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PCB SERVICE CORPORATION
c/o Loan Services
PO Box 60654, Santa Barbara, CA 93160

Loan No. _____

(Space above this line for Recorder's use)

**SUBORDINATION AGREEMENT
(Redevelopment Agency Trust Deed)**

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 SUBORDINATION AGREEMENT, dated for reference purposes as of February __, 2008, is being given by **THE REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA**, a public body, corporate and politic (the "Redevelopment Agency"), and the **HOUSING AUTHORITY OF THE COUNTY OF SANTA BARBARA**, a public body, corporate and politic ("the "Housing Authority") for the benefit of **PARKVIEW ISLA VISTA, L.P.**, a California limited partnership (the "Owner").

RECITALS

A. Owner has acquired from the Housing Authority of the County of Santa Barbara, a public body, corporate and politic ("the "Housing Authority") record title to and beneficial ownership of that certain real property and the improvements situated thereon at located at 6682 & 6688 Parkview Avenue in the Community of Isla Vista, County of Santa Barbara, State of California (the "Real Property").

B. The Redevelopment Agency is the beneficiary of that certain Deed of Trust previously executed by the Housing Authority encumbering the Real Property recorded on June 14, 2007 as Instrument No, 2007- 0043944 in the Office of the County Recorder of Santa Barbara County (the "RA Trust Deed") securing indebtedness owing to the Redevelopment Agency in the amount of \$3,760,000 (the "Acquisition Indebtedness") incurred by the Housing Authority to acquire the Real Property.

C. The Real Property is subject to a Regulatory Agreement and Declaration of Restrictive Covenants by and between the Redevelopment Agency and the Housing Authority recorded on June 14, 2007 as Instrument No.2007-0043944 in the Office of the County Recorder of Santa Barbara County (the "Regulatory Agreement").

D. The Housing Authority proposes to issue certain Multifamily Housing Revenue Bonds (Parkview Isla Vista Apartments Project) 2008 Series A in the principal amount of \$3,600,000 (the "Bonds"), the proceeds of which shall be advanced to Pacific Capital Bank, N.A., a national banking association doing business as Santa Barbara Bank and Trust (the "Bank"), acting as the authorized agent of and for the account of the Housing Authority.

E. The Bank proposes to use the Bond proceeds to fund certain loans (the "Loans") to be made by the Bank as agent of and for the account of the Housing Authority in an amount of up to \$3.6 million pursuant to a Loan Agreement between the Bank and the Owner (the "Loan Agreement"), including (1) a

construction loan in the original principal amount of \$3,600,000 (the Construction Loan”), and (b) a term loan in the amount of up to \$1,200,000 (the “Term Loan”) to be funded upon maturity of the Construction Loan, for the purposes of enabling the Owner to pay a portion of the Acquisition Indebtedness and to renovate and refurbish the improvements situated on the Real Property in order to make them suitable for occupancy by persons having low income.

F. The obligations of Owner under the Loan Agreement and the promissory notes to be given pursuant thereto with respect to the Loans (the “Notes”) shall be secured by a Deed of Trust, Assignment of Rents Security Agreement and Fixture Filing (the “Bank Trust Deed”) executed by Owner and encumbering the Real Property for the benefit of the Bank as agent and for the account of the Housing Authority.

G. The Housing Authority requires as a condition to advancing the Bond proceeds to the Bank and the Bank requires as a condition to making the Loans to Owner that the Redevelopment Agency subordinate the lien of the RA Trust Deed to the lien of the Bank Trust Deed.

H. It is to the mutual benefit of the parties hereto that Bank make the Loans to Owner, and the Redevelopment Agency is willing that the Bank Trust Deed securing the obligations of the Owner under the Loan Agreement shall, when recorded, constitute a lien or charge upon the Real Property that is unconditionally prior and superior to the lien or charge of the RA Trust Deed.

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 the Housing Authority to issue its Bonds and to induce the Bank to make the Loans referred to above, it is hereby declared, understood and agreed to as follows:

1. The Bank Trust Deed securing the obligations of the Owner under the Loan Agreement and the Notes to be given by Owner pursuant to the Loan Agreement, and any renewals or extensions thereof, 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 the RA Trust Deed.

2. For as long as the Bank Trust Deed secures the obligations of the Owner under the Construction Loan, the Regulatory Agreement shall be junior and subordinate to the Bank Trust Deed. From and after the date on which the Construction Loan has been satisfied and discharged and the Bank Trust Deed secures only the repayment of the Term Loan, the Regulatory Agreement shall be senior in priority and superior to the Bank Deed of Trust.

3. This Subordination Agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the RA Trust Deed and the Regulatory Agreement to the lien or charge of the Bank Trust Deed and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreements as to such subordination including, but not limited to, those provisions, if any, contained in the RA Trust Deed which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

4. By its execution hereof, Redevelopment Agency acknowledges and declares that:

4.1 The Housing Authority would not issue the Bonds or advance the Bond proceeds to Bank, and Bank would not make the Loans to Owner, without this Subordination Agreement.

4.2 The Redevelopment Agency consents to and acknowledges (a) all provisions of the Loan Agreement and the Notes, and (b) all agreements, including but not limited to any loan or escrow agreements, between Owner, the Issuer and the Bank for the disbursement of the Loan proceeds.

4.3 Neither the Housing Authority, in issuing the Bonds and advancing the Bond proceeds to the Bank, nor the Bank, in making advances and disbursements pursuant to the Loan Agreement, are under any obligation or duty to, nor have they represented to the Redevelopment Agency that they will, see to the application of such proceeds by the person or persons to whom the Loan proceeds are disbursed, and any application or use of such Loan proceeds for purposes other than those provided for in such agreements shall not defeat the subordination herein made in whole or in part.

4.4 The Redevelopment Agency intentionally and unconditionally waives, relinquishes and subordinates the lien or charge of the RA Trust Deed in favor of the lien or charge upon said Real Property of the Bank Trust Deed and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations 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.

4.5 Neither the recordation of the Bank Trust Deed nor the renovation of the existing improvements situated on the Real Property shall constitute a default under the RA Trust Deed or the obligations secured thereby.

5. By its execution hereof, Bank and Owner acknowledge and agree that:

5.1 the Redevelopment Agency shall have the same rights as the Trustor (but shall have no obligation) to cure any or all defaults specified in any notice of default that the Bank causes to be recorded under the Bank Trust Deed and

5.2 If prior to any foreclosure or trustee sale of the Property by or on behalf of the Bank, the Redevelopment Agency takes title to or possession of said Property and cures the outstanding defaults under the Loan Agreement, Notes and Bank Deed of Trust, the Bank hereby agrees not to exercise any rights it may have to declare a default and accelerate its loans by reason of the transfer of title or possession to the Redevelopment Agency, or, if acceleration has already occurred, the Bank hereby agrees that, if the Redevelopment Agency tenders the cure of the existing defaults, Bank will reinstate its loan and will recognize the Redevelopment Agency as the borrower under the Loan Agreement, Notes and Deed of Trust on the same terms and conditions of said loan provided that the Redevelopment Agency agrees to assume and perform the Owner's obligations under said loan.

6. By its execution of this Subordination Agreement, the Owner of the Real Property acknowledges that it has approved the terms and conditions of the Loan Agreement and consents to the subordination of the RA Trust Deed to the Bank Trust Deed as provided herein.

(Signatures appear on the following page)

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.

OWNER:

REDEVELOPMENT AGENCY

Date: _____

Date: _____


PARKVIEW ISLA VISTA, L.P.
a California limited partnership

THE REDEVELOPMENT AGENCY OF THE
COUNTY OF SANTA BARBARA,
a public body, corporate and politic

By: SURF DEVELOPMENT COMPANY,
a California corporation,
a General Partner

By _____

Its _____

By 
Raymond Down, President

APPROVED AS TO FORM:

DANIEL J. WALLACE
AGENCY COUNSEL

By: SURF AFFORDABLE HOUSING
ENTERPRISES, INC., a California corporation,
its general partner

By: _____
Deputy County Counsel

By 
Raymond Down, President

APPROVED AS TO FORM:

BOB GEIS
AUDITOR CONTROLLER
AND AGENCY TREASURER

By: HOUSING AUTHORITY OF THE
COUNTY OF SANTA, a public body, corporate
and politic, its general partner

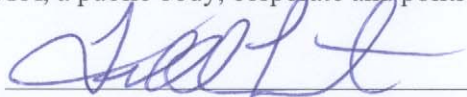
By 
Frederick C. Lamont, Executive Director

By: _____
Senior Financial Analyst

BANK

HOUSING AUTHORITY OF THE COUNTY OF
SANTA, a public body, corporate and politic

PACIFIC CAPITAL BANK, N.A.,
a national banking association dba
SANTA BARBARA BANK AND TRUST

By 
Frederick C. Lamont, Executive Director

By: _____
Harry E. Polland,
Senior Vice President

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

ACKNOWLEDGEMENTS

State of California)
County of Santa Barbara)

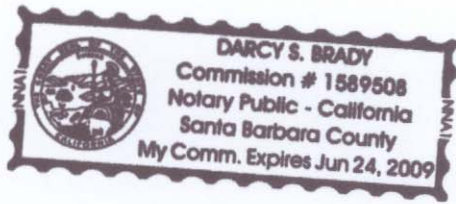
On February 21, 2008 before me, Darcy S. Brady, Notary Public, personally appeared Frederick Lamont + Raymond Dowd

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.

Darcy S. Brady (Seal)
Signature



ACKNOWLEDGMENT

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
(6682 & 6688 Parkview Avenue)**

All that certain real property situated in the County of Santa Barbara, State of California, described as follows:

Parcel One:

Lots 2 and 3 of Tract 10186, in the County of Santa Barbara, State of California, as shown on map filed in Book 56, Pages 1, 2 and 3 of Maps, and amended by Affidavit of Correction recorded May 25, 1961 as Instrument No. 18412 in Book 1849, Page 452 and December 20, 1961 as Instrument No. 45564 in Book 1892, Page 77, both of Official Records, in the office of the County Recorder of said County.

Parcel Two:

A non-exclusive easement for ingress, egress, public utilities and incidental purposes, as created by a document recorded July 30, 1963 as Instrument No. 32402 in Book 2005, Page 407 of Official Records, over the Southerly 12¹/₂ feet of Parcel One, in the deed to Roy Eaton recorded September 22, 1958 as Instrument No. 22904 in Book 1556, Page 234 of Official Records.

Said easement lies contiguous with, adjacent to and Northerly of Lots 1 through 8, inclusive, of said Tract 10186.

Assessor's Parcel Number: **075-020-14 & -15**

ACKNOWLEDGEMENTS

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.

_____ (Seal)
Signature

ACKNOWLEDGMENT

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.

_____ (Seal)
Signature