Sacramento Housing & Redevelopment Agency

REPORT TO REDEVELOPMENT AGENCY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Staff Report
March 18, 2008

Honorable Chair and Members of the Board

Title: Conditional Grant Agreement and Amendment to Owner Participation Agreement for Hotel Berry

Location/Council District: 729 L Street, Council District 1

Recommendation: 1) Adopt a **Redevelopment Agency Resolution** a) approving a Conditional Grant Agreement and Amendment to Owner Participation Agreement with The Trinity Housing Foundation; b) authorizing the transfer of $450,000 of 2005 Taxable Tax Allocation Bonds from the Single Room Occupancy (SRO) Residential Hotel Project to the Hotel Berry Project; c) authorizing the transfer of $450,000 from the one-time Mental Health Services Act Program Fund (MHSA) to the Hotel Berry Project; d) authorizing the Interim Executive Director or her designee to enter a Conditional Grant Agreement and Amendment to Owner Participation Agreement in substantially the form attached with The Trinity Housing Foundation for this project; e) authorize the Interim Executive Director to execute other documents and perform other actions as necessary to make and reasonably administer the Agreement.

Contact: Lisa Bates, Deputy Executive Director, 440-1316, Jim Hare, Assistant Director, Housing and Community Development, 440-1313

Presenters: Jim Hare, Assistant Director of Housing Policy and Development

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis:

Issue: With assistance from the Redevelopment Agency, the Trinity Housing Foundation has acquired the Hotel Berry, a downtown residential hotel. The Trinity Housing Foundation has formed a development partnership with the AF Evans Company to rehabilitate the hotel, using equity generated from the sale of federal tax credits.

The Trinity/AF Evans Partnership applied in July 2007 for nine percent tax credits, but these were denied due to competition from projects outside the Sacramento area. Trinity/AF Evans has requested additional support from the Agency in order to make their tax credit application more competitive.

The project needs both additional capital and operating support to enhance its competitiveness for tax credits. Trinity/AF Evans has agreed to seek the additional capital funding from a non-Agency source, the Mental Health Services Act Lending Program operated by the State Housing Finance Agency. If that funding is secured, the project will house a minimum of ten tenants qualified for the MHSA program.

This report recommends additional operating support in the form of a Conditional Grant Agreement. This Agreement, in the maximum amount of $900,000 would be funded in equal parts with a combination of SRO Residential Hotel funds and one-time MHSA funds over a fifteen year period. Therefore, the total cost of the Agreement is $900,000, with half of that amount ($450,000) coming from each funding source. Capitalized operating support is an approach the Agency has taken in other recent projects that will house individuals and families who are homeless or at-risk of homelessness.

The Agency's additional participation in the Hotel Berry project is conditioned on successful applications to the state for nine percent low income housing tax credit and MHSA funding. Awards under these programs will be announced by July 2008 and the funding would allow construction to begin in late fall 2008.

The SRO Residential Hotel funds and MHSA funds will be transferred to Trinity Housing Foundation upon issuance of a certificate of completion for the Project. On an annual basis, Trinity/AF Evans will be required to submit operating statements, showing draw down of the capitalized funds to provide operating assistance for the benefit of extremely-low and very-low income tenants. Funds disbursed and expended in compliance with the Conditional Grant Agreement are not a repayment obligation of Trinity/AF Evans.

The Conditional Grant Agreement will insure that future operations of the Hotel Berry meet the needs of both the downtown community and the residential tenants. It will ensure that sufficient funding is available for professional property management and the provision of social services. Trinity/AF Evans has already engaged the John Stewart Company (JSCO) to manage the property. JSCO manages other properties housing extremely low-income tenants.

Trinity/AF Evans will also ensure that hotel residents receive social services to address their disabilities. A commitment letter to provide a full-time professional case manager has been signed by the Single Room Occupancy (SRO) Collaborative of Transitional Living and Community Support, Inc. (TLCS), based on a budget of $60,000 per year. TLCS currently provides supportive services in downtown to tenants at the Shasta and Sequoia Hotels. In addition, tenants in 10 MHSA units will receive services through the County of Sacramento's service provider.

The overall management and operating budget for the hotel at stabilized occupancy is anticipated to be approximately $4,700 per unit per year (excluding social services and reserves).

A vicinity map is included as Attachment 1, and a location map is included as Attachment 2. A background section is included as Attachment 3. A project summary, including a proposed sources and uses of funds, is included as Attachment 4, and a project cash flow pro forma is included as Attachment 5. Finally, an Amendment to Owner Participation Agreement and Conditional Grant Agreement are included as Exhibits A and B to the Resolution.

Policy Considerations: The recommended action implements Agency and City policy goals related to preservation of residential hotel units. The Hotel Berry is one of the ten properties that comprise the City's SRO inventory and is the second largest of the remaining Downtown residential hotels.

An additional policy consideration relates to Agency's 9% Low Income Housing Tax Credit Prioritization Policy. Pursuant to the Agency's prioritization policy, Hotel Berry is the Agency's highest priority: an acquisition/rehabilitation project located within a redevelopment area.

Environmental Considerations: The proposed rehabilitation project is exempt from California Environmental Quality Act (CEQA) review per Guidelines Section 15301. The National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: At its meeting of February 20, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES: Burruss, Chan, Coriano, Dean, Fowler, Gore, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: None

Rationale for Recommendation: When the Agency approved acquisition funding in June 2007, Trinity/AF Evans had estimated operational costs at $3,800 per unit, based on a budget provided by Evans Property Management Company. At this operational cost, operational revenues and costs were in balance. When the acquisition phase of the project closed in December 2007, Trinity/AF Evans decided to engage the John Stewart Company (JSCO), a specialist in SRO property management. JSCO accepted the assignment at Hotel Berry on condition that its budget include 24/7 front desk staffing. This is the primary reason costs have increased to $4,700 per unit, creating an

imbalanced operating budget. Based on the size and location of the project, Agency staff believes the move to 24/7 front desk staffing is warranted and should be supported.

The proposed Conditional Grant Agreement will enhance the competitiveness of the Hotel Berry tax credit application in the April 2008 round, as well as assurance that property operation and services will be delivered at the level necessary to serve the extremely low and very low-income tenant population of the Hotel Berry.

Financial Considerations: Staff recommends the transfer of $450,000 of 2005 Taxable Tax Allocation Bonds from the Single Room Occupancy (SRO) Residential Hotel Project and $450,000 of one-time Mental Health Services Act Program Funds for the Hotel Berry project to fund a $900,000 Conditional Grant Agreement.

The $900,000 Conditional Grant Agreement will provide assurance to the state Tax Credit Allocation Committee and to the project's tax credit investor that the project's revenues will be sufficient to cover operating expenses. Funds disbursed under the Conditional Grant Agreement are not a repayment obligation of Trinity/AF Evans.

M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: LaShelle Dozier
LASHELLE DOZIER
Interim Executive Director

Recommendation Approved:

Cassandra B. Jennings for
RAY KERRIDGE
City Manager

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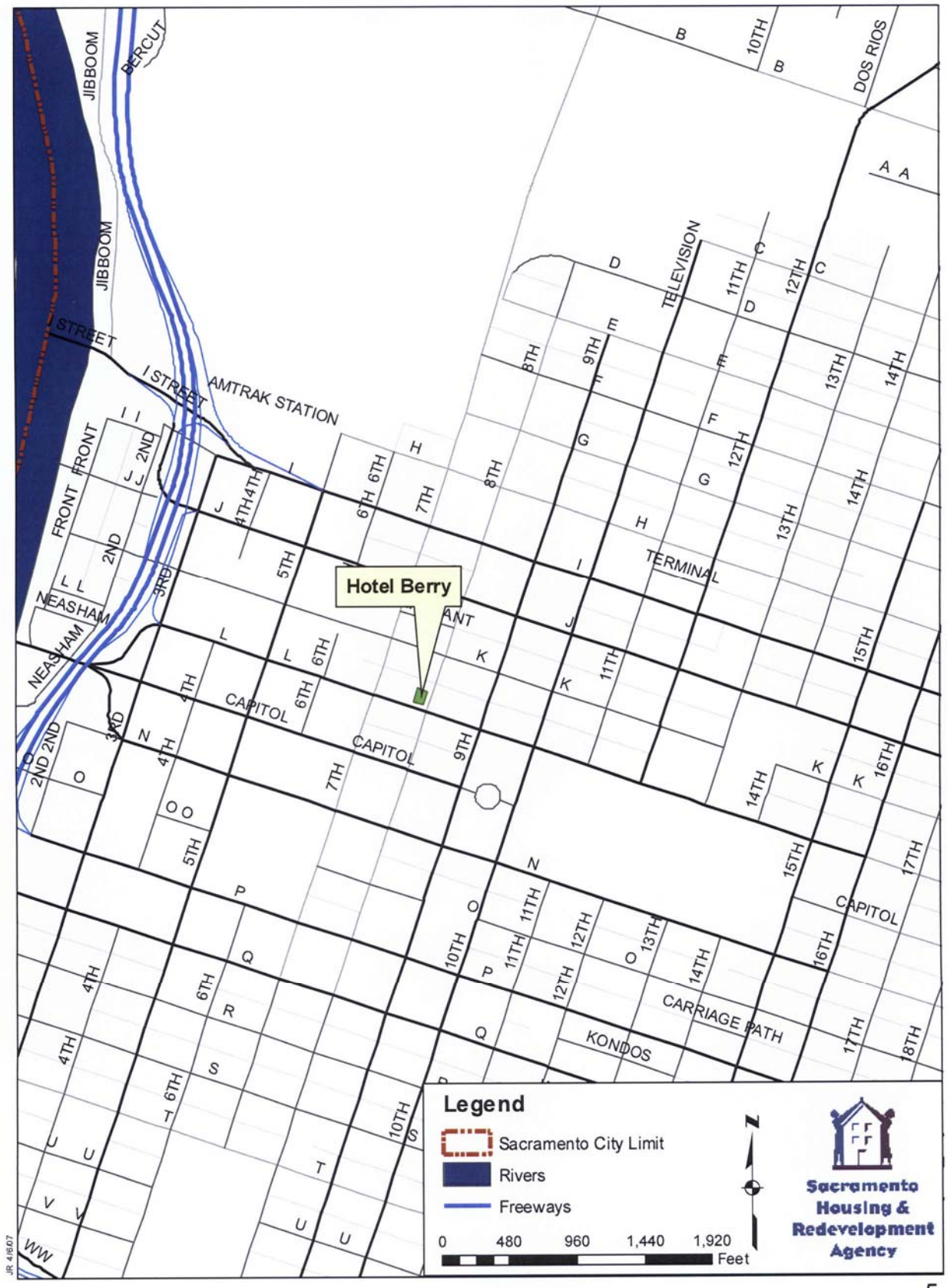
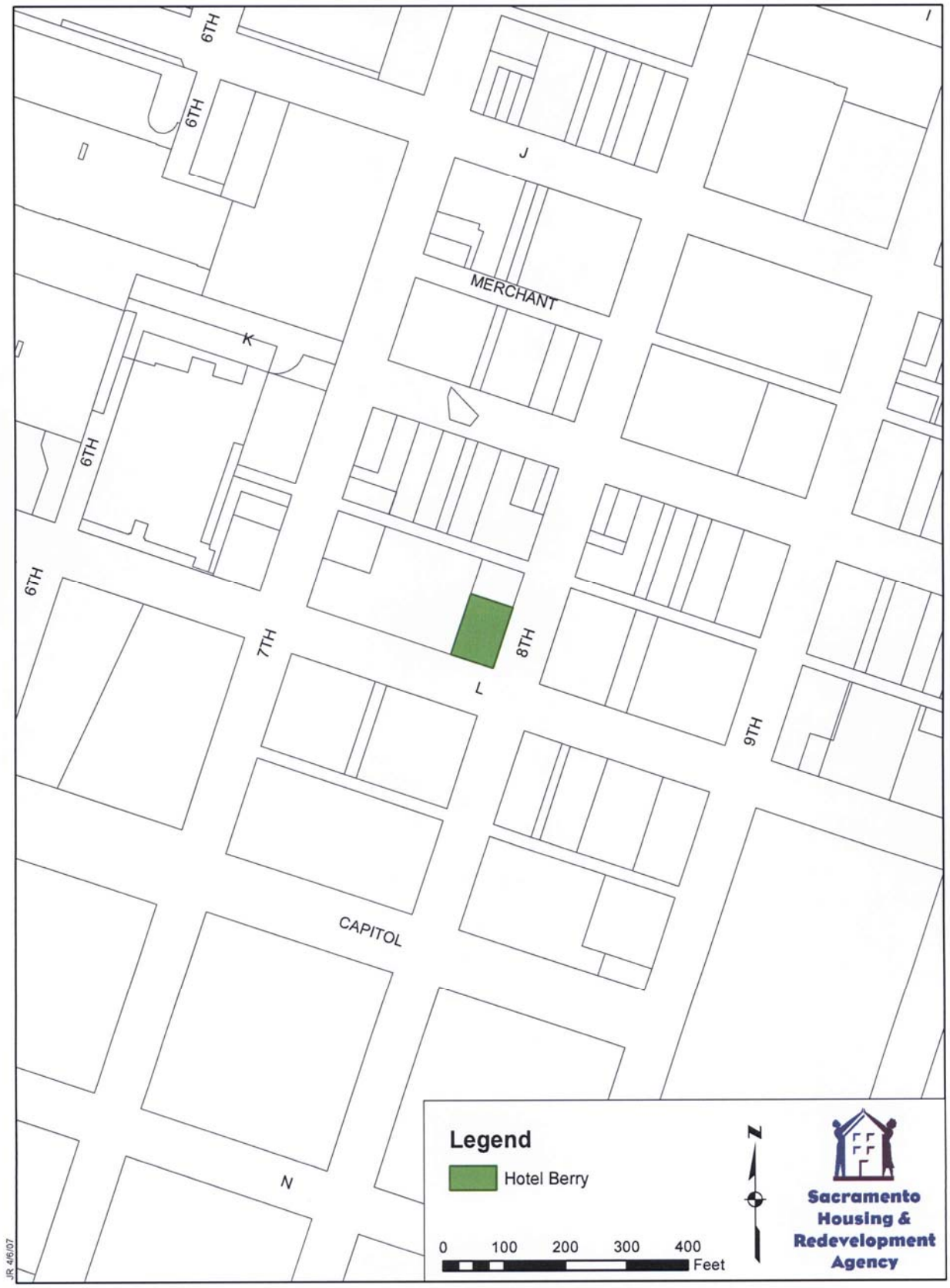
Attachment 1

Hotel Berry Vicinity Map



Attachment 2

Hotel Berry Location Map



Background Information – Hotel Berry

In June 2007, the Redevelopment Agency approved an Owner Participation Agreement, a $5 million Conditional Grant Agreement and related documents to fund acquisition of the Hotel Berry, a downtown residential hotel. The City Council also approved, with conditions, loan modifications and forgiveness of an existing $1,042,797 HOME loan and an $88,064 commercial loan. In December 2007, The Trinity Housing Foundation acquired the property as planned under the approval and agreements. The Trinity Housing Foundation has formed a development partnership with the AF Evans Company to rehabilitate the hotel.

Trinity/AF Evans applied in July 2007 for nine percent tax credits, a highly competitive affordable housing funding source administered by the state Tax Credit Allocation Committee. Under the nine percent tax credit program, Sacramento competes against projects in the Northern Capital region, which includes cities and counties as far north as Redding and Shasta County. In September 2007 Trinity/AF Evans received notice that their application was not funded due to competition from a project located in Marysville. Although both projects scored "full points," the Marysville project preserved project-based Section 8 units; such projects receive higher priority for tax credits.

Trinity/AF Evans intends to re-apply in April 2008 for nine percent tax credits. The project will be more competitive if it demands fewer tax credits as a percent of total project costs. Therefore the developer has proposed to take a voluntary reduction in the amount of tax credits requested. This will result in less equity funding, creating a gap in the project's capital budget. The developer proposes to offset this gap with an application for capital funding from the State Housing Finance Agency's Mental Health Services Act program.

When the Agency approved acquisition funding in June 2007, Trinity/AF Evans had pegged operational costs at $3,800 per unit, based on a budget provided by Evans Property Management Company. At this operational cost, project revenue and costs were in balance. When the acquisition phase of the project closed in December 2007, Trinity/AF Evans decided to engage the John Stewart Company (JSCO), a specialist in SRO property management. JSCO accepted the assignment on condition that its budget include 24/7 front desk staffing. This is the primary reason operating costs have increased to $4,700 per unit, creating an imbalanced operating budget. Based on the size and location of the project, Agency staff believes the move to 24/7 front desk is warranted and should be supported.

Social Services: Consistent with the June 2007 project approval, Trinity/AF Evans will ensure that hotel residents will receive social services to address their disabilities. A commitment letter to provide a full-time professional case manager has been signed by the Single Room Occupancy (SRO) Collaborative of Transitional Living and Community Support, Inc. (TLCS), based on a budget of $60,000 per year. TLCS currently provides supportive services in downtown to tenants at the Shasta and Sequoia Hotels. From the time of its establishment in 1981, TLCS has been providing supportive services to persons with psychiatric and other disabilities.

Hotel Berry

Address	729 L Street		
Number of Units	104		
Year Built	1929		
Acreage	.17 acres		
Affordability	11 units at 30% AMI 81 units at 40% AMI 11 units at 50% AMI		
	Net Rents		
Unit Mix and Net Rents	30% AMI	40% AMI	50% AMI
104 Single Room Occupancy Units	11 @ $372	81 @ $497	11 @ $621
		1 manager's unit	
Square Footage			
Total Residential Square Footage	103 units at approximately 200 square feet, 20,600 overall sq. ft.		
Manager Apartment	1 manager's unit at approximately 200 square feet		
Ground Floor Retail	3,700 square feet		
Total	24,500 square feet		
Resident Facilities	None currently. Rehabilitation includes conversion of ground floor to community room/kitchen/lounge.		

Permanent Sources	*Total*	*Per Unit*	*Per Square Foot*
SHRA Conditional Grant (Acquisition)	$ 5,000,000	$ 48,077	$ 204.08
SHRA Conditional Grant (Operating)	$ 450,000	$ 4,327	$ 18.37
SHRA Forgiven Loans	$ 1,130,862	$ 10,874	$ 46.16
MHSA CalHFA Capital Funds	$ 679,252	$ 6,531	$ 27.72
MHSA One-Time Funds (Operating)	$ 450,000	$ 4,327	$ 18.37
Tax Credit Equity	$ 12,299,974	$ 118,269	$ 502.04
Deferred Developer Fee	$ 100,000	$ 962	$ 4.08
FHLB AHP Program	$ 1,000,000	$ 9,615	$ 40.82
Property Tax Refund	$ 82,583	$ 794	$ 3.37
TOTAL SOURCES	$ 21,192,671	$ 203,776	$ 865

Permanent Uses			
Acquisition	$ 6,231,636	$ 59,920	$ 241.54
Rehabilitation	$ 7,802,407	$ 75,023	$ 302.42
Soft Costs	$ 2,776,745	$ 26,699	$ 107.63
Developer Fee	$ 2,000,000	$ 19,231	$ 77.52
Operating Reserves	$ 1,203,285	$ 11,570	$ 46.64
Replacement Reserves	$ 45,360	$ 436	$ 1.76
Construction Contingency	$ 1,133,238	$ 10,897	$ 43.92
TOTAL USES	$ 21,192,671	$ 203,776	$ 865

Management / Operations		
Proposed Developer:	The Trinity Housing Foundation/AF Evans Company	
Property Management Company:	John Stewart Company	
Operations Budget:	$488,498	$4,697
Social Services:	$60,000	$577
Replacement Reserves:	$23,500	$250
MHSA Replacement Reserves:	$5,000	$500

Hotel Berry
Cash Flow Pro Forma

Unit Type	AMI	Number Units	Sq. Feet	Total Sq. Feet	Gross Rent	Utility Allowance	Net Rent	Annual Rent	Monthly Rent
SRO	30%	11	200	2,200	$372	$0	$372	$49,104	$4,092
SRO	40%	81	200	16,200	$497	$0	$497	$483,084	$40,257
SRO	50%	11	200	2,200	$621	$0	$621	$81,972	$6,831
SRO	Mgr Unit	1	200	200	$0	$0	$0	$0	$0
	Total	104		2,200				$ 614,160	$ 51,180

	Annual Increase	Per Unit		2009 Year 1	2010 Year 2	2011 Year 3	2012 Year 4	2013 Year 5	2014 Year 6	2015 Year 7	2016 Year 8	2017 Year 9	2018 Year 10	2019 Year 11	2020 Year 12	2021 Year 13	2022 Year 14	2023 Year 15	2024 Year 16	2025 Year 17	2026 Year 18	2027 Year 19	2028 Year 20
Rental Income	2.50%			$614,160	$629,514	$645,252	$661,383	$677,918	$694,866	$712,237	$730,043	$748,294	$767,002	$786,177	$805,831	$825,977	$846,626	$867,792	$889,487	$911,724	$934,517	$957,880	$981,827
Other Income -Ancilliary	2.50%	$2.00		2,496	2,558	2,622	2,688	2,755	2,824	2,895	2,967	3,041	3,117	3,195	3,275	3,357	3,441	3,527	3,615	3,705	3,798	3,893	3,990
Other Income - Commercial	6.00%			40,800	43,248	45,843	48,593	51,509	54,600	57,876	61,348	65,029	68,931	73,067	77,451	82,098	87,023	92,245	97,780	103,646	109,865	116,457	123,444
Total Gross Potential Income				$657,456	$675,320	$693,717	$712,665	$732,182	$752,289	$773,007	$794,358	$816,364	$839,050	$862,438	$886,557	$911,431	$937,091	$963,564	$990,881	$1,019,076	$1,048,180	$1,078,230	$1,109,262
Less MHSA Overlay Rent Reduction	2.50%			($13,920)	($14,268)	($14,625)	($14,990)	($15,365)	($15,749)	($16,143)	($16,547)	($16,960)	($17,384)	($17,819)	($18,264)	($18,721)	($19,189)	($19,669)	($20,160)	($20,664)	($21,181)	($21,710)	($22,253)
Less Vacancy-Residential	10.00%			(61,416)	(62,951)	(64,525)	(66,138)	(67,792)	(69,487)	(71,224)	(73,004)	(74,829)	(76,700)	(78,618)	(80,583)	(82,598)	(84,663)	(86,779)	(88,949)	(91,172)	(93,452)	(95,788)	(98,183)
Less Vacancy- Ancilliary	10.00%			(250)	(256)	(262)	(269)	(276)	(282)	(289)	(297)	(304)	(312)	(320)	(327)	(336)	(344)	(353)	(361)	(371)	(380)	(389)	(399)
Less Vacacy - Commercia	15.00%			(6,120)	(6,487)	(6,876)	(7,289)	(7,726)	(8,190)	(8,681)	(9,202)	(9,754)	(10,340)	(10,960)	(11,618)	(12,315)	(13,054)	(13,837)	(14,667)	(15,547)	(16,480)	(17,469)	(18,517)
Effective Gross Income				$575,750	$591,358	$607,429	$623,978	$641,023	$658,581	$676,670	$695,309	$714,516	$734,314	$754,722	$775,764	$797,463	$819,841	$842,926	$866,744	$891,321	$916,688	$942,874	$969,910
Total Income				$575,750	$591,358	$607,429	$623,978	$641,023	$658,581	$676,670	$695,309	$714,516	$734,314	$754,722	$775,764	$797,463	$819,841	$842,926	$866,744	$891,321	$916,688	$942,874	$969,910
Operating Expenses	3.50%	$4,697		$488,498	$505,595	$523,291	$541,606	$560,563	$580,182	$600,489	$621,506	$643,259	$665,773	$689,075	$713,192	$738,154	$763,989	$790,729	$818,405	$847,049	$876,695	$907,380	$939,138
Total Operating Expenses		$4,697		$488,498	$505,595	$523,291	$541,606	$560,563	$580,182	$600,489	$621,506	$643,259	$665,773	$689,075	$713,192	$738,154	$763,989	$790,729	$818,405	$847,049	$876,695	$907,380	$939,138
Net Operating Income				**$87,252**	**$85,763**	**$84,137**	**$82,372**	**$80,460**	**$78,399**	**$76,181**	**$73,803**	**$71,258**	**$68,541**	**$65,648**	**$62,572**	**$59,308**	**$55,852**	**$52,197**	**$48,339**	**$44,273**	**$39,993**	**$35,494**	**$30,772**
Replacement Reserves	2.50%	$250		23,500	24,088	24,690	25,307	25,940	26,588	27,253	27,934	28,632	29,348	30,082	30,834	31,605	32,395	33,205	34,035	34,886	35,758	36,652	37,568
MHSA Replacement Reserves	2.50%	$500		5,500	5,638	5,778	5,923	6,071	6,223	6,378	6,538	6,701	6,869	7,040	7,216	7,397	7,582	7,771	7,966	8,165	8,369	8,578	8,793
NOI Adjusted for Reserves				$58,252	$56,038	$53,669	$51,142	$48,450	$45,588	$42,550	$39,331	$35,924	$32,324	$28,525	$24,521	$20,307	$15,875	$11,221	$6,339	$1,222	-$4,134	-$9,736	-$15,589
Debt Service and Cash Flow Fees																							
Mandatory MHSA Loan Payment	0.42%			(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)	(2,853)
Deferred Developer Fee	4.00%		$100,000	$0	($13,000)	($13,000)	($13,000)	($13,000)	($13,000)	($13,000)	($13,000)	($13,000)	($13,000)	($6,772)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash Flow				**$55,399**	**$40,185**	**$37,816**	**$35,289**	**$32,597**	**$29,735**	**$26,697**	**$23,478**	**$20,071**	**$16,471**	**$18,900**	**$21,668**	**$17,454**	**$13,022**	**$8,368**	**$3,486**	**($1,631)**	**($6,987)**	**($12,589)**	**($18,442)**
Asset Management Fee	2.50%			(6,000)	(6,150)	(6,304)	(6,461)	(6,623)	(6,788)	(6,958)	(7,132)	(7,310)	(7,493)	(7,681)	(7,873)	(8,069)	(8,271)	(8,478)	(8,690)	(8,907)	(9,130)	(9,358)	(9,592)
Partnership Management Fee	2.50%			(20,000)	(20,500)	(21,013)	(21,538)	(22,076)	(22,628)	(23,194)	(23,774)	(24,368)	(24,977)	(25,602)	(26,242)	(26,898)	(27,570)	(28,259)	(28,966)	(29,690)	(30,432)	(31,193)	(31,973)
Priority Carryback (Social Services)	2.50%			(60,000)	(61,500)	(63,038)	(64,613)	(66,229)	(67,884)	(69,582)	(71,321)	(73,104)	(74,932)	(76,805)	(78,725)	(80,693)	(82,711)	(84,778)	(86,898)	(89,070)	(91,297)	(93,580)	(95,919)
Total Net Operating Loss				($30,601)	($47,965)	($52,538)	($57,324)	($62,331)	($67,566)	($73,036)	($78,749)	($84,712)	($90,931)	($91,187)	($91,171)	($98,207)	($105,530)	($113,148)	($121,068)	($129,298)	($137,847)	($146,720)	($155,926)
Total Draw from Agency SRO/MHSA Operating Subsidy				**$30,601**	**$47,965**	**$52,538**	**$57,324**	**$62,331**	**$67,566**	**$73,036**	**$78,749**	**$84,712**	**$90,931**	**$91,187**	**$91,171**	**$98,207**	**$105,530**	**$113,148**	**$114,481**	**$0**	**$0**	**$0**	**$0**
Total Draw from Operating Reserve				**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$6,587**	**$129,298**	**$137,847**	**$146,720**	**$13,474**
Total Net Cash Flow				**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**($142,452)**
DISTRIBUTION OF OPERATING SUBSIDY/RESERVES																							
Agency Operating Subsidy																							
SRO Residential Hotel Funds		$450,000		$450,000	$432,899	$397,921	$357,321	$310,717	$257,707	$197,872	$130,772	$55,946	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Withdrawl from SRO Funds				($30,601)	($47,965)	($52,538)	($57,324)	($62,331)	($67,566)	($73,036)	($78,749)	($57,624)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest Earned	3.00%			$13,500	$12,987	$11,938	$10,720	$9,322	$7,731	$5,936	$3,923	$1,678	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated Balance of SRO Funds				$432,899	$397,921	$357,321	$310,717	$257,707	$197,872	$130,772	$55,946	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MHSA One-Time Funds		$498,850		$498,850	$513,816	$529,230	$545,107	$561,460	$578,304	$595,653	$613,523	$631,928	$623,799	$551,582	$476,942	$400,079	$313,875	$217,762	$111,147	$0	$1	$0	$0
Withdrawl from MHSA Funds				$0	$0	$0	$0	$0	$0	$0	$0	($27,088)	($90,931)	($91,187)	($91,171)	($98,207)	($105,530)	($113,148)	($114,481)	$0	$0	$0	$0
Interest Earned	3.00%			$14,966	$15,414	$15,877	$16,353	$16,844	$17,349	$17,870	$18,406	$18,958	$18,714	$16,547	$14,308	$12,002	$9,416	$6,533	$3,334	$0	$0	$0	$0
Accumulated Balance of MHSA Funds				$513,816	$529,230	$545,107	$561,460	$578,304	$595,653	$613,523	$631,928	$623,799	$551,582	$476,942	$400,079	$313,875	$217,762	$111,147	$0	$1	$0	$0	$0
Operating Reserve Account																							
Beginning Cash Balance		$254,435		$254,435	$262,068	$269,930	$278,028	$286,369	$294,960	$303,809	$312,923	$322,311	$331,980	$341,939	$352,198	$362,763	$373,646	$384,856	$396,401	$401,707	$284,459	$155,147	$13,081
Withdrawl from Operating Reserve				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($6,587)	($129,298)	($137,847)	($146,720)	($13,474)
Interest Earned	3.00%			$7,633	$7,862	$8,098	$8,341	$8,591	$8,849	$9,114	$9,388	$9,669	$9,959	$10,258	$10,566	$10,883	$11,209	$11,546	$11,892	$12,051	$8,534	$4,654	$392
Accumulated Balance of Operating Reserve Account				$262,068	$269,930	$278,028	$286,369	$294,960	$303,809	$312,923	$322,311	$331,980	$341,939	$352,198	$362,763	$373,646	$384,856	$396,401	$401,707	$284,459	$155,147	$13,081	($0)
Replacement Reserve Account																							
Beginning Cash Balance		$45,360		$45,360	$75,494	$107,106	$140,252	$174,988	$211,374	$249,469	$289,337	$331,042	$374,652	$420,235	$467,863	$517,610	$569,552	$623,768	$680,338	$739,348	$800,882	$865,031	$931,887
Scheduled deposit to Replacement Reserve				$29,000	$29,725	$30,468	$31,230	$32,011	$32,811	$33,631	$34,472	$35,334	$36,217	$37,122	$38,051	$39,002	$39,977	$40,976	$42,001	$43,051	$44,127	$45,230	$46,361
Interest Earned	2.50%			$1,134	$1,887	$2,678	$3,506	$4,375	$5,284	$6,237	$7,233	$8,276	$9,366	$10,506	$11,697	$12,940	$14,239	$15,594	$17,008	$18,484	$20,022	$21,626	$23,297
Accumulated Balance of Replacement Reserve				$75,494	$107,106	$140,252	$174,988	$211,374	$249,469	$289,337	$331,042	$374,652	$420,235	$467,863	$517,610	$569,552	$623,768	$680,338	$739,348	$800,882	$865,031	$931,887	$1,001,545

RESOLUTION NO. 2008 - ____

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

HOTEL BERRY: APPROVAL OF CONDITIONAL GRANT AGREEMENT AND AMENDMENT TO OWNER PARTICIPATION AGREEMENT FOR A GRANT OF UP TO $900,000 AND RELATED DOCUMENTS WITH THE TRINITY HOUSING FOUNDATION, A CALIFORNIA NON-PROFIT CORPORATION; RELATED BUDGET AMENDMENT

BACKGROUND

A. In June 2007, the Redevelopment Agency approved an Owner Participation Agreement, a $5 million Conditional Grant Agreement, a Residential and Non-Residential Regulatory Agreement and related documents to fund acquisition of the Hotel Berry, a downtown residential hotel.

B. The Hotel Berry was purchased by The Trinity Housing Foundation on December 21, 2007.

C. The Trinity Housing Foundation has formed a development partnership with the AF Evans Company to substantially rehabilitate the hotel.

D. The Trinity/AF Evans Partnership applied in July 2007 for nine percent tax credits, but was denied due to competition from projects outside the Sacramento area. Trinity/AF Evans intends to re-apply in April 2008 for nine percent tax credits.

E. When the Agency approved $5 million in acquisition funding in June 2007, Trinity/AF Evans had pegged operational costs at $3,800 per unit, based on a budget provided by Evans Property Management Company. At this operational cost, operational revenues and costs were in balance.

F. Evans Property Management Company has withdrawn from the project, causing Trinity/AF Evans to seek alternative management. Trinity/AF Evans has contracted with John Stewart Company (JSCO) to manage the property. JSCO accepted the assignment on condition that its budget include 24/7 front desk staffing. This is the primary reason operating costs have increased to $4,800 per unit, creating an imbalanced operating budget.

G. The project must have a balanced budget to be viable and competitive for tax credits.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. It is determined that the action proposed by this resolution is exempt from environmental review under the California Environmental Quality Act Guidelines Section 15301. The National Environmental Protection Act does not apply.

Section 2. The Agency Budget is amended to transfer $450,000 of 2005 Taxable Tax Allocation Bonds from the Single Room Occupancy (SRO) Residential Hotel Project Fund ("SRO Funds"), and $450,000 from the one-time Mental Health Services Act (MHSA) Program Fund to the Hotel Berry ("Project").

Section 3. The Amendment to the Owner Participation Agreement ("OPA"), attached to and incorporated in this resolution by this reference (Exhibit A), for financing the Hotel Berry project is approved and the Interim Executive Director is authorized to execute and transmit the OPA to the Trinity Housing Foundation.

Section 4. The Interim Executive Director is authorized to enter into a Conditional Grant Agreement ("Agreement") incorporated in this resolution as Exhibit B, not to exceed $900,000 with The Trinity Housing Foundation, a California nonprofit public benefit corporation, or related entity whereby, in the event other operating subsidies are not available after Hotel Berry project ("Project") receives a certificate of completion, the Sacramento Housing and Redevelopment Agency will grant an amount of $450,000 of 2005 Taxable Tax Allocation Bonds from the Single Room Occupancy (SRO) Residential Hotel Project Fund and $450,000 from the Mental Health Service Act Fund (MHSA) to cover operating deficits, in accordance with the following terms:

(a) The SRO Residential Hotel funds will be transferred to Trinity Housing Foundation following issuance of a certificate of completion for the Project. MHSA funds will be held with the Agency until five years after the transfer of SRO Residential Hotel funds.
(b) On an annual basis, Trinity/AF Evans will be required to submit annual operating statements, showing draw down of the capitalized funds to provide rent assistance for very low income tenants.
(c) The Agreement will be funded only if sufficient other operating subsidies are not available to cover operating expenses at the issuance of a certificate of completion for the Project;
(d) Disbursements of MHSA funds will be made quarterly and only in such amounts as necessary to cover actual operating deficits of the Project;

(e) The term of the Agreement will be for 15 years from the date the Project is completed;
(f) Funds disbursed and expended in compliance with the conditions of the Agreement are not a repayment obligation of the Trinity Housing Corporation.

Section 5. The Interim Executive Director is authorized to enter into the Agreement and to execute other documents and perform other actions as necessary to make and reasonably administer the Agreement

Section 6. The Interim Executive Director is authorized to make technical amendments to said Agreement with approval of Agency Counsel, which amendments are in accordance with Agency policy, with this resolution, with good legal practices for making of such a grant.

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Exhibit A – Amendment to Owner Participation Agreement
Exhibit B – Conditional Grant Agreement

First Amendment to Owner Participation Agreement

IN CONSIDERATION OF THEIR MUTUAL OBLIGATIONS, the Redevelopment Agency of the City of Sacramento ("Agency") and The Trinity Housing Foundation, nonprofit corporation, ("Owner") enter into this "Amendment" and amend the Owner Participation Agreement ("OPA") dated June 26, 2007, between the parties, as follows:

1. The OPA is amended as follows:

A. The following provisions are added to "Special Terms" on page 1 of the OPA:

#6. The project for the rehabilitation of the Hotel Berry ("Rehabilitation Project") needs both additional capital and operating support to enhance its competitiveness for tax credit financing. Owner has agreed to seek the additional capital funding from non-Agency sources. The Agency has agreed to provide additional operating support for the Completed Rehabilitation Project in the form of a Conditional Grant Agreement for Operating Subsidies. The Conditional Grant shall be funded by Four Hundred Fifty Thousand Dollars ($450,000) of 2005 Taxable Tax Allocation Bonds from the Single Room Occupancy Residential Hotel Project to the Hotel Berry Project and Four Hundred Fifty Thousand Dollars ($450,000) from the one-time Mental Health Services Act Program Fund ("MHSA").

#7. Owner shall enter into a regulatory agreement as a condition of obtaining MHSA funding for the operational costs of the Rehabilitation Project ("MHSA Regulatory Agreement.") The MHSA Regulatory Agreement shall add the following regulatory requirements to ten (10) floating MHSA units scattered through the Project: (1) Rent levels will not exceed thirty percent (30%) of a tenant's income in any of the MHSA funded apartment units; (2) MHSA apartment units will be affordable at thirty percent (30%) of Area Median Income for a period of fifteen (15) years; (3) Qualified tenants for the MHSA restricted units will be low-income adults, or older adults with serious mental illness, who, at the time of assessment for housing services, meet the criteria for MHSA services in Sacramento County and are homeless or at risk for homelessness; and (4) MHSA apartment units will initially be restricted to individuals enrolled in a MHSA Full Service Partnership.

#8. Owner shall execute an amendment to the Regulatory Agreement between Agency and Grantee, dated June 26, 2007, recorded on December 21, 2007, commencing at Page 1082 of Book 20071221 in the Official Records of the County Recorder of the County of Sacramento ("Amended Regulatory Agreement"). The Amended Regulatory Agreement shall restrict the Project to an average affordability level of 40 percent of Area Median Income on all units.

B. Section 2.7 of the OPA is amended as follows:

2.7 PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS. Owner shall prepare the Final Plans that shall include all construction and rehabilitation plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Rehabilitation Project. Developer shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall provide that the

Rehabilitation Project shall contain high-quality materials, and shall conform to all applicable zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this OPA. The Final Plans shall incorporate all related mitigation measures required for compliance with CEQA approvals. Owner agrees that it will comply with the requirements of the Design Review Board to the extent of its jurisdiction.

2.7.1 DELIVERY. Owner shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the Agency Clerk and shall have clearly marked on its exterior "URGENT: HOTEL BERRY REHABILITATION PROJECT PLAN REVIEW" or the equivalent.

2.7.2 DEEMED APPROVAL. The Final Plans or changes to the Final Plans shall be deemed approved unless disapproved in whole or in part, in writing, within fifteen (15) days after their proper delivery to Agency.

2.7.3 AGENCY DISAPPROVAL. If Agency disapproves, in whole or in part, the Final Plans or any change to the Final Plans, Agency shall state, specifically and in writing, at the time of disapproval, the reasons for disapproval and the changes which the Agency requests to be made. If the Agency rejects the proposed Final Plans, Owner shall obtain no rights to develop the Property under this OPA and Agency shall have no obligations regarding the Rehabilitation Project until such time as Developer has modified the proposed Final Plans and received the Agency's approval of the Final Plans as modified.

2.7.4 GOVERNMENTAL CHANGES. If any revisions or corrections of the Final Plans shall be required by any government official, agency, department or bureau in exercise of its proper jurisdiction, the Owner shall inform the Agency. If Agency and Owner concur in writing with the required change, Owner shall incorporate the change and it shall be deemed approved by Agency. If Agency or Owner reasonably disagrees with the required change, they shall reasonably cooperate with the agency requiring the change in efforts to develop a mutually acceptable alternative.

2.7.5 APPROVAL OF SUBSTANTIAL CHANGES TO FINAL PLAN. If the Owner desires to make any substantial changes in the Final Plans as approved by the Agency, the Owner shall submit such proposed changes, in writing, to the Agency for its approval. The Final Plans shall be construed to include any changes approved in the same manner as for approval of the original Final Plans. The Agency shall approve or disapprove the proposed change as soon as practicable. Nothing in this Section shall be construed to relieve Owner of its obligations under all applicable laws regarding such changes.

2.7.6 SUBSTANTIAL CHANGE. A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements. For purposes of this Section 2.7.6, a "material change" is a change that is material to the Agency in accomplishing its purposes under this OPA.

a) Material changes in the layout, elevation design, square footage.

b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.

c) Material changes in site development items for the Property that are specified in the Final Plans.

d) Any changes requiring approval of any city, county or state board, body, commission or officer, or any change required by any city, county or state board, body, commission or officer.

e) Any change which would preclude or materially reduce the ability to use the Rehabilitation Project as intended by this OPA.

2.7.7 MISREPRESENTATION. If the Agency's approval of the Final Plans is reasonably based upon a material misrepresentation to Agency by Owner or by anyone on Owner's behalf, the Agency may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding Agency's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

C. Section 2.13 of the OPA is amended as follows:

2.13 CERTIFICATE OF COMPLETION. After the Agency has determined that Developer has completed the construction of the Rehabilitation Project in accordance with the Final Plans and Developer's obligations under this OPA, the Agency will furnish the Developer with a "Certificate of Completion" certifying such completion. Such certification shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the OPA with respect to the obligations of the Developer to construct the Rehabilitation Project as of the Completion Date, subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute each Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

D. Exhibit 3 to the Agreement: Schedule of Performances, is amended to add the following:

TASK:	DUE ON OR BEFORE:
4. Owner shall submit Final Plans to Agency.	Two years after Agency approval of the First Amendment to the OPA.
5. Owner shall complete Rehabilitation Project	Four years after Agency approval of the First Amendment to the OPA.

2. No rights, obligations or defaults of the parties under the OPA are waived by this Amendment, except as expressly stated in this Amendment.

3. All other terms of the OPA shall remain the same.

Executed in Sacramento, California as of _____.

DEVELOPER : THE TRINITY HOUSING FOUNDATION, A CALIFORNIA NONPROFIT CORPORATION

By: _____

Its: _____

Approved as to form:

_____
Developer Counsel

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier, Interim Executive Director

Approved as to form:

_____
Agency Counsel

CONDITIONAL GRANT AGREEMENT

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, ("Grantor"), whose address is 630 I Street, Sacramento, California grants to The Trinity Housing Foundation, a California non-profit benefit corporation, ("Grantee"), with its principal office at 103 Castle Rock Road, Walnut Creek, CA 94958, the principal amount ("Conditional Grant") of NINE HUNDRED THOUSAND DOLLARS ($900,000), or so much as may be actually advanced under this agreement ("Grant Agreement") and the Amended Owner Participation Agreement between Grantor and Grantee, dated ***OPA Amendment Date*** ("Amended OPA").

1. **GRANT PURPOSE.** The Grantor is making this Conditional Grant for the public benefits derived from the use of the proceeds in the following project ("Project"): the transfer of $450,000 of 2005 Taxable Tax Allocation Bonds from the Single Room Occupancy (SRO) Residential Hotel Project and allocation of $450,000 of one-time Mental Health Services Act Funds (collectively the "Grant Funds") to fund the operation of the rehabilitated Hotel Berry ("Project").

2. **REPAYMENT OBLIGATION.** This Conditional Grant is subject to the terms and conditions of the Amended OPA and to the terms and conditions stated below. The Conditional Grant of the Grant Funds shall become unconditional for each expenditure of such funds after Grantee demonstrates to Grantor's satisfaction that the expenditure complies with the OPA and this Grant Agreement, as provided in Section 8. Grantee's obligations regarding repayment of the amount of the Conditional Grant shall decrease as the Conditional Grant becomes unconditional and shall cease when the entire amount of the Conditional Grant become unconditional. Grantee shall repay the remaining conditional portion of the grant if Grantee is in default of any of the following covenants and conditions and has not immediately commenced and diligently cured such default.

3. Definitions.

   a. Operating Income. Operating Income means, for any year, all income earned in such year from the operation of the Project in its ordinary course of business, including all rents, rent subsidies including tenant- and project-based subsidies, resident service subsidies, operating subsidies and other amounts paid to the Grantee by or on behalf of tenants and excluding interest on reserve accounts or payments received under this Grant Agreement.

   b. Operating Expenses. Operating Expenses means all cash costs and cash expenses paid by the Grantee and any partnership in which the Grantee participates of every kind and nature in connection with the management, business affairs, and debt service of the rehabilitated Hotel Berry. Operating Expenses shall not include capital expenditures paid from the replacement reserve.

   c. Operating Deficit. Operating Deficit means, for any given year, the amount (or the projected amount shown in the budget, as the case may be) in which the Operating Expenses exceed the Operating Income at the end of such year.

4. **DISBURSEMENT OF GRANT FUNDS.**

   a. Conditions to disbursement. The Grant Funds shall be disbursed upon the following conditions: (1) issuance of a certificate of completion for the Project as described in the Amended OPA; (2) recordation of a Deed of Trust against the property in the form attached as **Exhibit A: Deed of Trust Form**; and (3) recordation of a Regulatory Agreement against the property in the form attached as **Exhibit B: Regulatory Agreement Form.**

b. Reduction of available funds. If Grantee has obtained other funding prior to the disbursement of Grant Funds that eliminates the Project's projected operating deficit for the fifteen (15) years subsequent to the issuance of a certificate of completion, Grantor is not obligated to disburse the Grant Funds. If Grantee has obtained other funding prior to the disbursement of Grant Funds that reduces the Project's projected operating deficit or otherwise reduced its projected operating deficit for the fifteen (15) years subsequent to the issuance of a certificate of completion, Grantor shall disburse only those Grant Funds necessary to eliminate the projected operating deficit and shall amend the attached Exhibits A and B accordingly.

5. REJECTION OF ONE-TIME MENTAL HEALTH SERVICES ACT FUNDS. Notwithstanding any other provision in this Grant Agreement, Grantee may elect not to accept MHSA funds if, despite Grantee's good faith efforts, Grantee does not obtain MHSA CalHFA Capital Funds in the approximate amount of $680,000. In the event that Grantee does not accept the MHSA funds, Grantor shall amend Exhibit A: Deed of Trust Form and Exhibit B: Regulatory Agreement accordingly.

6. **CONDITIONS TO USE OF GRANT FUNDS.** Grantee shall comply with the following conditions on the retention and expenditure of Grant Funds:

a. Deposit of funds. The Grant Funds shall be deposited in an Operating Reserve Holding Account established by Grantee upon receipt by Grantee.

b. Approval of expenditures. Grantee may use the Grant Funds in the Operating Reserve Holding Account to pay only those operating expenses approved in writing by the Grantor in advance of expenditures. Expenditures made pursuant to a Budget approved in writing by the Grantor pursuant to Section 6 shall satisfy this requirement.

c. Approved categories of expenditures. Grantee shall expend the Grant Funds solely for reasonable and ordinary operating and maintenance costs, which shall consist of third party bills for operational expenses such as utilities, minor repairs, and contract services; Project-based costs such as insurance, taxes, and governmental fees and charges; salaries and administrative costs related to the operation of the Project; and standard operating and replacement reserve deposits.

d. Expenditure limits. Grantee shall not expend Grant Funds in excess of the Expenditure Limits set forth in **Exhibit C: Annual Expenditure Limits**, attached to and incorporated into this Grant Agreement.

7. **SUBMISSIONS BY GRANTEE; REVIEW OF BUDGET.** Grantee shall submit to Grantor in each calendar year commencing _____, 20__, and in form and substance acceptable to Grantor, the following.

a. Required documents. Grantee shall submit a budget for the upcoming calendar year; an operating statement for the preceding four (4) calendar quarters; rent roll as of the date of submission of the budget indicating for each unit, the tenant, the rent, the rent subsidy, if any, and the lease renewal date; and bank statements showing the balance in the Project's operating account and reserve accounts as of the date of submission.

b. Other Documents. Grantee shall furnish to Grantor such additional documentation, including timesheets, payrolls, vouchers, invoices, or cancelled checks, as shall be reasonably requested by Grantor within thirty (30) days after such request.

c. Financial Reports. Not later than 30 days after receipt by the Grantee, the Grantee shall send or cause to be sent to the Grantee's audited annual financial report containing a balance sheet as of the end of the fiscal year prepared in accordance with generally accepted accounting principles.

d. Review of Budget. Grantor shall approve or reject a Budget submitted by Grantee under Subsection a. above by notice to Grantee given on or before thirty (30) days after receipt of such budget and all other documentation required to be provided under Subsections a. and b. above. If Grantor rejects the Budget, such notice shall be accompanied by a statement of Grantor's objections to the Budget within ten (10) days thereafter. Grantor may, without limitation, reject any Budget in which the Operating Expenses are, in the reasonable opinion of the Grantor, excessive.

8. **CAP ON DEVELOPER FEES.** Partnership management fees and investor management fees for the Project shall not exceed the Expenditure Limits set forth in **Exhibit D: Maximum Management Fees**, attached to and incorporated in this Grant Agreement for the term of this Grant Agreement.

9. **VERIFICATION OF EXPENDITURES.** Not less than annually, Grantee shall provide an opinion prepared by a qualified, independent auditor acceptable to Grantor. The auditor's opinion shall indicate that each expenditure of Grant Funds complies with the conditions and covenants of this Agreement. Upon Grantor's written approval of the auditor's opinion, which approval shall not be unreasonably withheld, the grant shall become unconditional as to those Grant Funds expended in compliance with this Grant Agreement.

10. **DEFAULT.**

a. Default. Failure by Grantee to submit any documents due under Section 6 above, expenditure of Conditional Grant Funds in excess of the limits set forth by Exhibit A, expenditure of funds for purposes other than those set forth in Section 5 of this Grant Agreement, or failure by Grantee to perform any other obligations of Grantee under this Agreement shall be deemed a default by Grantee under this Agreement.

b. Remedies. Upon occurrence of a default, Grantor may give notice of such default to Grantee and may, at its option, in addition to any and all other remedies available to it, require repayment of the conditional portion of the Grant Funds if such default is not cured within sixty (60) days after notice thereof.

11. **OTHER FUNDING SOURCES.** Grantee shall diligently work with the Grantor to identify and obtain additional funding from sources other than Grantor to provide rental subsidies and operating assistance to the Project during the term of this Agreement. Grantee shall accept any additional funding sources that are compatible with the goals and operations of the Project.

12. **PREVAILING WAGES.** Unless stated otherwise above, Grantor advises Grantee that the Project is subject to the payment of prevailing wages under California law. Grantee shall inform the General Contractor and shall require the General Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Grantor's determination of the applicability of California prevailing wage requirements. Grantee and General Contractor have had the opportunity to meet with their respective legal counsel and to request a determination of the matter before the California Department of Industrial Relations and any other appropriate governmental bodies. Grantee and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Grantee indemnifies, holds harmless and defends the Grantor from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Grantee or General Contractor or both of them.

13. **TERMINATION.** This Grant Agreement shall terminate when: (1) Grantor has approved the expenditure of all Grant Funds pursuant to Section 8 of this Grant Agreement; (2) prior to disbursement of the Grant Funds, Grantee has obtained other funding that eliminates the Project's operating deficit for the fifteen (15) years subsequent to the issuance of a certificate of completion for the Project; or (3) upon repayment of the conditional portion of the Grant Funds to Grantor.

14. **DEFAULT OF OPA**. Grantee shall not default in any material provision of the OPA, subject to the rights of Grantee to cure such default as provided in the OPA.

15. **NO SALE OR EXCESS REFINANCING**. Grantee shall not, without Grantor's written consent: (a) sell or transfer all or any portion of the Site; or (b) refinances the Site for an amount greater than One Hundred Percent (100%) of the independently appraised, fair market value of the Site reduced by the amount of this Conditional Grant remaining unpaid. Grantor shall not withhold consent to sell to an otherwise financially qualified buyer who assumes Grantees obligations under this Conditional Grant and accepts the terms of this Conditional Grant.

16. **LOW INCOME TENANTS.** Grantee shall not permit discrimination against tenants because of their status as low-income tenants or as tenants receiving "Section 8" rental assistance or any other assistance from the U.S. Department of Housing and Urban Development or from any other federal, state or local program of housing or income assistance.

17. **MAINTAIN LOANS.** Grantee shall comply with the provisions of all loans secured by the Site and shall promptly and timely cure any default in said loans.

18. **ADEQUATE RESERVES**. Grantee shall maintain, or cause to be maintained, adequate capital, operational and regular and deferred maintenance reserves for the Project in accordance with ordinary and usual business practices of a prudent property owner. Funds in said reserve accounts shall be used solely for the designated purposes unless such use has first been approved in writing by Grantor.

19. **PROFESSIONAL MANAGEMENT**. Grantee shall obtain and maintain, for not less than three (3) years from the date of occupancy of improvements within the Site required by the Amended OPA, independent professional property management services with a firm approved by Grantor.

20. **NO NUISANCE**. Grantee shall permit no activity on the Site that may be construed to be a nuisance to any tenant on the Site, to any adjacent tenants or property owners or to the general public. In the event that such a nuisance is occurring on the Site, Grantee shall take immediate action to stop such nuisance and to prevent future occurrences of such nuisance.

21. **OCCUPANCY.** Grantee shall not permit the occupancy of any residential unit on the Site to exceed the occupancy limits established by the U.S. Department of Housing and Urban Development for subsidized housing units.

22. **PROJECT MAINTENANCE**. Project Maintenance. Grantee shall assure that the following maintenance and use provisions for the Site shall be enforced:

a. Building Upkeep. Grantee shall keep the exterior appearance of all buildings and structures in a clean and attractive condition. Grantee shall perform refinishing of surfaces immediately when observed to be needed due to damage or deterioration.

b. Grounds upkeep. Grantee shall maintain all grounds and landscaped areas within the Site and those adjacent to the Site, which the Grantee may control or otherwise maintain, in a condition consistent with first-quality landscape care. Grantee shall assure that shrubs and trees are to be properly and consistently pruned and that all landscaped areas are kept free of weeds, undesirable plants and trash.

c. Trash Storage. Grantee shall assure that all trash, including lawn, shrub and tree cuttings are placed in a screened enclosure when stored for pickup and that collected trash of any kind is not allowed to stand outside of an enclosure for more than eight (8) hours.

d. Storage and Repairs. Grantee shall assure that no painting, repairing or storage of personal property is permitted in any open parking area, balcony area, or common area or any other area visible to the public.

e. Signs. Grantee shall not install or permit the installation or use of any sign on the Site which creates a hazard by protruding, overhanging, blinking, flashing, exhibiting animation or other dangerous conditions. Grantee shall not install or permit the installation or use of any billboards, pennants, bunting or similar devices for advertising or commercial display which are not in accordance with all applicable ordinances, regulations and codes. All nonconforming signs shall be removed within the time specified by the organization have jurisdiction over the sign or by the Grantor.

23. **INDEMNITY.** Grantee indemnifies, and will hold harmless and defend, the Grantor, its officers, directors, commissioners, employees and agents against all claims, demands, penalties, judgments, awards, orders, expenses and liabilities related to the Property, Grantee's activities on the Property or arising from Grantees rights and obligations under this Grant Agreement. Such liabilities include without limitation, strict liability in tort or liability resulting from a finding that Grantor or Grantee are engaged in a joint venture or partnership. Such expenses include without limitation, court costs, arbitration or mediation fees, witness fees, investigator fees and attorney's fees, whether or not litigation is commenced. The indemnity provisions of this Section 24 shall survive the termination of this Grant Agreement, whatever the reason for such termination.

24. **ATTORNEY'S FEES AND COSTS.** If a party institutes any action (including without limitation, arbitration, mediation, motions, hearings, suits and appeals) to enforce a provision of this Grant Agreement, the prevailing party shall be entitled to recover from the non-prevailing party its fees, costs and expenses in connection with such action, including without limitation, the prevailing party's expert witness fees, investigator fees and attorney's fees. Payment of such fees shall include payment for such services whether provided by employees of the prevailing party or independent providers. Prevailing party shall mean the party who obtains a more favorable result than that offered by it in settlement of the issues, or in the absence of such settlement offer, the party obtaining a favorable result.

25. **NOT ASSIGNABLE.** Grantee shall have no right to, and shall not, assign this Conditional Grant, whether directly, by operation of law, or otherwise. Notwithstanding any other provision of this Grant Agreement, Grantee may assign this Grant Agreement to a single asset entity in which Grantee has a substantial interest and is the managing member, the general partner or the controlling shareholder and chief operations officer; provided (i) that the entity form and organizational documents have been approved by Agency Counsel, (ii) that the new entity has agreed in writing to be bound by all the provisions of this Grant Agreement and all agreements related to this Loan Agreement, and (iii) that the entity has been approved in writing, in advance, by the Agency's Executive Director.

26. **BOOKS AND RECORDS.** Grantee shall maintain such books and records related to the operation of the Project as are considered reasonable and necessary under generally accepted accounting principals and shall permit Grantor to view the books and records at any time during regular business hours.

27. **INTERPRETATION.** This Grant Agreement incorporates the Amended OPA in this document by this reference. This Grant Agreement integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. As the context may indicate, the singular and plural forms each include the other and gender references include all other genders. If any provision of this Grant Agreement is held invalid for any reason, the other provisions shall be given full force and effect to the extent that the purpose and intent of this Conditional Grant can then be met.

28. **WAIVERS AND AMENDMENTS.** All waivers of the provisions of this Grant Agreement must be in writing and duly executed by the waiving party. All amendments to this Grant Agreement must be in writing and duly executed by the Grantor and the Grantee.

29. **CUMULATIVE RIGHTS AND REMEDIES.** No right, power or remedy given to Grantor by the terms of this Grant Agreement or the Amended OPA is intended to be exclusive of any other right, power or remedy, and each such right, power or remedy will be cumulative and in addition to every other right, power or remedy given to the Grantor by the terms of any instrument, by any statute or otherwise.

30. **NONLIABILITY OF GRANTOR OFFICIALS AND EMPLOYEES.** No member, official or employee of the Grantor shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Grantor or for any obligations under the terms of this Grant Agreement.

31. **NOTICES AND DEMANDS.** Any notice, approval or other communication required or permitted to be given under this Grant Agreement shall be in writing and shall be personally delivered including but not limited to overnight delivery or deposited in the certified U.S. Mail, return receipt requested, first class and postage prepaid, addressed to each party at the following addresses or such other address as may be designated by a notice pursuant to this Section:

Grantee: The Trinity Housing Foundation
103 Castle Rock Road
Walnut Creek, CA 94958

With a copy to:

Grantor: Sacramento Housing & Redevelopment Agency
630 I Street
Sacramento, CA 95814

EXECUTED AT SACRAMENTO, CALIFORNIA, as of the date first written above.

GRANTEE:
THE TRINITY HOUSING FOUNDATION

By: _____
William M. Leone

Grantor:
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier
Interim Executive Director

_____
Agency Counsel approval as to form:

EXHIBIT A: DEED OF TRUST FORM

NO FEE DOCUMENT:
Entitled to free recording
per Government Code 6103.

When recorded, return to:
SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY
630 "I" Street
Sacramento, CA 95814
Attention: Legal Department

DEED OF TRUST AND ASSIGNMENT OF RENTS
SECURING PERFORMANCE OF CONDITIONAL GRANT REQUIREMENTS
Hotel Berry Rehabilitation

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

TERM	DEFINITION	
"Effective Date"		
"Trustor" and "Grantee"	The Trinity Housing Foundation, a California nonprofit corporation	
"Grantee Address"	103 Castle Rock Road, Suite 21, Walnut Creek, CA 94598	
"Trustee"	First American Title	
"Beneficiary" and "Grantor"	Redevelopment Agency of the City of Sacramento, a public body, corporate and politic	
"Grantor Address"	630 "I" Street, Sacramento, California 95814	
"Property"	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	729 L Street, Sacramento, CA
	Assessor's Parcel Number	006-0096-012
"Legal Description"	The Legal Description of the Property which is more particularly described in the attached **Exhibit 1 Legal Description**, which is an incorporated in and an integral part of this Deed of Trust.	
"Grant"	Which is Grantor's Conditional Grant of Taxable Bond Funds and One Time Mental Health Services Act Funds to Grantee which is secured by this Deed of Trust.	
	Which has a principal sum of	Nine Hundred Thousand Dollars and No Cents ($900,000.00)
"Grant Agreement"	Which in this instance is the Conditional Grant Agreement between Grantor and Grantee stating the term and conditions of the Conditional Grant.	
	Which is dated:	This transfer is pursuant to a Conditional Grant Agreement by and between the Redevelopment Agency of the City of Sacramento and The Trinity Housing Foundation.

"Additional Notices"	Grantor shall give copies of notices required to be delivered to Grantee to the following parties at the following addresses; provided, however that Grantee acknowledges that such notice is an accommodation and the failure of the Grantor to properly deliver any such notice shall not give rise to any claims or defenses of Grantee or any third party:

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Grantee, the Trustee, and the Beneficiary also referenced as Grantor.

Grantee, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Grantor to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Grantor the performance of the covenants and agreements of Grantee contained in this Deed of Trust and the Grant Agreement.

Grantee covenants that Grantee is lawfully seized of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Grantee will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Grantor's interest in the Property.

Grantee and Grantor covenant and agree as follows:

1. Grant Agreement Compliance. Grantee shall comply with all of Grantee's obligations under the Grant Agreement and shall assure that the Property complies in all respects with the Grant Agreement.

2. Repayment of Grant For Noncompliance. If Grantee does not comply with the respective requirements of this Deed of Trust and the Grant Agreement and fails to come into compliance with them within thirty (30) days after Grantor's written notice to Grantee of such noncompliance, the amount of the grant made under the Grant Agreement that has not become unconditional shall, at Grantor's option, be immediately due and payable, together with interest at the maximum rate allowed by law from the date of the advancement of the Grant proceeds. Grantee shall promptly pay when due such principal and interest, if any, on the Grant. All payments so received by Grantor shall be applied by Grantor first to interest payable, if any, and thereafter to the unpaid principal of the Grant.

3. Charges; Liens. Grantee shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Grantee making payment, when due, directly to the appropriate payee. Grantee shall promptly furnish to Grantor all notices of amounts due under this paragraph, and in the event that Grantee makes payment directly, Grantee shall promptly furnish to Grantor receipts evidencing such payments. Grantee shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which are inferior or superior to this Deed of Trust.

4. Insurance. Grantee shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Grantor consistent with the insurance requirements of the

Conditional Grant Agreement. In addition, Grantee shall insure against loss of all furniture, equipment and other personal property owned by Grantee related to Grantee's operation of the Property. Grantor shall have the right to hold the policies and policy renewals, and Grantee shall promptly furnish to Grantor all renewal notices and all receipts of paid premiums. In the event of loss, Grantee shall give prompt notice to the insurance carrier and Grantor. Grantor may make proof of loss if not made promptly by Grantee.

5. Liability Insurance. In addition to the casualty insurance required under the Conditional Grant Agreement during the course of construction, Grantee shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Conditional Grant Agreement and reasonably approved by Grantor.

6. Preservation and Maintenance of Property. Grantee shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

7. Protection of Grantor's Security. Grantee shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Grantor. If Grantee fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Grantor's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Grantor may, upon notice to Grantee, make such appearances, disburse such sums and take such action as are necessary to protect Grantor's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Grantor pursuant to this Section 7, with interest, shall become additional indebtedness of Grantee secured by this Deed of Trust. Unless Grantee and Grantor agree to other terms of payment, such amounts shall be payable upon notice from Grantor to Grantee requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Grantor and shall not be construed to require Grantor to incur any expense or take any action.

8. Inspection. Grantor, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Grantor shall give Grantee and any occupant of the Property reasonable prior notice of any such inspection.

9. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are assigned to and shall be paid to Grantor. In the event of a taking of all of the Property, the proceeds shall be applied to the sums secured by this Deed of Trust, subject to any claims of prior lienholders, with the excess, if any, paid to junior lienholders and Grantee, as they may determine. In the event of the partial taking of the Property, unless Grantee and Grantor otherwise agree in writing, and subject to any claims of prior lienholders, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior lienholders and Grantee, as they may determine.

If the Property is abandoned by Grantee, or if, after notice by Grantor to Grantee that the condemnor offers to make an award or settle a claim for damages, Grantee fails to respond to Grantor within 30 days after the date such notice is mailed, Grantor is authorized to collect and apply the proceeds, at Grantor's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Grantor and Grantee otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

10. Forbearance by Grantor Not a Waiver. Any forbearance by Grantor in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Grantor shall not be a waiver of Grantor's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Grant Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability; Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Grantor and Grantee, subject to the provisions of Section 16. All covenants and agreements of Grantee shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Grant Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Grantee or Grantor when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect, and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Grant Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Grantee without Grantor's prior written consent prior to the Grant becoming unconditional, Grantor may, at Grantor's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Grantor shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Grantor and the person to whom the Property is to be sold or transferred reach agreement in writing that the Grant may be assumed. If Grantor has waived the option to accelerate provided in this Section and if Grantee's successor in interest has executed a written assumption agreement accepted in writing by Grantor, Grantor shall release Grantee from all obligations under this Deed of Trust and the Conditional Grant Agreement.

If Grantor exercises such option to accelerate, Grantor shall mail Grantee notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Grantee, or any of its principals or anyone with a substantial legal interest in Grantee, may pay the sums declared due. If Grantee fails to pay such sums prior to the expiration of such period, Grantor may, without further notice or demand on Grantee, invoke any remedies permitted by this Deed of Trust.

Notwithstanding any other provision of this Deed of Trust, Grantee may assign this Deed of Trust to a single asset entity in which Grantee has a substantial interest and is the managing member, the general partner or the controlling shareholder and chief operations officer; provided (i) that the entity form and organizational documents have been approved by Agency Counsel, (ii) that the new entity has agreed in writing to be bound by all the provisions of this Deed of Trust and all agreements related to this Deed of Trust, and (iii) that the entity has been approved in writing, in advance, by the Grantor's Executive Director.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Grantee's breach of any covenant or agreement of Grantee in this Deed of Trust (including the covenants to pay when due sums, if any, secured by this Deed of Trust and restricting transfer of the Property) or Grant Agreement, Grantor shall mail notice to Grantee specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Grantee, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Grantor at Grantor's option may

declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Grantor shall be entitled to collect from the Grantee, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Grantor invokes the power of sale, Grantor shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Grantor's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Grantor or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Grantee and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Grantee, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Grantor or Grantor's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Grantor. In the event of a dispute regarding the excess funds, either Grantor or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Grantor in Possession. As additional security, Grantee assigns to Grantor the rents of the Property, provided that Grantee shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due.

Upon acceleration for breach or abandonment of the Property, Grantor, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Grantor, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Grantor, its agent and the receiver shall be liable to account only for those rents actually received.

18. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Grant, Grantee, and Grantee's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Grantor of any obligation of the Grant.

20. Reconveyance. Upon payment of all sums secured by this Deed of Trust or upon the secured sum of the Grant becoming unconditional, Grantor shall request Trustee to reconvey the Property and shall surrender this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

21. Substitute Trustee. Grantor, at Grantor's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.

22. Request for Notice. Grantee and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.

23. Statement of Obligation. Grantor may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.

24. Use of Property. Grantee shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.

IN WITNESS WHEREOF, Grantee has executed this Deed of Trust.

GRANTEE (Trustor):
THE TRINITY HOUSING FOUNDATION

By:_____
William M. Leone
Executive Director

County of Sacramento

State of California

ss.

On _____ before me, _____, personally appeared Nancy J. Atkinson, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she/it/they executed the same in his/her/its/their authorized capacity, and that by his/her/its/their signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____

Notary Public
In and for said County and State

EXHIBIT B: REGULATORY AGREEMENT FORM

NO FEE DOCUMENT:
Entitled to free recording
per Government Code 6103.
When recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
630 "I" Street
Sacramento, CA 95814

REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY CONTAINING COVENANTS AFFECTING REAL PROPERTY

PROJECT NAME:	Hotel Berry 2007
PROJECT ADDRESS:	729 L Street

FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AGENCY AND OWNER HAVE ENTERED THIS REGULATORY AGREEMENT AS OF THE EFFECTIVE DATE.

1. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.

2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM	DEFINITION		
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:		
"Agency"	Redevelopment Agency of the City of Sacramento		
	The Agency is a public body, corporate and politic.		
"Owner"	The Trinity Housing Foundation		
"Agency Address"	Agency's business address is 630 I Street, Sacramento, California 95814		
"Owner Address"	Owner's business address is as follows:	103 Castle Rock Road, Suite 21, Walnut Creek, California 94598	
"Jurisdiction"	City of Sacramento		
"Property"	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as **Exhibit 1 – Legal Description of the Property** and incorporated in this Regulatory Agreement by this reference		
"Funding Agreement"	The Funding Agreement between Agency and Owner as follows:	Titled:	Conditional Grant Agreement
		Dated:	
"Agency Funding"	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		
"Agency Funding Amount"	The amount of the Agency Funding, as follows:		$900,000.00
"Funding Requirements"	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in **Exhibit 2 – Funding Requirements.**		
"Approved Use"	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:		100

3. **RESTRICTED PARCELS; APPROVAL OF LEASES.** In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided,

however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels.

Agency Funding Source:	Other Funding Source:	Affordability Level:	Number of Units:	Restricted Units:	Initial Maximum Rent per Unit per Month:
Downtown Project Area Tax Increment Housing Fund		Very Low Income, 40% of AMI	81 units		$497
Downtown Project Area Tax Increment Housing Fund		Very Low Income, 50% of AMI	11units		$621
Downtown Project Area Tax Increment Housing Fund, Mental Health Services Act One-Time Funds		Extremely Low Income, 30% of AMI	10 units		$372
Downtown Project Area Tax Increment Housing Fund		Extremely Low Income, 30% of AMI	1 unit		$372

4. **MANAGEMENT AGREEMENT.** Borrower shall obtain and maintain a property management agreement with a duly accredited real estate property management company for the management of the Property. Owner shall not change management company without the prior written approval of the Agency. If Agency has approved an initial property manager for the Project, the company shall be listed immediately below. The term of such agreement shall be the longer of the term of the Funding Agreement or the longest term of the Funding Restrictions

Approved Management Company
John Stewart Company

5. **SPECIAL PROVISIONS.** Owner shall also comply with the following special provisions.

Provision
None

6. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for providing the Agency Funding. [For purposes of this Article II, "Property" shall mean Property or Restricted Unit as the context may indicate.] The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

7. COVENANTS. Owner makes the following covenants. Unless Owner has received the prior written consent or Agency approval otherwise, Owner shall fully comply with each and every covenant. Except as otherwise stated in this Regulatory Agreement, the following covenants shall have a term that is the same as the longest term specified in the Funding Requirements.

a. Owner shall use and permit others to use the Property only for the Approved Use.

b. Owner shall assure full compliance with the Funding Requirements.

c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.

d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.

e. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable housing quality standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed storage, debris, and waste materials. In the event of a casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.

f. Owner shall not cause and shall not permit discrimination on the basis of race, color, ancestry, religion, creed, sex, marital status, or national origin in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall assure compliance with the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) prohibiting the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in the such act.

8. **NATURE OF COVENANTS.** The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in the Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, the Agency, the Agency's successors and assigns, any other governmental entity acting within its authority and any successor in interest to Agency's interest under this Regulatory Agreement against the Owner, its successors and assigns and every successor in interest to all or any part of the Property.

9. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifteen (15) years from the Effective Date.

10. **REVIVAL OF COVENANTS AFTER FORECLOSURE.** The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

11. **MULTIPLE FUNDING REQUIREMENTS.** If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

12. **RECORDKEEPING AND REPORTING.** Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which

information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

13. **AUDIT AND INSPECTION.** The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related papers shall at all times be maintained in reasonable condition for audit and shall be subject to examination by the Agency or its agents. The books and accounts of the operations of the Property and of the Property shall be kept in accordance with generally accepted accounting principles. Owner shall provide Agency access to the Property and its tenants during reasonable hours for the purpose of reviewing Owner's compliance with this Regulatory Agreement.

14. **INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS.** Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement or to comply with all other laws, rules, regulations and restrictions related to the use of Agency Funding. Without limitation, such indemnity shall include repayment to the appropriate parties of rents or sales proceeds in excess of amounts authorized to be charged and repayment to the Agency of the costs of funds and the value of lost opportunities resulting from the required repayment by Agency to the funding source of funds improperly used.

15. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

16. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

17. **BINDING SUCCESSORS IN INTEREST.** This Regulatory Agreement shall bind and the benefits shall inure to the Owner, its successors in interest and assigns, and to the Agency and its successors for the term of this Regulatory Agreement.

18. **CONTRADICTORY AGREEMENTS.** Owner warrants that he has not, and will not, execute any other agreement with provisions contradictory of or in opposition to, the provisions of this Regulatory Agreement, and that, in any event, the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict with this Regulatory Agreement.

19. **ATTORNEYS' FEES.** If the services of any attorney are required by any party to secure the performance of this Regulatory Agreement or otherwise upon the breach of default of another party, or if any judicial remedy or mediation is necessary to enforce or interpret any provision of this Regulatory Agreement or the rights and duties of any person in relation to this Regulatory Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and other expenses, in addition to any other relief to which such party may be entitled. Any award of damages following judicial remedy or arbitration as a result of this Regulatory Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law. The prevailing party shall mean the party receiving an award in arbitration or a judgment in its favor, unless the award or judgment is less favorable than the best settlement offered in writing in a reasonable manner by the other party, in which case the prevailing party is the other party.

20. **SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

21. **ELECTION OF REMEDIES.** To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

The remedies of the Agency under this Regulatory Agreement are cumulative, and the exercise of one or more of such remedies, including, without limitation, remedies under the Funding Agreement shall not be deemed an election of remedies and shall not preclude the exercise by the Agency of any one or more of its other remedies.

22. **NO WAIVER.** No waiver by the Agency of any breach of or default under this Regulatory Agreement shall be deemed to be a waiver of any other or subsequent breach or default.

23. **NOTICES.** Written notices and other written communications by and between the parties shall be addressed to the Owner at the Owner Address and to the Agency at the Agency Address or such other address as each respective party has designated by written notice to the other party.

THE PARTIES HAVE EXECUTED THIS REGULATORY AGREEMENT in Sacramento, California as of the _____,____.

OWNER : THE TRINITY HOUSING FOUNDATION
By: _____
William B. Leone
Executive Director

Date:_____

Approved as to form:_____
Developer Counsel

AGENCY: THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

By: _____
LaShelle Dozier, Interim Executive Director

Date: _____

Approved as to form:_____
Agency Counsel

EXHIBIT 1: PROPERTY DESCRIPTION

LEGAL DESCRIPTION

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

PARCEL NO. 1:

A PORTION OF LOT 5 IN THE BLOCK BOUNDED BY "K" AND "L", SEVENTH AND EIGHTH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY OF SACRAMENTO, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT OF INTERSECTION OF THE WEST LINE OF 8TH STREET WITH THE NORTH LINE OF L STREET OF SAID CITY OF SACRAMENTO, SAID POINT BEING THE SOUTHEAST CORNER OF SAID LOT 5, SAID BLOCK, RUNNING THENCE NORTHERLY AND ALONG SAID WEST LINE OF 8TH STREET, A DISTANCE OF 100.19 FEET TO A POINT IN SAID WEST LINE OF 8TH STREET, WHICH POINT IS ALSO LOCATED 60.12 FEET SOUTHERLY (MEASURED ALONG SAID WEST LINE 8TH STREET) FROM THE NORTHEAST CORNER OF SAID LOT 5; AND WHICH SAID NORTHEAST CORNER OF SAID LOT 5 IS LOCATED 160.31 FEET NORTHERLY (MEASURED ALONG SAID WEST LINE OF 8TH STREET) FROM SAID SOUTHEAST CORNER OF SAID LOT 5; THENCE WESTERLY AND ALONG A LINE DRAWN PARALLEL WITH A DISTANCE OF 100.19 FEET NORTHERLY (MEASURED ALONG SAID WEST LINE OF 8TH STREET) FROM SAID NORTH LINE OF L STREET, A DISTANCE OF 72.66 FEET; THENCE SOUTHERLY A DISTANCE OF 100.19 FEET, MORE OR LESS TO A POINT IN SAID NORTH LINE OF L STREET, WHICH IS DISTANCE THEREON 72.59 FEET WESTERLY (MEASURED ALONG SAID NORTH LINE OF L STREET) FROM SAID POINT OF COMMENCEMENT; THENCE EASTERLY AND ALONG SAID NORTH LINE OF L STREET, A DISTANCE OF 72.59 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION THEREOF DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN SIX-STORY BRICK BUILDING KNOWN AS HOTEL BERRY LOCATED AT THE NORTHWEST CORNER OF 8TH AND L STREETS, IN SACRAMENTO CITY, STATE OF CALIFORNIA, WHICH SAID BEGINNING POINT IS ON THE NORTHERLY LINE OF L STREET AND DISTANCE 72.08 FEET WESTERLY FROM THE SOUTHEASTERLY CORNER OF LOT 5, IN THE BLOCK BOUNDED BY K AND L STREETS, AND 7TH AND 8TH STREETS, ACCORDING TO THE OFFICIAL PLAN OF SACRAMENTO CITY AND RUNNING THENCE ALONG THE WESTERLY LINE OF SAID SIX-STORY BRICK BUILDING, NORTHERLY FROM THE NORTHERLY LINE OF L STREET, 37.87 FEET TO THE NORTHWESTERLY CORNER OF SAID HOTEL BERRY SIX-STORY BRICK BUILDING; THENCE WESTERLY, PARALLEL WITH THE NORTHERLY LINE OF L STREET, TWO INCHES TO THE SOUTHWESTERLY CORNER OF THE HOTEL BERRY ONE-STORY ANNEX TO THE SAID SIX-STORY BRICK BUILDING; THENCE ALONG THE WESTERLY LINE OF SAID HOTEL BERRY ONE-STORY ANNEX NORTHERLY 47.80 FEET TO A JOG IN THE SAID WESTERLY LINE OF SAID HOTEL BERRY ONE-STORY ANNEX, AT A POINT WHICH IS DISTANCE SOUTHERLY 74.56 FEET FROM THE SOUTHERLY LINE OF THE ALLEY IN THE HEREINABOVE MENTIONED BLOCK AND 72.24 FEET WESTERLY, MEASURED AT RIGHT ANGLES, FROM THE WESTERLY LINE OF 8TH STREET; THENCE AMONG SAID JOG WESTERLY, PARALLEL WITH THE NORTH LINE OF L STREET 0.51 FEET TO THE DIVISION CORNER COMMON THE WEST WALL OF THE HOTEL BERRY ONE-STORY ANNEX ON THE EAST, AND THE EAST WALL OF THE TWO-STORY BERRY GARAGE ON THE WEST; THENCE SOUTHERLY 85.67 FEET, MORE OR LESS, TO THE NORTHERLY LINE OF L STREET AT A POINT WHICH IS DISTANCE 72.59 FEET FROM THE SOUTHEASTERLY CORNER OF LOT 5, HEREINABOVE MENTIONED; AND THENCE ALONG THE NORTHERLY LINE OF L STREET, EASTERLY 0.51 FEET

TO THE POINT OF BEGINNING, AND BEING AND CONSTITUTING A FRACTIONAL PART OF LOT 5 IN BLOCK K TO L STREET, 7TH AND 8TH, CITY OF SACRAMENTO, AND COMPRISING A STRIP OF LAND LYING ADJACENT TO AND WESTERLY OF THE WEST WALL OF THE BERRY HOTEL AND ANNEX AS IT EXISTS TODAY.

PARCEL NO. 2:

THAT PORTION OF LOT 5 IN THE BLOCK BOUNDED BY6 "K" AND "L", SEVENTH AND EIGHTH STREETS AND THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY OF SACRAMENT, DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHWEST CORNER OF A PARCEL OF LAND CONVEYED BY CAPITOL PROPERTIES, INC., TO D. LAGAR, DESCRIBED AS PARCEL 1 IN DEED RECORDED OCTOBER 31, 1936, IN BOOK 594 OF OFFICIAL RECORDS OF SACRAMENTO COUNTY, AT PAGE 462, WHICH CORNER IS ALSO LOCATED 72.66 FEET WESTERLY OF THE WEST LINE OF 8TH STREET AND 60.13 FEET SOUTHERLY OF THE SOUTH LINE OF THE ALLEY; THENCE WESTERLY PARALLEL WITH THE NORTH LINE OF L GARAGE; THENCE SOUTHERLY, ALONG THE EAST LINE OF SAID WALL, A DISTANCE OF 14.43 FEET TO A JOG IN SAID WALL; CONVEYED TO D. LAGAR, THENCE NORTHERLY ALONG THE WEST LINE OF SAID PARCEL A DISTANCE OF 14.43 FEET TO THE POINT OF BEGINNING.

APN: 006-0096-012-0000

EXHIBIT 2: FUNDING REQUIREMENTS

ONE-TIME MENTAL HEALTH SERVICES ACT FUNDING REQUIREMENTS

1. MHSA funding is being provided Owner to subsidize operating deficits for apartment units scattered throughout the Project.

2. Rent levels will not exceed thirty percent (30%) of a tenant's annual gross income in any of the MHSA designated apartment units.

3. MHSA apartment units will be affordable at thirty percent (30%) of AMI for a period of fifteen (15) years.

4. Qualified tenants for the MHSA restricted units will be low-income adults or older adults with serious mental illness who, at the time of assessment for housing services, meet the criteria for MHSA services in Sacramento County and are homeless or at risk for homelessness.

5. MHSA Apartment units will initially be restricted to individuals enrolled in a MHSA Full Service Partnership program.

TI FUNDING REQUIREMENTS FOR RENTAL HOUSING

PROJECT AREA REDEVELOPMENT HOUSING FUND

These "TI Funding Requirements" are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the financing document that is described in the Regulatory Agreement. [The capitalized terms used shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these TI Funding Requirements that are not defined below are defined in the Regulatory Agreement and in such financing document.]

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Housing Fund (as defined in Health & Safety Code Section 33334.3) of the Project Area Redevelopment Project Area ("Project Area") and made in accordance with the provisions of the redevelopment plan for the Project Area ("Redevelopment Plan") and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding ("Property") is rehabilitated or developed as residential rental property ("Project") with certain units regulated in accordance with Health & Safety Code Section 33487 ("TI Restricted Units") by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(e). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area.

2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate :

   a. Moderate-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.

   b. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.

   c. Very Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.

   d. Owner shall be responsible to determine the affordable amounts for the TI Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.

3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of fifty-five (55) years, unless a longer term is specified in the body of the document to which this attached.