

CONDITIONAL GRANT AGREEMENT

[Secured by Deed of Trust]

Budget Inn 5321 Stockton Boulevard, Sacramento, CA

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 **MERCY HOUSING CALIFORNIA XLII**, a California Limited Partnership, ("Grantee"), with its principal office at 3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691, the principal amount ("Conditional Grant") of ONE MILLION TWO HUNDRED SEVENTY THREE THOUSAND DOLLARS (\$1,273,000), or so much as may be actually advanced under this agreement ("Grant Agreement") and the Owner Participation Agreement between Grantor and Grantee, dated _____ 2008.

This Conditional Grant is secured by a deed of trust ("Deed of Trust") on the real property ("Site") described in the attached "Legal Description" incorporated in this Grant Agreement by this reference. This Conditional Grant is subject to the terms and conditions of the OPA and to the terms and conditions stated below.

The Conditional Grant shall become unconditional upon the issuance of a certificate of occupancy, provided that all conditions have then been met and Grantee is not then in default of the OPA or this Grant Agreement. Grantee's obligations regarding repayment of the amount of the Conditional Grant shall cease when the Conditional Grant becomes unconditional. Grantee shall repay 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:

1. **GRANT PURPOSE AND USE OF FUNDS.** Grantor is making this Conditional Grant for the public benefits derived from the use of the proceeds in the following project ("Project"): Budget Inn Acquisition, Rehabilitation and Conversion Project- This Project is to convert the 101 unit motel on Stockton Boulevard into a 74 unit apartment with studio and one-bedroom apartments which would provide permanent housing and services to homeless individuals seeking the opportunity for housing with services to address issues with physical and mental disabilities. The proceeds of the Conditional Grant shall be used solely for the Project.

2. **DISBURSEMENT.** The proceeds of this Conditional Grant shall be disbursed upon execution by each party and delivery to the other party of this Grant Agreement and subject to the following conditions and procedures:

3. **CONDITIONS TO DISBURSEMENT.** Agency shall not be obligated to disburse any of the Conditional Grant proceeds unless and until all of the conditions are met with respect to each such disbursement:

- (i) The proceeds of the Conditional Grant are used solely for the following: It is anticipated that the Grant Funds shall be used exclusively for the acquisition of the Project.
- (ii) Grantee is not and shall not be in default of the OPA, subject to the rights of Grantee to cure such default as provided in the OPA.
- (iii) Grantee is not in default of any provision of this Grant Agreement, subject to the rights of Grantee to cure such default.
- (iv) Grantee has fully complied with the following disbursement procedures.

4. DISBURSEMENT PROCEDURES. Grantor shall disburse the Conditional Grant proceeds according to the following procedures: Grantee has made written demand for disbursement stating the amount requested and the intended use of the proceeds to be disbursed which shall be deposited into the escrow for the acquisition of the Project.

5. PREVAILING WAGES Grantor advises Grantee that the Project is subject to the payment of prevailing wages under California law. Grantee shall inform the Contractor and shall require the 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 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 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 Contractor or both of them. EDI funds (federal funds) are also being used in the funding of this Project. Grantee shall comply with Davis-Bacon prevailing wage requirements as they may apply as described in the Federal Requirements.

6. 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.

7. 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) refinance 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 Grantee's obligations under this Conditional Grant and accepts the terms of this Conditional Grant. This section shall not apply to the admission of an investor limited partner to Grantor.

8. LOW INCOME TENANTS AND HCV/ SEC. 8 TENANTS Grantee shall not permit discrimination against tenants because of their status as low-income tenants or as tenants receiving "HSV" or "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.

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

10. 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.

11. PROFESSIONAL MANAGEMENT. Grantee shall obtain and maintain, for the term of the Regulatory Agreement from the date of occupancy of improvements on the Site required by the OPA, independent professional property management services with a firm approved by Grantor. Grantor hereby approves Mercy Services Corporation as the property manager for the Project.

12. 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.

13. 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.

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

15. **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.

16. **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 reasonably kept free of weeds, undesirable plants and trash.

17. **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.

18. **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.

19. **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.

20. **FEDERAL REQUIREMENTS.** Grantee represents that Grantee has reviewed the attached "Federal Requirements Attachment" incorporated in this Grant Agreement by this reference. Grant shall fully comply with all applicable requirements stated in such attachment.

21. **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 Grantee's 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 21 shall survive the termination of this Grant Agreement, whatever the reason for such termination.

22. **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 reasonable 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.

23. **NOT ASSIGNABLE.** Except as described in Section 7, Grantee shall have no right to, and shall not, assign this Conditional Grant, whether directly, by operation of law, or otherwise.

24. **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 principles and shall permit Grantor to view the books and records at any time during regular business hours.

25. **INTERPRETATION.** This Grant Agreement incorporates the Deed of Trust and the 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.

26. **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 Grantee.

27. **CUMULATIVE RIGHTS AND REMEDIES.** No right, power or remedy given to Agency by the terms of this Grant Agreement or the 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.

28. **NONLIABILITY OF AGENCY OFFICIALS AND EMPLOYEES.** No member, official or employee of the Grantor shall be personally liable to the Grantee, 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.

29. **NOTICES AND DEMANDS.** A notice, demand or other communication under this Grant Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail postage or prepaid, return receipt requested, or delivered personally or by national courier service, delivery charges prepaid, to the address set out above, or at such other address for the receiving party as has been duly noticed under this Section 28.

EXECUTED AT SACRAMENTO, CALIFORNIA, as of the date first written above.
GRANTEE:
MERCY HOUSING CALIFORNIA XLII, a California Limited Partnership

Grantor:
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: Mercy Housing Calwest, a California nonprofit public benefit corporation, its general partner

By: _____
LaShelle Dozier
Interim Executive Director

By: _____

Grantor Counsel approval as to form:

Its: _____

Date: _____

Approved as to form:

Grantee Counsel

PERMANENT SUPPORTIVE HOUSING RENT SUBSIDY AGREEMENT

THIS PERMANENT SUPPORTIVE HOUSING RENT SUBSIDY AGREEMENT AGREEMENT (“Agreement”) is made effective as of the _____ day of _____, _____, by and between Sacramento Housing & Redevelopment Agency (“Agency”) and Mercy Housing California XLII, a California Limited Partnership (“Owner”).

RECITALS

A. Owner was formed for the purpose of owning real property in Sacramento, California and rehabilitating and operating 75 residential units thereon for extremely low and very low income households, including one manager’s unit (the “Project”). Seventy-four (74) of the units have been designated for use as permanent supportive housing for homeless (or at risk of becoming homeless) individuals.

B. Owner has applied for funds from the CalHFA/MHSA program to subsidize the rental payments and operating costs of Twenty-Five (25) permanent supportive housing units.

C. Despite diligent efforts, Owner has not identified or obtained the funding necessary to operate Forty-Nine (49) permanent supportive housing units. Such funding is necessary because the future residents of such units will be unable to pay sufficient rent to offset the cost of Project operations and maintenance. Therefore, additional rental subsidy is required to ensure the operational and financing feasibility of the Project.

D As a condition of Agency funding, Owner has agreed to restrict Seventy-Four (74) permanent supportive housing units (“Agency Restricted Units”) to very low income levels pursuant to an agreement containing covenants, conditions and restrictions, including without limitation, use restrictions that run with the Property (“Regulatory Agreement”).

E. Under the Regulatory Agreement, the Agency has the option, but not the obligation, to buy down the Agency Restricted Units from very low income units to extremely low income levels. The annual price per unit is equivalent to the pro-rata operating deficit caused by operation of the Project for the benefit of extremely low income tenants. The buy-down price reflects the extremely low income rent levels and the extraordinary costs associated with permanent supportive housing for the extremely low income population. In addition, the buy-down price reflects the fact that Owner has committed to ensure that the rent for Forty-Nine (49) of the Agency Restricted Units (the “Agency Subsidized Units”) does not exceed thirty percent (30%) of the actual income of each tenant or 19% of AMI, which ever is more.

F. Agency has agreed and commits pursuant to this Agreement to provide a rental subsidy to Owner on behalf of the tenants of Agency Subsidized Units for a sixteen (16) year period to buy down the Agency Subsidized Units to extremely low income affordability levels in order to supplement rents paid by the tenants of the units and ensure the operational and financing feasibility of the Project.

G. Agency and Owner are entering into this Agreement to specify the conditions and procedures under which Agency will disburse rental subsidy funds to the Owner.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. **Definitions.**

- a. **Budget.** Budget means a statement of projected operations of the Agency Subsidized Units component of the Project for a calendar year in the form of **Exhibit A** attached hereto.
- b. **Draw Request.** Draw Request means a request in the form of **Exhibit B** attached hereto for a payment of funds pursuant to this Agreement.
- c. **Agency Subsidized Unit Expenses.** Agency Subsidized Unit Expenses means for any year beginning as of the issuance of a certificate of occupancy for the Project by the City of Sacramento, cash costs and expenses paid by the Owner in connection with the Agency Subsidized Units for reasonable and ordinary operating and maintenance costs. Reasonable and ordinary operating and maintenance costs are defined as the following:
 - i. Reasonable and ordinary operating and maintenance costs consist of third party costs for operational expenses such as property management salaries, administrative costs, utilities, minor repairs, and contract services; pro-rata costs of Project-based costs such as insurance, taxes, and governmental fees and charges; a management fee not to exceed \$43 per unit per month in the first year, and standard operating and replacement reserve deposits.
 - ii. Reasonable and ordinary operating and maintenance costs also consist of a pro-rata amount of mortgage payments, deferred developer fees, or partnership management and investor asset management fees related to the Agency Subsidized Units, which have been either included in the final Project pro forma or approved by Agency annually in advance as part of Owner's annual budget submission as required in Section 3.

- iii. Reasonable and ordinary operating and maintenance costs may not consist of bond service fees to the Agency; owner distributions, capital expenditures paid from the replacement reserve, or expenses incurred for Agency Subsidized Units that have been vacant in excess of thirty (30) consecutive days.
- d. Agency Subsidized Unit Income. Agency Subsidized Unit Income means, for any year, all income earned from the operation of the Project in its ordinary course of business in connection with the Agency Subsidized Units, including all rents, rent subsidies including tenant- and project-based subsidies, resident service subsidies, operating subsidies and other amounts paid to the Owner by or on behalf of tenants and excluding interest on reserve accounts or payments received under this Agreement.
- e. Agency Subsidized Unit Operating Deficit. Agency Subsidized Unit Operating Deficit means the annual amount (or the projected amount shown in the Budget, as the case may be) in which the Agency Subsidized Unit Expenses exceed the Agency Subsidized Unit Income at the end of the Budget year.
- f. Rental Subsidy Holding Account. Rental Subsidy Holding Account shall mean the account to which payments are made for the purpose of funding Agency Subsidized Unit Operating Deficits in accordance with this Agreement.

2. Establishment and Use of Account.

- a. Rental Subsidy Holding Account. Owner shall promptly establish the Rental Subsidy Holding Account and shall thereafter administer such account in accordance with this Agreement. All Agency payments made under this Agreement shall be deposited into the Rental Subsidy Holding Account when received and all expenditures from the Rental Subsidy Holding Account shall comply with the restrictions set forth in Subsection b.
- b. Use of Funds. Owner may use the funds in the Rental Subsidy Holding Account to pay Agency Subsidized Unit Expenses approved in writing by the Agency. Expenditures made pursuant to a Budget or Draw Request approved in writing by the Agency shall satisfy this requirement. Such funds are intended to cover operating losses that result from the inability of tenants in the Agency Subsidized Units to pay sufficient rent to offset the cost of Agency Subsidized Unit Expenses.

3. Submissions by Owner; Review of Budget.

- a. Owner shall submit to Agency in each calendar year of Project operation during the term of this Agreement and in form and substance acceptable to Agency, the following documents. For the first year of Project operation, Owner shall submit all of the following documents that are available.

November 1: i. budget for the upcoming calendar year.

March 1: i. operating statement for the preceding calendar year for the Project and a separate operating statement for Agency Subsidized Units;

ii. rent roll as of December 31 of the preceding calendar year indicating for each unit the tenant, the rent, the rent subsidy, if any, and the lease renewal date; and

iii. bank statements showing the balance in the Project's operating account and reserve accounts as of December 31 of the preceding calendar year for Agency Subsidized Units together with reconciliation of such balances for the preceding calendar year; and

iv. current fire and liability insurance policies for the Project.

May 1: i. certified financial statements of Owner; and

August 1: i. bank statement for the Rental Subsidy Holding Account for the preceding June 30; and

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

c. Review of Budget. Agency shall approve or reject a Budget submitted by Owner under Subsection a. above by notice to Owner given on or before the later of (i) December 1 or (ii) thirty (30) days after receipt of such budget and all other documentation required to be provided under Subsections a. and b. above. If Agency rejects the Budget, such notice shall be accompanied by a statement of Agency's objections to the Budget within ten (10) days thereafter. Agency may, without limitation, reject any Budget in which the Agency Subsidized Unit Expenses are, in the reasonable opinion of the Agency, excessive, in which event Agency shall explain Agency's reason for finding such costs excessive.

4. Payment to Rental Subsidy Holding Account.

a. Budgeted Deficit. If the Budget approved by Agency for any year includes an Agency Subsidized Unit Operating Deficit; Agency shall pay the amount of such Agency Subsidized Unit Operating Deficit to the Rental Subsidy Holding Account in four equal quarterly installments. Agency shall pay the first installment to the Rental Subsidy Holding Account on the first day an approved Budget takes effect.

b. Actual Deficit. If Owner shall require additional operating funds due to reasonably unforeseen circumstances or events connected to the Agency Subsidized Units, Owner may submit to Agency from time to time, but not more frequently than two (2) times in any year, a Draw Request for disbursement of additional funds to the Rental Subsidy Holding Account. Such Draw Request shall identify such circumstances or events and shall be accompanied by a twelve month Operating Statement through the end of the most recent calendar quarter. Agency shall evaluate the Draw Request and supporting documentation and, if approved, shall pay the amount specified in the Draw Request to the Rental Subsidy Holding Account. Agency commits, subject to the limitations detailed in Section 7, to fund such requests that are made due to the unexpected decrease or unavailability of certain disability benefits for tenants. Owner and Agency acknowledge that Section 7 below is based upon the assumption that all tenants will have these certain disability benefits which in 2008 equate to 22% of the Area Median Income.

5. Affordability Levels.

a. Extremely Low Income. Owner agrees that the Agency payments made pursuant to this Agreement are sufficient to buy down the Agency Subsidized Units to extremely low income affordability levels as set forth by the Regulatory Agreement, for the term of this Agreement. Therefore, Owner shall assure the affordability of the Agency Subsidized Units at extremely low income levels for the term of this Agreement.

b. Actual Income or 19% of AMI. Owner commits that the tenant-paid rent for the Agency Subsidized Units will not exceed thirty percent (30%) of the actual income or 30% of 19% of AMI of each tenant which ever is more. Owner and Agency acknowledge the Project tenants will be eligible for state and federal disability or social security income and that these benefits are estimated to be currently equal to 19% of the Area Median Income (AMI). However, enrollment in such benefit programs may not be in effect at the time of move-in. Owner and Agency agree that other Project reserves will be used to cover such temporary additional Project income deficits.

6. Default.

- a. Default. Failure by Owner to submit any documents due under Section 3 above on the date such documents shall be due or perform any other obligations of Owner under this Agreement shall be deemed a default by Owner under this Agreement.
- b. Remedies. Upon occurrence of a default, Agency shall give notice of such default to Owner and may, at its option, in addition to any and all other remedies available to it, (a) immediately withhold any requested contribution pursuant to a Draw request, provided that Agency shall, upon a cure of such default, reinstate such contributions; and (b) if such default is not cured within sixty (60) days after notice thereof, terminate this Agreement.

7. Limitations on Operating Deficit Funding Obligation; Termination.

- a. Total Obligation. The Owner specifically agrees that when Agency has contributed Three Million Two Hundred Twenty-Eight Thousand Eight Hundred Ten Dollars (\$3,228,810) or sixteen (16) years have passed from the date of the first disbursement under this Agreement, Agency shall have no further obligation under this Agreement to make payments to the Owner for the payment of Agency Subsidized Unit Operating Deficits and this Agreement shall terminate.
- b. Annual Obligation. The Owner agrees that Agency shall have no obligation under this Agreement to make payments totaling more than Three Hundred Ninety Six Thousand Eight Hundred Sixty Four DOLLARS (\$396,864) per calendar year.
- c. Excess Expenses. The Owner agrees that Agency shall have no obligation under this Agreement to make payments for Agency Subsidized Unit Expenses that exceed the projected amounts for such units listed in the pro forma for the Project, which is attached as Exhibit C attached hereto.
- d. Owner's Obligation. Upon termination of this Agreement, Owner shall have no further obligation to Agency to operate any of the units for extremely low income tenants, unless Agency exercises its option to buy down the affordability of the units pursuant to the Regulatory Agreement.
- e. Transition of Project. Should Owner pursue a transition of the Project to a conventional affordable housing model then this Agreement for permanent supportive housing rental subsidy shall terminate upon the conversion of the Project to a conventional housing model.

8. Other Funding Sources.

Owner shall diligently work with the Agency to identify and obtain additional funding sources to provide rental subsidies and operating assistance to the Agency Subsidized Units during the term of this Agreement. Owner shall accept any additional funding sources that are compatible with the goals and operations of the Project. Any such additional funding sources shall be considered Agency Subsidized Unit Income for the purposes of this Agreement and shall offset the amount of rental subsidy provided pursuant to this Agreement.

9. Representations and Warranties of Agency. Agency represents and warrants that:

- a. It has full power and authority to execute, deliver and perform this Agreement and any instrument or agreement required under this Agreement, and to perform and observe the term and provisions of this Agreement;
- b. All action on its part necessary for the execution, delivery and performance of this Agreement and any instrument or document required under this Agreement has been duly taken;
- c. Its agents and officers executing this Agreement and any instrument or agreement required under this Agreement are fully authorized to execute the same;
- d. This Agreement constitutes the valid and binding agreement enforceable against Agency in accordance with its terms;
- e. Its obligations under this Agreement do not conflict with its obligations under any other agreement; and
- f. Neither the entry into nor the performance of, nor compliance with, this Agreement, or other documents executed concurrently herewith has resulted or will result in any violation of, or be in conflict with, or invalidate, cancel or make inoperative, or interfere with, or result in the creation of any lien, encumbrance or any other charge upon its property pursuant to, or constitute a default under, any charter, by law, Owner agreement, trust agreement, mortgage, deed of trust, indenture, contract, credit agreement, franchise, permit, judgment, decree, order, easement, restriction or other charge, right or interest applicable to Agency.

10. **Applicable Law.** This Agreement, and the application or interpretation in this Agreement, shall be governed by the laws of the State of California as applied to contracts between residents of California wholly to be performed within the State. The parties consent to the jurisdiction and venue of any federal or State court in Sacramento, California and also consent to service of process by any means authorized by California or federal law.

11. **Modification.** This Agreement may not be amended or modified in any respect whatsoever except by an instrument in writing signed by the parties.

12. **Severability.** If any provision of this Agreement is determined to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, to achieve the intent of the parties. In the event, all of the other provisions shall be deemed valid and enforceable to the greatest possible extent.

13. **Headings.** The headings used herein are for convenience of reference only and are not part of this Agreement and do not in any way limit or amplify the terms and provisions hereof.

14. **Notices.** Any notice or other communication required or permitted to be given under this 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:

Owner:

With a copy to:

With a copy to
Limited Partner:

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

Any notice provided in accordance with this Section shall be deemed to have been given on the delivery date or the date that delivery is refused by the addressee, as shown on the return receipt.

15. **Successors and Assigns.** This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. However, Owner shall not assign this Agreement or any interest it may have in the Rental Subsidy Holding Account without the prior written consent of Agency, which consent shall not be unreasonably withheld.

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

Sacramento Housing & Redevelopment Agency

By: _____
Its: _____

Mercy Housing California XLII, a California
Limited Partnership

By: Mercy Housing Calwest, its general partner

By: _____
Its: _____

RESOLUTION NO. 2008 - _____

Adopted by the Sacramento City Council

on date of

BUDGET INN PROJECT: APPROVAL OF \$496,000 CONDITIONAL GRANT, AND APPROVAL OF RELOCATION PLAN; RELATED BUDGET AMENDMENT

BACKGROUND

- A. In 2005, the Sacramento Housing and Redevelopment Agency (Agency) received a federal Economic Development Initiative (EDI) grant in the amount of \$496,000 to be applied to the development of permanent supportive housing projects for the disabled homeless.
- B. Mercy Housing California has applied under the Agency's Supportive Housing Program for gap financing to assist in the acquisition, rehabilitation, and conversion of the Budget Inn motel, an existing 101 unit motel, to 74 units of housing for the disabled homeless. The project is eligible to receive funds from the EDI grant.
- C. The conversion of the Budget Inn will require the permanent relocation of approximately seventeen households because their incomes are either too high for the qualification limit for the affordable units or they are currently living in an overcrowded condition. State law requires the creation and adoption of a relocation plan, which outlines relocation procedures and tenants rights, whenever redevelopment projects result in the displacement of residents. The relocation plan for the Project is attached as Exhibit A to this resolution.
- D. The action proposed by this resolution is the acquisition, rehabilitation, and conversion of an existing motel facility for the purpose of providing permanent supportive housing for homeless individuals with a disability, and is categorically exempt pursuant to CEQA Guideline Section 15310 and 15301 (a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged. A Notice of Exemption shall be recorded in the office of the County Recorder for the County of Sacramento.
- E. The proposed action requires environmental review under the National Environmental Protection Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3). NEPA review has been completed. The Agency has determined that the project will have no significant impact on the human environment. Therefore, an Environmental Impact Statement under the National Environmental Policy Act of 1969 is not required.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. All of the evidence presented having duly considered, the findings, including the environmental findings regarding this action, are approved.
- Section 2. The Agency is authorized to amend the Agency budget to transfer the EDI grant to the Budget Inn Project.
- Section 3. The Conditional Grant Agreement, which includes the EDI grant, attached and incorporated in this resolution by this reference, for financing the Budget Inn project is approved and the Agency is authorized to execute and transmit the Agreement to Mercy Housing California.
- Section 4. After due consideration of the facts presented, the Relocation Plan for the Budget Inn Project, which includes the results of a Needs Assessment Survey, Housing Resources Study and provides specifics on the rights and monetary benefits available to all residents, is approved.

Table of Contents

Exhibit A – Conditional Grant Agreement

Exhibit B – Relocation Plan

CONDITIONAL GRANT AGREEMENT

[Secured by Deed of Trust]

Budget Inn 5321 Stockton Boulevard, Sacramento, CA

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The Conditional Grant shall become unconditional upon the issuance of a certificate of occupancy, provided that all conditions have then been met and Grantee is not then in default of the OPA or this Grant Agreement. Grantee's obligations regarding repayment of the amount of the Conditional Grant shall cease when the Conditional Grant becomes unconditional. Grantee shall repay 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:

1. **GRANT PURPOSE AND USE OF FUNDS.** Grantor is making this Conditional Grant for the public benefits derived from the use of the proceeds in the following project ("Project"): Budget Inn Acquisition, Rehabilitation and Conversion Project- This Project is to convert the 101 unit motel on Stockton Boulevard into a 74 unit apartment with studio and one-bedroom apartments which would provide permanent housing and services to homeless individuals seeking the opportunity for housing with services to address issues with physical and mental disabilities. The proceeds of the Conditional Grant shall be used solely for the Project.

2. **DISBURSEMENT.** The proceeds of this Conditional Grant shall be disbursed upon execution by each party and delivery to the other party of this Grant Agreement and subject to the following conditions and procedures:

3. **CONDITIONS TO DISBURSEMENT.** Agency shall not be obligated to disburse any of the Conditional Grant proceeds unless and until all of the conditions are met with respect to each such disbursement:

- (i) The proceeds of the Conditional Grant are used solely for the following: It is anticipated that the Grant Funds shall be used exclusively for the acquisition of the Project.
- (ii) Grantee is not and shall not be in default of the OPA, subject to the rights of Grantee to cure such default as provided in the OPA.
- (iii) Grantee is not in default of any provision of this Grant Agreement, subject to the rights of Grantee to cure such default.
- (iv) Grantee has fully complied with the following disbursement procedures.

4. DISBURSEMENT PROCEDURES. Grantor shall disburse the Conditional Grant proceeds according to the following procedures: Grantee has made written demand for disbursement stating the amount requested and the intended use of the proceeds to be disbursed which shall be deposited into the escrow for the acquisition of the Project.

5. PREVAILING WAGES Grantor advises Grantee that the Project is subject to the payment of prevailing wages under California law. Grantee shall inform the Contractor and shall require the 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 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 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 Contractor or both of them. EDI funds (federal funds) are also being used in the funding of this Project. Grantee shall comply with Davis-Bacon prevailing wage requirements as they may apply as described in the Federal Requirements.

6. 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.

7. 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) refinance 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 Grantee's obligations under this Conditional Grant and accepts the terms of this Conditional Grant. This section shall not apply to the admission of an investor limited partner to Grantor.

8. LOW INCOME TENANTS AND HCV/ SEC. 8 TENANTS Grantee shall not permit discrimination against tenants because of their status as low-income tenants or as tenants receiving "HSV" or "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.

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

10. 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.

11. PROFESSIONAL MANAGEMENT. Grantee shall obtain and maintain, for the term of the Regulatory Agreement from the date of occupancy of improvements on the Site required by the OPA, independent professional property management services with a firm approved by Grantor. Grantor hereby approves Mercy Services Corporation as the property manager for the Project.

12. 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.

13. 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.

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

15. **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.

16. **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 reasonably kept free of weeds, undesirable plants and trash.

17. **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.

18. **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.

19. **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.

20. **FEDERAL REQUIREMENTS.** Grantee represents that Grantee has reviewed the attached "Federal Requirements Attachment" incorporated in this Grant Agreement by this reference. Grant shall fully comply with all applicable requirements stated in such attachment.

21. **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 Grantee's 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 21 shall survive the termination of this Grant Agreement, whatever the reason for such termination.

22. **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 reasonable 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.

23. **NOT ASSIGNABLE.** Except as described in Section 7, Grantee shall have no right to, and shall not, assign this Conditional Grant, whether directly, by operation of law, or otherwise.

24. **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 principles and shall permit Grantor to view the books and records at any time during regular business hours.

25. **INTERPRETATION.** This Grant Agreement incorporates the Deed of Trust and the 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.

26. **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 Grantee.

27. **CUMULATIVE RIGHTS AND REMEDIES.** No right, power or remedy given to Agency by the terms of this Grant Agreement or the 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.

28. **NONLIABILITY OF AGENCY OFFICIALS AND EMPLOYEES.** No member, official or employee of the Grantor shall be personally liable to the Grantee, 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.

29. **NOTICES AND DEMANDS.** A notice, demand or other communication under this Grant Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail postage or prepaid, return receipt requested, or delivered personally or by national courier service, delivery charges prepaid, to the address set out above, or at such other address for the receiving party as has been duly noticed under this Section 28.

EXECUTED AT SACRAMENTO, CALIFORNIA, as of the date first written above.
GRANTEE:
MERCY HOUSING CALIFORNIA XLII, a California Limited Partnership

By: Mercy Housing Calwest, a California nonprofit public benefit corporation,
its general partner

By: _____

Its: _____

Date: _____

Approved as to form:

Grantee Counsel

Grantor:
REDEVELOPMENT AGENCY OF THE CITY OF
SACRAMENTO

By: _____
LaShelle Dozier
Interim Executive Director

Grantor Counsel approval as to form:

RELOCATION PLAN



BUDGET INN SACRAMENTO, CA

PREPARED FOR

'MERCY HOUSING CALIFORNIA'
3120 FREEBOARD DRIVE, SUITE 202
WEST SACRAMENTO, CA 95691

BY

OVERLAND, PACIFIC & CUTLER, INC.
7901 Oakport Street, Suite 4800
Oakland, CA 94621-2015
Phone: (877) 972-8908

NOVEMBER, 2007

INTRODUCTION

'Mercy Housing California' ("Mercy Housing" or, "Mercy") is proposing to acquire and renovate the 'Budget Inn Motel' located at 5321 Stockton Boulevard in Sacramento as permanent supportive housing. Mercy has entered into a conditional "purchase contract" for the 'Budget Inn' property; an existing one hundred one (101) room nightly/weekly/monthly- stay motel.

Mercy Housing is a private, non-profit agency serving the needs of low income individuals and families throughout California. The agency's primary focus is increasing the number of affordable housing units for families and creating safe and healthy communities. With the help of public, and private funding Mercy Housing builds or rehabilitates family housing that includes multi-unit rental apartments, single-family town homes and single room occupancy units as well as handicap-accessible units for persons with physical impairments. To date, Mercy Housing California has developed 6,308 units of housing with an additional 2,175 units presently in development.

Mercy's proposal is to convert the existing motel into seventy four (74) units of permanent supportive housing consisting of thirty seven (37) one (1)-bedroom units of approximately four hundred sixty two (462) square feet with full apartment-sized kitchens; and, thirty seven (37) "efficiency" units of approximately three hundred eight (308) square feet with minimal kitchen features. The development would include the construction of a 1,500 square foot community building that would include space for meetings, a kitchen and, washroom facilities. Approximately eight (8) of the motel units in the front of the building would be remodeled to create additional community space for the residents; including incorporation of a computer room; a lounge; central laundry room; and, counseling offices. The lobby would be remodeled to include a manager's office; a reception area; service offices; service check-in; a work room; storage; a washroom; and, a lobby area. Outdoor courtyards with landscaping would be incorporated into the site. There would be approximately fifty-two (52) parking spaces, and the site would be enclosed by the building on two (2) sides along with fencing and a security gate. The proposed development will be designed to provide a positive living environment for income eligible residents.

Budget Inn Apartments

The project will comply with all of the General Plan guidelines and zoning requirements of the City of Sacramento and be compatible with adjacent land uses. In the event the Project is fully-funded and, proceeds, seventeen (17) residential households will have to be permanently displaced for the renovation/reconstruction. Residents more recently occupying the Budget Inn have been signing an acknowledgment prior to their occupancy at the motel, that they are ineligible for relocation benefits.

The property which is the subject of this Relocation Plan is located in the City and County of Sacramento. The subject property is located at 5321 Stockton Blvd., east of Highway 99 and north of Fruitridge Road, in an urban area consisting of residential and commercial properties. The property is approximately four (4) miles south-east of downtown Sacramento and, is less than one (1) mile from both an elementary school and high school; about two (2) miles from the UC Davis Medical Center; across the street from a major “chain” grocery store; and, less than one-half (½) mile from a shopping area. Sacramento Regional Transit provides frequent local bus service on Stockton Boulevard, with additional service offered on Fruitridge Rd. less than one-quarter (¼) mile away.

The neighborhood in which the project site is located is centered between Census Tracts No. 31.02 and 44.01 and, while data are not available by Census Tract for 2006, the following collective demographic characteristics were derived from the Decennial Census of 2000:

POPULATION AND RACE/ETHNICITY

	TOTAL POPULATION	7,716
	AGE 60 AND OVER	1,184 (15.34%)
	MEDIAN AGE	31.7 YEARS
SELF-DEFINED AS:	ONE RACE	<u>7,178</u>
	WHITE	3,421
	BLACK OR AFRICAN AMERICAN	1,058
	AMERICAN INDIAN & ALASKA NATIVE	139
	ASIAN (ALL CATEGORIES)	989
	NATIVE HAWAIIAN AND, OTHER	24
	PACIFIC ISLANDER	
	SOME OTHER RACE	1,547

BUDGET INN APARTMENTS

TWO OR MORE RACES	<u>538</u>
HISPANIC OR LATINO OF ANY RACE	<u>2,792</u>
HOUSING	
TOTAL HOUSEHOLDS AND OCCUPIED HOUSING UNITS	2,528
RENTAL VACANCY RATE	29.1%

Please see Figures 1 and 2, below, of the project site location:

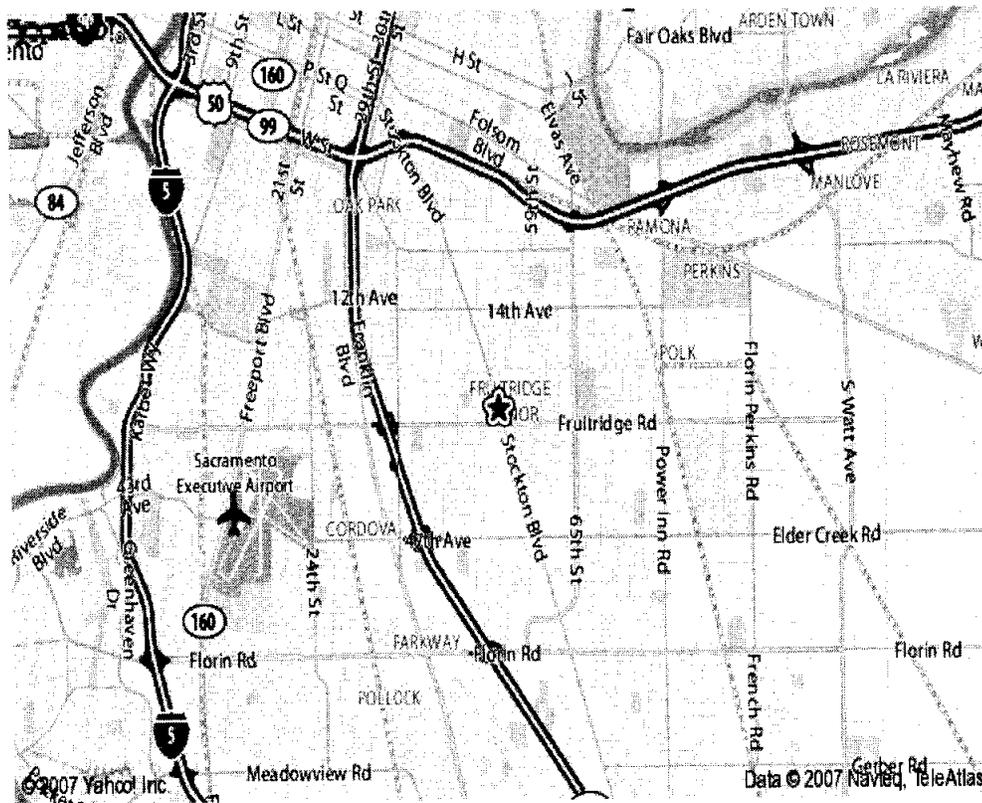


Figure 1. Regional Location



Figure 2. Project Site

Overland, Pacific, Inc. (OPC), an experienced acquisition and relocation firm, has been selected to prepare this Relocation Plan (the 'Plan'), and will provide any relocation assistance which may be subsequently required. In compliance with statutory requirements, the Plan has been prepared to evaluate the present circumstances and replacement housing requirements of the current Project occupants.

This Plan provides for the results of a needs assessment survey, their (the results) incorporation into the planning process, and details of Mercy's proposed relocation program.

BUDGET INN APARTMENTS

The Plan sets forth policies and procedures necessary to conform with statutes and regulations established by the U.S. Code Title 42, Chapter 61 "Uniform Relocation Assistance and Real Property Acquisition Policies" of 1970, as amended, (the 'URA' or 'Act'); the California Relocation Assistance Law, California Government Code Section 7260 et seq. (the "CRAL"); and, the "California Relocation Assistance and Real Property Acquisition Guidelines", Title 25, California Code of Regulations, Chapter 6, Section 6000 et seq. (the "Guidelines") for residential displacements.

Funding sources may include the State of California Low Income Housing Tax Credit (LIHTC); Redevelopment Project Area Tax Increment (T.I.) from the Sacramento Housing and Redevelopment Agency (SHRA); the Mental Health Services Act/California Housing Finance Agency (MHSA/CalHFA); Economic Development Initiative (EDI) and, the affordable housing program of the Federal Home Loan Bank of San Francisco. In the event federal funds are authorized for use on the project, the proposed implementation program and benefits will also need to conform with the Uniform Relocation Act (46 U.S.C. § 4600 et seq.), its implementing regulations (49 C.F.R., Part 24), as well as regulations of the applicable funding source. With certain narrow exceptions, federal funds cannot, and will not be used to assist any displaced person who is an alien not lawfully present in the United States.

No mandatory displacement activities will take place prior to the required reviews and approval of this Plan.

A. GENERAL DEMOGRAPHIC AND HOUSING CHARACTERISTICS

The 'Budget Inn' property currently consists of one hundred one (101) motel *units*; each with an approximate area of three hundred (300) square feet, including a sleeping area and private bathroom. There is office space of approximately eighteen hundred (1,800) square feet which includes a reception area, offices, storage and, a former motel unit that is used as an office. The standard housing density utilized for the purpose of relocation from tenant-occupied units is to assign two (2) persons per bedroom and one (1) person in a common living area, although this can be adjusted to include two (2) persons in a common living area in the case of "current" single room occupancy (SRO). If the household size is in excess of these standards, households will be referred to housing with (an) additional bedroom(s), if available.

Relocation activities will consider individual household needs to be close to public transportation, employment, schools, public/social services and agencies, recreational services, parks, community centers, shopping, etc.

Relocation Assistance information and assistance would be provided in the primary language of the displaced occupants, in order to assure that all displaced occupants obtain a complete understanding of the relocation plan and eligible benefits.

B. RELOCATION NEEDS

Up to seventeen (17) households would be permanently displaced, in order for construction to begin.

To obtain information necessary for the implementation of this Plan, interviews were conducted with the current tenants on the Project site; only one (1) of whom declined to be interviewed.

The interview process was used to determine housing preferences or any reported need to be close to public transportation, employment, schools, public/social services and agencies, recreational services, parks, community centers, or shopping. In addition, health needs, which may require special consideration for accessibility and, perhaps, proximity to medical facilities were identified. The interviews were performed by Consultant and, confidentiality was maintained.

The Table, following, shows some of the seventeen (17) household's characteristics - *excluding* the one (1) household which declined to be interviewed - and, represents the anticipated replacement housing needs to properly re-house these households which, prospectively, would be permanently displaced. In general summary, of the sixteen (16) households responding - comprising a total of twenty-three (23) persons - and, based upon the standards established by the Federal Department of Housing and Urban Development (HUD) for Sacramento County, promulgated by the State of California Department of Housing and Community Development (H&CD), eight (8) households are of 'Extremely Low' income; six (6) are of 'Very Low' income; and, two (2) are of 'Moderate' income.

Budget Inn Apartments

Of the latter two, there is one (1) household, each, above and below the Median for household size in the County of Sacramento. (See: 'HUD/H&CD Income Table' at Attachment 1)

**RESIDENTIAL HOUSEHOLD CHARACTERISTICS -
'BUDGET INN', SACRAMENTO, CA**

Composition Adults/ Children	Income Category	Current Rent/Month	Current Unit Size/ Bedroom	Unit Size Required/ Bedroom	Elderly/ Disabled (Yes?/No?)	Language Spoken
Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1/0	Very Low	\$700.00	Single	Single	Yes/Yes	English
2/0	Very Low	\$600.00	Single	Single	Yes/No	English
1/0	Moderate	\$695.00	Single	Single	Yes/No	English
2/0	Very Low	\$600.00	Single	Single	No/Yes	English
3/0	Moderate	\$750.00	Single	1 Bedroom	No/Yes	English
2/0	Extremely Low	\$600.00	Single	Single	No/No	English
1/0	Extremely Low	\$700.00	Single	Single	Yes/Yes	English
1/0	Very Low	\$867.00	Single	Single	No/No	English
1/0	Extremely Low	\$600.00	Single	Single	Yes/No	English
2/0	Very Low	\$600.00	Single	Single	No/No	English
2/0	Extremely Low	\$695.00	Single	Single	No/Yes	English
2/0	Extremely Low	\$600.00	Single	Single	No/No	English
1/0	Extremely Low	\$695.00	Single	Single	No/Yes	English
1/0	Extremely Low	\$695.00	Single	Single	No/Yes	English
1/0	Extremely Low	\$695.00	Single	Single	No/No	English
2/0	Very Low	\$695.00	Single	Single	No/No	English
23/0	X-Low 8 V-Low 6 Mod. 2				5/7	

It is also important to note the number of households which are 'Elderly' and/or, 'Disabled'. Five (5) households among the respondents (31%) are considered 'Elderly' by virtue of having at least one member above the age of sixty-two; and, seven (7) households (44%) have at least one member who is 'Disabled'. Two (2) of the respondent households have both 'Elderly' *and*, 'Disabled' members.

While having achieved the age of sixty-two does not necessarily bestow any infirmities or, special medical needs, advancing years may be one of a number of determinants in establishing locational preferences (e.g., proximity to medical providers, family members, transit, shopping opportunities, etc.); the matter of 'Disabled' tenants - whether physically or, psychiatrically impaired - *may* require particularly special consideration in regards to accessibility issues such that replacement housing *may* need to either *be* compliant with the requirements of the Americans with Disabilities Act (ADA) or, *modified* to comply by Mercy Housing California. As at the Plan interviews, only one (1) physically-impaired tenant was found to use a wheelchair.

REPLACEMENT RESOURCES

A resource survey was conducted the weeks of October 22nd and 29th, 2007, to identify available comparable, decent, safe and sanitary dwelling units, which are adequate in size and contain the required number of bedrooms for each household. If, and when necessary, referrals will be made to "open market" housing.

These prospective replacement housing resources offer full amenities, with prices ranging from five hundred seventy-five dollars (\$575.00) to seven hundred fifty dollars (\$750.00) per month, with a median of six hundred eighty-five dollars (\$685.00) for a studio apartment; and, from six hundred dollars (\$600.00) to eight hundred twenty-five dollars (\$825.00) per month, with a median of six hundred ninety dollars (\$690.00) for a one (1)-bedroom apartment. (See Table, below).

Budget Inn Apartments

REPLACEMENT RENTAL HOUSING RESOURCES		
STUDIOS	GENERAL LOCATION	MONTHLY RENT
1	'Downtown Midtown'	\$575.00
1	'Downtown/Midtown - Q Street'	\$615.00
1	'Arcade Creek'	\$650.00
1	'Downtown/Midtown - 11 th Street'	\$675.00
1	'Greenhaven Oaks', Greenhaven Drive	\$695.00
1	"	\$695.00
1	'Willow Grove Apartments', Hurley Way	\$695.00
1	'Shadowood', Kings Way	\$750.00
ONE (1)- BEDROOM	GENERAL LOCATION	MONTHLY RENT
1	'Arden'	\$600.00
1	"	\$600.00
1	'North Sacramento'	\$600.00
1	'Arden'	\$625.00
1	'Arcade Creek'	\$625.00
1	'East Sacramento'	\$625.00
1	'Watt Avenue at Marconi'	\$625.00
1	'Arden Empress Street'	\$625.00
1	'Arcade Creek'	\$625.00
1	'Arden - Markston Road'	\$625.00
1	'North Sacramento - Grove/Boxwood'	\$625.00
1	'Aspen Gardens'	\$625.00
1	'Tahoe Park'	\$625.00
1	'Arden Way/Oakmont'	\$629.00
1	'Arden at Fulton'	\$630.00
1	'Elder Creek'/Fruitridge'	\$650.00
1	"	\$650.00
1	'Foothill Farms - Hamilton'	\$650.00
1	'Downtown'/Midtown'	\$675.00

Budget Inn Apartments

1	'Downtown/Midtown - O Street'	\$675.00
1	'Arden Arcade - Bell at Auburn'	\$685.00
1	'Downtown'/'Midtown'	\$695.00
1	'Arden'	\$695.00
1	'Oak Garden Apartments'	\$695.00
1	'T Street'	\$695.00
1	'McKinley Park/Midtown - G Street'	\$695.00
1	'Midtown Four-plex - 18 th Street'	\$695.00
1	'Marigold Lane Apartments'	\$695.00
1	'Arcade Creek - Bell Street'	\$695.00
1	'Arcade Creek'	\$700.00
1	'South Land Park'/'Greenhaven'	\$710.00
1	'Arcade Creek'	\$725.00
1	'Greenhaven Oaks', Greenhaven Drive	\$725.00
1	"	\$725.00
1	'Willow Grove Apartments', Hurley Way	\$725.00
1	"	\$725.00
1	"	\$725.00
1	"	\$725.00
1	'Winn Park - 27 th Street'	\$725.00
1	'Downtown/Midtown - N Street'	\$725.00
1	'Shadowood', Kings Way	\$825.00
1	"	\$825.00

Based on the results of the survey, and given the anticipated lengthy lead-time, it would appear that there will be, in all likelihood, an adequate number of available, market-rate units to meet the needs of the households which are prospectively to be displaced and, given the increased disparity for some households between current rent paid for, essentially, single room occupancy and market rents for some one (1)-bedroom accommodation, an "upward move" is financially warranted.

CONCURRENT RESIDENTIAL DISPLACEMENT

There are no projects now, or planned in the immediate future, which will impact negatively upon the efforts and ability of Mercy Housing California in relocating displaced households. In addition, and, based on the number of prospective, permanent displacements, the impact upon the housing market will be minimal.

D. PROGRAM ASSURANCES AND STANDARDS

There will be adequate funds available to meet the relocation requirements of all the prospective displacee households. Services will be provided to ensure that displacement does not result in different, or separate treatment of households based on race, nationality, color, religion, national origin, sex, marital status, familial status, disability or any other basis protected by the federal Fair Housing Amendments Act, the Americans with Disabilities Act, Title VI of the Civil Rights Act of 1964, Title VII of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, the California Fair Employment & Housing Act, and the Unruh Act, as well as any arbitrary or unlawful discrimination.

No household will be permanently displaced without a Ninety (90)-Day-Notice and unless “comparable” replacement housing can be located. “Comparable” housing includes standards such as: decent, safe, and sanitary (as defined in the Guidelines); comparable as to the number of bedrooms, living space, and type and quality of construction of the acquired unit but not lesser in rooms or living space than necessary to accommodate the displaced household; in an area that does not have unreasonable environmental conditions; and, not generally less desirable than the acquired unit with respect to location to schools, employment, health and medical facilities, and other public and commercial facilities and services.

The relocation program to be implemented by Mercy Housing California will conform with the standards and provisions set forth in the Uniform Relocation Act (46 U.S.C. § 4600 et seq.), its implementing regulations (49 C.F.R. Part 24) and, all other applicable regulations and requirements.

E. RELOCATION ASSISTANCE PROGRAM

OPC staff will be available to assist displaced tenants with questions about relocation and/or assistance in relocating. Relocation staff may be contacted, toll-free, by calling 800.385.0244, from 8:00 AM to 5:00 PM, Monday through Friday, and also available on-site by appointment. The Relocation Office is located at 8950 Cal Center Drive, Suite 102, Sacramento CA 95826-3225.

A comprehensive relocation assistance program, with technical and advisory assistance, will be provided to any displaced households. Close contact will be maintained with each household. In addition to distribution of informational brochures (See: **Attachment 2**), specific activities will be:

1. To fully inform eligible project occupants of the nature of, and procedures for, obtaining relocation assistance and benefits;
2. To determine the needs of each residential displacee eligible for assistance;
3. To provide an adequate number of referrals, which pursuant to the Guidelines requires a minimum of three, to comparable, decent, safe and sanitary housing units within a reasonable time prior to displacement, and assure that no residential occupant is required to move without a minimum of 90 days written notice to vacate;
4. To provide current and continuously updated information concerning replacement housing opportunities;
5. To provide special assistance in the form of referrals to governmental and social service agencies will be made, if needed. Referral agencies may include, but not necessarily be limited to, the Department of Public and Social Services (DPSS) for income maintenance or food stamps, Medi-Cal, Employment Development Department, County Health and Human Services Department and Child and Adult Protective Services.

Budget Inn Apartments

6. To provide assistance that does not result in different or separate treatment due to race, color, religion, national origin, sex, sexual orientation, marital status or other arbitrary circumstances;
7. To supply information concerning federal and state housing programs and other governmental programs providing assistance to displaced persons;
8. To assist each eligible person to complete applications for benefits;
9. To make relocation benefit payments in accordance with State and Federal Rules and Regulations, including the provisions of the Last Resort Housing sections, where applicable;
10. To inform all persons subject to displacement of Mercy's policies with regard to eviction and property management; and
11. To establish and maintain a formal grievance procedure for use by displaced persons seeking administrative review of Mercy's decisions with respect to relocation assistance.

Continual communication is the key to success in any relocation effort. On-going meetings with residents, including one-on-one meetings between the residents and relocation consultants will be necessary to relocate residents with minimal disruption. OPC's consultants will offer advisory service and assistance, including providing transportation to view prospective replacement homes, if necessary.

F. CITIZEN PARTICIPATION

Copies of this Plan will be provided to the residents and, at public meetings to promote review and participation.

Mercy Housing will ensure the following:

Budget Inn Apartments

1. Full and timely access to documents relevant to the relocation program;
2. The Provision of technical assistance necessary to interpret elements the relocation program and other pertinent materials;
3. A general notice of this Plan shall be provided to all prospective displacees of the proposed project. This Plan shall be made available for circulation for information and review by interested citizen groups, state and county agencies, and all persons affected by the project;
4. The Plan will be reviewed to ensure that it is feasible, and complies with locally-adopted rules and regulations governing relocation;
5. The right to submit written or oral comments and objections, including the right to submit written comments regarding the Relocation Plan itself and, to have these comments attached to the Plan when it is forwarded to the Client for final consideration;
6. Upon receipt of public comments, the Plan will be reviewed to ensure that it is feasible, complies with applicable environmental standards, locally-adopted rules and regulations governing relocation; and
7. Upon completion of all reviews, the Plan will be presented for adoption by the Client.

G. RELOCATION BENEFIT CATEGORIES

Relocation benefits will be provided in accordance with the provisions of the State of California Relocation Law, Government Code Section 7260 et. seq., Title 25, Chapter 6, Relocation Assistance and Real Property Acquisition Guidelines, and Mercy's own rules and regulations pertaining thereto.

Budget Inn Apartments

Benefits will be paid to eligible displaced persons upon submission of required claim forms and documentation in accordance with procedures approved and adopted by Mercy Housing (See Article I. **PAYMENT OF RELOCATION BENEFITS**, herein). Specific eligibility requirements and benefit plans will be detailed on an individual basis with all displacees. In the course of personal interviews and follow-up visits, each displacee will be counseled as to available options and the consequences of any choice with respect to financial assistance.

Chapter 6, of Title 25 of the California Code of Regulations contains the relocation regulations published by the California Department of Housing and Community Development (HCD) that apply to state and local agencies. Section 6008(g) defines a "dwelling" as '*. . . the place of permanent or customary and usual abode of a person... which is either considered to be real property under State law or cannot be moved without substantial damage or unreasonable cost*'. Additionally, §6008(g) states: '*A second home shall be considered to be a dwelling only for the purposes of establishing eligibility for payment for moving and related expenses*' (as provided in §6090 Actual Reasonable Moving Expenses).

Pursuant to this definition of dwelling, both primary residents and any part-time residents are entitled to the moving expenses detailed in §6090 as long as they meet the eligibility requirements of §6034. Part-time residents are not entitled to rental assistance payments.

In order to alleviate hardships for tenants who must pay move-in costs (such as credit report fees, first month's rent, utility connection charges and security deposit), the Client will provide advance benefit payments to assist displacees in securing replacement housing units. Requests for advance payments will be expeditiously processed to help avoid the loss of desirable and appropriate replacement housing.

1. Residential Moving Expense Payments

The subject households will be eligible to receive a payment for moving expenses. The payment will be made based upon either a fixed room count schedule or an invoice for actual reasonable moving expenses from a licensed professional mover.

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- a) **Fixed Payment** - A fixed payment for moving expenses based on the number of rooms containing furniture or other personal property owned by the displacee and, to be moved.

The fixed moving payment will be based upon the most recent Federal Highway Administration schedule maintained by the California Department of Transportation, as indicated in **Attachment 3**;

- Or, -

- b) **Actual Reasonable Moving Expense Payments** - The displaced tenants may elect to have a licensed, professional mover perform the move; if so, Mercy Housing will pay for the actual cost of the move up to 50 miles and all reasonable charges for packing, unpacking, insurance and, utility charges. The payment will be made directly to the mover or, as a reimbursement to the displaced tenants.

2. Rental Assistance/Down Payment Assistance

Residential displacees are considered eligible for relocation assistance and benefits if they have established residency within the Project site for a minimum of ninety (90) days *prior to* the "initiation of negotiations" and, are eligible for both Rental Assistance and Moving Expense Payments, excluding any households that signed the acknowledgment that they are ineligible for benefits prior to occupancy. The "initiation of negotiations" would be the date that Mercy Housing California closes escrow on the purchase of the property and, proceeds with the project. The estimated date of "initiation of negotiations" for this Project is, prospectively, Spring of 2008.

For residential displacees - except in the case of 'Last Resort Housing' situations, as defined below - Rental Assistance Payments (RAP) will be limited to a statutory, maximum "cap" of five thousand, two hundred fifty dollars (\$5,250.) based upon the monthly housing need calculated over a forty-two (42) month period.

Budget Inn Apartments

Based upon the monthly housing need over a 42 month period the Table on the following page shows how monthly need is determined.

Sample Computation of Monthly Housing Need and Rental Assistance		
1. Old Rent	\$500	Old Rent plus Utility Allowance
or		
2. Ability to Pay	\$445	30% of the Gross Monthly Household Income*
3. Lesser of lines 1 or 2	\$445	
Subtracted From:		
4. Actual New Rent	\$550	Actual New Rent including Utility Allowance
or		
5. Comparable Rent	\$575	Determined by Agency; <u>includes</u> Utility Allowance
6. Lesser of lines 4 or 5	\$550	
7. Yields Monthly Need:	\$105	Subtract line 3 from line 6
Rental Assistance Allowance	\$4,410	Multiply line 7 by 42 months

* Gross income means the total annual income of an individual less the following: (1) a deduction of \$500.00 for each dependent in excess of three; (2) a deduction of 10% of total income for an elderly or disabled head of household; (3) a deduction for recurring extraordinary medical expenses; defined for this purpose to mean medical expenses in excess of 3% of total income, where not compensated for, or covered by insurance or other sources; (4) a deduction of reasonable amounts paid for the care of children or sick or incapacitated family members when determined to be necessary to employment of the head of household or spouse, except that the amount deducted shall not exceed the amount of income received by the person who would not otherwise be able to seek employment in the absence of such care.

3. Last Resort Housing

The Guidelines state that if comparable replacement housing is not available to a relocatee (whether because of availability, condition, or affordability), the 'Agency' - in this case, 'Mercy Housing' - must either terminate the acquisition or provide comparable replacement housing (called Last Resort Housing) using the 'Agency's' funds.

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Last Resort Housing payments are authorized by statute if affordable comparable replacement housing cannot be found for the displaced tenant households (i.e., housing at a cost *not* more than thirty percent (>30%) of the household's average monthly income.

In a "Last Resort" case, payments may be made beyond the five thousand two hundred fifty dollar (\$5,250.) statutory "cap", up to forty-two (42) months worth of rental assistance. The supplemental increment *beyond* five thousand two hundred fifty dollars (\$5,250.) may be paid in installments *or* in a lump sum at the discretion of Mercy Housing as "Agency". This type of situation is likely to develop among low-income families, or in environments where Project area rents are particularly low vs. rents elsewhere within the community. A combination of factors - which would include, in relation, the income levels of project site tenants; project site rents; and a potentially high cost of replacement rent - *may* create the need for last resort housing payments.

During the prospective implementation of this project, if a lack of comparable replacement housing is revealed either in number or, based upon affordability, there will be a need to provide Last Resort Housing Payments or, alternative solutions pursuant to the Guidelines.

If a household chooses to *purchase* a replacement home rather than rent, the household will have the right to request a lump sum payment of the entire balance of their Rental Assistance Payment for use as a down-payment toward the purchase of a comparable replacement dwelling. Such a "lump-sum" payment will be placed into an acquisition escrow with instructions that it be returned to Mercy Housing California in the event escrow does not close.

H. PAYMENT OF RELOCATION BENEFITS

Any claims and supporting documentation for relocation benefits must be filed with Mercy Housing California within eighteen (18) months from:

- The date the claimant moves from the acquired property; **or**,

Budget Inn Apartments

- The date on which final payment for the acquisition of real property is made, whichever is later.

The procedure for the preparation and filing of claims and the processing and delivery of payments will be as follows:

1. Claimant(s) will provide all necessary documentation to substantiate eligibility for assistance.
2. Assistance amounts will be determined in accordance with the provisions of Relocation Law and guidelines.
3. Required claim forms will be prepared by relocation personnel in conjunction with claimant(s). Signed claims and supporting documentation will be submitted by relocation personnel to Mercy.
4. Mercy Housing California will review, and approve claims for payment, or request additional information.
5. Mercy Housing California will issue benefit checks which will be available at their offices for retrieval, unless circumstances dictate otherwise.
6. Final payments will be issued after confirmation that the Project area premises have been completely vacated, and actual residency at the replacement unit is verified.
7. Receipts of payment will be obtained and maintained in the relocation case file.

The affected households will not be displaced until “comparable” housing is located as defined above. Relocation staff will inspect any replacement units to which referrals are made to verify that they meet all the standards of decent, safe, and sanitary as defined in Section 6008, Subdivision (d) of the Guidelines.

Budget Inn Apartments

I. RELOCATION TAX CONSEQUENCES

In *general*, relocation payments are *not* considered income for the purpose of the Internal Revenue Code of 1986, or the Personal Income Tax Law, Part 10 of the Revenue and Taxation Code.

The above statement on tax consequences is *not* intended to be provision of tax advice by Mercy Housing California, its Agents, Consultants or Assigns. Displacees are encouraged to consult with their own tax advisors concerning the tax consequences of relocation payments.

J. APPEALS POLICY

The appeals policy will follow the standards described in Section 6150 et seq. of the Guidelines. Briefly stated, displacees will have the right to ask for a review when there is a perceived grievance regarding any of their rights to relocation and relocation assistance, as to:

1. eligibility;
2. the amount of payment;
3. the failure to provide comparable replacement housing referrals; or,
4. Mercy Housing's property management practices.

K. EVICTION POLICY

In the event the project proceeds and, Mercy Housing California takes possession of the 'Budget Inn' property at 5321 Stockton Boulevard, Sacramento, California, you may become a Tenant/Lessee of Mercy Housing California; you should continue to pay your regular rent though, directly to Mercy Housing California (Lessor) in that event. Any eviction by Mercy Housing California is permissible only as a last alternative.

With the exception of persons considered to be in unlawful occupancy, a displaced person's eviction does not affect eligibility for relocation assistance and benefits. Relocation records shall be documented to reflect the specific circumstances surrounding any eviction.

Eviction may be undertaken only for one, or more of the following reasons:

1. A failure to pay rent, except in those cases where the failure to pay is due to the lessor's failure to keep the premises in habitable condition; is the result of harassment or retaliatory action on the part of the lessor; or, is the result of the discontinuation or, substantial interruption of services;
2. The performance of a dangerous, or illegal act in the unit by Lessee, it's guests or invitees or, any one or, all of them;
3. A material breach of the rental agreement and failure to correct breach within Thirty (30)-Days of Notice;
4. The maintenance of a nuisance, and failure to abate within a reasonable time following notice;
5. A refusal to accept reasonable offers of replacement housing; or,
6. A requirement under State, or local law or, emergency circumstances that cannot be prevented by reasonable efforts on the part of Lessor and/or the controlling public entity.

L. PROSPECTIVE TIME-LINE/DATES OF DISPLACEMENT

In October, 2007, tenants received a general information notice in which they were advised that Mercy Housing California would begin interviews of the prospective displacees to satisfy the requirements of this Plan. Tenants will also be notified of any sale/close-of-escrow to Mercy Housing, which is anticipated to occur by March 2008.

Upon preparation and approval of the Relocation Plan, the Plan will be distributed to the public for comment pursuant to Section F.

Following adoption of the Plan, tenants will receive a Notice of Eligibility and a Ninety (90)-Day Notice-to-Vacate *before* they are required to move, along with all other required notices. The Ninety (90)-Day Notice-to-Vacate is expected to be issued on or about **Spring, 2008**. Relocation is expected to be completed in 2008.

M. ESTIMATED RELOCATION COSTS

Mercy Housing pledges to appropriate the necessary funds, on a timely basis, to ensure the successful completion of the project. Any and all required financial assistance will be provided.

The anticipated budget for relocation benefits, including Rental Assistance Payments (RAP); Moving Costs; and, a fifteen percent (15%) contingency for unanticipated expenses is four hundred thousand dollars (\$400,000.).

(Remainder of page intentionally left blank)

ATTACHMENT 1.

Area Median Income (2007) – Sacramento County, CA: \$67,200.					
Household Size	Extremely Low Income	Very Low Income	Lower Income	Median Income	Moderate Income
1 Person	\$14,100.	\$23,500.	\$37,650.	\$47,000.	\$56,400.
2 Person	\$16,100.	\$26,900.	\$43,000.	\$53,800.	\$64,500.
3 Person	\$18,150.	\$30,250.	\$48,400.	\$60,500.	\$72,500.
4 Person	\$20,150.	\$33,600.	\$53,750.	\$67,200.	\$80,600.
5 Person	\$21,750.	\$36,300.	\$58,050.	\$72,600.	\$87,000.
6 Person	\$23,350.	\$39,000.	\$62,350.	\$78,000.	\$93,500.
7 Person	\$25,000.	\$41,650.	\$66,650.	\$83,300.	\$99,900.
8 Person	\$26,600.	\$44,350.	\$70,950.	\$88,700.	\$106,400.

Official State Income Limits for 2007,
Department of Housing and Community Development
Division of Housing Policy Development
Sacramento, CA

04.18.07

ATTACHMENT 2.

INFORMATIONAL STATEMENT FOR FAMILIES AND INDIVIDUALS

- I. GENERAL INFORMATION
- II. ASSISTANCE IN LOCATING A REPLACEMENT DWELLING
- III. MOVING BENEFITS
- IV. REPLACEMENT HOUSING PAYMENT - TENANTS AND CERTAIN OTHERS
- V. QUALIFICATION FOR AND FILING OF RELOCATION CLAIMS
- VI. LAST RESORT HOUSING ASSISTANCE
- VII. RENTAL AGREEMENT
- VIII. APPEAL PROCEDURES - GRIEVANCE
- IX. TAX STATUS OF RELOCATION BENEFITS
- X. ADDITIONAL INFORMATION AND ASSISTANCE AVAILABLE

I. GENERAL INFORMATION

The 'Budget Inn' apartments, in which you now live, are to be improved by 'Mercy Housing California' ("Mercy Housing" or, "Mercy"). As the Project schedule proceeds, it will be necessary for you to move from your dwelling. You will be notified in a timely manner as to the date by which you must move.

Please read this information as it will be helpful to you in determining your eligibility and the amount of your relocation benefits under the federal and/or state law. We suggest you save this informational statement for reference.

Mercy has retained the services of Overland, Pacific & Cutler, Inc., a qualified professional relocation firm, to assist you. The firm is available to explain the program and benefits. Their address and telephone number is:



Overland, Pacific & Cutler, Inc.
8950 Cal Center Drive, Suite 102
Sacramento, CA 95826-3225
Phone: 916.857.1520

PLEASE DO NOT MOVE PREMATURELY. THIS IS NOT A NOTICE TO VACATE YOUR DWELLING. However, if you desire to move sooner than required, you must contact your relocation representative with Overland, Pacific & Cutler, Inc. so you will not jeopardize any benefits. This is a general informational brochure only, and is not intended to give a detailed description of either the law or regulations pertaining to Mercy's relocation assistance program.

II. ASSISTANCE IN LOCATING A REPLACEMENT DWELLING

Mercy Housing, through its representatives, will assist you in locating a comparable replacement dwelling by providing referrals to appropriate and available housing units. You are encouraged to actively seek such housing yourself.

When a suitable replacement dwelling unit has been found, your relocation representative will carry out an inspection and advise you as to whether the dwelling unit meets "decent, safe and sanitary" housing requirements. A "decent, safe and sanitary" housing unit provides adequate space for its occupants; proper weatherproofing; and, sound heating, electrical and plumbing systems. Your new dwelling must pass inspection before relocation assistance payments can be authorized.

III. MOVING BENEFITS

If you must move as a result of displacement by Mercy Housing, you will receive a payment to assist in moving your personal property. There are two types of moving payments. You have the option of selecting either one of the following types of moving payments:

A. Fixed Moving Payment

A Fixed Moving Payment is based upon the number of rooms you occupy and, whether or not you own your own furniture. The payment is based upon a schedule approved by Mercy Housing, and ranges, for example, from \$625.00 for one (1) furnished room to \$2,150.00 for eight (8) rooms in an unfurnished dwelling. (For details see the table below). Your relocation representative will inform you of the amount you are eligible to receive if you choose this type of payment.

FIXED MOVING SCHEDULE - CALIFORNIA, JUNE 2005			
Occupant owns furniture		Occupant does NOT own furniture	
1 room	\$625.00	1 room	\$400.00
2 rooms	\$800.00	each additional room	\$65.00
3 rooms	\$1,000.00		
4 rooms	\$1,175.00		
5 rooms	\$1,425.00		
6 rooms	\$1,650.00		
7 rooms	\$1,900.00		
8 rooms	\$2,150.00		
each additional room	\$225.00		

If you select a fixed payment, you will be responsible for arranging for your own move and Mercy Housing will assume no liability for any loss of, or damage to your personal property.

B. Actual Moving Expense (Professional Move)

If you wish to engage the services of a licensed, commercial mover and have Mercy Housing pay the bill, you may claim the ACTUAL cost of moving your personal property up to fifty (50) miles. Your relocation representative will inform you of the number of competitive moving bids (if any) which may be required, and assist you in developing a scope-of-services for Mercy Housing's approval.

IV. REPLACEMENT HOUSING PAYMENT FOR TENANTS

You may be eligible for a payment of up to five thousand two hundred fifty dollars (\$5,250.00) to assist you in renting, or purchasing a comparable replacement dwelling. In order to qualify, you must have been a tenant who has occupied your present dwelling for a least 90 days *prior* to the date upon which 'Mercy Housing California' closes escrow on the purchase of the property and, proceeds with the project. The estimated date of acquisition for this Project is February, 2008.

- A. **Rental Assistance.** If you qualify, and **wish to rent** your replacement dwelling, your rental assistance benefits will be based upon the difference, over a forty-two (42) month period, between the rent you must pay for a comparable replacement dwelling and the *lesser of your current rent or thirty percent (30%) of your gross monthly household income*. You will be required to provide your relocation representative with monthly rent and household income verification prior to the determination of your eligibility for this payment.

- Or -

- B. **Down-payment Assistance.** If you qualify, and **wish to purchase** a home as a replacement dwelling, you can apply *up to* the total amount of your Rental Assistance Payment (RAP) toward the down-payment, and non-recurring incidental expenses. Your relocation representative will clarify procedures necessary to apply for this payment.

V. QUALIFICATION FOR, AND FILING OF RELOCATION CLAIMS

To qualify for a Replacement Housing Payment, you must rent or purchase and occupy a comparable replacement unit **within one year from the later of** the date you move from the displacement dwelling; or, the date Mercy Housing fulfills its obligation to make available a comparable replacement dwelling.

All claims for relocation benefits must be filed with Mercy Housing **within eighteen (18) months** from the date on which you receive final payment for your property, or the date on which you move, whichever is later.

VI. LAST RESORT HOUSING ASSISTANCE

If comparable replacement dwellings are *not* available when you are required to move, or if replacement housing is not available within the monetary limits described above, Mercy Housing will provide 'Last Resort Housing' assistance to enable you to rent, or purchase a replacement dwelling on a timely basis. Last Resort Housing assistance is based on the individual circumstances of the displaced person. Your relocation representative will explain the process for determining whether or not you qualify for Last Resort assistance.

If you choose to purchase rather than rent a comparable replacement dwelling, the entire amount of your rental assistance and last resort eligibility *must* be applied toward the down-payment of the home you intend to purchase. Your rental assistance payment will be placed in the acquisition escrow with the provision that, in the event the purchase escrow does not close, the full amount of the payment will be returned to Mercy Housing.

VII. RENTAL AGREEMENT

Except for the causes of eviction set forth below, you will not be required to move from Mercy Housing's property without having been provided with at least ninety (90) days written notice.

Eviction will be undertaken only in the event of one or more of the following infractions:

- A. Failure to pay rent; except in those cases where the failure to pay is due to the Lessor's failure to keep the premises in habitable condition; is the result of harassment or retaliatory action; or, is the result of discontinuation, or a substantial disruption of services within the control of Lessor;
- B. Performance of a dangerous or illegal act in the unit by Lessee, it's household members, or, the invitees of any of them;
- C. A material breach of the rental agreement and failure to correct such breach within thirty (30) days of Notice thereof;
- D. Maintenance of a nuisance and, failure to abate within a reasonable time following Notice;
- E. Refusal to accept one of a reasonable number of offers of replacement dwellings; or,
- F. The eviction is required by State, or local law and cannot be prevented by reasonable efforts on the part of Mercy Housing or the responsible public entity.

VIII. APPEAL PROCEDURES - GRIEVANCE

Any displacee who is aggrieved by a determination as to eligibility for a relocation payment, or the amount of a payment, may have his/her claim reviewed or reconsidered in accordance with Mercy's appeals procedure. Complete details on appeal procedures are available upon request from Mercy Housing.

IX. TAX STATUS OF RELOCATION BENEFITS

Relocation benefit payments, *generally*, are *not* considered as income for the purpose of the Internal Revenue Code of 1986 or the Personal Income Tax Law, Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code, or the Bank and Corporation Tax law, Part 11(commencing with Section 23001) of Division 2 of the Revenue and Taxation Code.

The above statement is not to be construed as the provision of tax advice to Displaced households by Mercy Housing California, it's agents, consultants or, assigns. Displacee households may, however, wish to consult with their own, personal tax advisers for the latest information in this regard.

X. ADDITIONAL INFORMATION AND ASSISTANCE AVAILABLE

Those responsible for providing you with relocation assistance hope to assist you in every way possible to minimize the hardships involved in relocating to a new home. Your cooperation will be helpful and greatly appreciated. If you have any questions at any time during the process, please do not hesitate to contact your relocation representative.

Overland, Pacific & Cutler, Inc.
November, 2007

ATTACHMENT 3.

FIXED MOVING SCHEDULE - CALIFORNIA, JUNE 2006			
Occupant Owns Furniture		Occupant Does NOT Own Furniture	
1 room	\$625.00	1 room	\$400.00
2 rooms	\$800.00	Each Additional Room	\$65.00
3 rooms	\$1,000.00		
4 rooms	\$1,175.00		
5 rooms	\$1,425.00		
6 rooms	\$1,650.00		
7 rooms	\$1,900.00		
8 rooms	\$2,150.00		
Each Additional Room	\$225.00		

Federal Highway Administration (FHA) -
California Department of Transportation (Caltrans)

06.2006