



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO CITY COUNCIL,
HOUSING AUTHORITY, AND
REDEVELOPMENT AGENCY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org**

**Staff Report
August 26, 2008**

**Honorable Mayor and Members of the City Council
Chair and Members of the Redevelopment Agency and Housing Authority**

Title: Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

Location/Council District: 1825 El Monte Avenue, District 2

Recommendation: Adopt 1) a **Housing Authority Resolution** a) indicating the willingness of the Housing Authority of the City of Sacramento to issue up to \$4,500,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction, and permanent financing for Forrest Palms Senior Apartments (Project); b) authorizing an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds; c) authorizing the Interim Executive Director or her designee to execute all necessary documents associated with the transaction; 2) a **City Resolution** a) indicating that the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, construction, and permanent financing of the project; and b) approving the issuance of tax-exempt obligations; 3) a **City Resolution** a) approving funding from City Home Investment Partnership (HOME) funds for a Sacramento Housing and Redevelopment Agency (Agency) loan of up to \$885,000 for the project; b) de-funding \$240,000 from Westview Ranch Apartments, a completed project, for the purpose of reallocating to the Forest Palms project; c) authorizing an Agency Budget amendment transferring up to \$645,000 in City HOME funds to the Project; and d) authorizing the Interim Executive Director or her designee to execute a commitment letter and related loan documents; and 4) a **Redevelopment Agency Resolution** a) approving funding from Tax Increment (TI) funds for a City Redevelopment Agency loan of up to \$1,815,000 for the project; b) authorizing an Agency Budget amendment transferring up to \$1,815,000 in TI funds to the Project; and c) authorizing the Interim Executive Director to execute a commitment letter, an Owner's Participation Agreement (OPA), and related loan documents.

Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

Contact: Lisa Bates, Deputy Executive Director, 440-1316; Christine Weichert, Assistant Director, Housing and Community Development, 440-1353

Presenter: Bernadette Austin, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: This report recommends the issuance of up to \$4,500,000 in tax-exempt mortgage revenue bonds and approval of a Sacramento Housing and Redevelopment Agency (Agency) loan for the acquisition, rehabilitation, and permanent financing of Forrest Palms Senior Apartments, located at 1825 El Monte Avenue. The project, proposed by Community Housing Opportunities Corporation (CHOC), would preserve 40-units of multifamily affordable senior housing currently at risk of converting to market-rate.

The project was originally constructed in 1979 and needs substantial improvements. All apartment interiors will be renovated and upgraded as needed with replacement of cabinets, countertops, sinks, HVAC units, hot water heaters, and appliances. Exterior work will include roof repair, siding replacement, painting, new doors, and dual-pane windows. Site work will include improvements to landscaping, sidewalks, parking areas, and upgraded Americans with Disability Act (ADA) accessibility throughout the complex. Security cameras, entry call box, and enhanced lighting will also be installed. Further background on the Developer and the property are included in Attachment 1. A map and site plan are included as Attachments 2 and 3, respectively.

The Developer anticipates leveraging Agency funds with tax-exempt mortgage revenue bonds, 4% Low Income Housing Tax Credits (LIHTCs), the Affordable Housing Program (AHP), and the state Multifamily Housing Program (MHP). If the Developer is successful in receiving the MHP funds the Agency loan will be for \$1,900,000 consisting of \$885,000 in HOME funds and \$1,015,000 in TI funds. If the Developer is not successful in being awarded MHP funds after two application submittals, the Agency will increase the loan to \$2,700,000 consisting of \$885,000 in HOME funds and \$1,815,000 in TI funds to cover the gap. Agency staff will report back on the status of the loan when the project returns to Council for approval of the bond documents.

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The bonds, tax credits, MHP loan, and Agency loan together will require 14 units to be affordable to individuals earning 30 percent or less than the Area Median Income (AMI) and 25 units to be affordable to individuals earning 50 percent or less than the AMI for a period of 55 years. A project summary, including a proposed sources and uses of funds, is included as Attachment 4. A project cash flow proforma is included as Attachment 5. A schedule of maximum rents is included as Attachment 6.

The Agency loan will be partially funded with Tax Increment (TI) funds. These funds require an executed Owner Participation Agreement (OPA) with the partnership that will operate the project. The OPA is included as Attachment 7.

Forrest Palms Senior Apartments is an existing housing project made affordable by a project-based Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD) that covers all 40 units. Under the HAP contract, tenants pay 30 percent of their income for rent and the balance of the rent is paid by HUD. The Developer intends to secure a new long-term HAP contract that would ensure continued rent subsidies for residents for a 20-year period. Should the HAP contract not be renewed at any time, the bond, tax credit, and Agency loan affordability restrictions would continue in effect for the remainder of their 55-year terms.

All current tenants residing in the project have incomes that are at or below the proposed thresholds. While there may be some temporary relocation due to the renovation, no one will be permanently displaced by this action.

Policy Considerations: While the recommended actions are consistent with the approved Agency tax exempt bond and multifamily loan policies, an extension of the term of the Agency loan is recommended in order to be consistent with the term of the MHP loan. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority and the Agency, respectively. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis. As an affordable housing project, Forrest Palms Senior Apartments is exempt from the Art in Public Places requirements usually associated with projects funded with TI.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged. The project consists of the rehabilitation of a multi-family residential complex in which the unit density will not be changed

Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

and the estimated cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation.

Sustainability Considerations: The Forrest Palms Senior Apartments project has been reviewed for consistency with the focus areas, goals, policies, and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following focus areas: the project supports Focus Area number one – Energy Independence, by replacing resource inefficient infrastructure, including dual-pane windows and sliding doors and energy efficient appliances. The project also supports Focus Area number six – Urban Design, Land Use, Green Building and Transportation, by reducing dependence on private automobiles due to the fact that the property is located in close proximity to a Light Rail station and Regional Transit bus stops.

Other: The proposed action is categorically excluded from environmental review under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3).

Committee/Commission Action: It is anticipated that, at its meeting of August 20, 2008, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will report back to the City Council in the event that this does not occur.

Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City.

Financial Considerations: Staff recommends approval of issuance of up to \$4,500,000 in tax-exempt bonds and up to \$1,900,000 in an Agency loan from City HOME and aggregated Low/Mod TI funds which will be repaid with interest. In the event that the Developer does not receive MHP funds, the loan will increase to \$2,700,000. A loan commitment letter is included as Exhibit A. Upon approval of the Agency loan, \$1,800,000 will be disbursed to acquire the building in advance of the close of other construction financing, including the tax-exempt bonds. The developer will be responsible for the CDLAC processing fee and posting of the performance deposit required by CDLAC.

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Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

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

Respectfully Submitted by: 
LA SHELLE DOZIER
Interim Executive Director

Recommendation Approved:

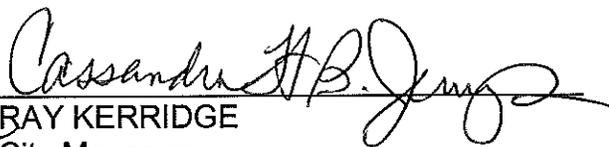

RAY KERRIDGE
City Manager

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Forrest Palms Senior Apartments Background Information

The Developer, Community Housing Opportunities Corporation (CHOC), proposes the acquisition and rehabilitation of Forrest Palms Senior Apartments, an existing 40-unit affordable senior housing project located at 1825 El Monte Avenue in the North Sacramento Redevelopment Area. The Developer is requesting issuance of up to \$4,500,000 in tax exempt bonds and up to a \$1,900,000 Agency loan comprised of \$885,000 in City Home Investment Partnership (HOME) funds and \$1,015,000 in aggregated Tax Increment (TI) funds. The Agency loan amount is predicated on receiving an award of the Multifamily Housing Program (MHP). If the project does not receive the MHP award, the Agency loan amount will increase to \$2,700,000, comprised of \$885,000 in HOME funds and \$1,815,000 in TI funds.

Description of Development: Forrest Palms Senior Apartments was built in 1979 and needs substantial improvements. It consists of 40 one-bedroom apartments in 8 one-story residential buildings and one office/community building. The units are approximately 650 square feet in size. The office/community building houses the community room, laundry facility, management/leasing office, and maintenance shop.

The project is an existing housing project made affordable by a project-based Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD) that covers all 40 units. Due to the federal assistance the project receives, it is protected under the City's Preservation Ordinance. The Ordinance requires owners of subsidized projects to submit notice to the Redevelopment Agency if they intend to terminate their rental restrictions and requires that SHRA work towards preservation of this housing stock. Under the HAP contract, tenants pay 30 percent of their income for rent and the balance of the rent is paid by HUD. The contract is currently subject to annual renewals and the owner is willing to sell to a market rate developer. Instead, the Developer intends to secure a new long-term HAP contract that would ensure continued rent subsidies for residents for a 20-year period. The Agency will require the developer to renew the HAP contract on the property after expiration of the initial contract as long as the extensions are available. The HAP contract will require that all the residents, excluding the manager, earn 50 percent or less Area Median Income (AMI) for the term of the contract. Should the HAP contract not be renewed at any time, the bond, tax credit, and Agency loan affordability restrictions would continue in effect for the remainder of their 55-year terms.

The exterior improvements will include installing ADA entry ramps at all designated ADA units and creating one new handicap parking space; repairing sidewalks, parking areas, landscaping, and drainage as required; repairing and replacing roofs and exterior siding; and replacing front doors on all buildings, including the community room. The renovation of the community room will include modifications to make all areas, including the kitchen and two bathrooms, ADA accessible. For increased security, a closed circuit television (CCTV) camera will be installed, along with new call box at gate entry.

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The interior improvements will include new appliances, repairs, and upgrades. There will be modification of two fully accessible ADA units to meet modern federal standards, subject to limitations of existing conditions, and eighteen (18) units will be made more accessible with the addition of grab bars, hardware, and new tub surrounds. Each unit will have dual pane vinyl clad windows to replace the existing windows and sliding glass doors. Each building will include a new HVAC unit and hot water heater, as well as new paint and floor covering. Each kitchen will include new upper and lower cabinets, countertop, sink, garbage disposal, refrigerator, hood, oven and stove. Each bathroom will have new cabinets, vinyl flooring, countertops, low or dual-flush toilet, and a tub.

Project Financing: This project is proposed to be funded with tax-exempt mortgage revenue bonds, 4% Low Income Housing Tax Credits (LIHTCs), an Affordable Housing Program (AHP) loan, a Multifamily Housing Program (MHP) loan through the California State Department of Housing and Community Development, and an Agency loan. The project summary, which lists the sources and uses of funds, and the cash flow proforma are included at Attachments 4 and 5, respectively. The subsidy per unit is high relative to other Agency-financed projects due to the fact that the project is small in size and targets 35% of its units for occupancy of extremely low income households.

The Developer proposes to submit applications for both MHP and AHP in the fall of 2008. If funds are not awarded, the Developer will apply for funding in the spring 2009 award round. If the Developer is unable to secure MHP funds after two award rounds, the Agency loan will be increased to cover the gap created by the lack of MHP funds. The gap will be less than the value of the MHP funds because the MHP program has special requirements that decrease project income and increase project costs.

Funding for acquisition will be disbursed in advance of the construction loan closing to aid the Developer in meeting the terms of the purchase agreement set forth by the seller. The remainder of the funds will be retained until the developer secures a bond allocation and closes on the construction loan. If the MHP funding is not secured, the existing loan documents will be amended to increase the loan from \$1.9 million to \$2.7 million.

Subsequently, the Developer will apply for tax-exempt Mortgage Revenue Bonds awarded by the California Debt Limit Allocation Committee (CDLAC) and Low Income Housing Tax Credits awarded by the Tax Credit Allocation Committee (TCAC). The Developer will apply for these funds after determining whether MHP funds will be used to finance the project. At the time the bond documents are finalized, the Agency will report back regarding the final financing scenario. In accordance with CDLAC regulations, the Developer will be responsible for the payment of the CDLAC processing fee and posting one half percent (0.5%) of the total bond issuance as a performance deposit.

Relocation: There will be no permanent relocation of any current residents. The developer has submitted a temporary relocation plan which has been reviewed and approved by Agency staff.

Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

Developer: CHOC has developed numerous affordable apartment projects. The company is based in Davis, California, and many of the company's apartment projects are in the City and County of Sacramento, including Acacia Meadows, Auberry Park, Danbury Park, Washington Square and Sherwood Court. The general contractor will be JDS Builder's Group, Inc., which is experienced in apartment rehabilitation. Agency staff has approved this general contractor for this project.

Property Management: The John Stewart Company will be serving as the property manager for the project. The John Stewart Company has managed over 28,000 units, of which 90% are occupied by low- to moderate-income families and seniors. Agency staff has reviewed the management plan and has found that the proposed management company meets the Agency's requirements for property management.

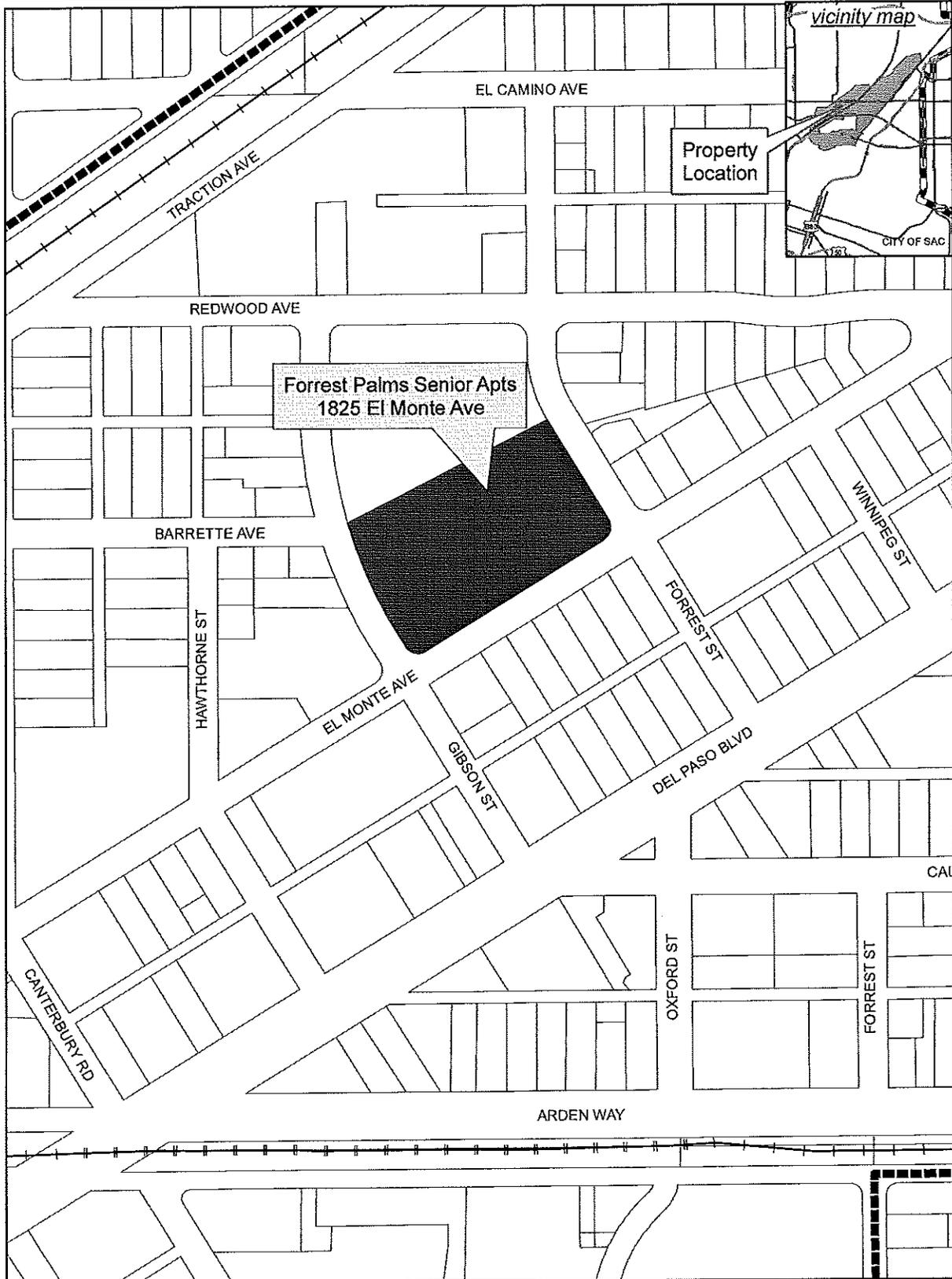
Social Services Plan: Social Services will be provided to the residents by CHOC Resident Services Department, a nonprofit 501(c)(3) corporation affiliated with the Developer. CHOC Resident Services proposes to offer enrichment programs, educational programs, and service coordination, all managed by a Resident Services Coordinator. Agency regulations require a minimum of 10 hours per week of service, and the Developer is proposing to exceed these requirements.

Low-income Set-aside Requirements: The project will be layered with affordability requirements required by the various public funding sources. These sources and their affordability requirements are summarized in the following table:

Funding	Affordability Restrictions	No. Units Covered	Regulatory Term
HAP Contract	Very Low-Income (50% AMI)	40	20 years
Tax Exempt Bonds, Low Income Housing Tax Credits, and Agency Loan	Extremely Low-Income (30% AMI)	14	55 years
	Very Low-Income (50% AMI)	25	55 years
Manager's Unit	Unrestricted (HAP optional)	1	
Total Units		40	



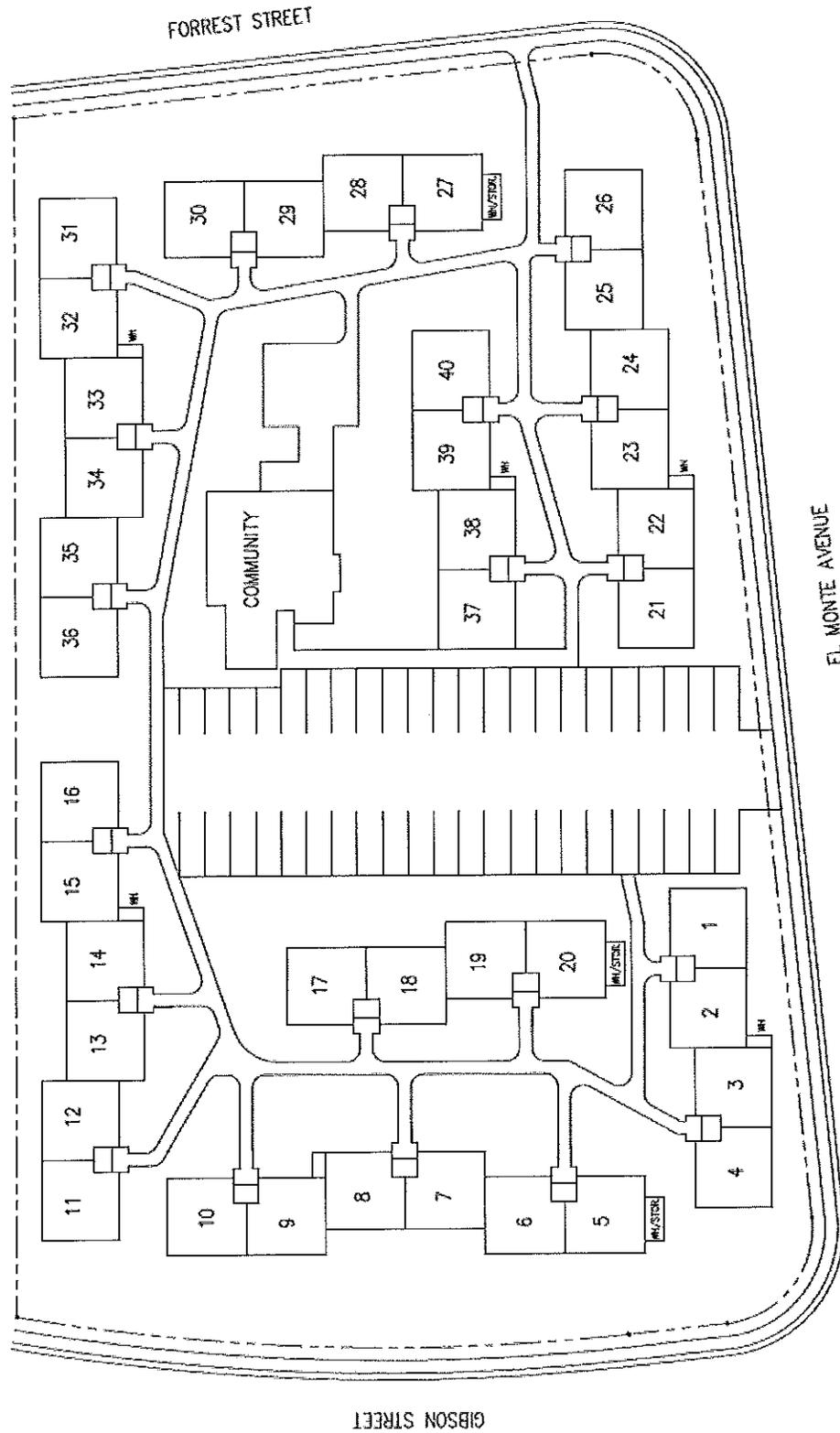
Forrest Palms Senior Apartments



0 0.05 0.1 Miles

SHRA GIS
 July 22, 2008

Site Plan



Forrest Palms

Address	1825 El Monte Avenue, Sacramento, CA 95815		
Number of Units	40		
Year Built	1980		
Acreage	2.09		
Affordability	14 units (35%) at or below 30% of median income 26 units (65%) at or below 50% of median income 1 unrestricted manager's unit		
Unit Mix and Rents	(30% AMI)	(50% AMI)	Market
1 Bedroom	14	26	1
Unit Square Footage	40 1-bedroom units at 650 square feet 27,600 square feet, including 1,600 for the community space		
Resident Facilities	The property includes one 1,600 square foot community building that contains a leasing/management office and a large community room.		
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Agency Loan	\$ 1,900,000	\$ 47,500	\$ 68.84
Bond	\$ 886,000	\$ 22,150	\$ 32.10
Tax Credit Equity	\$ 1,850,000	\$ 46,250	\$ 67.03
AHP	\$ 300,000	\$ 7,500	\$ 10.87
MHP	\$ 1,614,000	\$ 40,350	\$ 58.48
NOI	\$ 173,000	\$ 4,325	\$ 6.27
TOTAL SOURCES	\$ 6,723,000	\$ 168,075	\$ 243.59
Permanent Uses			
Acquisition Costs	\$ 2,750,000	\$ 68,750	\$ 99.64
Construction Costs	\$ 1,490,000	\$ 37,250	\$ 53.99
Contractor Overhead & Profit	\$ 108,000	\$ 2,700	\$ 3.91
Architecture and Engineering	\$ 105,000	\$ 2,625	\$ 3.80
Contingency	\$ 340,000	\$ 8,500	\$ 12.32
Financing Costs	\$ 445,000	\$ 11,125	\$ 16.12
Relocation	\$ 118,000	\$ 2,950	\$ 4.28
Reserves	\$ 105,000	\$ 2,625	\$ 3.80
Legal & Syndication	\$ 200,000	\$ 5,000	\$ 7.25
Developer Fee	\$ 693,000	\$ 17,325	\$ 25.11
Development Fees	\$ 50,000	\$ 1,250	\$ 1.81
Taxes and Insurance	\$ 75,000	\$ 1,875	\$ 2.72
Surveys, Reports, Title, Marketing	\$ 244,000	\$ 6,100	\$ 8.84
TOTAL USES	\$ 6,723,000	\$ 168,075	\$ 243.59
Management / Operations			
Proposed Developer:	CHOC and Casa Partners		
Property Management Company:	The John Stewart Company		
Operations Budget:	\$ 177,000	\$4,425 per unit	
Replacement Reserves:	\$ 23,000	\$575 per unit	

Forrest Palms Senior Apartments
Project Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	TCAC Rent	HAP Rent	Utility Allowance	Market Rent	Actual Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent	Excess HAP	Total Mo. HAP	Annual HAP	
															Year 1
1 BD / 1 BA @ 30% AMI	14	741	10,374	\$ 389	\$ 703	\$ 35	\$ 715	\$ 364	\$ 0.49	\$ 5,096	\$ 61,152	\$ 339	\$ 4,746	\$ 56,952	
1 BD / 1 BA @ 50% AMI	25	741	18,525	\$ 665	\$ 703	\$ 35	\$ 715	\$ 630	\$ 0.85	\$ 15,750	\$ 189,000	\$ 73	\$ 1,825	\$ 21,900	
Manager's Unit	1	741	741	\$ 805	\$ 703	\$ -	\$ 715	\$ 703	\$ 0.95	\$ 703	\$ 8,436	\$ -	\$ -	\$ -	
Totals	40		29,640							\$ 21,549	\$ 258,588	\$ -	\$ 6,571	\$ 78,852	
Income	Rate	Annual Increase	Per Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Year 30
Potential Gross Income	2.50%		\$ 3,950	\$158,000	\$163,530	\$169,254	\$175,177	\$181,309	\$187,654	\$194,222	\$201,020	\$208,056	\$215,338	\$303,755	\$428,477
Excess HAP Income	2.00%		\$ 88	\$3,500	\$3,570	\$3,641	\$3,714	\$3,789	\$3,864	\$3,942	\$4,020	\$4,101	\$4,183	\$5,099	\$6,215
Other Income	1.00%		\$ 480	\$12,500	\$12,938	\$13,390	\$13,859	\$14,344	\$14,846	\$15,366	\$15,903	\$16,460	\$17,036	\$24,031	\$33,898
Less Vacancy	5.00% (10.00% Year 1)		\$ 580	\$19,200	\$19,872	\$20,568	\$21,287	\$22,032	\$22,804	\$23,602	\$24,428	\$25,283	\$26,168	\$36,912	\$52,068
Effective Gross Income			\$ 5410	\$216,400	\$223,110	\$230,053	\$237,236	\$244,674	\$252,368	\$260,331	\$268,572	\$277,099	\$285,924	\$392,997	\$543,859
Operating Expenses															
Operating Expenses				\$158,000	\$163,530	\$169,254	\$175,177	\$181,309	\$187,654	\$194,222	\$201,020	\$208,056	\$215,338	\$303,755	\$428,477
Assessments				\$3,500	\$3,570	\$3,641	\$3,714	\$3,789	\$3,864	\$3,942	\$4,020	\$4,101	\$4,183	\$5,099	\$6,215
Social Services				\$12,500	\$12,938	\$13,390	\$13,859	\$14,344	\$14,846	\$15,366	\$15,903	\$16,460	\$17,036	\$24,031	\$33,898
Property Management				\$19,200	\$19,872	\$20,568	\$21,287	\$22,032	\$22,804	\$23,602	\$24,428	\$25,283	\$26,168	\$36,912	\$52,068
Replacement Reserves				\$23,200	\$23,200	\$23,200	\$23,200	\$23,200	\$23,200	\$23,200	\$23,200	\$23,200	\$23,200	\$23,200	\$23,200
Total Expenses				\$216,400	\$223,110	\$230,053	\$237,236	\$244,674	\$252,368	\$260,331	\$268,572	\$277,099	\$285,924	\$392,997	\$543,859
Net Operating Income				\$68,646	\$106,537	\$107,432	\$108,272	\$109,055	\$109,776	\$110,430	\$111,074	\$111,523	\$111,952	\$110,575	\$93,788
Debt Service	Amount	Rate	Amort												
Bond (Issuer: SHRA)	\$891,565	6.50%	20	0	0	79,767	79,767	79,767	79,767	79,767	79,767	79,767	79,767	79,767	0
MHP Interest	\$1,613,788			0	0	6,778	6,778	6,778	6,778	6,778	6,778	6,778	6,778	6,778	6,778
HA Monitoring Fee	\$3,817,113	0.15%		0	0	5,726	5,726	5,726	5,726	5,726	5,726	5,726	5,726	5,726	5,726
Debt Service Subtotal				\$0	\$0	\$92,271	\$92,271	\$92,271	\$92,271	\$92,271	\$92,271	\$92,271	\$92,271	\$92,271	\$12,504
DCR on Senior Bonds						1.16	1.17	1.18	1.19	1.20	1.20	1.21	1.21	1.20	7.50
Priority Distributions															
Asset Management Fee (GP)		3.00%		12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	0	0
Partnership Management Fee (LP)		3.00%		0	0	0	0	0	0	0	0	0	0	0	0
Priority Distributions Subtotal				12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	0	0
Net Cash after Priority Distributions				\$76,646	\$94,177	\$2,430	\$2,889	\$3,278	\$3,593	\$3,931	\$4,051	\$4,051	\$4,024	\$18,304	\$81,284
Residual MHP Repayment				\$0	\$0	\$811	\$964	\$1,094	\$1,200	\$1,279	\$1,330	\$1,352	\$1,343	\$6,111	\$27,135
SHRA HOME Loan															
Principal Balance	\$1,900,000	4.00%		1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Interest for Period	76,000			76,000	76,000	76,000	76,000	76,000	76,000	76,000	76,000	76,000	76,000	76,000	76,000
Accumulated Interest	76,000			152,000	228,000	303,343	378,562	453,676	528,704	603,669	678,591	753,496	828,361	903,117	977,822
Payment	0			0	0	657	781	886	972	1,036	1,077	1,095	1,088	4,949	21,978
Balance	\$1,976,000			\$2,052,000	\$2,127,343	\$2,202,562	\$2,277,676	\$2,352,704	\$2,427,669	\$2,502,591	\$2,577,496	\$2,652,408	\$2,727,282	\$2,802,111	\$2,876,939
Combined Debt Coverage Ratio						1.16	1.16	1.17	1.18	1.18	1.19	1.19	1.20	1.14	2.72

MAXIMUM RENT AND INCOME LEVELS

4% Low-Income Housing Tax Credit Program

(Rents @ 30%, 50%, and 60% of AMI)

Maximum Income Limits:			
	30% AMI	50% AMI	60% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 14,900	\$ 24,850	\$ 29,820
2 person	\$ 17,050	\$ 28,400	\$ 34,080
Maximum Rent Limits:			
<u>Unit Size</u>	<u>Gross Rent</u>	<u>Gross Rent</u>	<u>Gross Rent</u>
1 Bedroom	\$ 399	\$ 665	\$ 798

Mortgage Revenue Bond Program

(Rents @ 50% of AMI)

Maximum Income Limits:	
	50% AMI
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 24,850
2 person	\$ 28,400
Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 710

HOME Funds

(Rents @ 50% and 65% of AMI)

Maximum Income Limits:		
	Low HOME 50% AMI	High HOME 65% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 24,850	\$ 32,305
2 person	\$ 28,400	\$ 36,920
Maximum Rent Limits:		
<u>Unit Size</u>	<u>Gross Rent</u>	<u>Gross Rent</u>
1 Bedroom	\$ 665	\$ 805

OWNER PARTICIPATION AGREEMENT
Using Funds from Tax-Increment Housing Set-Aside

Redevelopment Agency of the City of Sacramento
North Sacramento Redevelopment Area
Forrest Palms Senior Apartments
1825 El Monte Avenue, Sacramento, California 95815

OWNER PARTICIPATION AGREEMENT
Tax Increment Housing Set-Aside

Redevelopment Agency of the City of Sacramento

North Sacramento Redevelopment Area
Forrest Palms Senior Apartments
1825 El Monte Avenue, Sacramento, California 95815

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, (the “Agency”), and COMMUNITY HOUSING OPPORTUNITIES CORPORATION and CASA PARTNERS, (collectively, the “Developer,”) respectively, enter into this Owner Participation Agreement, also called OPA, as of the Effective Date. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 12.

RECITALS

Developer is the owner of real property located at 1825 El Monte Avenue, in the City of Sacramento, California, in the North Sacramento Redevelopment Area, more particularly described in attached Exhibit 1: Legal Description, which is incorporated into this OPA by this reference.

A. This OPA is made in accordance with provisions of the Redevelopment Plan for participation by property owners in redevelopment of the project area (adopted in accordance with California Health & Safety Code Section 33339).

The Agency is participating in this OPA because this OPA is consistent with, and furthers, the Redevelopment Plan and the Implementation Plan. Specifically and without limitation, the Agency has determined that the Project will eliminate blighting influences.

B. In order to accomplish such Agency goals and purpose, the OPA provides that the Developer will redevelop the Property in the manner and for the uses described in this OPA. Therefore, Developer desires to develop the Property, and Agency desires to assist development of the Property, on the terms and conditions in this OPA.

AGREEMENT

NOW THEREFORE, in consideration of the following mutual covenants, obligations and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

AGENCY FUNDING. Agency is providing funding to the Project under the Funding Agreement for development of the Project as described in Section 1. As a condition of Agency’s obligation to provide the Agency Funding and in consideration of the Agency Funding, Agency is purchasing

from Developer, and Developer is selling to Agency, an operating covenant to assure the operation of the Project as described in Section 1, as well as other obligations and restrictions, including without limitation, use restrictions, as evidenced by the Regulatory Agreement.

1. PROJECT DESCRIPTION. The Project being assisted with the Agency Funding is the following: The project is a 40-unit senior apartment complex. A total of 14 units will be affordable to households earning less than 30 percent AMI and 25 units will be affordable to households earning less than 50 percent AMI. One unit will remain an unrestricted manager's unit. The project will include either (1) an Agency loan of \$1,900,000 if Multifamily Housing Program (MHP) funds are received; or (2) an Agency loan of \$2,700,000 if MHP funds are not received.

2. PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS. This OPA is a financing document of the Agency and not a land use or planning document. Approval of the Project under this OPA by the Agency is not and shall not be considered an approval of land use entitlements or structural design of the Project, or the aesthetic design of the Project except as an approval by the Agency of the Project design concept as presented in this OPA. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each governmental agency acting in proper exercise of their respective jurisdictions, including without limitation, departments, staff, boards and commissions of the City of Sacramento. The Agency shall have the right, but not the obligation, to review Plans to assure their conformity with the provisions of this OPA and approvals given under this OPA. Based upon such review, the Agency shall have the right to approve or reject the Plans for reasonable cause. Agency's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Agency's approval of Plans is not an assurance of their adequacy or correctness. Agency has reserved approval rights solely: (a) to assure that the Plans further the Redevelopment Plan; (b) to assure that the Final Plans conform to the Preliminary Plans; and (c) to assure that any Agency funds which may be obligated under this OPA are used as intended by the Agency.

2.1. CONCURRENT REVIEW. Agency agrees that its review of the Final Plans shall occur prior to or concurrently with the City of Sacramento's review of such plans, so as not to delay the commencement and progress of Project development. Agency agrees that its review of the Final Plans is strictly limited to making a determination that the Final Plans conform to the architectural designs (but not the detailed schematics, if any) presented in the Plans, the Scope of Development, the uses permitted on the Property and the Redevelopment Plan.

2.2. PRELIMINARY PLANS. Developer has provided Agency with Preliminary Plans, and the Agency has approved the Preliminary Plans concurrently with this OPA. The Agency has been induced to undertake its obligations under this OPA by Developer's promise to develop the Project in accordance with the Plans, the Scope of Development and the provisions of this OPA.

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

conform in all material respects to the Preliminary Plans and the Scope of Development. To the extent that the Preliminary Plans and Scope of Development have insufficient detail or are unclear, the Preliminary Plans shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this OPA. The Final Plans shall incorporate all related mitigation measures required for compliance with CEQA approvals, as stated in the Mitigation Monitoring Plan. Developer agrees that it will comply with the requirements of the Design Review Board to the extent of its jurisdiction.

DELIVERY. Developer shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the Sacramento Housing and Redevelopment Agency and shall have clearly marked on its exterior "URGENT: FORREST PALMS SENIOR APARTMENTS PROJECT PLAN REVIEW" or the equivalent.

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

2.3.2. AGENCY DISAPPROVAL. If Agency disapproves, in whole or in part, the Final Plans or any change to the Final Plans, Agency shall state, specifically and in writing, at the time of disapproval, the reasons for disapproval and the changes which the Agency requests to be made. Agency's reasons for disapproval and such Agency-requested changes shall be consistent with the Preliminary Plans, the Approved Final Plans, the Scope of Development and with any items previously approved under this Section 3. If the Agency rejects the proposed Final Plans, Developer shall obtain no rights to develop the Property under this OPA and Agency shall have no obligations regarding the Project until such time as Developer has modified the proposed Final Plans and received the Agency's approval of the Final Plans as modified.

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

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

2.5.1. SUBSTANTIAL CHANGE. A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements. For purposes of this Section 2.5.1, a “material change” is a change that is material to the Agency in accomplishing its purposes under this OPA.

- a) Material changes in the layout, elevation design, square footage.
- b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.
- c) Material changes in site development items for the Property that are specified in the Final Plans.
- d) Any changes requiring approval of any city, county or state board, body, commission or officer, or any change required by any city, county or state board, body, commission or officer.
- e) Any change which would preclude or materially reduce the ability to use the Project as intended by this OPA.

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

3. DEVELOPMENT PROVISIONS. As stated in detail in this Section 3, Developer shall construct and manage the Project according to the requirements established in this OPA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this OPA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the California Redevelopment Law [commencing at Health and Safety Code Section 33000] shall control.

3.1. CONSTRUCTION CONTRACTS. Developer shall submit to Agency the construction contract for the Project. Agency’s review of the construction contract shall be only for determining its compliance with this OPA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer’s cost, the construction of the Project in accordance with this OPA.

GOVERNMENTAL REVIEW PROCESS. Notwithstanding any other provision of this OPA, Developer is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento.

3.2. SUBSTANTIAL CHANGES. Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 3.6, without Agency approval of such changes as provided in Section 3.6.

3.3. LOCAL, STATE AND FEDERAL LAWS. The Developer shall assure that the construction of the Project is carried out in conformity with all applicable laws and regulations, including all applicable federal and state labor standards. Developer acknowledges and agrees that all wage and hour laws and other labor laws as applicable, including without limitation prevailing wage requirements, are the sole responsibility of Developer and Developer's contractors and subcontractors. Developer and its contractors and subcontractors have undertaken to ascertain the applicability of such laws prior to preparation of the final Project budget and have included the costs arising from such laws in the final Project budget. Developer shall keep, or cause to be kept, all records and make all payments, of any kind, that may be required for compliance with said laws and regulations. Before commencement of construction or development of any buildings, structures or other work of improvement upon the Property, Developer shall at its own expense secure any and all certifications and permits which may be required by any governmental agency having jurisdiction over such construction, development or work. Developer shall permit only persons or entities which are duly licensed in the State of California, County of Sacramento and City of Sacramento, as applicable, to perform work on or for the Project.

PREVAILING WAGES. The California Department of Industrial Relations has undertaken the aggressive and expansive enforcement of prevailing wage laws for redevelopment projects. The Agency has advised, and the Developer acknowledges, that the Project is subject to the payment of prevailing wages under the laws of the State of California. Developer has had the opportunity to meet with Developer's legal counsel and to request a determination from the Department of Industrial Relations regarding the applicability of prevailing wage requirements to this Project. Developer has made its independent determination of the applicability of prevailing wage laws and has independently implemented such determination. Developer, therefore, indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from Developer's determinations and actions related to prevailing wage obligations for the work of this OPA.

3.4. PUBLIC SAFETY PROTECTIONS. Developer shall assure that all necessary steps are taken (including the erection of fences, barricades and warning devices) to protect private contractors and their employees and the public from the risk of injury arising out of the condition of the Property or Developer's activities in connection with the Property, including without limitation, fire, or the failure, collapse or deterioration of any improvements or buildings.

3.5. NONDISCRIMINATION IN CONTRACTING AND EMPLOYMENT. Developer for itself, Manager, the General Contractor and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

3.5.1. EMPLOYMENT. Developer shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, marital status, creed or national origin. The Developer will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, creed, religion, sex, marital status, or national origin. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Developer agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Agency setting forth the provisions of this nondiscrimination clause.

3.5.2. ADVERTISING. Developer will, in all solicitations or advertisements for employees placed by or on behalf of the Developer, state that all qualified applicants will receive consideration for employment without regard to race, color, creed, religion, sex, marital status, or national origin.

3.6. PUBLIC IMPROVEMENTS. Developer shall, at Developer's expense as a Project cost, undertake and complete any modification, construction, relocation or improvement of public facilities, improvements and utilities for the development of the Property.

3.7. AGENCY ACCESS TO THE PROPERTY. Developer shall permit Agency representatives access, without charge, to the entire Property at any time and for any purpose which Agency reasonably considers necessary to carry out its obligations and protect its interests under the OPA. Purposes for Agency entry may include, without limitation, inspection of all work being performed in connection with the construction of the Project.

3.8. PROJECT SIGN. If Developer places a sign on the Property during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" as a participant in the Project. The Agency name on the sign shall be in letters not less than size of letters used to name any of the other participants.

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

3.9.1. Such certification and such determination shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. Such

certification and such determination shall not constitute evidence of compliance with or satisfaction of any provision of this OPA that is not related to construction of the Project.

3.9.2. If the Agency fails to provide a Certificate of Completion within fifteen (15) days after written request by Developer, the Agency shall, within an additional fifteen (15) days after a second written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Project in accordance with the provisions of the OPA, or is otherwise in default, and what measure or acts it will be necessary, in the opinion of the Agency, for the Developer to take or perform in order to obtain such certification.

3.10. CONSTRUCTION PERIOD EXTENSION FEE. If Developer does not complete the construction of the Project on or before the Completion Date stated in the Schedule of Performances, Developer shall pay to Agency, monthly, in advance, on the first day of each month beginning the calendar month following the Completion Date, a construction period extension fee for each day by which the completion of construction is delayed beyond said completion date. Construction Extension Fees due for days of delay occurring prior to the first payment date shall be paid in arrears at the time of the first payment under this Section 1. The number of days used in computation of the Construction Extension Fee shall be reduced by the number of days of Unavoidable Delay. Failure to pay Construction Extension Fees when due is a material default of this OPA. Any unearned portion of an advance payment of any such extension fee shall be refunded by the Agency within thirty (30) days of completion of construction, or of termination of the OPA. Agency shall have the option to terminate, upon ten (10) days prior written notice, Developer's rights to unpaid Construction Extension Fees and to declare Developer in material default of this OPA. In any event, Construction Extension Fees shall not be accepted for a time period greater than six months, at which time Developer shall be deemed in material default of this OPA.

REPORTS. During the period of construction, the Developer shall submit to the Agency a written report of the progress of the work as and when reasonably requested by the Agency, but not more often than once each month.

3.11. NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS. Developer shall assure that the respective parties through the Project Documents have the responsibility of notifying the Project contractors, architects and engineers for the Project of the requirements of this OPA. Developer shall include, where applicable, the provisions of this OPA in construction contracts and subcontracts for the Project, and Developer shall undertake the enforcement of such provisions.

3.12. PROPERTY CONDITION. Except as provided in this OPA, if the condition of the Property is not in all respects entirely suitable for the use or uses to which the Property will be put, it is the sole responsibility and obligation of the Developer to take such reasonable actions as may be necessary to place the condition of the Property in a condition which is entirely suitable for its development in accordance with the construction plans and drawings approved by Agency.

3.13. ZONING OF THE PROPERTY. Agency exercises no authority with regard to zoning of the Property. Developer shall assure that zoning of the Property at the time of development shall be such as to permit the development and construction, use, operation and maintenance of the Project in accordance with the provisions of this OPA.

3.14. NO WORK PRIOR TO CLOSE OF ESCROW. Prior to Close of Escrow, Developer shall not commence any work or take any action that might be construed as commencement of the work of the Project for establishment of mechanic's lien rights.

4. DEVELOPMENT FINANCING. Developer shall be responsible for and shall pay all costs of developing the Project except as otherwise provided in this OPA. As a condition precedent to Agency's obligation to provide the Agency Funding, Developer shall provide the Agency with a complete and firm Project budget including all proposed sources and uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this OPA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Agency, of the additional required construction and permanent financing. Except as expressly provided in this OPA, no party shall have the right of reimbursement for any funds expended by them for the Project. Agency is not obligated by this OPA or otherwise to make any contribution beyond its obligations stated in this OPA.

4.1. EVIDENCE OF AVAILABLE FUNDS. Unless otherwise approved by the Agency, Developer's evidence of available funds must include only the following: (a) Developer equity (as provided in Section 4.3); (b) firm and binding loan commitments (as provided in Section 4.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this OPA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

4.2. COMMITMENT AND LOAN REQUIREMENTS. As a material obligation under this OPA, Developer shall assure that the loan documents for the Project are consistent with the Lender's commitment approved by the Agency and comply, in all respects, with this OPA. The Agency may reject a loan commitment unless such commitment: (a) is subject only to Lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have been previously provided to and approved by the Agency); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for an Agency Funding term not less than that specified in the Schedule of Performances for completion of construction and any additional time necessary to fulfill all conditions precedent to funding of permanent financing. The Agency may also reject any commitment if it is based upon sources and uses of Project funds that are different from those approved by Agency for the Project. The Agency may also reject any commitment that requires changes to the Project which conflict with this OPA, that requires amendment of this OPA or that requires the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party.

4.3. EVIDENCE OF DEVELOPER EQUITY. Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity by any one or more of the following actions: (a) a deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Developer's provision of financial statements prepared by a certified public accountant that show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity. Developer shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Developer profit or fees or Developer contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

5. USE COVENANTS. Developer shall own and manage the Property in accordance with the provisions of this OPA.

5.1. NONDISCRIMINATION. Developer covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property and the Project, nor shall the Developer or any person claiming under or through it, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in Property and the Project. The foregoing covenants shall run with the land.

5.2. REGULATORY AGREEMENT. Developer covenants by and for itself, its heirs, executors, administrators, and all persons claiming under or through it, that the Property shall be used strictly in accordance with the provisions of the Regulatory Agreement.

6. INDEMNIFICATION. Developer shall indemnify, protect, defend and hold harmless Agency, its officers, directors, commission members, employees, advisory committee members, and agents from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Developer, its officers, employees, agents or independent contractors and for any and all costs incurred by Agency in defending against such liability claims, including attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Agency.

Agency shall indemnify, protect, defend and hold Developer harmless from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Agency, its officers, commission members, employees, advisory committee members or agents and for any and all costs incurred by Developer in defending against such liability claims, including attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Developer.

This indemnification provision shall survive the termination of this agreement.

7. INDEMNIFICATION FOR HAZARDOUS SUBSTANCES. Developer shall indemnify, protect and defend Agency, its respective officers, directors, commission members, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees, penalties and claims related to: (a) the removal, discharge or release of Hazardous Substances on the Property after Developer has taken possession of the Property; or (b) the existence of Hazardous Substances on the Property, which were not on the Property prior to Developer's taking possession of the Property.

8. LIABILITY INSURANCE. With regard to this OPA, the Developer shall obtain and maintain, and require the contractor and subcontractors for the Project to obtain and maintain, such insurance as will protect them, respectively, from the following claims which may result from the operations of the Developer, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person; claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations under this OPA.

8.1. LIABILITY INSURANCE POLICY LIMITS. Developer shall assure that the insurance required by this Section shall be written with a deductible of not more than TWENTY-FIVE THOUSAND DOLLARS (\$25,000).

8.2. WORKER'S COMPENSATION. Worker's compensation coverage shall be written for the statutory limits as required by the California Labor Code (commencing with Section 3700, as it may, from time to time, be amended) and having an employer's liability of not less than \$1,000,000 or statutory limits, whichever are greater.

8.3. COMPREHENSIVE GENERAL LIABILITY. Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as may be approved by Agency Counsel). Such

insurance shall have limits of liability which are not less than \$2,000,000, each occurrence, for bodily injury coverage; \$2,000,000 aggregate, for products and completed operations coverage; \$1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

8.4. COMPREHENSIVE AUTOMOBILE LIABILITY. Comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having limits of liability which are not less than \$1,000,000.

8.5. FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE. For the duration of OPA, Developer shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage, vandalism, and malicious mischief, and with such other endorsements and in such amounts as the Agency may reasonably require to protect the Project. In the event of damage to the Project and subject to the requirements of Lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

8.6. INSURANCE PROVISIONS. Each policy of insurance required under this OPA shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall contain the following provisions as applicable:

8.6.1. ADDITIONAL INSURED. During the term of construction, Agency shall be additional insured on all insurance policies, except the fire and hazard insurance and the worker's compensation policy, unless otherwise approved by Agency's legal counsel in writing.

8.6.2. SINGLE PROJECT INSURANCE. It is the intent of the parties that the Project have available all the specified insurance coverages. Developer shall not provide insurance coverages that are considered in aggregate with other Projects which Developer or its contractor might have concurrently under construction. The Agency may at its discretion permit an aggregate policy if and only if Developer or the respective contractor has fully disclosed to Agency other projects which will or may be considered in aggregate with the Project, and thereafter, Developer shall immediately inform Agency of the change in or addition to any such projects. Nevertheless, Agency may, at any time require that the insurance coverage be provided solely for the Project.

8.6.3. CANCELLATION. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Agency has been given written notice of such intended action at least thirty (30) days prior to its effective date.

8.6.4. FAILURE TO MAINTAIN. If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this OPA, the Agency shall have the right to purchase the insurance on Developer's behalf, and Developer shall promptly reimburse the full cost of such insurance to the Agency. If Developer fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

8.6.5. BLANKET COVERAGE. Developer's obligation to carry insurance as required under this Section 10 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Agency shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Agency will not be reduced or diminished thereby, and all of the other requirements of this Section 10 with respect to such insurance shall otherwise be satisfied by such blanket policy.

DEFAULTS AND REMEDIES. Except as otherwise provided in the OPA, if either party defaults in its obligations under this OPA, the defaulting party shall immediately commence and diligently proceed to cure the default within thirty (30) days after written notice of default from the other party or, if reasonable, such longer time as is reasonably necessary to remedy such default if such default cannot reasonably be cured within thirty (30) days for reasons beyond the control of the defaulting party, provided that the defaulting party shall promptly begin and diligently pursue such cure to completion. If the defaulting party does not promptly begin and diligently cure the default within a reasonable time, the other party may institute proceedings to cure the default, including without limitation, proceedings to compel specific performance by the defaulting party. Subject to any extension of time permitted by this OPA, a failure or delay by a party to perform any term or provision of this OPA constitutes a default of this OPA. As a condition precedent to termination of the OPA under this Section, each party shall first tender the return of all property or funds received from or on behalf of the other party***IF Liquidated Damages***. After such return of property and funds and termination of the OPA, neither Agency nor Developer shall have any further rights against or liability to the other under the OPA except as expressly set forth in this OPA to the contrary.

OTHER RIGHTS AND REMEDIES. Upon the occurrence of any default, and the expiration of any applicable notice and cure period without a cure having occurred within the specified cure period, the non-defaulting party shall have the right to institute such actions as it may deem desirable to remedy a default of this OPA as allowed under this OPA, at law or in equity

8.7. NONLIABILITY OF AGENCY OFFICIALS AND EMPLOYEES. No member, official or employee of Agency shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by Agency or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this OPA.

8.8. ATTORNEY'S FEES AND RELATED COSTS. If an action is commenced between the parties, the prevailing party in that action shall be entitled to recover from the non-prevailing party all reasonable attorney fees and costs, witness fees, arbitrator's fees, and court and arbitration costs. The term "prevailing party" shall include without limitation, the party who receives performance from the other party for an alleged breach of contract or a desired remedy where the performance is substantially equal to the relief sought in an action; the party who receives any award for relief through arbitration; or the party determined to be the prevailing party by a court of law. In any event, the prevailing party shall mean the party receiving a judgment, ruling or award that is more favorable than the last firm offer of settlement made by such party. Any award of damages following judicial remedy or arbitration as a result of the

breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

9. ENCUMBRANCE OF PROPERTY AND LENDER PROTECTIONS. Before issuance of a Certificate of Completion, the Developer may, upon written Agency approval, obtain a Loan and encumber the Property as security for the Loan, provided either that the proceeds of the Loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the Loan is permanent project financing made upon usual and customary and commercially reasonable terms. After issuance of a Certificate of Completion, the Agency shall have no rights of approval regarding financing secured by the Property. As a condition to Agency's approval of a Loan, Developer shall provide the Agency with a conformed copy of all documents related to the Loan. Agency acknowledges that a Lender will rely upon this OPA in making the Loan and that Agency's obligations under this OPA are inducements to Lender's making of the Loan.

9.1. NOTICES. If the Agency gives any notice of default to Developer under this OPA, the Agency shall contemporaneously give a copy of such notice to each Lender who has requested such notice in the following form of request for notice at the address stated in the request for notice. Any such default notice that is not so delivered to Lender shall not be effective or binding with regard to Lender or otherwise affect Lender, but failure to deliver such default notice to Lender shall not affect its validity with respect to Developer. Lender shall use the following form for requesting notice:

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Owner Participation Agreement dated _____ between the Redevelopment Agency of the City of Sacramento and Community Housing Opportunities Corporation and Casa Partners ("OPA"). Lender requests, in accordance with Section 21.1 of the OPA, that if any default notice shall be given to Developer under the OPA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

9.2. ASSIGNMENTS AND TRANSFERS OF THE LOAN. Agency shall not be bound to recognize any assignment of the Loan or related encumbrance of the Property unless and until Lender has given Agency written notice of the name and address of the assignee (and if more than one person is an assignee, the designated name and address for notices) and such assignee qualifies as a Lender under this OPA. Thereafter, such assignee shall be considered a Lender with respect to the Loan and the related encumbrance on the Property.

9.3. LENDER NOT OBLIGATED TO CONSTRUCT. Notwithstanding any of the provisions of the OPA, Lender shall not be obligated by the provisions of the OPA to construct or complete the Project. Nothing in this Section or any other provision of the OPA shall be construed to permit or authorize Lender to devote the Property to any uses, or to construct any improvements on the Property, other than those uses or improvements provided or permitted in the OPA.

9.4. LENDER'S OPTION TO CURE DEFAULTS. After any default of Developer's obligations under the OPA, each Lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the Property. The Agency shall accept such performance as if it had been performed by Developer; provided, however, that such Lender shall not be subrogated to the rights of the Agency by undertaking such performance. If the breach or default relates to construction of the Project, however, Lender shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or construction already made) unless Lender assumes, in writing satisfactory to the Agency, Developer's obligations to complete the Project on the Property in the manner provided in the OPA. Any Lender who properly completes the Project as provided in the OPA shall be entitled, upon written request made to the Agency, to Certificate of Completion from the Agency in a manner provided in the OPA. Such certification shall mean that any remedies or rights with respect to the Property that the Agency may have because of Developer's failure to cure any default with respect to the construction of the Project on other parts of the Property, or because of any other default of the OPA by the Developer shall not apply to the part of the Property to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Agency may have against the Developer for such default.

9.5. DEFAULT BY DEVELOPER. In the event of a default by Developer, Agency shall not terminate this OPA unless and until the Agency has given notice to Lender of such default, as provided in this Section 12.5 and Lender has failed to cure such default as provided in Section 12.5 provided, however that if such default cannot practicably be cured by the Lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this OPA) shall be tolled if and so long as:

9.5.1. Lender has delivered to the Agency, prior to the date on which Agency is entitled to give notice of termination of this OPA, a written instrument satisfactory to Agency in which Lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon Lender or its designee taking possession of the Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the Lender nor its designee shall be obligated to pay damages to the Agency on account of such default, except to the extent of any monies due and unpaid from Developer.

9.5.2. Lender or its designee has rights to obtain possession of the Property (including possession by receiver) through foreclosure, deed in lieu of foreclosure or otherwise, and Lender or its designee promptly commences and diligently proceeds to obtain possession of the Property, and if Lender is prevented by court action or by any statutory stay from prosecuting foreclosure proceedings, that Lender is diligently seeking relief from such action or stay; and

9.5.3. Upon receiving possession of the Property, Lender or its designee promptly commences and diligently proceeds to cure such default.

9.5.4. From and after the cure of such Developer default, Lender or its designee is not required to obtain possession or to continue in possession of the Property. Nothing in this

Section shall preclude the Agency from exercising any of its rights or remedies with respect to Developer during any period of such forbearance.

9.6. FORECLOSURE. Foreclosure of any encumbrance securing the Loan, or any sale under such encumbrance, whether by judicial proceedings or by virtue of any power contained in such encumbrance, or any conveyance of the Property from the Owner to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, shall not require the consent of the Agency. Upon such foreclosure, sale or conveyance, the Agency shall recognize the resulting purchaser or other transferee as the Developer under this OPA, provided that such purchaser or transferee expressly assumes each and every obligation of the Developer under this OPA (except for the obligation to pay damages except to the extent of any monies due and unpaid from Developer under this OPA) by assumption agreement satisfactory to the Agency. If any Lender or its designee acquires Developer's right, title and interest under this OPA as a result of a judicial or nonjudicial foreclosure under any power contained in such encumbrance, or any conveyance of the Property from the Owner to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, such Lender or its designee shall have the right to assign or transfer Developer's right, title and interest under this OPA to an assignee; provided, however, that the assignee or transferee shall thereafter be subject to all of the terms and conditions of this OPA.

9.7. MODIFICATIONS. No modification or amendment to the OPA which materially and adversely affects the Lender's interest in the Property shall be valid and effective unless the Lender's written consent to such modification or amendment has first been obtained, which consent shall not be unreasonably withheld.

9.8. FURTHER ASSURANCES TO LENDERS. Agency and Developer shall in good faith consider making such reasonable modifications to this OPA and executing such further instruments and agreements between them as a Lender may reasonably request, provided such modifications, instruments and agreements do not materially, adversely affect any party's expectations or benefit, rights or obligations under this OPA and provided such modifications, instruments, and agreements serve a material economic purpose.

9.9. ESTOPPEL CERTIFICATE. Any party may, at any time, request in writing of any other party to certify in writing that, to the knowledge of the certifying party, (i) this OPA is in full force and effect and a binding obligation of the parties; (ii) this OPA has not been amended or modified either orally or in writing, or, if so amended, identifying the amendments; and (iii) the requesting party is not in default in the performance of its obligations under this OPA, or, if in default, describing the nature and extent of any such defaults. A party receiving such a request shall execute and return such certificate to the requesting party, or give a detailed written response explaining why it will not do so, within ten (10) days following its receipt. The City Manager (as Agency's designee) shall be authorized to execute any such certificate requested by Developer from the Agency.

9.10. PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER. In reliance on the financial capability and experience of Developer, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of

the Property possible. Developer shall not, prior to issuance of a Certificate of Completion, assign Developer's interests or obligations under this OPA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section 12 shall not relieve Developer, or any other party bound in any way by the OPA, from any of its obligations under the OPA. With respect to this provision, the Developer and the parties signing the OPA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

10. DOCUMENT INTERPRETATION. This OPA shall be interpreted in accordance with the following rules.

10.1. INTEGRATED DOCUMENTS; SEVERABILITY. This OPA and the documents incorporated in this OPA are to be considered as one document and default of any of them shall be considered a default of all of them. This OPA, including the incorporated documents, 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. If any term or provision of this OPA shall, to any extent, be held invalid or unenforceable, the remainder of this OPA shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

10.2. CONFLICTING PROVISIONS. If conflicts are discovered in provisions of this OPA and such incorporated documents, this OPA shall control with regard to plan review and construction terms, the Funding Agreement shall control with regard to funding terms and the Regulatory Agreement shall control with regard to affordability restrictions. In any event, the conflicts shall be construed so as to meet the intent of this OPA.

10.3. WAIVERS AND AMENDMENTS. All waivers of the provisions of this OPA must be in writing and signed by Agency or Developer, as applicable, and all amendments to this OPA must be in writing and signed by Agency and Developer. Any delay by Agency in asserting any rights under this Section shall not operate as a waiver of such rights or to deprive Agency of or limit such rights in any way. Any waiver in fact made by Agency with respect to any specific default by Developer under this Section shall not be considered as a waiver of the rights of Agency with respect to any other defaults by Developer under this Section or with respect to the particular default except to the extent specifically waived in writing.

10.4. CAPTIONS, GENDER AND NUMBER. The section headings, captions and arrangement of this OPA are for the convenience of the parties to this OPA. The section headings, captions and arrangement of this instrument do not in any way affect, limit, amplify or modify the terms and provisions of this OPA. The singular form shall include plural, and vice versa, and gender references shall be construed to include all genders.

10.5. DRAFTER. This OPA shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to

sections are to this OPA. All exhibits referred to in this OPA are attached to it and incorporated in it by this reference.

10.6. **MERGER.** All of the terms, provisions, representations, warranties, and covenants of the parties under this OPA shall survive the Close of Escrow and shall not be merged in the Grant Deed or other documents.

10.7. **TIME FOR PERFORMANCE.** In determining time for performance, it shall be construed that Agency and Developer shall each do the actions required of them, promptly and when specified in this OPA, and that each action specified in the Schedule of Performances shall be performed by the responsible party on or before the date scheduled for its completion.

10.8. **GOVERNING LAW.** This OPA shall be governed and construed in accordance with California law.

10.9. **INSPECTION OF BOOKS AND RECORDS.** Agency has the right, at all reasonable times, to inspect the books and records of Developer regarding the Property as reasonably necessary to carry out its purposes under this OPA.

10.10. **OWNERSHIP OF DATA.** If this OPA is terminated, for any reason, prior to the completion of the Project, Developer shall deliver to Agency any and all data acquired for development of the Property. Agency shall have full ownership and rights to use such data.

10.11. **SUCCESSORS.** This OPA shall inure to the benefit of and shall be binding upon the parties to this OPA and their respective heirs, successors, and assigns.

11. **NOTICES.** All notices to be given under this OPA shall be in writing and sent to the following addresses by one or more of the following methods:

11.1. Addresses for notices are as follows:

11.1.1. Agency: Redevelopment Agency of the City of Sacramento, 630 I Street, Sacramento, California 95814, Attention: Bernadette Austin.

11.1.2. Developer: Community Housing Opportunities Corporation and Casa Partners, 1490 Drew Avenue, Davis, CA 95681; Attention: Evelyn Johnson.

11.2. Notices may be delivered by one of the following methods:

11.2.1. Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;

11.2.2. A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;

11.2.3. Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

11.2.4. Telecopy, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Developer or Agency may respectively designate by written notice to the other.

12. DEFINITIONS.

12.1. "Agency" is the Redevelopment Agency of the City of Sacramento. The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California. The principal office of the Agency is located at 630 I Street, Sacramento, California 95814. Agency as used in this OPA includes the Redevelopment Agency of the City of Sacramento and any assignee of or successor to its rights, powers, and responsibilities. The Sacramento Housing and Redevelopment Agency is a joint powers agency which provides staffing for the operation of the Agency.

12.2. "Agency Funding" is the funding provided by the Agency under this OPA to Developer for the Project.

12.3. "Agency Funding Agreement" is the Loan Commitment Letter, attached as Exhibit A.

12.4. "Certificate of Completion" is the certificate issued by the Agency certifying Developer's completion of the construction of the Project.

12.5. "CEQA" is the California Environmental Quality Act (commencing at Public Resources Code Section 21000), together with all rules and regulations promulgated under the statutes.

12.6. "City" is the City of Sacramento, a political subdivision of the State of California.

12.7. "Community Redevelopment Law" is the law governing redevelopment in the State of California and is found commencing at Health and Safety Code Section 33000.

12.8. "Completion Date" is the date on or before which Developer must complete the construction of the Project. The Complete Date for the Project is June 30, 2011.

12.9. "Construction Extension Fee" is the fee payable by Developer for each day by which the completion of construction is delayed beyond the date for completion of construction.

12.10. “Contractor” is the general contractor or contractors with whom Developer has contracted for the construction of the Project.

12.11. “Developer” is Community Housing Opportunities Corporation and Casa Partners, collectively. Notwithstanding any other provision of this OPA, Developer may assign this OPA to a single asset entity in which Developer has a substantial interest and is the managing member, the general partner or the controlling shareholder and chief operations officer; provided (i) that the entity form and organizational documents have been approved by Agency Counsel, (ii) that the new entity has agreed in writing to be bound by all the provisions of this OPA and all agreements related to this OPA, and (iii) that the entity has been approved in writing, in advance, by the Agency’s Executive Director. The principal office of the Developer is located at 1490 Drew Avenue, Davis, CA 95618.

12.12. “Escrow” is the escrow for the transactions contemplated by this OPA.

12.13. “Escrow Instructions” means the escrow instructions for the close of the Escrow.

12.14. “Final Plans” are the full and final plans, drawings and specifications for the Project as described in, and approved by the Agency under, Section 3, which shall include all construction plans, drawings, specifications and other documents required to obtain all required building permits for the construction of the Project. The Final Plans may refer, as the context may indicate, to partial Final Plans prepared and submitted in accordance with this OPA. The Final Plans shall incorporate any related mitigation measures that may be required for compliance with CEQA. The Final Plans shall specifically include changes or corrections of the Final Plans approved as provided in this OPA. The Final Plans shall include all landscaping, on- and off-site work and artwork related to the Project. Except as approved by the Agency, the Final Plans shall conform in all material respects to all provisions of this OPA, including without limitation, the Preliminary Plans and the Scope of Development.

12.15. “Hazardous Substances” as used in this OPA shall include, without limitation to, all substances, wastes and materials designated or defined as hazardous or toxic pursuant to any of the following statutes, as they may be amended or superseded, from time to time: the Clean Water Act (33 U.S.C.1321 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.); the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101); the Environmental Protection Agency list of hazardous materials (40 CFR Part 302) and California Health and Safety Code Sections 25115, 25117, 25122.7, 25140 (Hazardous Waste Control Law), 25316 (Carpenter-Presley-Tanner Hazardous Substances Account Act), 25501 (Hazardous Materials Release Response Final Plans and Inventory) and 25281 (Underground Storage of Hazardous Substances); all applicable local regulations; and all regulations and promulgations pursuant to said laws.

12.16. “Legal Description” is the legal description of the various parcels of real property affected by this OPA. The Legal Description is attached as **Exhibit 1 Legal Description**.

12.17. "Lender" shall include all holders of any lien or encumbrance as security for a loan on all or any part of the Property. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this OPA.

12.18. "Loan" is the loan or loans obtained from third parties for the construction or permanent financing, or both, of the Project.

12.19. "OPA" is this Owner Participation Agreement between Agency and Developer, including all documents incorporated in this OPA by reference.

12.20. "Rescission of Regulatory Agreement" is the document that may be recorded upon the happening of certain events to remove the regulatory restriction related to the funding source.

12.21. "Plans" shall mean either or both Preliminary Plans and Final Plans as the context may indicate.

12.22. "Project" is all of the work to be accomplished under this OPA.

12.23. "Project Area" is the North Sacramento Redevelopment Area, as defined in the Redevelopment Plan.

12.24. "Redevelopment Plan" is the redevelopment plan for the Project Area (as it may be amended from time to time) as adopted by the City Council of the City of Sacramento on June 17, 1986, by City Ordinance Nos. 86-064, 86-065, 86-066 and 86-067, Fourth Series. A copy of the Redevelopment Plan as initially adopted was recorded on July 29, 1986, in the Official Records of the County of Sacramento, in Book 86-07-29, beginning at pages 1633, 1738, 1690 and 1787, respectively.

12.25. "Regulatory Agreement" is the agreement containing covenants, conditions and restrictions, including without limitation, use TI Housing Set Aside restrictions that run with the Property as a condition of Agency Funding.

12.26. "Schedule of Performances" is the schedule that establishes the dates by which obligations of the parties under this OPA must be performed and conditions of the OPA must be satisfied. The Schedule of Performances is attached as **Exhibit 3: Schedule of Performances**.

12.27. "Scope of Development" is the detailed description of the work to be done under this OPA for the Project. The Scope of Development attached as **Exhibit 4: Scope of Development**.

12.28. "Property" is that real property to be developed under this OPA, as more particularly described in the Legal Description. The Property includes all improvements contained within the Property.

12.29. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, a general moratorium on financing for projects of the same type, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of Agency and Developer shall be extended for the period of the enforced delay, as determined by Agency, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after Developer has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

THE PARTIES HAVE EXECUTED THIS OPA in Sacramento, California as of the date first written above.

DEVELOPER :
COMMUNITY HOUSING OPPORTUNITIES CORPORATION

By: _____
Manuela Silva
Chief Executive Officer

CASA PARTNERS

By: _____
Stan Keasling
Member

Approved as to form:

Developer Counsel

AGENCY: THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier
Interim Executive Director

Approved as to form:

Agency Counsel

RESOLUTION NO. 2008 - _____

Adopted by the Housing Authority of the City of Sacramento

on date of

**RESOLUTION DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM
THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN
ACTIONS**

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in a principal amount not to exceed \$4,500,000 (the "Obligations") for the purpose, among other things, of making a loan to a California limited liability company or limited partnership to be formed by Community Housing Opportunities Corporation, a California nonprofit public benefit corporation, (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 40-unit multifamily housing facility located at 1825 El Monte Avenue, Sacramento, California and commonly known as the Forrest Palms Senior Apartments (the "Project");
- B. United States Income Tax Regulations section 1.103-18 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and
- C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING
AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:**

- Section 1. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition and rehabilitation of the Project.
- Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations.
- Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition and rehabilitation of the

Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$4,500,000.

- Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and rehabilitation of the Project that are expected to be reimbursed from the proceeds of the Obligations.
- Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.
- Section 6. The appropriate officers or staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.
- Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and rehabilitation of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, rehabilitation or operation of the Project.
- Section 8. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. _____

on date of

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO
APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING
CERTAIN ACTIONS**

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in a principal amount not to exceed \$4,500,000 (the "Obligations") for the purpose, among other things, of making a loan to Community Housing Opportunities Corporation, a California nonprofit public benefit corporation, (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 40-unit multifamily housing facility located at 1825 El Monte Avenue, Sacramento, California and commonly known as Forrest Palms Senior Apartments (the "Project").
- B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue bonds for the purpose of financing the acquisition, rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants.
- C. In order for the Obligations to be considered "qualified exempt facility bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the "Code"), Section 147(f) of the Code requires that the "applicable elected representatives" of the area in which the Project is to be located hold a public hearing on and approve the issuance of the Obligations.
- D. This City Council is the elected legislative body of the City.
- E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the issuance of the Obligations by the Issuer and the nature and location of the Project.
- F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the issuance of such Bonds and the nature and location of the Project.
- G. It is in the public interest and for the public benefit that the City approve the issuance and delivery of the Obligations for the purpose of financing the acquisition and rehabilitation of the Project.

August 26, 2008

Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

- H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project.

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

1. The City hereby finds and determines that the foregoing recitals are true and correct.
2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City hereby approves the issuance and delivery of the Obligations.
3. This resolution shall take effect upon its adoption.

RESOLUTION NO. 2008 – _____

Adopted by the Sacramento City Council

on date of

FORREST PALMS SENIOR APARTMENTS: APPROVAL OF \$885,000 LOAN COMMITMENT (CITY HOME INVESTMENT PARTNERSHIP FUNDS); EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH COMMUNITY HOUSING OPPORTUNITIES CORPORATION, OR RELATED ENTITY

BACKGROUND

- A. Community Housing Opportunities Corporation (the "Developer") has applied for an allocation of Eight Hundred Eighty-Five Thousand Dollars (\$885,000) in City Home Investment Partnership Program funds (HOME).
- B. The Forrest Palms Senior Apartments project qualifies for HOME funding under Sacramento Housing and Redevelopment Agency guidelines.
- C. The Sacramento Housing and Redevelopment Agency has determined that the project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15301 (a) and (d). The project is Categorically Excluded from environmental review under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.35 (a) subsection (3).

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

- Section 1. The above recitals are true and correct and the proposed action is exempt from environmental review under CEQA Guidelines Sections 15301(a) and (d). The project is Categorically Excluded from environmental review under NEPA regulations at 24 CFR Section 58.35 (a) subsection (3).
- Section 2. The Agency is authorized to enter into a loan commitment and agreement with the Developer under the terms of the Loan Commitment, attached to and incorporated in this resolution by this reference as Exhibit A, for financing the Forrest Palms Senior Apartments project with up to \$885,000 in HOME Funds.
- Section 3. The Agency is authorized to de-fund \$240,000 from the unused loan amount for the Westview Ranch Apartments project and reallocate the funds to Forrest Palms Senior Apartments.

Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

- Section 4. The Agency is authorized to amend the Agency Budget to transfer a total of \$645,000 from City HOME for the financing of the Forrest Palms Senior Apartments project.
- Section 5. The Agency is authorized to enter into and execute other documents and perform other actions necessary to ensure proper repayment of the Agency funds, including without limitation, subordination, extensions, and restructuring of such a loan.
- Section 6. The Agency is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan.

Exhibit A – Commitment Letter

Date: August 6, 2008

Manuela Silva, CEO
Community Housing Opportunities Corporation
1490 Drew Avenue, Suite 160
Davis, CA 95618

RE: Conditional funding commitment, Forrest Palms Senior Apartments

Dear Ms. Silva,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment of acquisition, construction, and permanent loan funds ("Loan") from the City Home Investment Partnership ("HOME") and Tax Increment ("TI") Funds for the purpose of financing the acquisition and rehabilitation of that certain real property at 1825 El Monte Avenue, Sacramento, California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty days prior to close of escrow for the Property.

This commitment will expire August 31, 2009.

1. PROJECT DESCRIPTION: The project is a 40-unit senior apartment complex. A total of 14 units will be affordable to households earning less than 30 percent AMI and 25 units will be affordable to households earning less than 50 percent AMI. One unit will remain an unrestricted manager's unit. The project will include either (1) an Agency loan of \$1,900,000 if Multifamily Housing Program (MHP) funds are received; or (2) an Agency loan of \$2,700,000 if MHP funds are not received.
2. BORROWER: The name of the Borrower for the Loan is Community Housing Opportunities Corporation (CHOC) and Casa Partners, (collectively the "Developer"), or related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT:
 - (a) If the Developer applies for and receives an award of the MHP funds, the combined principal amount of the Loan will be the lesser of (a) One Million Nine Hundred Thousand Dollars (\$1,900,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed 90 percent of the appraised value as determined by the Agency.
 - (b) If the Developer applies for, but does not receive an award of the MHP funds, the combined principal amount of the Loan will be the lesser of (a) Two Million Seven Hundred Thousand Dollars (\$2,700,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed 90 percent of the appraised value as determined by the Agency.
5. TERM OF LOAN:
 - (a) In the scenario in which MHP funds are awarded, the unpaid balance of the Loan will be all due and payable on month 660 (55 years) from the date of closing.
 - (b) In the scenario in which MHP funds are not awarded, the unpaid balance of the Loan will be all due and payable on month 360 (30 years) from the date of closing.
6. INTEREST RATE: The Loan will bear interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: Loan payments shall be made according to the payment schedule outlined in Section 8 of this Loan Commitment Letter.

8. **MONTHLY PAYMENT:** Payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

(a) In the scenario in which MHP funds are awarded, payments will be made from one half of the residual receipts for a term of 659 months, allowing for a debt coverage ratio of 1.15. All unpaid principal and interest shall be due and payable 660 months from the date of the note

(b) In the scenario in which MHP funds are not awarded, interest and principal payments shall be deferred from the date of the loan and all unpaid principal and interest shall be due and payable 360 months from the date of the note.

9. **SOURCE OF LOAN FUNDS:** Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: \$885,000 in City HOME and up to \$1,815,000 in TI funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.

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Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708); (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

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10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a second lien upon the Property and Improvements subject only to the construction and permanent loans by US Bank and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.
12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of \$1,800,000 in the following manner: Low Income Housing Tax Credit Equity.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender(s) in an amount(s) sufficient to complete rehabilitation of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 30 years and fully amortized.

Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement"), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency shall require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.

21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, from the original budget approved by the Agency, that results in a reduction in the amount of deferred fees payable to the developer, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the project.
24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than December 31, 2009.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than June 30, 2011.

26. SECURITY CAMERAS AND OUTSIDE LIGHTING. Project shall include installation of a security camera system at vehicular driveways and/or major points of congregation and additional exterior lighting, all as approved by the Agency.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a second lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of

Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.

31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. LOW INCOME HOUSING TAX CREDITS ("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
35. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
36. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.

37. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
38. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

.....

LaShelle Dozier
Interim Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated:

BORROWER:

By: _____
Manuela Silva
Chief Executive Officer
Community Housing Opportunities Corporation

RESOLUTION NO. 2008 – _____**Adopted by the Redevelopment Agency of the City of Sacramento**

on date of

**FORREST PALMS SENIOR APARTMENTS: APPROVAL OF UP TO A \$1,815,000
LOAN COMMITMENT (REDEVELOPMENT PROJECT AREA FUNDS); EXECUTION
OF OWNER PARTICIPATION AGREEMENT, LOAN COMMITMENT AND RELATED
DOCUMENTS WITH COMMUNITY HOUSING OPPORTUNITIES CORPORATION, OR
RELATED ENTITY****BACKGROUND**

- A. Community Housing Opportunities Corporation (the "Developer") has applied for an allocation of One Million Fifteen Thousand Dollars (\$1,015,000) in City Aggregated Low/Mod Tax Increment funds (Tax Increment) and Eight Hundred Eighty-Five Thousand Dollars (\$885,000) in City Home Investment Partnership Program funds (HOME) funds to assist in funding the acquisition and rehabilitation of the 40-unit Forrest Palms Senior Apartments ("Project"); in the event that Multifamily Housing Program (MHP) funds are not awarded to the Project by spring of 2009, the Tax Increment loan amount will be modified to One Million Eight Hundred Fifteen Thousand Dollars (\$1,815,000) and the City HOME loan amount will remain unchanged at Eight Hundred Eighty-Five Thousand Dollars (\$885,000).
- B. The Agency desires to utilize aggregated Redevelopment Project Area Tax Increment funds for the development of the Project. The Project is located within the North Sacramento Project Area and will preserve the community's supply of low income housing available at an affordable cost to extremely low, very low, and low income households.
- C. The Agency finds that the Tax Increment set-aside funds used to fund the Project are needed to make the housing units affordable. Therefore, the project is not required to provide Art in Public Places.
- D. The rehabilitation will occur in the North Sacramento Redevelopment Area (the "Project Area"). The Agency finds that the Project will improve existing housing stock and provide housing opportunities for all persons of all income levels.
- E. The Sacramento Housing and Redevelopment Agency has determined that the project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15301 (a) and (d). The project is Categorically Excluded from environmental review under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.35 (a) subsection (3).

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

- Section 1. The exemption adequately considered the environmental impacts of the project and the mitigation measures adopted pursuant to the CEQA and NEPA exemptions are adequate to mitigate the significant environmental impacts of the project to a less than significant level; and therefore, the exemption is approved and adopted for the actions contained in this resolution.
- Section 2. The Interim Executive Director is authorized to amend the Agency Budget to transfer One Million Fifteen Thousand Dollars (\$1,015,000) from the aggregated Low/Moderate Tax Increment funds to finance the Project. In the event that MHP funds are not awarded to this Project by spring of 2009, the Agency is authorized to amend the Agency Budget to transfer up to One Million Eight Hundred Fifteen Thousand Dollars (\$1,815,000) from the aggregated Low/Moderate Tax Increment funds to finance the Project.
- Section 3. It is found and determined that the use of Project Area funds to develop the Project will benefit extremely low, very low, and low income individuals.
- Section 4. It is found and determined that the Tax Increment housing set-aside funds that will be used for the project are needed to make the units affordable and therefore the Project is exempt from providing Art in Public Places.
- Section 5. It is found that the Project is consistent with the North Sacramento Redevelopment Plan and the 2005-2009 Implementation Plan.
- Section 6. The Interim Executive Director is authorized to enter into an Owner Participation Agreement (OPA) with the Developer in a form approved by Agency Counsel, for the purpose of providing Tax Increment funding assistance for the acquisition and rehabilitation of the Project.
- Section 7. The Agency is authorized to enter into a loan commitment and agreement with the Developer under the terms of the Loan Commitment, attached to and incorporated in this resolution by this reference as Exhibit A, for financing the Forrest Palms Senior Apartments project with Tax Increment Funds in the amount of \$1,015,000, (a total loan commitment of up to \$1,900,000 including up to \$885,000 in HOME Funds), is approved and the Agency is authorized to execute and transmit the Loan Commitment and all related loan documents to the Developer or related entity. If MHP funds are not awarded, the alternative financing detailed in the Loan Commitment shall apply, including a total loan amount of \$2,700,000,

Approval of Tax-Exempt Bonds and Agency Loan for Forrest Palms Senior Apartments

including up to \$885,000 in HOME Funds and up to \$1,815,000 in TI funds, is approved, and the Agency is authorized to execute and transmit the Loan Commitment and all related documents to the Developer or related entity.

Section 8. The Agency is authorized to enter into and execute other documents and perform other actions necessary to ensure proper repayment of the Agency funds, including without limitation, subordination, extensions, and restructuring of such a loan.

Section 9. The Agency is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan.

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The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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of \$1,900,000 if Multifamily Housing Program (MHP) funds are received; or (2) an Agency loan of \$2,700,000 if MHP funds are not received.

2. BORROWER: The name of the Borrower for the Loan is Community Housing Opportunities Corporation (CHOC) and Casa Partners, (collectively the “Developer”), or related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
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_____ (Borrower Initial)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.

11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a second lien upon the Property and Improvements subject only to the construction and permanent loans by US Bank and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.
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13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of \$1,800,000 in the following manner: Low Income Housing Tax Credit Equity.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender(s) in an amount(s) sufficient to complete rehabilitation of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 30 years and fully amortized.

Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution,

provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.

16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement"), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency shall require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the

project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, from the original budget approved by the Agency, that results in a reduction in the amount of deferred fees payable to the developer, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the project.
24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than December 31, 2009.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than June 30, 2011.
26. SECURITY CAMERAS AND OUTSIDE LIGHTING. Project shall include installation of a security camera system at vehicular driveways and/or major points of congregation and additional exterior lighting, all as approved by the Agency.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific

hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a second lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.

31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. LOW INCOME HOUSING TAX CREDITS ("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
35. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
36. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
37. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
38. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

LaShelle Dozier
Interim Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated:

BORROWER:

By: _____
Manuela Silva
Chief Executive Officer
Community Housing Opportunities Corporation

