Vallejo 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 may, in Holder's sole 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 thirty (30) 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 default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a 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.

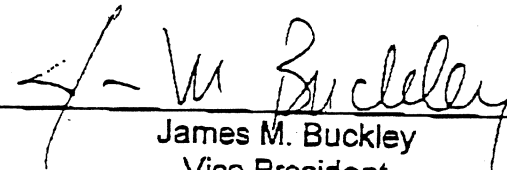
16. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the address stated in this Note or at such address as either party may designate by written notice.

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.

CITIZENS HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: 
James M. Buckley
Vice President

ACQUISITION LOAN NOTE

Not to Exceed
\$600,000

November 31, 2000
 Vallejo, California

FOR VALUE RECEIVED, CITIZENS HOUSING CORPORATION, a California nonprofit public benefit corporation (the "Maker"), having an address of 26 O'Farrell Street, Suite 506, San Francisco, California 94108, promises to pay the REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO, or order ("Holder"), the Initial principal sum of **SIX HUNDRED THOUSAND DOLLARS (\$600,000)** 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 (the "PA") between Maker and Holder dated November 28, 2000. This is a promissory note for the repayment to Holder of funds advanced on behalf of Maker (the "Acquisition Loan") for acquisition costs related to the purchase of that real property described in the PA as the "Site". Pursuant to the PA, Maker shall acquire the Site and construct on the Site a multi-family residential housing project consisting of approximately 125 residential units (the "Units") which shall be rented to qualified very-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 thirty (30) 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, Surplus Cash shall be disbursed and credited as follows:

a. If the entire Developer Fee for the Project (the "Developer Fee") is paid to or retained by Maker from the proceeds of the permanent financing to be obtained for the Project, then ONE HUNDRED PERCENT (100%) of the Surplus Cash from the Project shall be paid to the Holder as repayment of amounts due and owing hereunder.

b. If all or any portion of the Developer Fee for the Project is deferred and not paid to or retained by Maker from the proceeds of the permanent financing to be obtained for the Project, then the Surplus Cash from the Project shall be disbursed and credited as follows. The Agency shall have the right to approve the amount of any such deferred Developer Fee.

(1) FIFTY PERCENT (50%) of the Surplus Cash from the Project may be paid to or retained by Maker, until such time as the deferred Developer Fee is paid to Maker, provided, the total amount paid to Maker pursuant to this subsection 3.b.(1) shall not exceed the amount of Surplus Cash paid to the Agency; and provided, further, that the total aggregate amount paid to Maker pursuant to this subsection 3.b.(1) shall not exceed the amount of the deferred Developer Fee.

(2) The entire remaining amount of Surplus Cash from the Project (including the remaining Fifty Percent (50%) of the Surplus Cash from the Project, plus all Surplus Cash remaining after payment in full of the deferred Developer Fee), shall be paid to the Holder as repayment of amounts due and owing hereunder.

(3) Following payment to Maker of the maximum amount set forth in subsection 3.b.(1), above, and continuing thereafter, ONE HUNDRED PERCENT (100%) of the Surplus Cash from the Project shall be paid to the Holder as repayment of amounts due and owing hereunder.

All payments made hereunder shall be credited first to any interest due and owing and then to principal. Interest not paid current shall accrue and shall not be compounded. In any event, the entire outstanding balance of principal and interest owing under this Note shall be due and payable in full thirty (30) years from the date hereof.

This promissory note is the first of two (2) promissory notes to be executed and delivered by Maker to Holder, both of which notes require repayment from the Surplus Cash from the Project. Unless otherwise approved by Holder, the entire amount of Surplus Cash from the Project shall be paid to Holder and credited first toward any amounts due under this Note, and following repayment in full of this Note, Surplus Cash from the Project shall then be paid to Holder and credited toward any amounts due and owing under the separate Permanent Financing Loan Note to be executed and delivered by Maker to Holder pursuant to the PA.

If and so long as the Secretary of Housing and Urban Development or his/her successors or assigns, are the insurers or holders of the first or senior mortgage on the Project, payments due under this Note shall be payable only from surplus cash of the Project, as the term surplus cash is defined in the Regulatory Agreement between HUD and Maker. The restriction on payment imposed by this paragraph shall not excuse any default caused by the failure of the Maker to pay the indebtedness evidenced by this Note.

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. Any unauthorized prepayments, as determined by HUD, shall be the responsibility of the Maker to return to the Project.

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 February 1, 2003, then the entire outstanding balance of principal and all accrued interest owing under this Note shall be due and payable in full on February 1, 2003.

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); principal and interest paid by Maker on account of any loan(s) or other obligations approved by Holder or evidenced by this Note; 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; taxes; any 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; and any other reserves required by an approved lender or investor.

(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 a management fee not to exceed \$15,000 paid to Maker for 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;

(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.

(c) This promissory note is one of two promissory notes to be executed and delivered by Maker to Holder. Although the language of paragraph 4(a) may appear in each note, Maker may deduct the items identified in paragraph 4(a) once to determine the Surplus Cash from the Project.

5. Maker shall deliver monthly 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 sixty (60) 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 no later than October 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 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 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 Vallejo, 555 Santa Clara Street, Vallejo, California 94590. 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 Vallejo 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 may, in Holder's sole 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 thirty (30) 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 default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a 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.

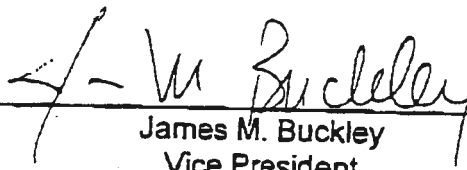
16. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the address stated in this Note or at such address as either party may designate by written notice.

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.

CITIZENS HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: 
James M. Buckley
Vice President

RECORDING REQUESTED BY

ORDER # 52-180-050
APN

WHEN RECORDED MAIL TO

Name CITIZENS HOUSING CORPORATION
Street Address 26 O'FARRELL STREET #506
SAN FRANCISCO, CA 94018
City
State
Zip

WE HEREBY CERTIFY THIS TO BE A TRUE
AND CORRECT COPY OF THE ORIGINAL
DOCUMENT

SERIES # 103136
OF OFFICIAL RECORDS.

SOLANO COUNTY
OLD REPUBLIC TITLE CO.

BY [Signature] 12-5-00

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Deed of Trust and Assignment of Rents

This Deed of Trust, made this 30th day of NOVEMBER, 2000, between

CITIZENS HOUSING CORPORATION, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION

whose address is 26 O'FARRELL STREET #506, SAN FRANCISCO, CA 94018 herein called TRUSTOR,

(number and street) (city) (state) (zip)
OLD REPUBLIC TITLE COMPANY, a California corporation, herein called TRUSTEE, and

REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO

, herein called BENEFICIARY,

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to TRUSTEE IN TRUST, WITH POWER OF SALE, that property in City of Vallejo, Solano County, California, described as:

PARCEL B-1, AS SHOWN ON THAT CERTAIN PARCEL MAP FILED OCTOBER 17, 1963, IN BOOK 6 OF PARCEL MAPS, PAGE 79, SOLANO COUNTY RECORDS.

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.

For the Purpose of Securing:

1. Performance of each agreement of Trustor herein contained. 2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, in the principal sum of \$ 500,000.00 executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

To Protect the Security of This Deed of Trust, Trustor Agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all incumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

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

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

(6) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(7) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(8) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(9) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto". Five years after issuance of such full reconveyance, Trustee may destroy said note and this Deed (unless directed in such request to retain them).

(10) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving onto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(11) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(12) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(13) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(14) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at his address hereinbefore set forth.

CITIZENS HOUSING CORPORATION
A CALIFORNIA NONPROFIT PUBLIC
BENEFIT CORPORATION

BY: _____

M Buckley

STATE OF CALIFORNIA

COUNTY OF _____

On _____ before me, the undersigned, a Notary Public in and for said State, 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/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.

WITNESS my hand and official seal.

Signature _____

Name _____

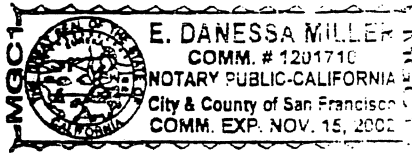
(typed or printed)

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

On November 30, 2000, before me, E. Danessa Miller, personally appeared James M. Buckley, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

E. Danessa Miller



ADDENDUM TO DEED OF TRUST
(Acquisition Loan)

This Addendum to Deed of Trust is part of the Deed of Trust dated November 30th, 2000, to which it is attached between CITIZENS HOUSING CORPORATION, a California nonprofit public benefit corporation, as Trustor, and the REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO, 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, sexual preference, age, marital status, physical handicap, medical condition, 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 acquisition and construction of the Units and the Project (as defined in the Note and the Participation Agreement between Trustor and Beneficiary dated November 28, 2000 (the "PA")); provided the total aggregate amount of financing secured by Trustor, whether secured through the Tax Credit Financing or other sources, for the acquisition and development of the Project, together with the Acquisition Loan and the Permanent Financing Loan (as defined in the PA), shall not exceed the appraised value of the Project, plus two years of capitalized interest on such financing; 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 or County of San Francisco 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.

(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 6.09.

(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, 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.

(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 Note Rate, 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)(iv) 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.

CITIZENS HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: James M. Buckley
James M. Buckley
Vice President

ADDENDUM TO DEED OF TRUST
(Acquisition Loan)

This Addendum to Deed of Trust is part of the Deed of Trust dated November 30th, 2000, to which it is attached between CITIZENS HOUSING CORPORATION, a California nonprofit public benefit corporation, as Trustor, and the REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO, 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, sexual preference, age, marital status, physical handicap, medical condition, 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 acquisition and construction of the Units and the Project (as defined in the Note and the Participation Agreement between Trustor and Beneficiary dated November 28, 2000 (the "PA")); provided the total aggregate amount of financing secured by Trustor, whether secured through the Tax Credit Financing or other sources, for the acquisition and development of the Project, together with the Acquisition Loan and the Permanent Financing Loan (as defined in the PA), shall not exceed the appraised value of the Project, plus two years of capitalized interest on such financing; 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 or County of San Francisco 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.

(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 6.09.

(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, 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.

(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 Note Rate, 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)(iv) 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.

CITIZENS HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: _____

James M. Buckley
James M. Buckley
Vice President

END OF
DOCUMENT

Page 7

RECORDING REQUESTED BY AND
AFTER RECORDATION, MAIL TO:

The Redevelopment Agency of
the City of Vallejo
555 Santa Clara Street
Vallejo, CA 94590
Attn: Executive Director

WE HEREBY

covenant
103135
Solano COUNTY
OLD REPUBLIC TITLE CO.
BY *[Signature]*
12-5-00

AFFORDABLE HOUSING COVENANT

For valuable consideration, the receipt of which is hereby acknowledged, REDEVELOPMENT AGENCY OF THE CITY OF VALLEJO ("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 Vallejo, hereby agrees with CITIZENS HOUSING CORPORATION, a California nonprofit public benefit corporation, ("Owner"), 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 acquisition of the Site and the development of the Project and in implementation of that certain stipulated settlement agreement (the "Settlement Agreement") executed by the parties in the action of Muntu Buchongo, et al., v. City of Vallejo, et al. (Solano Superior Court, Case No. L006935), 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 thirty (30) years.

B. Rent and Income Restrictions. All of the residential units to be developed on the Site (the "Affordable Units") shall be rented to very-low income households. The Affordable Units shall be available at rents that do not exceed 30% of 50% of the Median Income, adjusted by Deemed Household Size, less a utility allowance.

For purposes of this Covenant:

"Median Income" shall mean the median income for households in Solano 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.

"Very Low Income Households" shall mean persons and families whose income does not exceed the limits set forth in Section 50105 of the California Health and Safety Code, effective as of July 13, 1999, as further defined in Title 25, California Code of Regulations, Sections 6926 and 6932.

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, pursuant to agreements to be reviewed and approved by the Agency, maintain the improvements and landscaping on the Site in a clean and orderly condition and in good condition and repair and keep the Site free from accumulation of debris and waste materials for a period of 30 years from the date of recordation of this Covenant.

3. NO TRANSFER. Except with respect to Approved Transferees, 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 the 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, 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, sexual orientation, 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, sexual orientation, 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, sexual orientation, 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 thirty (30) 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 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 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 acceptable to the Agency (the "Lender") and upon terms and conditions reasonably approved by the Agency, in an amount not to exceed the appraised value of the Project, plus two years of capitalized interest on such financing, with respect to Owner's acquisition financing, and in an amount acceptable to the Agency in its reasonable discretion with respect to Owner's construction and permanent financing for the Project, to be secured by a mortgage against the Site; provided 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. Notwithstanding the foregoing, the Agency agrees 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 The Low-Income Housing

Fund ("LIHF") pursuant to the terms and conditions set forth in that separate Subordination Agreement between Agency, Owner and LIHF, dated concurrently herewith.

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 30th day of November, 2000.

AGENCY:

REDEVELOPMENT AGENCY OF THE CITY OF
VALLEJO

By: _____


Executive Director

Approved as to form:



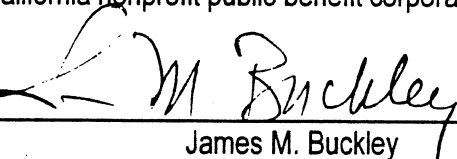
Agency Counsel

-AND-

OWNER:

CITIZENS HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: _____



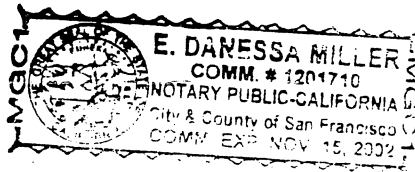
James M. Buckley
Vice President

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

On November 30, 2000, before me, E. Danessa Miller, personally appeared James M. Buckley, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

E. Danessa Miller



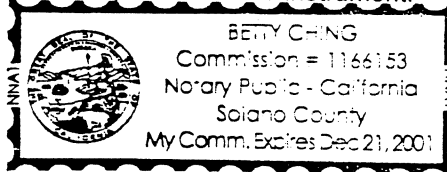
STATE OF CALIFORNIA)
COUNTY OF SOLANO)

On Dec. 1, 2000, before me, the undersigned notary public, personally appeared _____
DAVID R. MARTINEZ

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

to be the person whose name is subscribed to the within instrument and acknowledged to me that he / ~~she~~
executed the same in his / ~~her~~ authorized capacity, and that by his / ~~her~~ signature on the instrument the
person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature Betty Ching

Type of Document: AFFORDABLE HOUSING COVENANT

* * * * *

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 whose name is subscribed to the within instrument and acknowledged to me that he / she
executed the same in his / her authorized capacity, and that by his / her signature on the instrument the
person, or the entity upon behalf of which the person 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 A

The land referred to is situated in the State of California, City of Vallejo, County of Solano and described as follows:

Parcel B-1, as shown on that certain Parcel Map filed October 17, 1963, in Book 6 of Parcel Maps, Page 79, Solano County Records.

APN: 52-180-050

EXHIBIT B

TENANT INCOME CERTIFICATION

Project: **Sereno Drive Project**

Date: _____

Affordable Unit

Very-low-income

1BR

Low-income

2BR

Moderate-income

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: **Sereno Drive Project**

Date: _____

Total Affordable Housing Units in Project:

Very-Low-Income Units: _____

Low-Income Units: _____

Moderate-Income Units: _____

The Owner, in accordance with the Affordable Housing Covenant with the Redevelopment Agency of the City of Vallejo, 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.]

