

**MEMORANDUM**

**TO:** HONORABLE CHAIR AND MEMBERS OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

**FROM:** DENNIS McLEAN, FINANCE OFFICER 

**DATE:** OCTOBER 2, 2012

**SUBJECT:** TRANSFER OF HOUSING FUNCTION AND ASSETS

**REVIEWED:** CAROLYN LEHR, EXECUTIVE DIRECTOR 

Staff Coordinator: Kathryn Downs, Deputy Director of Finance & Information Technology 

**RECOMMENDATION**

1. Adopt Resolution SA 2012- , transferring housing functions and assets; and
2. Approve the attached Assignment Agreement.

**DISCUSSION**

Upon dissolution of the Rancho Palos Verdes Redevelopment Agency on February 1, 2012 and pursuant to Health and Safety Code Section 34176(b), the City Council adopted a resolution electing for the City to retain the responsibility for performing housing functions previously performed by the former Redevelopment Agency, and determining that all of the assets, as allowed by law, and all rights, powers, liabilities, duties, and obligations associated with the housing activities of the former Agency be transferred to the City.

Health and Safety Code Section 34177(g) directs the Successor Agency to effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Health and Safety Code Section 34176, being the City. Health and Safety Code Section 34181(c) provides that the Oversight Board of the Successor Agency shall direct the Successor Agency to transfer housing responsibilities and all rights, powers, duties, and obligations, to the designated entity pursuant to Health and Safety Code Section 34176.

Health and Safety Code Section 34176(a)(2) directs the entity assuming the housing functions of the former redevelopment agency to submit to the State Department of Finance (the "DOF") a list of all housing assets (the "Housing Assets List"), including any assets transferred between February 1, 2012 and the date on which the Housing Assets

## **TRANSFER OF HOUSING FUNCTION AND ASSETS**

October 2, 2012

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List is created. The Successor Agency submitted that list to the DOF on July 23, 2012 (see Exhibit A to the attached resolution).

Health and Safety Code Section 34176(e) defines "housing asset" as any asset that meets one of the following criteria:

1. Any real property, interest in, or restriction on the use of real property, whether improved or not, and any personal property provided in residences, including furniture and appliances, all housing-related files and loan documents, office supplies, software licenses, and mapping programs, that were acquired for low and moderate income housing purposes, either by purchase or through a loan, with any source of funds;
2. Any funds that are encumbered by an enforceable obligation to build or acquire low and moderate income housing as defined in the Community Redevelopment Law (the "CRL") unless required in the bond covenants to be used for repayment purposes of the bond;
3. Any loan or grant receivable, funded from the Low and Moderate Income Housing Fund (the "LMIH Fund"), from homeowners, homebuyers, nonprofit or for profit developers, and other parties that require occupancy by persons of low or moderate income as defined by the CRL;
4. Any funds derived from rents or operation of properties acquired for low and moderate income housing purposes by other parties that were financed with any source of funds, including residual receipt payments from developers, conditional grant repayments, cost savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits;
5. A stream of rents or other payments from housing tenants or operators of low and moderate income housing financed with any source of funds that are used to maintain, operate, and enforce the affordability of housing or for enforceable obligations associated with low and moderate income housing; or
6. Repayments of loans from the LMIH Fund (e.g., a loan used to make a SERAF payment) or LMIH Fund deposits which had been deferred as of the effective date of AB X1 26.

On August 22, 2012, the DOF notified the Successor Agency that it did not object to any assets or transfers of assets identified on the Successor Agency form (see attached letter).

The former Redevelopment Agency possessed housing assets (two promissory notes), which are described on the Housing Assets List. The attached resolution transfers from the Successor Agency to the City the assets described on the Housing Assets List, together with related responsibilities, powers, duties and obligations associated with the housing activities of the former Redevelopment Agency.

On September 5, 2012, the Oversight Board adopted Resolution OB 2012-08 directing the Successor Agency to transfer to the City the housing assets described on the Housing Assets List. The attached resolution transfers from the Successor Agency to the City of the assets described on the Housing Assets List, together with related responsibilities, powers, duties and obligations associated with the housing activities of the former

## **TRANSFER OF HOUSING FUNCTION AND ASSETS**

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Redevelopment Agency, as directed by the Oversight Board.

### **FISCAL IMPACT**

Transfer of the housing function and assets (promissory notes receivable totaling \$6,751,633.43 at the date of dissolution, January 31, 2012) will provide a future resource to provide affordable housing within the City of Rancho Palos Verdes.

As of June 30, 2012, the AMCAL note receivable is \$6,703,137 including accrued interest of \$432,593 (3% simple interest). Of this amount, \$1,350,276 is payable to the City's Affordable Housing Fund. Therefore, the net asset being transferred from the Successor Agency to the City is \$5,352,861. The promissory note is to be repaid annually from 50% of Net Available Cash Flow, after the payment to the developer is made. Net Available Cash Flow is defined as operating income, less: 1) debt service on financing provided by a third-party commercial lender; 2) operating and maintenance expenses; 3) deposits to the operating and replacement reserves; 4) fees paid to partners of the developer (not to exceed \$15,000 annually); and 5) audit fees. The loan balance immediately becomes due upon sale or refinancing of the project; or 55 years from the Certification of Completion (2066). Staff has received information from the developer indicating that repayment of the Agency loan will not likely begin for at least 30 years, unless the project is refinanced.

As of June 30, 2012, the Mantilla note receivable is \$126,320. This note is non-interest bearing; and becomes payable upon sale or refinancing of the unit.

**RESOLUTION NO. SA 2012-**

**A RESOLUTION OF THE SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY TRANSFERRING HOUSING FUNCTIONS AND ASSETS**

**RECITALS:**

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the Rancho Palos Verdes Redevelopment Agency (the "Agency") transferred to the Successor Agency to the Rancho Palos Verdes Redevelopment Agency (the "Successor Agency") by operation of law.

B. Pursuant to Health and Safety code Section 34176(a), the City Council of the City of Rancho Palos Verdes (the "City") adopted Resolution No. 2012-15 electing for the City to retain the responsibility for performing housing functions previously performed by the Agency, and determining that all of the assets, as allowed by law, and all rights, powers, liabilities, duties, and obligations associated with the housing activities of the Agency be transferred to the City.

C. Pursuant to Health and Safety Code Section 34176(a)(2), on July 23, 2012, the City submitted to the State Department of Finance (the "DOF") a list of all housing assets, including any assets transferred after February 1, 2012 (the "Housing Assets List").

D. On August 22, 2012, DOF notified the Successor Agency that DOF does not object to any of the assets or transfers of assets identified on the Housing Assets List.

E. Health and Safety Code Section 34177(g) directs the Successor Agency to effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Health and Safety Code Section 34176, being the City, and Health and Safety Code Section 34181(c) provides that the oversight board of the Successor Agency (the "Oversight Board") shall direct the Successor Agency to transfer housing assets to the appropriate entity pursuant to Health and Safety Code Section 34176, being the City.

F. On September 5, 2012, the Oversight Board adopted Resolution No. OB 2012-08 directing the Successor Agency to transfer to the City the assets identified on the Housing Assets List.

**NOW, THEREFORE, THE BOARD OF THE SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34177(g).

Section 3. The Assignment of Housing Loans in the form presented and on file with the Secretary of the Successor Agency and the transfer to the City of the assets described on the Housing Assets List attached hereto as Exhibit A are hereby approved.. Each of the Chair and Vice Chair of the Board and the Executive Director of the Successor Agency (each, an "Authorized Officer"), acting singly, is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver the Assignment of Housing Loans in substantially said form, with such changes therein as the Authorized Officer, may approve (such approval to be conclusively evidenced by the execution and delivery thereof). The Board further approves the transfer to the City of all rights, powers, duties, and obligations associated with the housing activities of the former Agency related to the housing assets transferred pursuant to this Section 3.

Section 4. The Executive Director of the Successor Agency is hereby authorized and directed to execute and record such documents and instruments and to do any and all other things which the Executive Director may deem necessary or advisable to effectuate this Resolution.

**PASSED AND ADOPTED** this 2<sup>nd</sup> day of October, 2012.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

**EXHIBIT A**

**Housing Assets List**

(See attached)

Exhibit D - Loans/Grants Receivables

City of Rancho Palos Verdes  
 Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Was the Low-Mid Housing Fund amount issued for a loan or a grant?	Amount of the loan or grant	Date the loan or grant was issued	Person or entity to whom the loan or grant was issued	Purpose for which the funds were loaned or granted	Are there contractual requirements specifying the purposes for which the funds may be used?	Repayment date if the funds are for a loan	Interest rate of loan	Current outstanding loan balance
1	Loan	6,270,543.76	12/29/2009	AMCAL Mirandela Fund, LP	Construction of affordable housing	Yes	Annually May 1st, from net available cash flow. Due in full in 55 years.	3% Simple	6,625,313.43
2	Loan	126,320.00	2/22/2011	Mercedes Adriana Mantilla	Purchase of affordable housing condominium unit	Yes	Upon sale or transfer. Due in full in 45 years.	None	126,320.00
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## **ASSIGNMENT OF HOUSING LOANS**

THIS ASSIGNMENT OF HOUSING LOANS ("Assignment") is made and entered into as of this 2<sup>nd</sup> day of October, 2012, by the SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY ("Assignor"), and the CITY OF RANCHO PALOS VERDES, as successor to the housing assets, rights, powers and obligation of the Rancho Palos Verdes Redevelopment Agency ("Assignee").

Assignor hereby assigns and transfers (to the fullest extent assignable or transferable) unto Assignee all of its right, title, claim and interest (if any) in and under:

(A) all loans described on Exhibit "A" attached hereto, including all documents evidencing securing, or relating to such loans (including, without limitation, any mortgages, deeds of trust, regulatory agreements, and conditions, covenants and restrictions, whether or not recorded).

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Assignee hereby accepts the foregoing assignment and assumes all of the Assignor's obligations, if any, under said loans and loan documents.
2. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.
3. This Assignment shall be governed by and construed in accordance with the laws of the State of California.
4. This Assignment may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment the day and year first above written.

**ASSIGNOR:**

SUCCESSOR AGENCY TO THE RANCHO  
PALOS VERDES REDEVELOPMENT  
AGENCY

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

**ASSIGNEE:**

CITY OF RANCHO PALOS VERDES, in its  
capacity as successor to the housing  
assets, rights, powers and obligations of the  
Rancho Palos Verdes Redevelopment  
Agency

By: \_\_\_\_\_,

Mayor

ATTEST:

\_\_\_\_\_

City Clerk

**EXHIBIT "A"**

**DESCRIPTION OF THE HOUSING LOANS**

1. \$6,790,000 loan to Amcal Mirandela Fund, L.P. evidenced by a promissory note in such amount dated December 29, 2009 executed by said borrower.
2. \$126,320 loan to Mercedes Adriana Mantilla evidenced by a promissory note in such amount dated February 22, 2011 executed by said borrower.

**PROMISSORY NOTE**  
**IN FAVOR OF RANCHO PALOS VERDES REDEVELOPMENT AGENCY**  
(Crestridge Senior Housing Project)

\$6,790,000  
3% Interest

Rancho Palos Verdes, California  
December 29, 2009

FOR VALUE RECEIVED, AMCAL MIRANDELA FUND, L.P., a California limited partnership ("Borrower") hereby promises to pay to the Rancho Palos Verdes Redevelopment Agency, a public body, corporate and politic ("Agency"), or order, a principal amount of Six Million, Seven Hundred Ninety Thousand Dollars (\$6,790,000) or so much thereof as may be advanced by Agency to the Borrower pursuant to the Disposition and Development Agreement dated March 20, 2009, between the Borrower and Agency (the "DDA"), plus interest as provided below. Except as defined differently herein, all defined terms shall have the meaning set forth in the DDA. This Note is made pursuant to the terms of the DDA, a Regulatory Agreement of even date herewith (the "Agency Regulatory Agreement") and a deed of trust (the "Agency Trust Deed") of even date herewith given by the Borrower to Agency for the purpose of securing this Note (collectively, the "Agency Agreements"). The Agency Agreements are public records on file in the offices of Agency, and the provisions of these documents are incorporated herein by this reference.

1. This Note evidences the obligation of the Borrower to Agency for the repayment of funds loaned to the Borrower by Agency in an amount not to exceed the sum of Six Million, Seven Hundred Ninety Thousand Dollars (\$6,790,000; the "Agency Loan"), to finance certain predevelopment costs, the acquisition of a portion of the real property described in the Agency Trust Deed (the "Site"), and the construction of certain improvements thereon. The outstanding balance of the Agency Loan shall accrue interest at the rate of three percent (3%) per annum, simple interest, on the amount disbursed from the date of disbursement.

2. Repayment of Agency Loan.

(a) The Agency Loan shall be repaid annually, commencing on the first May 1st at which Net Available Cash Flow is available and each May 1st thereafter. The Agency Loan shall be repaid out of the Net Available Cash Flow; except as set forth in subsections (c), (d) and (e) of this Paragraph 2, Developer shall not be obligated to make any payment of principal or interest on the Agency Loan except to the extent of Net Available Cash Flow. In addition to the provisions of Paragraph 3 of this Note, the Agency Loan shall be repaid upon the occurrence of any of the events set forth in subsections (c), (d) and (e) of this Paragraph 2.

(b) The Agency Loan shall be repaid in accordance with subparagraph (c) of Paragraph 3.

(c) Subject to the rights of the Holder of any senior Mortgage, should the Development be sold or refinanced (to the extent permitted by the DDA), including syndication (other than the initial syndication for purposes of the Tax Credits), prior to the time that the

Agency Loan is repaid in full, the Net Proceeds of such sale or refinancing shall be paid to Agency and credited against the Agency Loan, first against any outstanding principal and then against the outstanding interest amount, if any. Any portion of the Net Proceeds that exceeds the outstanding balance of the Agency Loan (principal and interest) may be retained by Borrower. For the purpose of this subparagraph, "Net Proceeds" is defined as proceeds of the transaction less debt repaid and reasonable costs of the transaction.

(d) The Agency Loan shall be due and payable immediately if the Development, or any portion thereof or interest therein, is sold, transferred (except for any of the Permitted Transfers as provided in the DDA), assigned or refinanced without the prior written approval of Agency, or if the DDA is terminated after close of Escrow as provided in the DDA.

(e) Unless paid in full earlier, the remaining balance of the Agency Loan shall be due and payable in full fifty-five (55) years from the date of the Certificate of Completion issued pursuant to Section 5.16 of the DDA.

### 3. Calculation of Net Available Cash Flow; Distribution

(a) "Net Available Cash Flow" shall mean the Operating Income, less the sum of (i) Debt Service, (ii) Operating Expenses, (iii) deposits made to the Operating Reserve and the Replacement Reserve, (iv) an asset management fee payable to the general partner of the Developer in an amount described in any Agreement of Limited Partnership, as amended and/or restated from time to time, of the Developer (the "Partnership Agreement"), subject to the Agency's approval, (v) a fee payable to the administrative general partner of the Developer in an amount described in the Partnership Agreement, subject to the Agency's approval (vi) a limited partner asset management fee payable to one or more of the limited partners of the Developer in an amount described in the Partnership Agreement, subject to the Agency's approval; provided however, the aggregate amount of the fees described in the foregoing subparagraphs (iv), (v), and (vi) shall not exceed the sum of Fifteen Thousand Dollars (\$15,000.00), and (vii) an annual audit fee, in an amount not to exceed an aggregate amount for each calendar year that is within custom and standard of certified public accountants practicing in Los Angeles County who prepare annual audits for comparable properties. If such calculation results in a negative number, Net Available Cash Flow shall be zero for that year.

(i) "Debt Service" shall mean the periodic payments made in connection with the permanent financing on the Project provided by a third party commercial lender upon commercially reasonable terms which is secured by a first trust deed recorded against the Project.

(ii) "Operating Expenses" shall mean actual, reasonable and customary costs, fees, and expenses directly incurred and attributable to the operation, maintenance, and management of the Development including, but not limited to, painting, cleaning, repairs and alterations; landscaping; utilities; rubbish removal; certificates, permits and licenses; sewer charges; real and personal property taxes and assessments; insurance; securities; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings; expenditures for

capital improvements, equipment, fixtures and furnishings that are not paid from the Replacement Reserve; fees and expenses of property management and common area expenses; and other actual operating costs and capital costs which are incurred and paid by the Developer, but which are not paid from reserve accounts; and reasonable fees and expenses of accountants, attorneys, consultants and other professionals. Payments to parties related to Developer for Operating Expenses must not exceed prevailing market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation.

(iii) "Operating Income" shall mean the gross rental income from the Site, and any other income Developer derives from the ownership, operation and management of the Development, and the proceeds of insurance after a casualty loss (to the extent not used to repair or rebuild the Improvements) and the proceeds of any condemnation proceedings. "Operating Income" shall not include tenants' security deposits or interest earned on reserve accounts.

(iv) "Operating Reserve" shall mean the operating reserve account maintained in accordance with Section 10327 (c)(8)(C) of the TCAC Regulations.

(v) "Replacement Reserve" shall mean the account described in Section 4 of this Note.

(b) The amount of the Net Available Cash Flow shall be determined on the basis of an annual statement, for the preceding calendar year, beginning with the first year of operation of all or any part of the Development, prepared at Developer's expense by an independent certified public accounting firm acceptable to Agency. Developer shall submit the annual statement and any payment (pursuant to subsection (c) of this Paragraph 3) to Agency not later than May 1st of each year, commencing on the first May 1st that is at least twelve months after the issuance of a certification of occupancy for all or any of the units to be constructed on the Site. Agency shall review and approve such statement, or request revisions, within thirty (30) days after receipt. In the event that as the result of Agency review, there is an increase in the amount of Net Available Cash Flow, Developer shall pay to Agency the Agency's share of the full amount of such increase within ten (10) days of notice of the increase.

(c) Annually, the Net Available Cash Flow shall be distributed as follows:

(i) to Developer, to repay the Developer Loan, if any, subject to the limitations in subsection (d) of this Paragraph 3);

(ii) fifty percent (50%) of the Net Available Cash Flow remaining after the annual payment on the Developer Loan shall be paid to Agency, to repay the Agency Loan

(iii) fifty percent (50%) of the Net Available Cash Flow remaining after the annual payment on the Developer Loan shall be retained by Developer.

(d) "Developer Loan" shall mean the deferred payment to Developer or AMCAL Enterprises Inc. of a portion of its Developer fee, if required. The Developer Loan may accrue interest at the annual rate of three percent (3%) simple interest, commencing on the date

that is twelve (12) months after the date that the following events have occurred: (i) issuance of Certification of Completion for the Development and (ii) the events set forth in Section 7.4.1(b) of the DDA.

4. Replacement Reserve

(a) Commencing one year after the issuance of a Certificate of Completion for the Development, or within 30 days of funding of the permanent loan or conversion of the construction loan to permanent loan, whichever occurs first, Developer shall establish and thereafter maintain, in a depository acceptable to the Executive Director, a reserve fund to be known as the "Replacement Reserve." The Replacement Reserve contributions shall be set at Two Hundred and Fifty Dollars (\$250.00) per unit per year, or such greater amount as may be required by other project lenders. Developer shall be credited with Replacement Reserve deposits made by it as required by other project lenders. The Replacement Reserve shall remain in the form of cash, and shall include all income earned thereon. The Replacement Reserve shall be maintained during the period when any Agency Loan balance remains outstanding.

(b) Disbursements from the Replacement Reserve shall be for the purpose of replacing structural elements or equipment of the Development, or for any other purpose consistent with maintaining the physical or financial integrity of the Development. Annually, Developer shall submit a report, with supporting documentation, in form satisfactory to the Executive Director, of all expenditures from the Replacement Reserve. If, in the reasonable opinion of the Executive Director, any expenditure was not appropriately made from the Replacement Reserve, Developer will deposit the amount of the expenditure into the Replacement Reserve fund within ten (10) days of written notice by Agency; provided, however, if an expenditure was approved by another project lender authorized by this Agreement, it shall be deemed to be reasonable.

(c) In the event of a default by Developer under this Agreement or of a default or event of default under the Agency Note or the DDA, or of a foreclosure by the holder of a senior Mortgage, funds in the Replacement Reserve shall be used for the continued operation of the Development.

5. This Note is payable at the principal office of Agency, 30940 Hawthorne Blvd., Rancho Palos Verdes, California 90274, or at such other place as the holder hereof may inform the Borrower in writing, in lawful money of the United States.

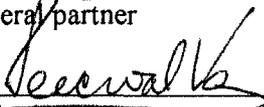
6. The Borrower waives presentment for payment, demand, protest, and notices of dishonor and of protest; the benefits of all waiveable exemptions; and all defenses and pleas on the ground of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice. The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the holder hereof, in the enforcement of this Note or any term or provision hereof.

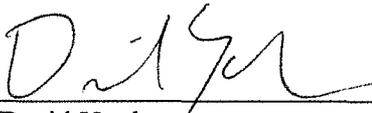
7. The loan evidenced hereby is a nonrecourse obligation of Borrower. Neither Borrower, its partners, general or limited, their assignees, nor any other party, shall have any personal liability for any obligation associated with the loan evidenced hereby, or arising under any other document evidencing, describing, securing or in any other way relating to the loan evidenced hereby. The sole recourse of the holder hereof for obligations associated under such other documents, shall be the exercise of the holder hereof's rights against the collateral pledged to secure the loan. Notwithstanding the foregoing provisions, to the extent permitted by law, the Borrower shall be fully liable to the holder hereof, and the holder hereof shall be entitled to obtain a personal or deficiency judgment for all actual losses or damages suffered by holder (including without limitation all court costs, attorneys' fees and other costs and expenses incurred by the holder) as a result of (a) the Borrower's intentional fraud in connection with the delivery of and performance of its obligations under the Agency Agreements, or otherwise relating to the indebtedness evidenced by the Note, (b) misapplication or wrongful retention of rental income or casualty insurance or condemnation proceeds attributable to the security property after holder has given Borrower notice that Borrower is in default under any of the Agency Agreements and the period for cure has expired, (c) removal of personal property or fixtures from the Property in violation of the provisions of the Agency Agreements, (d) the Agency of any act of deliberate waste with respect to the Property by the Borrower or any of the parties or entities comprising Borrower or any constituent entities of the Borrower, or (e) any breach of the provisions of the Agency Agreements dealing with hazardous or toxic material or wastes.

**BORROWER**

AMCAL MIRANDELA FUND, L.P.,  
a California limited partnership

**BY:** AMCAL Multi-Housing, Inc.,  
its administrative general partner

By:   
Name: ~~Percival Vaz~~  
Its: President

By:   
Name: David Yarden  
Its: Vice President & General Counsel

By: Las Palmas Foundation, a California Nonprofit  
corporation, its general partner

By: \_\_\_\_\_  
Name: Joseph M. Michaels  
Its: President

7. The loan evidenced hereby is a nonrecourse obligation of Borrower. Neither Borrower, its partners, general or limited, their assignees, nor any other party, shall have any personal liability for any obligation associated with the loan evidenced hereby, or arising under any other document evidencing, describing, securing or in any other way relating to the loan evidenced hereby. The sole recourse of the holder hereof for obligations associated under such other documents, shall be the exercise of the holder hereof's rights against the collateral pledged to secure the loan. Notwithstanding the foregoing provisions, to the extent permitted by law, the Borrower shall be fully liable to the holder hereof, and the holder hereof shall be entitled to obtain a personal or deficiency judgment for all actual losses or damages suffered by holder (including without limitation all court costs, attorneys' fees and other costs and expenses incurred by the holder) as a result of (a) the Borrower's intentional fraud in connection with the delivery of and performance of its obligations under the Agency Agreements, or otherwise relating to the indebtedness evidenced by the Note, (b) misapplication or wrongful retention of rental income or casualty insurance or condemnation proceeds attributable to the security property after holder has given Borrower notice that Borrower is in default under any of the Agency Agreements and the period for cure has expired, (c) removal of personal property or fixtures from the Property in violation of the provisions of the Agency Agreements, (d) the Agency of any act of deliberate waste with respect to the Property by the Borrower or any of the parties or entities comprising Borrower or any constituent entities of the Borrower, or (e) any breach of the provisions of the Agency Agreements dealing with hazardous or toxic material or wastes.

**BORROWER**

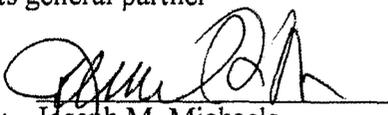
AMCAL MIRANDELA FUND, L.P.,  
a California limited partnership

**BY:** AMCAL Multi-Housing, Inc.,  
its administrative general partner

By: \_\_\_\_\_  
Name: Percival Vaz  
Its: President

By: \_\_\_\_\_  
Name: David Yarden  
Its: Vice President & General Counsel

By: Las Palmas Foundation, a California Nonprofit  
corporation, its <sup>managing</sup> general partner

By:   
Name: Joseph M. Michaels  
Its: President

**PROMISSORY NOTE SECURED BY DEED OF TRUST**

\$126,320.00

February 22, 2011  
Rancho Palos Verdes, California

1. Basic Terms.

For value received, the undersigned ("Owner") promises to pay to the order of the RANCHO PALOS VERDES REDEVELOPMENT AGENCY, a public body, corporate and politic (the "Lender") at 30940 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275, or at such other place as Agency may from time to time designate in writing, the principal amount of One Hundred Twenty Six Thousand-Three Hundred Twenty Dollars (\$126,320) plus the Equity Share described in the Regulatory Agreement executed by Owner and dated substantially concurrently herewith. Notwithstanding anything to the contrary herein, this Promissory Note Secured by Deed of Trust ("Note") is intended to evidence a "conditional grant" that is intended to increase the supply of low and moderate income housing in the City of Rancho Palos Verdes and provide a means (specifically, the deed of trust securing this Note) to help ensure compliance with the Regulatory Agreement that restricts the residence that is collateral for this Note to ownership and occupancy by low or moderate income households at an affordable housing cost.

2. Maturity Date and Payments.

All unpaid principal under this Note shall be due and payable upon a default by the Owner (or any successor Owner) under the Regulatory Agreement; provided, that if no such default has occurred by the date that is forty-five (45) years after the date hereof, then no principal shall be payable and the grant evidenced hereby shall become "unconditional".

3. Prepayment.

Owner may prepay the outstanding principal balance under this Note, in whole or in part, and other sums owed to Lender under this Note, at any time without premium or charge.

4. Lawful Money.

All amounts shall be payable in lawful money of the United States of America.

5. Security.

This Note is secured by that certain Deed of Trust, Security Agreement and Fixture Filing (with Assignment of Rents) dated of substantially even date herewith and executed by Owner, as trustor, in favor of Lender, as beneficiary (the "Deed of Trust").

6. Acceleration by Reason of Transfer or Financing.

Prior to the repayment in full of this Note and the full release and reconveyance of the Deed of Trust, the Owner shall not make any sale, transfer, conveyance or assignment of the whole or any part of the real property described in the Deed of Trust, or any portion thereof or

interest therein, or further encumber such real property without the prior written consent of the Lender except as otherwise expressly permitted in the Regulatory Agreement.

In the event of a violation of the preceding paragraph or any other default under the Regulatory Agreement, Lender may declare the outstanding principal amount of this Note to be due and payable immediately.

7. Events of Default. The occurrence of a curable default by Owner under the Deed of Trust or the Regulatory Agreement that is not cured within thirty (30) days after written notice from Lender shall also constitute a default under this Note and shall entitle Lender to declare all principal due.

8. Remedies: Default Interest Rate

Upon the occurrence of a default under this Note or a violation of Section 6 above, at the option of Lender, the entire balance of principal together with any other amounts owed by Owner to Lender under the Deed of Trust, shall, without demand or notice, immediately become due and payable. No delay or omission on the part of Lender in exercising any right under this Note shall operate as a waiver of such right.

9. Waiver.

Owner hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Owner hereunder, Lender may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note. Owner further waives, to the fullest extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note, or on any deed of trust, security agreement, guaranty or other agreement now or hereafter securing this Note.

10. Attorneys' Fees.

If this Note is not paid when due or if any Event of Default occurs, Owner promises to pay all costs of enforcement and collection, including but not limited to reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof.

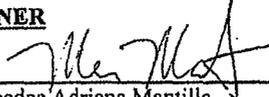
11. Severability.

Every provision of this Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

12. Number and Gender.

In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa, if the context so requires.

OWNER

  
\_\_\_\_\_  
Mercedes Adriana Mantilla



August 22, 2012

Mr. Dennis McLean, Director  
Finance and Information Technology  
City of Rancho Palos Verdes  
30940 Hawthorne Boulevard  
Rancho Palos Verdes, CA 90275-5391

Dear Mr. McLean:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Rancho Palos Verdes submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 24, 2012 for the period February 1, 2012 through July 24, 2012.

Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is not objecting to any assets or transfers of assets identified on your Form.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay", is located below the word "Sincerely,".

STEVE SZALAY  
Local Government Consultant

cc: Ms. Katherine Downs, Deputy Director of Finance and Information Technology, City of Rancho Palos Verdes  
Ms. Kristina Burns, Program Specialist III, Los Angeles County Auditor-Controller's Office  
California State Controller's Office