CALL AND NOTICE OF SPECIAL MEETING AT 6:45 PM OF THE VALLEJO HOUSING AUTHORITY VIA TELECONFERENCE

PUBLIC COMMENT: Members of the Public may provide public comments during the Housing Authority Meeting via ZOOM (https://ZoomRegular.Cityofvallejo.net), or via phone, by dialing (669) 900-6833.
For additional instructions on how to speak during public comment, please visit, www.cityofvallejo.net/publiccomment

VIEW THE MEETING:

There are three different ways you can view this public meeting:
-Watch Vallejo local channel 28
-Stream from the City website: www.cityofvallejo.net/Streaming

-Join the Zoom webinar: https://ZoomRegular.Cityofvallejo.net

CHAIR
Robert H. McConnell

MEMBERS:
Rozzana Verder-Aliga, Vice Chair
Cristina Arriola
Hakeem Brown
Pippin Dew
Mina Diaz
Katy Miessner
HelenMarie "Cookie" Gordon
Margie Verdan

AUGUST 24, 2021

TO THE MEMBERS OF THE VALLEJO HOUSING AUTHORITY:

You are hereby notified that I do hereby call the Vallejo Housing Authority in special session to consider only the matters stated on the agenda listed below.

NOTICE: Due to the current Shelter at Home Order and in conformance with the Governor's Executive Order N-29-30, the City of Vallejo has opted to hold Housing Authority meetings via teleconference. Members of the public may provide public comments during the Housing Authority Meeting 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
For additional instructions on how to speak during public comment, please visit, www.cityofvallejo.net/publiccomment

No other items may be discussed during this special meeting. There will be no public access to City Hall for any City Council meetings until further notice.

1. CALL TO ORDER

[1] Due to the Coronavirus emergency, all Regular Housing Authority meetings will be held via teleconference. Members of the public may provide public comments during the Housing Authority meeting 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
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2. ROLL CALL

3. CONSENT CALENDAR AND APPROVAL OF AGENDA

A. **APPROVAL OF MINUTES**

Recommendation: Approve minutes of the special meeting of June 8, 2021

Contact: Dawn G. Abrahamson, Secretary (707) 648-4527
Dawn.Abrahamson@cityofvallejo.net

B. **APPROVAL OF EQUITY RIDER TO LOW AND MODERATE INCOME HOUSING ASSET FUND (LMIHAF) LOAN AGREEMENT LOAN DOCUMENTS BY AND BETWEEN HOUSING SUCCESSOR AGENCY OF THE CITY OF VALLEJO AND VALLEJO PSH, L.P. AND APPROVAL OF AN AMENDMENT TO THE DEED OF TRUST SECURING THE LMIHAF LOAN WHICH SUBORDINATES THAT LOAN TO THE CITY'S HOME LOAN**

Recommendation: Authorize the Interim Executive Director, or her designee, to execute an Equity Rider to the Low and Moderate Income Housing Asset Fund (LMIHAF) Loan Agreement by and between the Housing Successor Agency and Vallejo PSH, L.P. Authorize an amendment to the Deed of Trust securing the LMIHAF Loan Agreement which subordinates the LMIHAF loan to the Home Loan.

Contact: Anne Cardwell, Interim Executive Director (707) 648-4576
Anne.Cardwell@cityofvallejo.net

4. ACTION CALENDAR

5. ADJOURNMENT

Dated: Tuesday, August 17, 2021

Robert H. McConnell, Chair

I, Dawn Abrahamson, Secretary, do herby certify that I have caused a true copy of the above notice and agenda to be delivered to each of the members of the Vallejo Housing Authority, 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 5:00 p.m., Tuesday, August 17, 2021.

Dated: Tuesday, August 17, 2021

Dawn G. Abrahamson, City Clerk

VALLEJO HOUSING AUTHORITY
SPECIAL MEETING MINUTES
VIA TELECONFERENCE

JUNE 8, 2021

1. CALL TO ORDER

The meeting was called to order at 6:54 p.m.

2. ROLL CALL

Present: Chair McConnell, Vice Chair Verder-Aliga, Boardmembers Arriola, Brown, Dew, Diaz, Miessner, Gordon, and Verdan
Absent: None
Staff present: Acting Executive Director Cardwell, City Attorney Nebb and Secretary Abrahamson

3. CONSENT CALENDAR AND APPROVAL OF AGENDA

Action: Moved by Vice Chair Verder-Aliga and carried unanimously, unless otherwise noted, approval of the Agenda and the Consent Calendar.

A. APPROVAL OF MINUTES

Recommendation: Approve minutes of the regular meeting of March 23, 2021
Contact: Dawn G. Abrahamson, Secretary (707) 648-4527
Dawn.Abrahamson@cityofvallejo.net
Action: Approved minutes.

4. ACTION CALENDAR

A. HOLD A PUBLIC HEARING CONCERNING THE FISCAL YEAR 2021-2022 BUDGET AND ADOPT A RESOLUTION APPROVING THE FISCAL YEAR 2021-2022 HOUSING AUTHORITY BUDGET

Recommendation: Conduct a public hearing and upon conclusion, adopt a Resolution (Attachment 1) approving the Vallejo Housing Authority (VHA) Budget for Fiscal Year (FY) 2021-2022 (July 1, 2021 - June 30, 2022) as set forth in Attachment 2, also as Exhibit 1 to Attachment 1.
Contact: Anne Cardwell, Assistant City Manager (707) 648-5404
Anne.Cardwell@cityofvallejo.net

Administrative Analyst Barrera reviewed the FY 2021-22 proposed budget, and

discussed staffing capacity issues. Senior Housing Specialist Goltiao concluded the presentation by providing an update on projects in FY 2021-22.

Chair McConnell opened the public hearing and there being no speakers, the public hearing was closed.

Action: Moved by Vice Chair Verder-Aliga and carried unanimously to adopt Resolution No. 21-004 N.C.

5. ADJOURNMENT

The meeting adjourned at 7:14 p.m.

_____
ROBERT H. MCCONNELL, CHAIR

ATTEST:

_____
DAWN G. ABRAHAMSON, SECRETARY

CONSENT CALENDAR 3.B.

DATE: August 24, 2021
TO: Chair and Members of the Vallejo Housing Authority Board
FROM: Anne Cardwell, Interim Executive Director
SUBJECT: **APPROVAL OF EQUITY RIDER TO LOW AND MODERATE INCOME HOUSING ASSET FUND (LMIHAF) LOAN AGREEMENT LOAN DOCUMENTS BY AND BETWEEN HOUSING SUCCESSOR AGENCY OF THE CITY OF VALLEJO AND VALLEJO PSH, L.P. AND APPROVAL OF AN AMENDMENT TO THE DEED OF TRUST SECURING THE LMIHAF LOAN WHICH SUBORDINATES THAT LOAN TO THE CITY'S HOME LOAN**

RECOMMENDATION

Authorize the Interim Executive Director, or her designee, to execute an Equity Rider to the Low and Moderate Income Housing Asset Fund (LMIHAF) Loan Agreement by and between the Housing Successor Agency and Vallejo PSH, L.P. Authorize an amendment to the Deed of Trust securing the LMIHAF Loan Agreement which subordinates the LMIHAF loan to the Home Loan.

REASONS FOR RECOMMENDATION

Vallejo PSH, L.P. has requested that the Housing Successor Agency make edits to a Low and Moderate Income Housing Asset Fund (LMIHAF) Loan Agreement, including adding an Equity Rider, in order for Vallejo PSH, L.P. to enter into a Limited Partnership Agrement with its equity investor, City Real Estate Advisors (CREA), LLC, for the Sacramento Street Apartments. It is typical for this type of project to partner with a capital provider, such as CREA, that specializes in Low Income Housing Tax Credits, raises equity from investors, and manages funds on their behalf. The amendment to the Deed of Trust is needed in order to satisfy the requirements of the title company that will be issuing a title insurance policy to protect the City's interests in the property.

BACKGROUND AND DISCUSSION

In December 2017, the City of Vallejo acquired the property at 2118 and 2134-36 Sacramento Street, using a combination of funding from the General Fund, federal HOME Investment Partnerships Program funds, and federal Community Development Block Grant (CDBG) Program funds, with the intention of developing the site as long-term affordable housing. Objectives for the site include providing permanent supportive housing, and helping to meet community housing needs.

After the completion of a Request for Qualifications (RFQ) process in 2018, Eden Housing, Inc., doing business as Vallejo PSH, L.P., was selected by the Housing Authority acting in its capacity as the Housing Successor Agency of the City of Vallejo, and the Vallejo City Council, to develop the project. Additionally, (1) in 2018, the Housing Successor Agency approved a Low and Moderate Income Housing Asset Fund (LMIHAF) Loan Agreement for $1.6 million to Vallejo PSH, L.P. for the project: of this amount, $1,360,483 has been disbursed; and (2) in 2020, the Vallejo City Council approved a HOME Program Loan Agreement for $2,186,710 to complete the project. The LMIHAF Agreement was initially executed in August 2018, and then amended in November 2020.

In September 2021, Vallejo PSH L.P. plans to start construction of 74 permanent supportive housing units, and one manager's unit, at the Sacramento Street site. These housing units will be for individuals and couples who are homeless, chronically homeless, or at imminent risk of becoming homeless. The project will feature

intensive case management and wraparound services to improve housing retention, reduce emergency room visits, and ensure the long-term health and stability of the residents. In addition to Housing Authority and City funds, the project will be financed through a mix of four percent tax credits, tax exempt bonds, State funding, project-based vouchers through the Housing Authority, and Community Action Partnership of Solano (CAP Solano) Joint Powers Authority (JPA) funding. It is customary for an affordable housing developer, Vallejo PSH, L.P., to enter into a Limited Partnership Agreement with an equity investor for a multifamily housing development. Vallejo PSH, L. P.'s equity investor, CREA, LLC, has requested edits to the Housing Authority's LMIHAF Loan Agreement prior to CREA's admission to a Limited Partnership Agreement. To this end, Vallejo PSH, L.P. is asking that an Equity Rider (Attachment 1) be added as an attachment to the LMIHAF Loan Agreement so it can proceed and close the transaction with CREA as its limited partner. Approval of the Equity Rider is necessary in order for Vallejo PSH, L.P. to finance construction of the project.

In summary, the Equity Rider will modify the LMIHAF loan documents to require:

1. any notice given from the lender (the Housing Successor Agency), to the borrower (Vallejo PSH, L.P.), must also be delivered to the limited partner, CREA;
2. giving CREA the right to cure Event of Defaults;
3. allowing CREA to amend its Limited Partnership Agreement with Vallejo PSH, L.P. without the consent of the Housing Successor Agency; and
4. allowing Vallejo PSH, L.P. to refinance any debt senior to the LMIHAF loan.

In addition to the above, the in order to issue title insurance for the City's interest in the property (two deeds of trust) the title company requires that one of the two loans being made by the City or the City's Housing Successor Agency be subordinated to the other. Staff has determined that subordinating the LMIHAF loan to the Home loan makes the most sense. The Home loan consists of funds provided by HUD which must be paid back to the federal government in the event that the project developer fails to construct and operate the project. The LMIHAF funds do not have to be paid back becauase the come from the Low to Moderate Income Housing Fund which are essentially funds designated for affordable housing left over from the former Redevelopment Agency. Thus, staff's recommendation is to subordinate the LMIHAF funds in order to get the appropriate title insurance for the City's interests.

Construction of the project is scheduled to be completed by the end of 2022, and the housing units leased and occupied by not later than early 2023.

Resident services will be guaranteed for a minimum of twenty years through a Capitalized Service Reserve Fund, and a Capitalized Operating Subsidy Reserve Fund.

FISCAL IMPACT

This action will have no immediate fiscal impact on the Housing Successor Agency. It will enable the affordable housing developer, Vallejo PSH, L.P., to proceed with the project, with CREA as its limited partner.

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

ATTACHMENTS

1.	Sacramento Street - City Loan Document Equity Rider
2.	LMIHAF Deed of Trust Revised

CONTACT

Anne Cardwell, Interim Executive Director (707) 648-4576
Anne.Cardwell@cityofvallejo.net

Approved as to form:

By: _____ for _____
Veronica Nebb, City Attorney

Equity Rider to Loan Documents

This **EQUITY RIDER TO LOAN DOCUMENTS** (this "**Rider**") is dated as of [_____], 2021 (the "**Effective Date**") by and between Vallejo PSH, L.P., a California limited partnership (the "**Borrower**") and the Housing Successor Agency of the City of Vallejo (the "**Lender**") and supplements: (i) that certain Amended and Restated Loan Agreement dated December 18, 2019, as amended by that certain First Amendment to Amended and Restated Loan and Low-and-Moderate Income Husing Asset Fund (LMIHAF) Agreement dated November 2020 (ii) that certain Form of LIMHAF Note in the principal amount of $1,600,000 dated November 25, 2019, (iii) that certain Deed of Trust dated [_____] made for the benefit of Lender, (iv) that certain Mortgage, (v) that certain Affordability Agreement dated December 19, 2019, and (vi) that certain Assignment of Agreements, Plans and Specifications, and Approvals dated November 25, 2019, executed in connection with permanent and construction financing for the low-income housing tax credit project located at 2118 and 2134-2136 Sacramento Street, City of Vallejo, California, and commonly known as Sacramento Street Apartments (the "**Project**"). Documents (i) through (vi) are collectively referred to herein as the "**Loan Documents**").

AGREEMENT

NOW, THEREFORE, Borrower and Lender do hereby agree to modify the Loan Documents as follows:

1. Rider to Loan Documents. This Rider shall be appended to the Loan Documents and its terms incorporated therein. In the event of a conflict between any provisions contained in this Rider and the Loan Documents, this Rider shall control.

2. Defined Terms. Except as specifically defined in this Rider, capitalized terms shall have the same definitions as set forth in the Loan Documents.

3. Asset Management Fee. Notwithstanding anything to the contrary in the Loan Documents, the asset management fee payable to the Investor Limited Partner shall be $15,000 annually, increasing at 3.00% per annum, and shall be excluded from "Residual Receipts" as defined in the Note.

4. Rental Units. Notwithstanding the terms of the Affordability Agreement, one of the seventy-five units shall be used as a manager's unit and shall not be rent-restricted.

5. Notice. Any notice given by Lender to Borrower shall simultaneously be provided to Investor Limited Partner, as defined below, at the following address:

   To Investor Limited Partner: CREA Sacramento Street Apartments, LLC
   30 South Meridian Street, Suite 400

Indianapolis, Indiana 46204

CREA SLP, LLC
30 South Meridian Street, Suite 400
Indianapolis, Indiana 46204

With a copy to: Nixon Peabody LLP
799 9th Street NW, Suite 500
Washington, DC 20001
Attention: Matthew Mullen

6. Investor Limited Partner Cure. Notwithstanding anything to the contrary contained in the Loan Documents, and in addition to any other cure provisions contained therein, the Borrower and CREA Sacramento Street Apartments, LLC, a Delaware limited liability company, or its successors and assigns, CREA SLP, LLC, an Indiana limited liability company, or its successors and assigns, or such other CREA, LLC affiliate as may acquire the investor limited partner's interest in Borrower (collectively, the "**Investor Limited Partner**"), shall have the right, but not the obligation, to cure any monetary Event of Default hereunder within ten (10) days of written notice from Lender and to cure any other Event of Default hereunder within thirty (30) days of written notice from Lender.

7. Amendments to Partnership Agreement. The Borrower may amend its Partnership Agreement and other organizational documents, as Investor Limited Partner deems prudent, to accomplish the following without Lender consent: (i) modifications necessary to reflect the occurrence of transfers allowed under the Loan Documents or (ii) modifications that do not: (A) modify the timing, amounts, number, conditions or other terms of the installments or other payment obligations of the partners of Borrower or (B) materially impair the collateral for the loan; provided, however, that Borrower shall promptly provide to Lender a copy of any modifications to the Partnership Agreement.

8. Refinancing. The Borrower shall be permitted to refinance any debt senior to the loan evidenced by the Note and the Deed of Trust securing the Note shall be resubordinated thereto pursuant to a written subordination agreement approved by the City in the City's reasonable judgment; provided that the Lender's collateral shall not be impaired, the Borrower's ability to repay the Note on the terms set forth therein shall not be affected, and the affordability restrictions shall not be subordinated. Further, the Borrower, in any such refinancing, shall not be allowed to take equity out of the project or receive a cash payment from the refinancing.

[*remainder of page left intentionally blank*]

IN WITNESS WHEREOF, the undersigned has executed this Rider on the date first written above.

BORROWER:

VALLEJO PSH, L.P.,
a California limited partnership

By: Vallejo PSH LLC,
a California limited liability company,
its general partner

By: Eden Development, Inc.,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Andrea Osgood
Senior Vice President of Real Estate Development

IN WITNESS WHEREOF, the undersigned has executed this Rider on the date first written above.

LENDER:

HOUSING SUCCESSOR AGENCY OF THE CITY OF VALLEJO

By: _____
Name: _____
Title: _____

Approved as to form:

By: _____ for
Veronica Nebb, City Attorney

Escrow No:
RECORDING REQUESTED BY:
City of Vallejo Housing Authority
When Recorded, Mail Document To:
City of Vallejo
200 Georgia Street
Vallejo, CA 94590
Attn: Judy Shepard-Hall

(Space Above This Line for Recorder's use only)

Exempt from Recording Fees pursuant to Govt. Code € 227383

DEED OF TRUST

THIS DEED OF TRUST ("Security Instrument") is made on . The Trustor is Vallejo PSH, L.P., a California limited partnership ("Borrower"). The Trustee is **Title Company.** The Beneficiary is the **City of Vallejo Housing Authority**, which is organized and existing under the laws of California, and whose address is 200 Georgia Street, Vallejo, CA 94590 ("Lender").

Borrower owes Lender the principal sum of One Million Six Hundred Thousand Dollars **($1,600,000.00)**. This debt is evidenced by Borrower's Promissory Note dated the same date as this Security Instrument ("Note"), which provides for deferred monthly payments, with the full debt, if not paid earlier, due and payable 55 years from the date of this Security Instrument. This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions, and modifications; (b) the payment of all other sums, with interest advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale the following described property located in Solano County, California:

See Exhibit "A"

APN #:

which has the addresses of **2118 Sacramento Street, and 2134-36 Sacramento Street, Vallejo CA, 94590**

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock, and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this **Security Instrument as the "Property."**

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

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

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

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

2. Funds for Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") equal to one-twelfth of: (a) yearly taxes and assessments which may attain priority over this Security Instrument; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard insurance premiums; and (d) yearly mortgage insurance premiums, if any. These items are called "escrow items." Lender may estimate the Funds due on the basis of current data and reasonable estimates of future escrow items.

The Funds shall be held in an institution the deposits or accounts of which are insured or guaranteed by a federal or state agency (including Lender if Lender is such an institution). Lender shall apply the Funds to pay the escrow items. Lender may not charge for holding and applying the Funds, analyzing the account or verifying the escrow items, unless Lender pays Borrower interest on

the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing that interest shall be paid on the Funds. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Security Instrument.

If the amount of the Funds held by Lender, together with the future monthly payments of Funds payable prior to the due dates of the escrow items, shall exceed the amount required to pay the escrow items when due, the excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly payments of Funds. If the amount of the Funds held by Lender is not sufficient to pay the escrow items when due, Borrower shall pay to Lender any amount necessary to make up the deficiency in one or more payments as required by Lender.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 19 the Property is sold or acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums secured by this Security Instrument.

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

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property, which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien, which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within ten days of the giving of notice.

5. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage", and any other hazards for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval, which shall not be unreasonably withheld.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30 day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If under paragraph 19 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

6. Preservation and Maintenance of Property; Leaseholds. Borrower shall not destroy, damage, or substantially change the Property, or allow the Property to deteriorate or commit waste. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights in the Property; Mortgage Insurance. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation, or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien, which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees, and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the insurance in effect until such time as the requirement for the insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law.

8. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

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

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower.

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

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

10. Borrower Not Released: Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

11. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of Paragraph 17. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant, and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear, or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

12. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit, and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

13. Legislation Affecting Lender's Rights. If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Security instrument unenforceable according to its terms, Lender, at its option, may require immediate payment in full of all sums secured by this Security Instrument and may invoke any remedies permitted by paragraph 19. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of paragraph 17.

14. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

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

16. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

17. Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, Lender shall not exercise this option if federal law as of the date of this Security Instrument prohibits exercise.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

18. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) five days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument, or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note had no acceleration occurred, (b) cures any default of any other covenants or agreements, (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property, and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraphs 13 or 17.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

19. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under paragraphs 13 and 17 unless applicable law provides otherwise). The notice shall specify: (a) the default, (b) the action required to cure the default, (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured, and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The

notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 19, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee shall cause this notice to be recorded in each county in which any part of the Property is located. Lender or Trustee shall mail copies of the notice as prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the time required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the property at any sale.

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

20. Lender in Possession. Upon acceleration under paragraph 19 or abandonment of the Property, Lender (in person, by agent, or by judicially appointed receiver) shall be entitled to enter upon, take possession of, and manage the Property and to collect the rents of the Property including those past due. Any rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds, and reasonable attorneys' fees, and then to the sums secured by this Security Instrument.

21. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs.

22. Substitute Trustee. Lender, at its option, may from time to time appoint a successor trustee to any Trustee appointed hereunder by an instrument executed and acknowledged by Lender and recorded in the office of the Recorder of the county in which the Property is located. The instrument shall contain the name of the original Lender, Trustee, and Borrower, the book and page where this Security Instrument is recorded and the name and address of the successor trustee. Without conveyance of the Property, the successor trustee shall succeed to all the title, powers, and duties conferred upon the Trustee herein and by applicable law. This procedure for substitution of trustee shall govern to the exclusion of all other provisions for substitution.

23. Request for Notices. Borrower requests that copies of the notices of default and sale be sent to Borrower's address, which is the Property Address.

24. The loan secured by this Deed of Trust is intended to make the dwelling affordable to the owner-occupant. In the event that a Borrower ceases to live in the premises as his or her principal residence and rents it to another person or persons, the Lender may, at its sole discretion, require immediate payment in full of all sums secured by this Security Instrument. If Lender exercises this option, Lender shall give Borrower notice of acceleration pursuant to the provisions of paragraph 17.

25. This Deed of Trust is subordinate to the deed of trust recording concurrently herewith executed by Trustor in favor of the City of Vallejo securing a loan in the amount of $2,186,700.00 as well as to any regulatory agreement related thereto..

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

_____

Vallejo PSH, L.P. - Borrower

_____

Vallejo PSH, L.P. - Borrower

(Space Below This Line for Acknowledgment)