

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Planning and Community Development AF

BOARD AGENDA # *D-2

Urgent Routine

AGENDA DATE January 26, 2016

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval of a Reuse Plan for the Use of Successor Housing Agency Funds by Habitat for Humanity Stanislaus County for Development of Affordable Housing

STAFF RECOMMENDATIONS:

1. Adopt the Reuse Plan for Use of Successor Housing Agency Funds by Habitat for Humanity Stanislaus County for Development of Affordable Housing.
2. Authorize the Director of the Planning and Community Development Department to take all actions necessary to implement the Reuse Plan, including the execution of required loan agreements.

FISCAL IMPACT:

In April of 2015, Stanislaus County, serving as the Successor Housing Agency (SHA) to the former Stanislaus County Redevelopment Agency (RDA) received approximately \$693,869 from sale of six (6) affordable housing assisted properties. In accordance with the adopted SHA Resale Policy, up to 10 percent of received funds may be retained to cover the administrative costs associated with the implementation and ongoing administration of the Resale Policy. Approximately \$624,482 of the retained funds are available for use in the development of replacement affordable housing units within the required three year time period.

BOARD ACTION AS FOLLOWS:

No. 2016-55

On motion of Supervisor Withrow, Seconded by Supervisor Chiesa

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, De Martini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

ATTEST:


CHRISTINE FERRARO TALLMAN, Clerk

File No.

DISCUSSION:

The former State Redevelopment Law, set forth under the California Community Redevelopment Law (Health and Safety Code 33000), required redevelopment agencies to set aside a minimum of 20% of tax increment revenues for affordable housing activities into a Low and Moderate Income Housing Fund (known as “set-aside” funds). Under the terms of a 1991 California Rural Legal Assistance (CRLA) agreement, the former Stanislaus County Redevelopment Agency (RDA) exceeded state requirements by providing a 25% set-aside.

Whenever possible, partnerships were developed with non-profit affordable housing developers to facilitate the implementation of the RDA’s affordable housing programs. One such partnership was with Habitat for Humanity Stanislaus County (HfH), and throughout the RDA’s existence, HfH and the RDA partnered on several occasions to develop affordable housing opportunities for low income families.

In 2007 and 2008, the RDA entered into loan agreements with HfH to provide funding for the acquisition and development of seven single-family units in the Airport Neighborhood. The terms of the loan agreements ensured that affordable housing was being provided by imposing an affordability covenant and restricting the homeowners’ housing costs (with respect to monthly payments) to levels affordable to those with an Area Median Income (AMI) of 80% or below. Furthermore, the terms of the loan agreements did not require any repayment of RDA funds by HfH for 45-years, with 0% interest applied, and were secured by liens on the properties.

All seven of the properties were sold by HfH to new income qualified buyers; however, HfH maintained the obligation to repay the RDA funding, under the terms of the original loan contracts, and maintained the first right to repurchase all seven properties. While full repayment of the RDA funding would release the RDA’s financial interest in the properties, the affordability covenants would remain with the property for the remaining term of the affordability covenants. With Gallo offering to purchase six of the properties for an expansion of their existing facility, a resale policy was needed for release of the affordability covenants.

On March 17, 2015, the Stanislaus County Board of Supervisors approved a Resale Policy allowing for resale of affordable housing assisted properties developed under agreement with the RDA provided: 1) property be sold at a value in excess of market value (exceeding affordable covenant allowance) and 2) the Successor Housing Agency (SHA) recover full repayment of the RDA’s investment into the property. (Attachment “1” – March 17, 2015 approved Resale Policy)

The Resale Policy requires that within three years of property sale, the proceeds be used to make an equal number of units affordable for a period of not less than the remaining duration of the original affordability covenant. Additionally, the use of the proceeds are required to be restricted to the former RDA’s Project Area No. 1. In order

for HfH to access the proceeds from sold properties for development of replacement units, a “reuse plan” must be approved by the SHA.

In April of 2015, six of the seven HfH assisted properties approved for resale were sold for above market value, providing for full repayment of all outstanding RDA loans (\$693,869.) The seventh property remains under the ownership of an income qualified buyer with HfH maintaining the obligation to repay the RDA funding (\$125,493.)

The proposed reuse plan supports HfH's mission to build affordable single family units of housing for sale to low and very low income while continuing to protect the RDA's investment (See Attachment “2”). As with the original funding, the proposed Reuse Plan defers repayment by HfH for the term of the affordability period with 0% interest applied. Full repayment of the funding will be secured through the execution of a Loan Agreement, between HfH and Stanislaus County, and the recording of a Promissory Note and Deed of Trust.

The proposed Reuse Plan establishes debt to income ratio, loan to value ratio, purchase price, and monthly purchase payment criteria applicable to the qualified purchaser of the property. The Reuse Plan also establishes a process for review and approval of Work Plans detailing the scope of work, project budget, property valuation, timeline for completion, and buyer eligibility verification needed for execution of the loan agreement/release of funds.

Because the County must ensure replacement of the affordable units within three years of sale, the Reuse Plan establishes a requirement for approval of a Work Plan, with a timeline for completion, within sixteen months of the property sales date. HfH will be required to provide progress reports, upon approval of a work plan, and will be limited to encumbering no more than 20%, per unit, of the SHA funds available for reuse until sufficient work plans have been approved to ensure timely development of an equal number of replacement units. If HfH is unable to meet the timing requirements, the SHA will be able to use the funding to secure replacement affordable housing units.

If the proposed Reuse Plan is approved, all required Work Plans will be reviewed and approved by a Planning Department established loan committee comprised of management staff from the Planning Department and CEO's office. If needed, sample agreements attached to the proposed Reuse Plan may be altered.

STAFF IMPACTS:

Implementation of the reuse plan will be performed by existing staff as part of the Planning and Community Development Department's existing affordable housing program.

POLICY ISSUES:

Approval of this action supports the Board's priorities of A Healthy Community, A Strong Local Economy, and Effective Partnerships by working with an affordable housing developer to meet the needs of affordable housing consistent with California Community Redevelopment Law and the County's General Plan.

CONTACT PERSON:

Angela Freitas, Planning and Community Development Director
Telephone: (209) 525-6330

ATTACHMENTS:

1. March 17, 2015 Approved Resale Policy
2. Proposed Habitat for Humanity Stanislaus County Reuse Plan

Successor Housing Agency Resale Policy
Approved by the Stanislaus County Board of Supervisors on March 17, 2015

Stanislaus County, serving as the Successor Housing Agency (SHA) of the Former Stanislaus County Redevelopment Agency (RDA), shall allow for the resale of affordable housing properties developed under agreement with a non-profit affordable housing developer, provided the following criteria are met:

- The property shall be sold at a value in excess of market value (exceeding affordable covenant allowance); and
- The SHA shall recover full repayment of the RDA's investment into the property.

Within three years of sale, the proceeds shall be used to make affordable an equal number of units at the same income level as the units sold (80% AMI or below), for a period of not less than the remaining duration of the original deed restriction (affordability covenant) and use of the proceeds shall be restricted to the former RDA's Project Area No. 1.

The SHA shall work in collaboration with the originally funded affordable housing developer to develop a "reuse plan", subject to SHA approval, outlining how the funds will be used for the development of the replacement affordable housing units within the required three year time period. The "reuse plan" shall be submitted to the SHA within six-months of property sale and be approved for implementation, by the SHA, within one year of property sale. The "reuse plan" shall provide for the following:

- All new housing developed shall meet established loan to value ratios not to exceed 105% of the purchase price at the time property transfers to an income qualified buyer.

If a "reuse plan" is not received within six-months of property sale or approved for implementation within one year, the SHA shall pursue alternatives for reuse of proceeds within the required time period.

**SUCCESSOR HOUSING AGENCY - REUSE PLAN
HABITAT FOR HUMANITY STANISLAUS COUNTY
JANUARY 2016**

This Reuse Plan is established in accordance to the Resale Policy adopted by the Stanislaus County Board of Supervisors on March 17, 2015, Resolution No. 2015-108, to authorize Habitat for Humanity Stanislaus County (hereafter "HfH") the reuse of Successor Housing Agency (hereafter "SHA") funds acquired via the sale of previously assisted housing units developed by HfH, subject to the following terms:

1. HfH shall be allowed to reuse up to 90% of the proceeds from the sale of previously assisted housing units to acquire, develop, and/or rehabilitate housing units in the former Stanislaus County Redevelopment Agency Project Area No. 1 for resale to low income households at or below 80% of the Area Medium Income (AMI), based on household size, as established by the California Department of Housing and Community Development at the time of sale.
2. HfH shall use the funds available for reuse to make affordable an equal number of units, as previously assisted sold units, subject to the following for each assisted property:
 - a. An affordability covenant, as required by California Redevelopment Law, for a term of at least 45-years shall be recorded at the time of sale by HfH to a Qualified Purchaser.
 - i. A term of less than 45 years may be allowed provided the terms for the newly assisted units are not less than the remaining duration of the original deed restriction (affordability covenant) of the previously assisted unit.
 - b. An executed Loan Agreement, between HfH and Stanislaus County, ensuring repayment of SHA funds, by HfH, at the end of the affordability covenant period, with 0% interest applied. The agreement shall be secured by a recorded promissory note and deed of trust. See Sample Loan Agreement
 - c. An executed and recorded Repurchase Option Agreement, between HfH and qualified purchaser, granting HfH an option to purchase the assisted property for a set repurchase price. See Sample Repurchase Option Agreement.
3. Prior to sale of the assisted property by HfH to any Qualified Purchaser and/or prior to the SHA subordinating the Loan Agreement, the Promissory Note, and Deed of Trust to a Qualified Purchaser, the Stanislaus County Planning and Community Development Department (hereafter "Department") shall verify that the following criteria is being met:
 - a. Purchaser's monthly Debt to Income Ratio shall not exceed 30% front end (housing debt obligations) and 43% back end (total debt obligation). Debt obligations shall be defined as follows:
 - i. Housing debt obligation costs shall include, but not be limited to, all housing related costs such as mortgage payment, property taxes, homeowners insurance, and mortgage insurance.
 - ii. Total debt obligation costs shall include, but not be limited to, car loans, personal loans, credit card debt, child support payments, and alimony payments. Total debt obligation costs shall also include all housing debt obligations and shall not be more than a Qualified Purchaser's gross monthly income.

**Successor Housing Agency - Reuse Plan
Habitat For Humanity Stanislaus County
January 2016
Page 2**

- b. Combined Loan to Value Ratio, when combined with all other indebtedness to be secured by the property, shall not exceed 105% of the purchase price;
 - c. Purchase price shall not exceed 100% of an appraisal prepared by a state-licensed residential property appraiser 60-day prior to close of escrow; and
 - d. Monthly purchase payments, including principle, interest, taxes, and insurance (PITI), shall not exceed 30% of the household's gross monthly income. Two weeks prior to close of escrow, HfH shall submit an Income Certification Worksheet (form to be provided by Department) along with related supporting documentation and Preliminary HUD 1 to Department in order to verify that the criteria above is being met.
4. Prior to execution of a Loan Agreement, HfH shall submit to the Department for review and approval, a Work Plan detailing the following:
- a. Scope of Work: detailing the activities to be undertaken to achieve resale in compliance with this Reuse Plan.
 - b. Project Budget: detailing all project costs, including HfH's project delivery fee, to be incurred in the acquisition, development, and/or rehabilitation of the property. The budget shall include closing costs for the initial acquisition and resale of the property. The budget shall also include a detailed listing of all funding sources to be utilized and disclosure of all funding sources to be secured by the assisted property and/or buyer at the time of resale.
 - a. The project delivery fee for the entire project shall not exceed 10% and the amount of SHA funds used to cover the allowed project delivery fees shall not exceed 10% of the total SHA funding authorized per assisted unit.
 - i. Project delivery costs shall be limited to administration costs borne by HfH in the development and/or rehabilitation of assisted properties. Project delivery costs shall be based on construction expenses.
 - ii. Project delivery costs will not be provided in advance; they will be reimbursed with every construction reimbursement request for eligible construction expenses.
 - iii. Project delivery costs shall not be secured against the property and/or the buyer at the time of resale.
 - iv. Documentation such as timecards, invoices, etc. to support the proper expenditure of funds shall be provided with each request for reimbursement and upon request by Stanislaus County.
 - c. Property Valuation: appraisal detailing the acquisition and post development and/or rehabilitation property values established by a California State-licensed residential property appraiser.
 - d. Timeline for Completion: detailing all stages of the project from initial funding stage to resale of the property. The timeline must demonstrate the ability to finalize (complete) an affordable resale of the property by March 31, 2018* or within 18-months of Loan Agreement execution, whichever is soonest.
 - e. Buyers Eligibility Verification: detailing the buyer's income eligibility in compliance with this Reuse Plan. Verification shall include support documentation.

**Successor Housing Agency - Reuse Plan
Habitat For Humanity Stanislaus County
January 2016
Page 3**

5. No more than 20% of SHA funds available for reuse by HfH may be encumbered per unit until Work Plans have been approved to ensure the timely development of an equal number of affordable units, as previously assisted sold units, will be developed in accordance with the approved Resale Policy.
6. SHA funds shall not be released until a loan agreement, promissory note, and deed of trust securing the funds, have been executed and, as required, recorded. The release of funding shall be subject to the following criteria:
 - a. Funding for the acquisition of property to be developed and/or rehabilitated may be provided as an escrow deposit or as a cost reimbursement.
 - b. Funding for non-acquisition costs shall be provided on a cost reimbursement basis, subject to compliance with an approved Work Plan.
 - i. All cost reimbursement requests shall be submitted to the Department using an approved Request for Funds (RFF) form and shall include supporting documentation needed to verify compliance with the approved Work Plans and this Reuse Plan.
7. Any SHA funds available to HfH in accordance with this Reuse Plan which are not encumbered by an executed Loan Agreement by October 31, 2016* or expended within the Timeline for Completion of an approved Work Plan shall no longer be available to HfH and may be used by SHA to secure replacement affordable housing as required under the approved Resale Policy.
8. Upon approval of the first Work Plan and until all SHA funds available to HfH are expended, HfH shall submit a written Progress Report, in a format to be approved by the Department, quarterly outlining progress being made to expend available SHA funds within the approved Timeline(s) for Completion.
9. Any violation of this Reuse Plan shall result in the immediate suspension of any SHA funds authorized for HfH use until a corrective plan is approved by the Department.

**These dates are based on the April, 2015 sales date of six Airport Neighborhood properties generating \$624,482 in SHA funds available to HfH for reuse. If additional SHA funds are made available to HfH as a result of additional property sales, the "Timeline for Completion" date shall be three years from the property sales date and all funds shall be identified for use as part of an approved Work Plan within sixteen months of the property sales date.*

- Exhibits:
- A. Sample Loan Agreement
 - B. Sample Repurchase Option Agreement

SAMPLE LOAN AGREEMENT

This Loan Agreement (hereafter Agreement) is made and entered into by and between the **Stanislaus County** ("Agency") and **Habitat for Humanity, Stanislaus County**, a California non-profit corporation ("Habitat") on **[insert date of execution]**.

Recitals

A. The real property located at **[insert property address]** is in the unincorporated area of Stanislaus County, California, as more particularly described in Exhibit A attached hereto and, by this reference, made a part hereof, (the Property).

B. Habitat desires to acquire, develop and/or rehabilitate the Property the purpose of providing and sustaining affordable housing.

C. The Agency, serving as the Successor Housing Agency ("SHA") of the former Stanislaus County Redevelopment Agency ("RDA"), administers the SHA's funds ("Program Funds") for the purpose of sustaining and providing affordable housing in with California Redevelopment Law.

D. The Agency is willing to advance Program Funds to Habitat, in accordance with the **[insert date]** Agency approved SHA Reuse Plan ("Plan"), Resolution No. **[insert No.]**, for it to acquire, develop, and/or rehabilitate housing and provide affordable housing opportunities for lower income persons on the terms and conditions set forth in this Agreement.

Now, Therefore, the parties mutually agree as follows:

Terms and Conditions

1. The Agency will advance to Habitat the sum of **[insert amount]** from its Program Funds for the purpose acquiring, developing, and/or rehabilitating housing in accordance with the Plan.

2. Prior to or concurrent with Agency funding under Section 1, Habitat will execute an interest free promissory note in the amount of **[insert amount]**, and a deed of trust in substantially the same form as the Promissory Note and the Deed of Trust collectively attached as Exhibit B and, by this reference, made a part of this Agreement. Habitat agrees and acknowledges that the Promissory Note and the Deed of Trust shall be recorded against the Property with the County Recorder of the County of Stanislaus and shall appear of record with respect to and as encumbrances to the Property. Habitat further acknowledges that this Agreement may also be recorded.

3. Habitat will purchase the Property and, thereafter, will develop and/or rehabilitate housing for occupancy by **[insert date]**. Habitat will place a Qualified Purchaser in the developed and/or rehabilitated housing **[insert date]**. Qualified Purchase means a person or

EXHIBIT A

persons who are at or below eighty percent (80%) of the area median income for Stanislaus County and meet all other Qualified Purchaser requirements outlined in the Plan at the time of occupancy of the developed and/or rehabilitated housing.

4. The Agency agrees to subordinate this Agreement, the Promissory Note and Deed of Trust to a purchase money deed of trust executed by a Qualified Purchaser as allowed by the Plan.

5. Habitat shall structure the sale of the Property so that purchase payments are and remain affordable for a Qualified Purchaser, and so that such payment schedule is transferable to successor Qualified Purchasers of the Property.

6. The Property shall be used as the principal residence of the Qualified Purchaser and his/her family and for no other purpose. A Qualified Purchaser shall not enter into an agreement for the rental or lease of the Property.

7. Unless otherwise provided for in this Agreement, the full amount of the funds advanced to Habitat shall be due and payable 45 years after Habitat issues a certificate of occupancy to the first Qualified Purchaser. Habitat may, with permission of the Agency, make payments to the Agency without penalty prior to the scheduled due on date.

8. The funds advanced by the Agency to Habitat under this Agreement that are unpaid, shall become immediately due and payable when (a) the Property is sold or transferred to a non-Qualified Purchaser, including, without limitation, lease, exchange or other disposition of the Property or any interest therein whether voluntary or involuntary; (b) Habitat fails to acquire, develop and/or rehabilitate the Property, or place a Qualified Purchaser in the developed and/or rehabilitated house within the specified time period; or (c) Habitat fails to perform any other provision of this Agreement in the manner provided after 30-day notice by the Agency to cure such default.

9. If this Agreement is terminated by either party before the purchase of the property, both parties shall be relieved of all their obligations hereunder. If this Agreement is terminated by either party after the loan closing date, Habitat shall immediately become liable for payment to the Agency, or its designee, the outstanding principal at the date of termination.

10. When the funds advanced to Habitat are paid in full, the Agency shall execute and record a reconveyance.

11. Habitat or a Qualified Purchaser shall maintain for the term of this Agreement fire insurance adequate to cover all encumbrances on the property. In areas designated by HUD as flood prone, Habitat or a Qualified Purchaser shall maintain flood insurance in an amount adequate to secure the full amount of funds advanced under this Agreement. For all insurance policies, the Agency shall be designated as loss payee for the amount of the funds advanced to Habitat under this Agreement, and a statement of loss payee shall be forwarded to the Agency.

EXHIBIT A

12. Habitat and any Qualified Purchaser shall maintain the improvements and landscaping on the Property in a manner consistent with community standards which will uphold the value of the Property.

13. Habitat shall defend, indemnify, and hold harmless the Agency and its officers, agents, employees, representatives and volunteers from and against any loss, liability, claim or judgment relating in any manner to the Property or this Agreement. Habitat shall remain fully obligated for the payment of taxes, liens, and assessments related to the Property.

14. Habitat shall execute any further documents consistent with the terms of this Agreement, including documents in recordable form, as the Agency shall from time to time find necessary or appropriate to effectuate its purposes in entering into this Agreement and advancing funds to Habitat pursuant to this Agreement.

15. Habitat shall cause the Qualified Purchaser to comply with all applicable State, federal and local law, regulations and ordinances. Nothing in this Agreement is intended to be, nor shall it be deemed to be, a waiver of any County ordinance, rule, or regulation.

16. Any notices, requests or approvals given under this Agreement from one party to another may be personally delivered or deposited with the United States Postal Service for mailing, postage prepaid, registered or certified mail, return receipt requested to the following address:

To Habitat: Habitat for Humanity, Stanislaus County
 Attention: Executive Director
 630 Kearney Avenue
 Modesto, CA 95350

To Agency: Stanislaus County Planning and Community Development Department
 Attention: Director
 1010 10th Street, Suite 3400
 Modesto CA 95354

Either party may change its address for notice by giving written notice thereof to the other party.

16. This Agreement shall be governed by the laws of the State of California. Any legal action brought under this Agreement shall be instituted in the Superior Court of the County of Stanislaus, State of California.

17. No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement executed by the parties.

18. Failure to exercise any right the Agency may have or be entitled to, in the event of default hereunder, shall not constitute a waiver of such right or any other right in the event of a subsequent default.

19. This Agreement, together with all attachments hereto, constitutes the entire understanding and agreement of the parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental thereto, and supersedes all prior negotiations, discussions and previous agreements between the parties concerning all or any part of the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives, on the date and year first above written.

<p>Stanislaus County Planning & Community Development Department</p> <p>By: _____ Angela Freitas Director</p> <p style="text-align: center;">"Agency"</p>	<p>Habitat for Humanity, Stanislaus County</p> <p>By: _____ Anita Hellam Executive Director</p> <p style="text-align: center;">"Habitat"</p>
<p>APPROVED AS TO FORM: John P. Doering County Counsel</p> <p>By: _____ Thomas E. Boze Assistant County Counsel</p>	

Recording Requested By and
When Recorded Return To:

Habitat for Humanity, Stanislaus County
630 Kearney Avenue
Modesto, CA 95350

APN: 000-000-000-000

Space above this line for Recorder's use

HABITAT FOR HUMANITY REPURCHASE OPTION AGREEMENT

(_____, _____, **California**)

This Repurchase Option Agreement ("Agreement") is dated DATE, for reference purposes only, is made by and among HOMEOWNER (referred to in this Agreement as "**Home buyer**"), and HABITAT FOR HUMANITY, STANISLAUS COUNTY, a California nonprofit public benefit corporation ("**Habitat**") and is made with reference to the following facts and objectives:

RECITALS

A. Habitat is a nonprofit organization whose purpose is to develop, build and provide affordable homes for low income and very low income persons and families.

B. Habitat is selling to Home buyer and Home buyer are buying from Habitat that certain real property located at ADDRESS and the residence built thereon by Habitat ("**Property**") under the terms of that certain Agreement for Sale and Purchase of Residence of like date herewith signed by Habitat and Home buyer ("**Sale Agreement**"). The legal description of such real property is attached hereto as Exhibit A.

C. Home buyer acknowledge that Habitat is selling the Property to Home buyer at a fair market price and that Habitat is providing Home buyer with long-term, interest free loan funds from Habitat or other lenders that are not available on the open market to cover the purchase price of the Property (collectively the "**Loan**").

D. Home buyer recognize that this is not a standard sale and lending arrangement, and that but for Habitat selling the Property to Home buyer at a fair market price and making available to Home buyer the Loan on such favorable terms, Home buyer would not be able to purchase the Property or any other houses comparable to the Property.

E. Home buyer acknowledge that it is critical to Habitat's mission of developing, building and selling homes to low income persons and families that such homes remain available to Home buyer, or to other low income prospective homeowners that would benefit from Habitat's program, and are not leased, or financed, or marketed for unrestricted resale on the open market.

F. In recognition of the foregoing and as an inducement to Habitat to sell the Property to Home buyer, Home buyer are knowingly and willingly entering this Agreement and granting the Option described herein. Home buyer acknowledge that without this Agreement and the Option contained herein, Habitat would not have been able to acquire, develop and make the Property available to Home buyer on the terms of the current sale and financing arrangement.

NOW THEREFORE, in consideration of all of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

INCORPORATION OF RECITALS

1.1 Incorporation: Home buyer and Habitat ratify and acknowledge the foregoing recitals and agree that such recitals accurately describe the basis of this Agreement.

ARTICLE 2

DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

2.1 Close of Escrow: The term "Close of Escrow" shall mean the date upon which title to the Property is transferred back to Habitat upon a repurchase, as evidenced by the recordation in the Official Records of the County of Stanislaus, California of a grant deed for the Property executed by Home buyer.

2.2 Effective Date of this Agreement: This Agreement shall be effective on, and the term "Effective Date" shall mean, the date written in the introductory paragraph at the beginning of this Agreement.

2.3 Escrow Holder: The term "Escrow Holder," as the holder of the escrow accounts, shall mean NORTH AMERICAN TITLE COMPANY, or such other escrow agent as Habitat may from time to time designate.

2.4 Exercise Event: The term "Exercise Event" shall mean any of the events described in paragraphs 3.3.A, 3.3.B, 3.3.C and 3.3.D.

2.5 Lease/Rent: Any agreement to allow someone other than Home buyer and Home buyer' dependents to occupy the property.

2.6 Permitted Exceptions: The term "Permitted Exceptions" shall mean the following exceptions to title:

A. The lien of current taxes and assessments not yet due and payable;

B. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5, commencing with §75 of the California Revenue and Taxation Code;

C. , Any assessments for public services, improvements or benefits levied against the Property after the Effective Date and prior to Close of Escrow; and

D. All other exceptions to title specifically approved in writing by Habitat prior to Close of Escrow.

E. The numbered exceptions attached hereto as Exhibit B being a portion of the Preliminary Report described below.

2.7 Preliminary Report: The term "Preliminary Report" shall mean that preliminary report issued by First American Title Company, dated _____ and bearing order number _____.

2.8 Principal Place of Residence: Home buyer shall use and occupy the Property only as one single family residence and as their principal residence. Home buyer shall not lease or sublease the Property to others without Habitat's written permission.

2.9 Property: The term "Property" shall mean that certain improved real property commonly known as 1301 Lassen Ave, Modesto CA 95358 which is more particularly described in the Preliminary Report, it being understood that the Property shall not include any furniture, furnishings or other items of movable personal property located on or in the Property and that any such personal property shall not be included in the Repurchase Amount.

2.10 Repurchase Amount: The term "Repurchase Amount" shall have the meaning given it in Section 4.2.A below.

2.11 Title Insurer: The term "Title Insurer" shall mean Escrow Holder or, if Escrow Holder is unwilling to issue a title policy, then such other title insurer as may be reasonably selected by Habitat.

ARTICLE 3

OPTION TERMS

3.1 Grant of Option: Home buyer hereby grant to Habitat an option (the "Option") to purchase the Property, or any interest therein owned by any of the Home buyer, for the price and on the terms and conditions set forth in Article 4 and this Article 3.

3.2 Term of Option:

A. Basic Term: The term of the Option (the "**Option Term**") shall commence on the Effective Date and shall expire on the date that is twenty (20)

years thereafter or until all sums owed by the Home buyer to Habitat and other lenders for the Property have been paid, whichever time period is longer.

B. Continuing Option: This Agreement and the Option shall run with the Property. The Option shall be a continuing right of Habitat and may be exercised by Habitat, its successors and assigns each time any Exercise Event occurs during the Option Term.

3.3 Exercise of Option; Exercise Events:

A. If Home buyer (or any of them) should desire to sell, lease, assign, or convey any interest in the Property, including for purposes of security (a "**Transfer**"), Home buyer shall first offer to sell the Property to Habitat on the terms and conditions of this Agreement. Home buyer shall make such offer to Habitat by written notice ("**Home buyer' Transfer Notice**") to Habitat. Habitat shall then have the option to purchase the Property, exercisable by Habitat's written notice to Home buyer given within the sixty (60) day period immediately following the date of Habitat's receipt of Home buyer' Transfer Notice.

B. Included in the Exercise Events giving Habitat the right to exercise its Option to repurchase the Property are: Home buyer making an offer to sell, or entering into an agreement to sell, the Property or any interest in the Property; Home buyer renting the Property or a portion of the Property to anyone else for a term of more than two (2) months in any calendar year; Home buyer making an offer, or entering into an agreement, to grant an option to purchase the Property or any interest in the Property; Home buyer obtaining financing using any interest in the Property as collateral; or Home buyer breaching any provision of this Agreement, the Sale Agreement or the Promissory Notes or Deeds of Trust described in the Sale Agreement.

C. If Home buyer shall sell, convey or alienate the Property, or any part thereof, or any interest therein, or shall be divested of his or her or their title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the written consent of Habitat being first had and obtained, Habitat shall have the right, at its option, except as prohibited by law, to declare any indebtedness or obligations secured by the Property, irrespective of the maturity date specified in any Notes evidencing the same, immediately due and payable, and/or exercise Habitat's Option to repurchase the Property. The foregoing notwithstanding, the following transfers or other events shall not be subject to the provisions of this Paragraph B: (i) a transfer resulting from the death of one of the persons comprising Home buyer where the transfer is to the spouse of such person and the transferee is one of the obligors under a promissory note owing to Habitat, (ii) a transfer by one of the persons comprising Home buyer where the spouse becomes a co-owner of the Property, (iii) a transfer resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree which requires the obligor to continue to make the payments required hereunder by which a spouse who is an

obligor becomes the sole owner of the Property, (iv) a transfer by an obligor or obligors into an inter vivos trust in which the obligor or obligors are beneficiaries, or (v) transfers specifically approved in writing by Habitat.

D. Home buyer acknowledge that Habitat has a continuing interest in the proper repair and maintenance of the Property so that the Property will continue to be available as housing for low income persons and families. Accordingly, Home buyer agree to repair and maintain the Property, including the landscaping, in good condition and repair, ordinary wear and tear excepted. Home buyer agree that if Home buyer fail to so repair and maintain the Property, Habitat shall have the right, but not the obligation to make the repairs and, in such event, Home buyer shall promptly reimburse Habitat for its costs of repair. If a court of law determines that the Home buyer have in fact committed waste or created a public or private nuisance, and if Home buyer fail to remedy such waste or nuisance within ninety (90) days after such determination, then Habitat shall have the right to exercise its Option to purchase the Property, by written notice to Home buyer given on or prior to the one hundred fiftieth (150th) day after Habitat receives written notice of such determination.

3.4 Recording: The parties agree that this Agreement shall be recorded in the County Recorder's Office of Stanislaus County, California, and that any voluntary or involuntary Transfer shall be subject and subordinate to Habitat's option to purchase the Property for the Repurchase Amount.

ARTICLE 4

REPURCHASE CONTRACT

4.1 Effect of Exercise: If Habitat exercises the Option, then Habitat shall purchase from Home buyer, and Home buyer shall sell and convey to Habitat, the Property on the terms and conditions contained in this Article 4.

4.2 Repurchase Price:

A. Amount: The total purchase price for the Property (the "**Repurchase Amount**") which Habitat shall pay to Home buyer shall be equal to the sum of (i) the monthly principal payments that have actually been made by Home buyer, as of the Close of Escrow, on that certain promissory note or notes ("Promissory Note" or "Promissory Notes") made by Home buyer in favor of Habitat and any other lenders on or about the date hereof (excluding payments under the Promissory Notes for closing costs, insurance, property taxes or maintenance), plus (ii) reasonable amounts that Home buyer have actually paid, in full and in cash, for the construction of capital improvements to the Property that are approved by Habitat in writing prior to such construction (but in no event shall such amounts exceed the cost specifically approved by Habitat in writing prior to such construction), plus the additional amounts paid by Home buyer at the closing of the purchase of the Property from Habitat, minus (iii) the costs reasonably estimated by Habitat as necessary to repair and restore the Property

to the same condition as existing as of the Effective Date, reasonable wear and tear alone excepted, minus (iv) all costs necessary to pay and satisfy in full all monetary liens and encumbrances affecting the Property and to release and remove all non-monetary liens and encumbrances affecting the Property as of the Close of Escrow that are not Permitted Exceptions, and minus (v) the closing costs of Habitat's repurchase of the Property from Home buyer. All amounts described in subsection (ii) of this Section 4.2.A must be substantiated by Home buyer with appropriate invoices, reasonable evidence of payment and completion of construction and reasonable evidence that such amounts were used solely for the construction of such capital improvements.

B. Subsequent Liens or Encumbrances. No deed of trust, mortgage, judgment lien, or other lien or encumbrance shall be effective with respect to the Property following exercise of the Option granted hereby, and the acquisition of the Property by Habitat, excepting only those recorded prior to the recording of this Agreement.

C. Arbitration: Any dispute or claim arising out of or related to the calculation of the Repurchase Amount pursuant to Section 4.2.A hereinabove shall be decided by neutral binding arbitration in accordance with Part III, Title 9, of the California Code of Civil Procedure, and not by court action except as provided by California law for judicial review of arbitration proceedings. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties shall have the right to discovery in accordance with Code of Civil Procedure Section 1283.05. Whenever possible, the arbitrator shall be a retired Superior or Appellate Court Judge or Justice, or someone of equivalent knowledge and experience. The filing of a judicial action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a waiver of the right to arbitrate under this provision. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, its reasonable costs and fees incurred in connection with any arbitration or related judicial proceeding hereunder. Costs and fees awarded may include, without limitation, arbitrator fees, attorneys' fees, court costs, expert fees, witness fees, travel expenses, and out-of-pocket expenses (including, without limitation, such expenses as copying, telephone, facsimile, postage, and courier fees).

Home buyer _____ Habitat _____

D. Terms of Payment: Following an inspection of the Property with representation for Home buyer and Habitat present to ascertain the condition of the Property, Habitat shall pay to Home buyer the Repurchase Amount by check or wire transfer. An additional fee of \$100 will be paid to Habitat by the HOMEBUYER if all personal property of the HOMEBUYER has not been removed by the date of this pre-Close of Escrow inspection.

4.3 Title: Home buyer shall convey to Habitat good and marketable fee title to the Property by delivery of a standard California grant deed at the Close of Escrow, free and clear of any liens or encumbrances other than Permitted Exceptions. Home buyer shall remove on or before the Close of Escrow any liens or encumbrances created or suffered by or on account of Home buyer other than the Permitted Exceptions.

4.4 Escrow:

A. Opening of Escrow: Following Habitat's delivery to Home buyer of Habitat's written notice of exercise of the Option (a "**Notice of Exercise**"), Home buyer shall deliver a copy of this Agreement to the Escrow Holder. Habitat and Home buyer shall execute and deliver to the Escrow Holder, prior to Close of Escrow, all escrow instructions, deeds, releases, and other documents as may be necessary and appropriate, or as may be reasonably requested by the Escrow Holder.

B. Close of Escrow: The escrow shall close on or before the forty-fifth (45th) calendar day following delivery of the Notice of Exercise; provided, however, that if such scheduled date is a Saturday, Sunday or legal holiday, escrow shall close on or before the next succeeding business day.

C. Prorations and Closing Costs: All property taxes and assessment installments shall be prorated as of the Close of Escrow based on the latest available tax bills and assuming a thirty (30) day month. The cost of the policy of title insurance described in paragraph 5.1.A below, city and county real property transfer taxes, escrow fees and costs shall be paid by Home buyer.

4.5 Possession: Possession of the Property shall be delivered to Habitat on the Close of Escrow. See 4.2 D for Terms of Payment.

4.6 Specific Performance: In the event of Home buyer's breach or threatened breach of this Agreement, to the fullest extent permissible by law and without limiting any other rights or remedies that may be available to Habitat pursuant to this Agreement or at law or in equity, Habitat shall be entitled, as a matter of right, to specific performance and other equitable relief to protect Habitat's interests, including, without limitation, preliminary and permanent injunctive relief. Home buyer hereby consent to the issuance by any court of competent jurisdiction of both temporary and permanent injunctions in the event of such breach or threatened breach compelling Home buyer to comply with the provisions of this Agreement.

4.7 Access: From and after any exercise by Habitat of the Option, Home buyer shall allow Habitat and its contractors and agents reasonable access to the Property during normal business hours to inspect the Property. Habitat shall give Home buyer not less than twenty-four (24) hours prior written notice of its desire to enter the Property to conduct an inspection.

ARTICLE 5

HABITAT'S CONDITIONS TO CLOSING

5.1 Closing Conditions: The obligations of Habitat to purchase the Property pursuant to Article 4 hereinabove are subject to the fulfillment, prior to or at the Close of Escrow, of each of the following conditions for Habitat's benefit, any of which may be waived in writing by Habitat:

A. Title Insurance: The Title Insurer shall have issued and delivered to Habitat (or shall have committed, in a manner acceptable to Habitat, to issue and deliver) a California Land Title Association standard coverage owner's policy of title insurance acceptable to Habitat showing fee title to the Property vested in Habitat subject only to the Permitted Exceptions.

B. Casualty/Condemnation: In the event the Property has been condemned or damaged by any peril, Home buyer shall have assigned to Habitat all rights to receive all condemnation awards and insurance proceeds and Habitat shall have determined that such awards and proceeds will be sufficient to restore the Property to substantially the same condition as existed prior to the condemnation or damage.

C. No Other Material Condition. No condition or circumstance exists that, in Habitat's reasonable opinion, materially decreases the value or increases the liabilities associated with the Property (e.g., presence of hazardous materials). Any remediation costs will be passed on to the Home buyer (see 3.3 D).

ARTICLE 6

GENERAL PROVISIONS

6.1. Notices. Any notice or report required or desired to be given to Habitat or Home buyer or the Escrow Holder regarding this Agreement shall be in writing and shall be delivered by one of the following methods: (a) personal delivery; (b) overnight delivery service; (c) certified or registered U.S. Mail, postage prepaid, with return receipt requested; or (d) facsimile transmission, followed by certified or registered U.S. Mail, postage prepaid, with return receipt requested, at the following addresses:

To Habitat: Habitat for Humanity Stanislaus County
 Attn: Executive Director
 630 Kearney Avenue
 Modesto, CA 95350
 Fax: (209) 575-0755

To Home buyer: NAME
 ADDRESS

Notice shall be deemed to have been given (i) on the third business day after mailing, including if mailed after being faxed, in the United States mail, certified or registered, postage prepaid, return receipt requested, (ii) when delivered if given by personal delivery, and (iii) on the business day following deposit, cost prepaid, with Federal Express or similar overnight delivery service. Any party may change its address by giving notice of the same in accordance with this section. The term "business day" shall mean a day on which the carrier used (Federal Express or other overnight delivery service, or the U.S. Postal Service, as applicable) delivers, whether by special request (if so requested) or in the ordinary course of operations.

6.2 Miscellaneous: No term or condition of this Agreement may be modified or waived except by a writing signed by both Home buyer and Habitat. Time is of the essence of this Agreement. In the event that any provision or provisions of this Agreement are, or are hereafter adjudged to be, for any reason unenforceable or invalid, it is the specific intent of the parties that the remaining provisions hereof shall remain in full force and effect. The terms and conditions of this Agreement shall run with the Property and this Agreement shall be binding upon and inure to the benefit of the respective assigns, heirs, successors and legal representatives of each of the parties. The headings contained in this Agreement are for reference only and shall not limit or define the meaning thereof. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same.

6.3 No Implied Waiver: No delay or omission by Habitat in exercising any of its rights, remedies, powers or privileges hereunder or at law or in equity and no course of dealing between Habitat and Home buyer or any other person shall be deemed a waiver by Habitat of any such rights, remedies, powers or privileges, even if such delay or omission is continuous or repeated, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise thereof by Habitat or the exercise of any other right, remedy, power or privilege by Habitat.

6.4 Further Assurances: Home buyer and Habitat each hereby agree to execute and deliver any and all documents or instruments necessary or convenient in order to carry out the terms of this Agreement.

6.5 Cumulative Remedies: The rights and remedies of Habitat described herein and in any documents or instruments delivered in connection with the purchase and sale of the Property (including, without limitation, any promissory notes or deeds of trust in connection with the financing of the Property) shall be cumulative and not restrictive of any other rights or remedies available under any other instrument, at law or in equity.

6.6 Entire Agreement: This Agreement and the exhibits attached hereto (and which are by this reference incorporated herein) shall constitute the entire agreement between the parties regarding the Option and shall supersede all other agreements regarding the Option.

6.7 Other Agreements Subordinate. Home buyer covenant and agree that any other such agreements regarding the Property and the rights of Home buyer thereunder, and all of Tenant's right, title and interest in and to the Property, are and shall be subject, subordinate and inferior to this Agreement and the repurchase option rights of Habitat hereunder.

6.8 Independent Counsel. Rein & Rein, A Professional Law Corporation in Modesto, California, prepared this Agreement on behalf of Habitat. This Agreement is a binding contract, and Home buyer have been advised, and have had the opportunity, to seek independent legal counsel to review the terms of this Agreement. Both parties have been advised to seek independent tax advice from an accountant or financial planner.

6.9 Home buyer Acknowledgement.

HOME BUYER ACKNOWLEDGE THAT:

A. IN THE EVENT HABITAT EXERCISES THE OPTION HEREUNDER, HABITAT WILL REPURCHASE THE PROPERTY FOR THE PURCHASE PRICE EQUAL TO THE REPURCHASE AMOUNT DESCRIBED ABOVE. IN SUCH EVENT, HOME BUYER WOULD NOT BE ENTITLED TO ANY APPRECIATION IN THE VALUE OF THE PROPERTY; AND

B. IN LIGHT OF HABITAT'S CONTINUING INTEREST IN PRESERVING THE PROPERTY FOR LOW-INCOME HOUSING AND THE BENEFITS THAT HOME BUYER ARE RECEIVING BY PARTICIPATING IN HABITAT'S PROGRAM, THE OPTION AND THE RESTRICTIONS CONTAINED HEREIN ARE FAIR AND REASONABLE; AND

C. HOME BUYER HAVE READ AND FULLY UNDERSTAND THE OPTION AND THE RESTRICTIONS CONTAINED HEREIN; AND

D. HOME BUYER HAVE VOLUNTARILY ENTERED INTO THIS AGREEMENT WITH HABITAT WITH THE KNOWLEDGE AND INTENT THAT THEY WILL OCCUPY THE PROPERTY AS THEIR PRINCIPAL PLACE OF RESIDENCE AND THAT THEIR FAILURE TO DO SO COULD GIVE RISE TO HABITAT'S EXERCISE OF ITS OPTION TO REPURCHASE THE PROPERTY.

(signatures are on the following page)

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written above.

HABITAT:

HOME BUYER:

HABITAT FOR HUMANITY, STANISLAUS COUNTY, a California nonprofit public benefit corporation

By: _____
Print Name: _____

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

State of California)
County of _____)

On _____ 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 _____ (Seal)

State of California)
County of _____)

On _____ 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 _____ (Seal)

State of California)
County of _____)

On _____ 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 _____ (Seal)

EXHIBIT A

Legal Description

Real property in the City of Modesto, County of Stanislaus, State of California, described as follows:

LOT 25 IN BLOCK 9807 OF RUTHERFORD TRACT, ACCORDING TO THE OFFICIAL MAP THEREOF, FILED IN THE OFFICE OF THE RECORDER OF STANISLAUS COUNTY, CALIFORNIA, ON MARCH 9, 1947 IN VOLUME 16 OF MAPS, AT PAGE 37.

APN: _____

EXHIBIT B

Preliminary Title Report