

**City Of Garden Grove**

**INTER-DEPARTMENT MEMORANDUM**

***City of Garden Grove***

***Garden Grove Agency for Community Development***

To: Matthew Fertal From: Economic Development  
Dept: City Manager/Director Dept:  
Subject: 12682 AND 12692 SUNSWEPT AVE.: Date: September 13, 2011  
LOAN SUBORDINATION

**OBJECTIVE**

The purpose of this report is for the City Council and Garden Grove Agency for Community Development (the "Agency") to consider adopting a resolution making a finding that no other feasible financing could be obtained without subordination, and approving two Loan Subordination Agreements (the "Subordination") for two (2) four-unit apartment buildings located at 12682 and 12692 Sunswept Avenue (the "Sites").

**BACKGROUND/DISCUSSION**

In June 2002, the City and Agency approved loan agreements with Jamboree Housing Corporation (the "Developer"), in which HOME funds were used to assist with the acquisition of the properties located at 12682 and 12692 Sunswept Avenue in the Buena Clinton neighborhood. The terms of the loans are fifty-five (55) years and the eight (8) units are income restricted for the term of the loan. Currently, the City/Agency loan is in second position to the main lender's loan.

The Developer is in the process of refinancing the loan on the Site to cash out a portion of the equity to make various needed improvements throughout the two properties including new roofs, wall heaters, bathroom and kitchen fixtures, etc. As a result, the City/Agency was requested to subordinate to the new loan.

Pursuant to the existing loan agreements, the Agency is entitled to 60% of any proceeds from a refinance. In this case, however, staff is recommending that the Agency waive that provision of the loan agreements since the proceeds from the refinance are being reinvested into the properties in an effort to maintain and increase the quality of life of the residents. The attached subordination agreements reflects this waiver.

The Developer has provided staff a letter that describes that they were unable to find an economically feasible method of financing the improvements without the

subordination of the covenants (attached). In addition, the City/Agency loan will remain in second position to the main lender's new loan.

FINANCIAL IMPACT

None.

RECOMMENDATIONS

Staff recommends:

- The City Council adopt the attached resolution approving two subordination agreements and making certain findings in connection therewith; and
- The Agency adopt the attached resolution approving two subordination agreements and making certain findings in connection therewith.



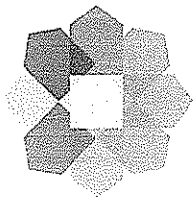
Jim DellaLonga  
Sr. Project Manager/Dept. Administrative Officer

Attachment 1: Letter from Jamboree Housing Corporation (Sun Swept, LP)  
Attachment 2: City Council Resolution  
Attachment 3: Garden Grove Agency for Community Development Resolution  
Attachment 4: Subordination Agreement for 12682 Sunswept  
Attachment 5: Subordination Agreement for 12692 Sunswept

Approved for Agenda Listing



Matthew Fertal  
City Manager



Attachment 1

Jamboree Corporate Sponsors

Advent Companies

Union Bank

U.S. Bank

Wermers Multi-family

# Jamboree

September 6, 2011

Grace E. Lee  
Economic Development Specialist  
City of Garden Grove  
11222 Acacia Parkway  
Garden Grove, CA 92840

RE: Sun Swept Apartments  
12682 & 12692 Sunswept Ave.  
Garden Grove, CA 92843

Dear Grace:

Sun Swept LP is in the process of refinancing the referenced apartment properties in order to replace the existing 7% loan on the property with a new loan at a lower rate. During our search for a replacement loan it became apparent that lenders would require that the City subordinate its regulatory agreement to any new financing.

Our review of the existing regulatory agreement with the City of Garden Grove indicates that Section 313 of that agreement states that the Regulatory Agreement shall be subordinate to financings only if "an economically feasible method of financing for the operation of the Property, without the subordination of the covenants...is not reasonably available." At this time we are advising you that we have not been successful in securing new financing that will subordinate to the city's regulatory agreement and we are requesting that under Section 313 the City of Garden Grove recognize that we are moving forward with new financing on the property that will require the city to subordinate its regulatory agreement to the new loan. Thank you for your consideration and we look forward to working with you on a successful refinance.

Sincerely,

JAMBOREE HOUSING CORPORATION,  
Sole member of JHC Sun Swept LLC, GP of  
Sun Swept LP

Mary Jo Goelzer  
Chief Operating Officer

cc: Steve Bram  
Josh LaBarge

**RESOLUTION NO. \_\_\_\_****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE  
APPROVING TWO SUBORDINATION AGREEMENTS AND MAKING CERTAIN FINDINGS  
IN CONNECTION THEREWITH**

**WHEREAS**, the Garden Grove Agency for Community Development ("Agency") is a community redevelopment agency organized and existing under the California Community Redevelopment Law, Health and Safety Code Sections 33000, *et seq.* ("CRL") and has been authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council ("City Council") of the City of Garden Grove ("City");

**WHEREAS**, Agency, City, and Sunswept L.P., a California limited partnership ("Developer") have entered into two Affordable Housing Agreements, each dated as of June 18, 2002 (together, the "Affordable Housing Agreements"), pursuant to which City provided a loan to Developer for the acquisition and rehabilitation of certain real property located at 12682 and 12692 Sunswept Avenue in the city (together, the "Properties");

**WHEREAS**, the Affordable Housing Agreements are "enforceable obligations" within the meaning of Section 34167 of the CRL;

**WHEREAS**, pursuant to the Affordable Housing Agreements, Developer executed two promissory notes (together, the "Notes") and two deeds of trust (together, the "Deeds of Trust") in favor of City and executed two regulatory agreements (together, the "Regulatory Agreements") in favor of City and Agency;

**WHEREAS**, the Deeds of Trust and the Regulatory Agreements were recorded against the Properties in the Official Records of Orange County, California, and subordinated to certain construction financing obtained by the Developer for the rehabilitation of the Properties ("Original Construction Loans");

**WHEREAS**, Developer now desires to refinance the Original Construction Loans and to perform certain additional rehabilitation work at the Properties, using the proceeds of a new loan ("Refinancing") to be provided by Clearinghouse Community Development Financial Institution ("Lender") in the approximate amount of \$695,191;

**WHEREAS**, the Lender requires the Agency and City to subordinate their interests in the Deeds of Trust and the Regulatory Agreements to the Refinancing;

**WHEREAS**, Sections 105.2 and 313 of each of the Affordable Housing Agreements provide for the subordination of the Deeds of Trust and Regulatory Agreements; provided that the City finds that an economically feasible method of financing for the operation of the Properties, without subordination of the Regulatory Agreements, is not reasonably available;

**WHEREAS**, the Developer has provided evidence that no economically feasible method of financing the operation of the Properties without subordination of the Regulatory Agreement is reasonably available; and

**WHEREAS**, the City Council has duly considered the subordination of the Deeds of Trust and Regulatory Agreements to the Refinancing as set forth in the "Subordination Agreements"

attached hereto as Attachment No. 1 and incorporated herein and has determined that approval and execution of the Subordination Agreements in the best interests of the city and the health, safety, and welfare of its residents and is in accord with the public purposes and provisions of applicable state and local laws and requirements.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GARDEN GROVE:**

Section 1. The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part of this Resolution.

Section 2. The City Council hereby finds and determines that an economically feasible method of financing for the operation of the Properties, without subordination of the Regulatory Agreement, is not reasonably available.

Section 3. The City Council hereby approves the Subordination Agreements in substantially the form attached hereto as Attachment No. 1 and incorporated herein, with such changes mutually agreed upon by the City Manager, the Agency Director, the City Attorney, the Agency Counsel, the Developer, and the Lender, respectively, as are minor and in substantial conformance with the form of the Subordination Agreements submitted herewith. The City Manager and the City Clerk are hereby authorized to execute and attest the Subordination Agreements on behalf of City. In such regard, the City Manager (or his duly authorized representative) is authorized to sign the final version of the Subordination Agreements after completion of any such non-substantive, minor revisions. Copies of the final form of the Subordination Agreements, when duly executed and attested, shall be placed on file in the office of the City Clerk. Further, the City Manager (or his duly authorized representative) is authorized to implement the Subordination Agreements and take all further actions and execute all documents referenced therein and/or necessary and appropriate to implement the purposes of the Subordination Agreements, including acknowledgement of receipt of documents and approval of the proposed rehabilitation work. The City Manager (or his duly authorized representative) is hereby authorized to the extent necessary during the implementation of the Subordination Agreements to make technical or minor changes, modifications, amendments, and interpretations thereto after execution, as necessary to properly implement and carry out the Subordination Agreements; provided any and all such changes shall not in any manner materially affect the rights and obligations of the City thereunder.

Section 3. This Resolution shall be effective immediately upon adoption.

Section 4. The City Clerk shall certify to the adoption of this Resolution.

**ATTACHMENT NO. 1**  
**SUBORDINATION AGREEMENTS**

**[Attached on following pages.]**

**GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT****RESOLUTION NO. \_\_\_\_****A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT  
APPROVING TWO SUBORDINATION AGREEMENTS AND MAKING CERTAIN FINDINGS  
IN CONNECTION THEREWITH**

**WHEREAS**, the Garden Grove Agency for Community Development ("Agency") is a community redevelopment agency organized and existing under the California Community Redevelopment Law, Health and Safety Code Sections 33000, *et seq.* ("CRL") and has been authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council ("City Council") of the City of Garden Grove ("City");

**WHEREAS**, Agency, City and Sunswept L.P., a California limited partnership ("Developer") have entered into two Affordable Housing Agreements, each dated as of June 18, 2002 (together, the "Affordable Housing Agreements"), pursuant to which City provided a loan to Developer for the acquisition and rehabilitation of certain real property located at 12682 and 12692 Sunswept Avenue in the city (together, the "Properties");

**WHEREAS**, the Affordable Housing Agreements are "enforceable obligations" within the meaning of Section 34167 of the CRL;

**WHEREAS**, pursuant to the Affordable Housing Agreements, Developer executed two promissory notes (together, the "Notes") and two deeds of trust (together, the "Deeds of Trust") in favor of City and executed two regulatory agreements (together, the "Regulatory Agreements") in favor of City and Agency;

**WHEREAS**, the Deeds of Trust and the Regulatory Agreements were recorded against the Properties in the Official Records of Orange County, California, and subordinated to certain construction financing obtained by the Developer for the rehabilitation of the Properties ("Original Construction Loans");

**WHEREAS**, Developer now desires to refinance the Original Construction Loans and to perform certain additional rehabilitation work at the Properties, using the proceeds of a new loan ("Refinancing") to be provided by Clearinghouse Community Development Financial Institution ("Lender") in the approximate amount of \$695,191;

**WHEREAS**, the Lender requires the Agency and City to subordinate their interests in the Deeds of Trust and the Regulatory Agreements to the Refinancing;

**WHEREAS**, Sections 105.2 and 313 of each of the Affordable Housing Agreements provide for the subordination of the Deeds of Trust and Regulatory Agreements; provided that the City finds that an economically feasible method of financing for the operation of the Properties, without subordination of the Regulatory Agreements, is not reasonably available;

**WHEREAS**, the City has made the finding required by Section 313 of the Affordable Housing Agreements; and

**WHEREAS**, the Agency has duly considered the subordination of the Deeds of Trust and Regulatory Agreements to the Refinancing as set forth in the "Subordination Agreements" attached hereto as Attachment No. 1 and incorporated herein and has determined that approval and execution of the Subordination Agreements is required by the Affordable Housing Agreements (subject to the specified City findings), is in the best interests of the city and the health, safety, and welfare of its residents, and is in accord with the public purposes and provisions of applicable state and local laws and requirements.

**NOW, THEREFORE, BE IT RESOLVED BY THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT:**

Section 1. The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part of this Resolution.

Section 2. The Agency hereby approves the Subordination Agreements in substantially the form attached hereto as Attachment No. 1 and incorporated herein, with such changes mutually agreed upon by the Agency Director, the City Manager, the Agency Counsel, the City Attorney, the Developer and the Lender, respectively, as are minor and in substantial conformance with the form of the Subordination Agreements submitted herewith. The Agency Director and the Agency Secretary are hereby authorized to execute and attest the Subordination Agreements on behalf of Agency. In such regard, the Agency Director (or his duly authorized representative) is authorized to sign the final version of the Subordination Agreements after completion of any such non-substantive, minor revisions. Copies of the final form of the Subordination Agreements, when duly executed and attested, shall be placed on file in the office of the City Clerk. Further, the Agency Director (or his duly authorized representative) is authorized to implement the Subordination Agreements and take all further actions and execute all documents referenced therein and/or necessary and appropriate to implement the purposes of the Subordination Agreements, including acknowledgement of receipt of documents and approval of the proposed rehabilitation work. The Agency Director (or his duly authorized representative) is hereby authorized to the extent necessary during the implementation of the Subordination Agreements to make technical or minor changes, modifications, amendments, and interpretations thereto after execution, as necessary to properly implement and carry out the Subordination Agreements; provided any and all such changes shall not in any manner materially affect the rights and obligations of the Agency thereunder.

Section 3. This Resolution shall be effective immediately upon adoption.

Section 4. The Agency Secretary shall certify to the adoption of this Resolution.



**ATTACHMENT NO. 1**  
**SUBORDINATION AGREEMENTS**

**[Attached on following pages.]**

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION  
23861 El Toro Road, Ste 401  
Lake Forest, CA 92630  
Attn: Loan Servicing

Tax Parcel Number: 198-122-13

Space Above for Recorder's Use

### SUBORDINATION AGREEMENT

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.**

THIS AGREEMENT, dated as of **August 19, 2011**, by **SUN SWEPT, L.P.**, a California limited partnership, owner of the land hereinafter described and hereinafter referred to as "**Owner**", **CITY OF GARDEN GROVE**, a California municipal corporation, present holder of the Junior Deed of Trust hereinafter described and hereinafter referred to as "**Beneficiary**"; **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic, hereinafter referred to as "**Agency**", and **CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION**, a California corporation, present holder of the Senior Deed of Trust hereinafter described and hereinafter referred to as "**Lender**";

### WITNESSETH

THAT WHEREAS, Owner did execute a Deed of Trust with Assignment of Rents ("Junior Deed of Trust"), dated **June 18, 2002**, to **Agency**, as Trustee, for the benefit of Beneficiary, covering real property situated in the County of Orange described as ("Property"):

That real property located in the State of California, County of Orange, City of Garden Grove and described as follows:

Assessor Parcel Number 198-122-13  
12682 Sunswept, Garden Grove

Lot 53, Tract 3337 as per recorded Map book 132, pages 33 through 36 inclusive per the records of the County of Orange, State of California.

To secure a note in the sum of **FOUR HUNDRED SIXTY THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (US \$460,500.00)** dated **June 18, 2002**, in favor of Beneficiary, which Junior Deed of Trust was recorded on **July 2, 2002**, as Instrument No. **20020557539**, Official Records of said County;

WHEREAS, Owner, Beneficiary and Agency did execute that certain Regulatory Agreement dated **June 18, 2002** covering the Property (the "**Regulatory Agreement**"), which Regulatory Agreement was recorded on **July 2, 2002**, as Instrument No. **20020557538**, of Official Records of Orange County;

**Subordination Agreement (Lot 53)**

**CLTA Form A**

**Loan No. 11-722**

**Department of Corporations Finance Lender License # 6035497**

WHEREAS, Owner has executed, or is about to execute, a Deed of Trust and note in the sum of **SIX HUNDRED NINETY-FIVE THOUSAND ONE HUNDRED NINETY-ONE AND 00/100 DOLLARS (US \$695,191.00)** dated **August 19, 2011** ("**Senior Deed of Trust**"), in favor of **CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, a California corporation**, hereinafter referred to as "**Lender**," payable with interest and upon the terms and conditions described therein, which Senior Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan that said Senior Deed of Trust last above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to (i) the lien or charge of the security instrument first above mentioned and (ii) the Regulatory Agreement; and

WHEREAS, Lender is willing to make said loan provided the Senior Deed of Trust is a lien or charge upon the above described property prior and superior to (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement, and provided that Beneficiary will specifically and unconditionally subordinate (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement to the lien or charge of the Senior Deed of Trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the Senior Deed of Trust last above mentioned shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

(1) That said Senior Deed of Trust securing said note in favor of Lender, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of (i) Junior Deed of Trust and (ii) the Regulatory Agreement.

(2) That Lender would not make its loan above described without this subordination agreement.

(3) That this agreement shall be the whole and only agreement between the parties hereto with regard to the subordination of (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement, to the lien or charge of the Senior Deed of Trust in favor of Lender above referred to and shall supersede and control over any prior agreements as to such, or any, subordination including, but not limited to, those provisions, if any, contained in the Junior Deed of Trust and/or the Regulatory Agreement, which provide for the subordination of the lien or charge thereof to a deed or deeds of trust or to a mortgage or mortgages to be thereafter executed.

Beneficiary declares, agrees and acknowledges that:

(A) Beneficiary consents to and approves (i) all provisions of the note and Senior Deed of Trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan, provided that true, correct and complete copies of all such agreements have been provided to Beneficiary prior to the date of this Agreement;;

(B) Lender in making disbursements pursuant to any such agreement is under no obligations or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(C) Beneficiary intentionally and unconditionally waives, relinquishes and subordinates (i) the lien or charge of Junior Deed of Trust and (ii) the Regulatory Agreement, in favor of the lien or charge upon said land of the Senior Deed of Trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(4) Upon the occurrence of an Event of Default, Lender shall: (a) concurrently with notifying Owner of the occurrence of any event of default under the Lender's loan documents, notify Beneficiary at its address set forth below of the occurrence of such event of default; (b) permit Beneficiary to cure or correct (provided that such event of default is curable) any such event of default within sixty (60) calendar days after receipt of such notice ("Beneficiary Cure Period"); and (c) accept all payments and all acts done by Beneficiary on behalf of Lender within the Beneficiary Cure Period as though the same had been timely done and performed by Owner, so that such acts and payments shall fully and totally cure and correct all such defaults, breaches, failures or refusals for all purposes. In the event that an Event of Default occurs and Lender has recorded a notice of default, then for the period from the date of recordation of the notice of default, until the date of recordation of a notice of sale, so long as the noticed default continues, Beneficiary shall have the right, but not the obligation, in lieu of curing any default under Lender's loan documents, to purchase the loan made to Owner by Lender. Such purchase will be accomplished by Beneficiary paying to Lender the outstanding principal amount of the loan, plus any applicable prepayment penalty required by the Promissory Note executed by Owner in favor of Lender, plus costs incurred by Lender in connection therewith (including reasonable attorney's fees and costs), in exchange for the assignments of the loan documents without recourse or warranty except that Lender will warrant that it owns and has all requisite authority to transfer the loan at the time of the transfer

(5) Owner and Beneficiary acknowledge and agree that, pursuant to Section 5 of that certain Promissory Note dated as of June 18, 2002, made by Owner in favor of Beneficiary and secured by the Junior Deed of Trust, Beneficiary is entitled to sixty percent (60%) of any net refinancing proceeds with respect to the Property. Notwithstanding the foregoing, Owner and Beneficiary agree that Owner shall use the proceeds of the loan being made by Lender for the following purposes only: (1) to repay in full the loan secured by that certain deed of trust in favor of Lender, dated as of June 20, 2002 and recorded against the Property on July 2, 2002 as Instrument No. 2002-0557535 and (2) pay for certain rehabilitation of the Property, as approved by Beneficiary. Any loan proceeds not made for the foregoing purposes shall not be accepted by Owner and shall be used to reduce the principal owing under the loan being made by Lender. Owner hereby agrees to maintain detailed records at a location in Orange County, California, evidencing the use of the loan for the purposes described above for not fewer than five (5) years following completion of all rehabilitation at the Property. Beneficiary shall have the right to inspect and/or audit such records at any time during business hours, following 24 hours written notice to Owner.

(6) Beneficiary addresses for notice: 11222 Acacia Parkway, Garden Grove, CA 92840, Attention: City Manager.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.**

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**BENEFICIARY:**

**CITY OF GARDEN GROVE,**  
a body corporate and politic

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
City Attorney

**AGENCY:**

**GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,**  
a public body, corporate and politic

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Agency Secretary

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Counsel for Agency

**OWNER:**

**SUN SWEPT, L.P.,**  
a California limited partnership

By: **JHC-SUN SWEPT LLC,**  
a California limited liability company,  
General Partner

By: **JAMBOREE HOUSING CORPORATION,**  
a California non-profit corporation, Manager

By: \_\_\_\_\_  
**LAURA ARCHULETA, President**

**LENDER:**

**CLEARINGHOUSE COMMUNITY DEVELOPMENT  
FINANCIAL INSTITUTION, a California corporation**

By: \_\_\_\_\_  
**Kristen S. Ollendorff, Director of Lending/Chief Credit  
Officer**

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State of California

)

) ss.

County of \_\_\_\_\_)

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

Signature of Notary Public

Place Notary Seal Above

State of California )  
 ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
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signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

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California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above



State of California

)

) ss.

County of \_\_\_\_\_)

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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WITNESS my hand and official seal.

Signature \_\_\_\_\_

Signature of Notary Public

Place Notary Seal Above

State of California )  
County of \_\_\_\_\_ ) ss.

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
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of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

State of California

County of \_\_\_\_\_

)  
) ss.  
)

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

Signature of Notary Public

Place Notary Seal Above

State of California

)  
) ss.

County of \_\_\_\_\_)

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

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California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

State of California ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared **LAURA ARCHULETA**,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

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RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION  
23861 El Toro Road, Ste 401  
Lake Forest, CA 92630  
Attn: Loan Servicing

Tax Parcel Number: 198-122-14

Space Above for Recorder's Use

### SUBORDINATION AGREEMENT

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.**

THIS AGREEMENT, dated as of **August 19, 2011**, by **SUN SWEPT, L.P.**, a California limited partnership, owner of the land hereinafter described and hereinafter referred to as "**Owner**"; **CITY OF GARDEN GROVE**, a California municipal corporation, present holder of the Junior Deed of Trust hereinafter described and hereinafter referred to as "**Beneficiary**"; **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic, hereinafter referred to as "**Agency**"; and **CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION**, a California corporation, present holder of the Senior Deed of Trust hereinafter described and hereinafter referred to as "**Lender**";

### WITNESSETH

THAT WHEREAS, Owner did execute a Deed of Trust with Assignment of Rents ("Junior Deed of Trust"), dated **June 18, 2002**, to Agency, as Trustee, for the benefit of Beneficiary, covering real property situated in the County of Orange described as ("Property"):

That real property located in the State of California, County of Orange, City of Garden Grove and described as follows:

Assessor Parcel Number 198-122-14  
12692 Sunswept, Garden Grove

Lot 54, Tract 3337 as per recorded Map book 132, pages 33 through 36 inclusive per the records of the County of Orange, State of California.

to secure a note in the sum of **FOUR HUNDRED SIXTY THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (US \$460,500.00)** dated **June 18, 2002**, in favor of Beneficiary, which Junior Deed of Trust was recorded on **July 2, 2002**, as Instrument No. **20020557540**, of Official Records of said County;

WHEREAS, Owner, Beneficiary and Agency did execute that certain Regulatory Agreement dated **June 18, 2002** covering the Property (the "**Regulatory Agreement**"), which Regulatory Agreement was recorded on **July 2, 2002**, as Instrument No. **20020557537**, of Official Records of Orange County;

**Subordination Agreement (Lot 54)**

**CLTA Form A**

**Loan No. 11-722**

**Department of Corporations Finance Lender License # 6035497**



WHEREAS, Owner has executed, or is about to execute, a Deed of Trust and note in the sum of **SIX HUNDRED NINETY-FIVE THOUSAND ONE HUNDRED NINETY-ONE AND 00/100 DOLLARS (US \$695,191.00)** dated **August 19, 2011** ("**Senior Deed of Trust**"), in favor of **CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, a California corporation**, hereinafter referred to as "**Lender**," payable with interest and upon the terms and conditions described therein, which Senior Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan that said Senior Deed of Trust shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to (i) the lien or charge of the security instrument first above mentioned and (ii) the Regulatory Agreement; and

WHEREAS, Lender is willing to make said loan provided the Senior Deed of Trust is a lien or charge upon the above described property prior and superior to (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement, and provided that Beneficiary will specifically and unconditionally subordinate (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement to the lien or charge of the Senior Deed of Trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the Senior Deed of Trust last above mentioned shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

(1) That said Senior Deed of Trust last above mentioned securing said note in favor of Lender, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to (i) the lien or charge of the Junior Deed of Trust and the Regulatory Agreement.

(2) That Lender would not make its loan above described without this subordination agreement.

(3) That this agreement shall be the whole and only agreement between the parties hereto with regard to the subordination of (i) the lien or charge of the Junior Deed of Trust and (ii) the Regulatory Agreement to the lien or charge of the Senior Deed of Trust in favor of Lender above referred to and shall supersede and control over any prior agreements as to such, or any, subordination including, but not limited to, those provisions, if any, contained in the Junior Deed of Trust and/or the Regulatory Agreement, which provide for the subordination of the lien or charge thereof to a deed or deeds of trust or to a mortgage or mortgages to be thereafter executed.

Beneficiary declares, agrees and acknowledges that:

(A) Beneficiary consents to and approves (i) all provisions of the note and Senior Deed of Trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan, provided that true, correct and complete copies of all such Agreements have been provided to Beneficiary prior to the date of this Agreement;

(B) Lender in making disbursements pursuant to any such agreement is under no obligations or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(C) Beneficiary intentionally and unconditionally waives, relinquishes and subordinates (i) the lien or charge of Junior Deed of Trust and (ii) the Regulatory Agreement, in favor of the lien or charge upon said land of the Senior Deed of Trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(4) Upon the occurrence of an Event of Default, Lender shall: (a) concurrently with notifying Owner of the occurrence of any event of default under the Lender's loan documents, notify Beneficiary at its address set forth below of the occurrence of such event of default; (b) permit Beneficiary to cure or correct (provided that such event of default is curable) any such event of default within sixty (60) calendar days after receipt of such notice ("Beneficiary Cure Period"); and (c) accept all payments and all acts done by Beneficiary on behalf of Lender within the Beneficiary Cure Period as though the same had been timely done and performed by Owner, so that such acts and payments shall fully and totally cure and correct all such defaults, breaches, failures or refusals for all purposes. In the event that an Event of Default occurs and Lender has recorded a notice of default, then for the period from the date of recordation of the notice of default, until the date of recordation of a notice of sale, so long as the noticed default continues, Beneficiary shall have the right, but not the obligation, in lieu of curing any default under Lender's loan documents, to purchase the loan made to Owner by Lender. Such purchase will be accomplished by Beneficiary paying to Lender the outstanding principal amount of the loan, plus any applicable prepayment penalty required by the Promissory Note executed by Owner in favor of Lender, plus costs incurred by Lender in connection therewith (including reasonable attorney's fees and costs), in exchange for the assignments of the loan documents without recourse or warranty except that Lender will warrant that it owns and has all requisite authority to transfer the loan at the time of the transfer

(5) Owner and Beneficiary acknowledge and agree that, pursuant to Section 5 of that certain Promissory Note dated as of June 18, 2002, made by Owner in favor of Beneficiary and secured by the Junior Deed of Trust, Beneficiary is entitled to sixty percent (60%) of any net refinancing proceeds with respect to the Property. Notwithstanding the foregoing, Owner and Beneficiary agree that Owner shall use the proceeds of the loan being made by Lender for the following purposes only: (1) to repay in full the loan secured by that certain deed of trust in favor of Lender, dated as of June 20, 2002 and recorded against the Property on July 2, 2002 as Instrument No. 2002-0557535 and (2) pay for certain rehabilitation of the Property, as approved by Beneficiary. Any loan proceeds not made for the foregoing purposes shall not be accepted by Owner and shall be used to reduce the principal owing under the loan being made by Lender. Owner hereby agrees to maintain detailed records at a location in Orange County, California, evidencing the use of the loan for the purposes described above for not fewer than five (5) years following completion of all rehabilitation at the Property. Beneficiary shall have the right to inspect and/or audit such records at any time during business hours, following 24 hours written notice to Owner.

(6) Beneficiary addresses for notice: 11222 Acacia Parkway, Garden Grove, CA 92840, Attention: City Manager.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.**

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**BENEFICIARY:**

**CITY OF GARDEN GROVE,**  
a body corporate and politic

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Counsel for City

**AGENCY:**

**GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,**  
a public body, corporate and politic

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Agency Secretary

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Counsel for Agency

**OWNER:**

**SUN SWEPT, L.P.,**  
a California limited partnership

By: **JHC-SUN SWEPT LLC,**  
a California limited liability company,  
General Partner

By: **JAMBOREE HOUSING CORPORATION,**  
a California non-profit corporation, Manager

By: \_\_\_\_\_  
**LAURA ARCHULETA, President**

**LENDER:**

**CLEARINGHOUSE COMMUNITY DEVELOPMENT**  
**FINANCIAL INSTITUTION, a California corporation**

By: \_\_\_\_\_  
**Kristen S. Ollendorff, Director of Lending/Chief Credit**  
**Officer**

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State of California )  
 ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared, \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

State of California )  
 ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared, \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
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of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

State of California )  
 ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared, \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

State of California )  
County of \_\_\_\_\_ ) ss.

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally appeared, \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above



State of California )  
 ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared, \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature : \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

State of California )  
County of \_\_\_\_\_ ) **ss.**

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally  
appeared, \_\_\_\_\_,

who proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s), or the entity upon behalf  
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above

State of California ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_, Notary Public, personally appeared **LAURA ARCHULETA**,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
Signature of Notary Public

Place Notary Seal Above