

**FIRST AMENDMENT TO THE AGREEMENT WITH
NATIONAL CHURCH RESIDENCES**

THIS FIRST AMENDMENT to the AGREEMENT, entered into this ____ day of _____, 200__, by and between the COUNTY OF SAN MATEO (hereinafter called "County") and NATIONAL CHURCH RESIDENCES (hereinafter called "Contractor").

WITNESSETH

WHEREAS, on March 19, 2002, the parties hereto entered into an Agreement, for assistance in the development of affordable housing in Pacifica and other furnishing of certain services by Contractor to County as set forth in that Agreement (the "Original Agreement"); and

WHEREAS, it is now the mutual desire and intent of the parties hereto to amend and clarify that Original Agreement:

1. The Original Agreement is amended as follows:

A. The Chart on page 1 of the Original Agreement is amended to read as follows:

<u>CONTRACT AMOUNT</u>	\$1,342,000		<u>CONTRACT TERM</u>		
			Start Date :	March 19, 2002	
			End Date :	June 30, 2005	
<u>COUNTY REPRESENTATIVE</u>			<u>CONTRACTOR REPRESENTATIVE</u>		
Steve Cervantes			John Stock		
Director Office of Housing			Vice-President of Development		
262 Harbor Blvd., Bldg A			2335 North Bank Drive		
Belmont, CA 94002			Columbus, OH 43220		
(650) 802-5050	Fax	(650) 802-5049	(614) 451-3541	Fax	(614) 451-3370

B. Section 4.A. of the Original Agreement is amended to read as follows:

4. Payments

A. Maximum Amount

In full consideration of Contractor's performances of the services described in Exhibit A, the amount that the County shall be obligated to pay under this Agreement, shall not exceed **\$1,342,000.**

C. Exhibit A, #5 Security, is replaced in its entirety by the following:

5. Security

Contractor shall execute and deliver a two promissory notes (the "Notes") and two deed of trust (the "Deed of Trusts") in favor of County in the total amount of \$1,342,000 to secure the performance of all terms and conditions of this Agreement. These Notes and Deeds of Trust shall supercede all existing Notes and Deeds of Trust in favor of the County.

One Note in the amount of \$747,000 shall bear interest at the rate of three percent (3%) per annum. The Note and Deed of Trust shall be for a term of thirty years from the date of issuance of a Certificate of Occupancy by the City of Pacifica. Payments on the Note shall be made annually and shall equal 37.5% of the annual Surplus Cash generated by the Project, and will be due 90 days from the end of the Project's fiscal year. The payments will be first applied to outstanding interest and then to principal until the debt represented by the Note is paid in full. In the event this Payment is less than the unpaid accumulated interest plus current interest, any unpaid amount shall carry over to the following year. Interest shall not compound on this interest carry-over. The entire outstanding principal balance plus any unpaid accrued interest shall be due and payable thirty (30) years from the date of issuance of the Certificate of Occupancy. The Deed of Trust securing this \$747,000 Note, shall be a second deed of trust, junior to a first deed of trust securing a loan of \$900,000.

The second Note in the amount of \$595,000 shall bear interest at the rate of 4.9% per annum. The Note and Deed of Trust shall be for a term of thirty years from the date of issuance of a Certificate of Occupancy by the City of Pacifica. Payments on the Note shall be made annually and shall equal 37.5% of the annual Surplus Cash generated by the Project, and will be due 90 days from the end of the Project's fiscal year. The payments will be first applied to outstanding interest and then to principal until the debt represented by the Note is paid in full. In the event this Payment is less than the unpaid accumulated interest plus current interest, any unpaid amount shall carry over to the following year. Interest shall not compound on this interest carry-over. The entire outstanding principal balance plus any unpaid accrued interest shall be due and payable thirty (30) years from the date of issuance of the Certificate of Occupancy. The Deed of Trust securing this \$595,000 Note, shall be a third deed of trust.

Surplus Cash shall mean all rental and incidental income from the Development, but excluding tenant security deposits (and any interest earned on said deposits), less the Annual Operating Expenses. "Annual Operating Expenses" with respect to a particular calendar year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Development to the extent consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property taxes and assessments imposed on the Development; debt service currently due on loans associated with development of the Development and approved by County (excluding debt service due from residual receipts or

surplus cash of the Development); property management fees and reimbursements; resident services fee, in any; partnership management fees (including any asset management fees), if any; tax preparation fees; annual franchise tax fees' premiums for property damage and liability insurance; utility services not paid for directly by tenants, including water, sewer, and trash collection; maintenance and repair; any annual license or certificate of occupancy fees required for operation of the Development; security services; advertising and marketing; cash deposited into reserves for capital replacements of the Development in an amount not to exceed six tenths of one percent (.6%) of the total development cost of the Development; cash deposited into an operating reserve in an amount not to exceed 3% of Annual Operating Expenses or the amount required in connection with the permanent financing and the tax credit syndication, whichever is greater; payment of any previously unpaid portion of the developer fee due Borrower; extraordinary operating costs specifically approved by the County; payments of deductibles in connection with casualty insurance claims not normally paid from reserves, the amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves, and other ordinary and reasonable operating expenses approved by the County and not listed above. Annual Operating Expenses shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a reserve account.

Within the limits specified above, Operating and Replacement Reserves shall only be allowed as a project expense in the amount of funds actually set aside in a separate account at a reputable financial institution. All withdrawals from such accounts shall be documented as to the use of the funds so withdrawn.

The terms of repayment of this Note may be modified by the Director of the Office of Housing as deemed necessary to ensure the continuing affordability of the Project.

D. The following Clause is added to Exhibit A, as #10:

10. **APPROVED DEVELOPMENT BUDGET**

The following is the Approved Development Budget for this project; any variance from this budget must be approved by the Office of Housing:

SOURCES OF FUNDS	
First Mortgage (Wells Fargo)	900,000
Second Mortgage - SMCo. CDBG	747,000
Third Mortgage - SMCo. HOME	595,000
Deferred Developer Fee	100,000
General Partner Equity	7,503
Limited Partner Equity	1,413,000
TOTAL SOURCES	3,762,503

USES OF FUNDS	
Land Acquisition (incl. legal, title)	513,750
Offsite Construction/Demolition	149,857
Site Improvements	117,441
Hard Unit Construction Costs	1,664,059
Contractor Profit	123,035
General Requirements	238,335
Performance Bond	24,566
Construction Contingency	88,200
Building Permits	150,000
Construction Manager	8,000
Architecture & Engineering	107,500
Survey	6,000
Construction Insurance	10,000
Construction Period Interest	82,033
Construction Loan Fees	21,320
Permanent Loan Fees	9,000
Real Estate Taxes	8,342
Appraisal	11,000
Market Study	9,000
Environmental Report	4,000
HTC Application Fee	2,000
HTC Allocation Fee/Deposit	10,000
Compliance Monitoring Fee	4,100
Rent-up Costs/Marketing	5,000
Title & Recording	10,000
Legal Fees	40,000
Accounting Fees	10,000
Developer Fee	200,000
Consultant Fees	55,000
Organizational Fees	5,000
Syndication Fees	10,000
Operating Reserve	61,000
TOTAL USES	3,762,500

- All other terms and conditions of the Original Agreement shall remain in full force and effect.

IN WITNESS, WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hand on the day and year first above written.

COUNTY OF SAN MATEO

By: _____
Rose
Jacobs Gibson, President
Board of Supervisors

Date: _____

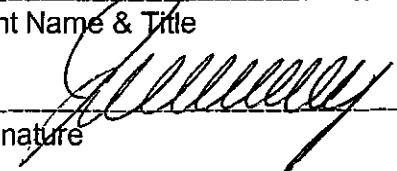
Attest:

Clerk of Said Board

Date: _____

NATIONAL CHURCH RESIDENCES

By: Joseph R. Kasberz, Vice President
Print Name & Title


Signature

Date: 12-01-03

**SAN MATEO COUNTY
MEMORANDUM**

DATE: November 26, 2003
TO: Priscilla Harris Morse FAX: 363-4864 PONY: EPS 163
FROM: Janice Jumper
FAX: (650) 596-3478 PONY: HSA210
SUBJECT: Contract Insurance Approval

The following is to be completed by the department before submission to Risk Management:

CONTRACTOR NAME: National Church Residences/Lakeside Housing Inc.

DOES THE CONTRACTOR TRAVEL AS A PART OF THE CONTRACT SERVICES?: NO

NUMBER OF EMPLOYEES WORKING FOR CONTRACTOR: 10+

DUTIES TO BE PERFORMED BY CONTRACTOR FOR COUNTY: National Church Residences will assist with the development of affordable housing in Pacifica.

The following will be completed by Risk Management:

INSURANCE COVERAGE:	Amount	Approve	Waive	Modify
Comprehensive General Liability	<i>\$1m/5</i> \$5,000,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motor Vehicle Liability	\$1,000,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Professional Liability	\$5,000,000	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Workers' Compensation	\$1,000,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS/COMMENTS:

Priscilla Morse 12-1-03
Risk Management Signature Date