



**Sacramento
Housing &
Redevelopment
Agency**

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

Consent
March 31, 2009

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

**Title: Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and
Loan Commitment for La Valentina**

Location/Council District: 12th Street between C Street Alley and E Street, District 3,
Alkali Flat Redevelopment Area

Recommendation: Adopt 1) a **City Resolution** a) authorizing the Sacramento Housing and Redevelopment Agency (Agency) to commit up to \$1,000,000 in State Housing Trust Fund funds to the La Valentina project (Project); b) authorizing the Agency to execute a loan commitment for a construction and permanent loan for the Project with Domus Development, LLC, or a related entity (Developer); and c) approving findings of a Mitigated Negative Declaration for the Project under the California Environmental Quality Act (CEQA); and 2) a **Redevelopment Agency Resolution** a) authorizing the Agency to commit up to \$2,000,000 in a combination of Alkali Flat Project Area Tax Increment Funds and City Aggregated 20% Housing Set Aside Funds (TI) to the Project; b) authorizing the Executive Director, or her designee, to execute a loan commitment for a construction and permanent financing loan for the Project; c) authorizing an Agency Budget amendment transferring up to \$200,000 in TI to the Project for a predevelopment loan; d) authorizing the Executive Director, or her designee, to execute a loan agreement and other related documents for predevelopment loan of up to \$200,000 with the Developer; and e) authorizing the Executive Director, or her designee, to execute an Exclusive Right to Negotiate (ERN) with the Developer.

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

Presenters: N/A

Department: Sacramento Housing and Redevelopment Agency

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan
Commitment for La Valentina

Description/Analysis

Issue: This report requests the approval of Exclusive Right to Negotiate (ERN) with Domus Development, LLC (Developer), a predevelopment loan, and a commitment for a construction and permanent loan for development of the proposed La Valentina Project. The proposed Project will consist of the construction of a mixed-use, transit-oriented development on eight Agency-owned parcels. A location map is provided as Attachment 4. The Agency-owned property is located on two adjacent sites separated by D Street along the east side of the 12th Street corridor in the Alkali Flat Redevelopment Area. The south site, (located between D and E Streets), will be a mixed-use development adjacent to the Alkali Flat/La Valentina Light Rail Station which will include a 1,300 square foot café, a 2,000 square foot community room, 5,000 square feet of commercial/retail space, a property management office, and resident bike and car parking on the ground floor. There will be 63 affordable rental units located on the second, third, and fourth floors. The building will have photovoltaic solar panels, a green eco-roof featuring rooftop plantings, and a bio-swale infiltration system which filters water runoff through plantings before entering the City's water system. The north site, (located between the C Street Alley and D Street), will consist of 18 affordable split-level townhome-style rental units. The total project will consist of a total of 12 studios, 24 one-bedroom units, 21 two-bedroom units, and 24 three-bedroom units. A site map is included as Attachment 5.

The Agency entered into an ERN with the Developer in June 2007 and extended it to July 2008. The ERN expired March 3, 2009, prior to the Agency and Developer reaching agreement on the terms of disposition of the property. The Agency is recommending approval of a new ERN specifying that a Disposition and Development Agreement (DDA) must be entered into no later than December 31, 2009. The ERN is included as Exhibit A to the Redevelopment Agency Resolution.

Since the approval of the July 2008 ERN extension, the Developer has completed many project milestones, including submitting design concepts, developing preliminary budgets, working on entitlements and environmental review, and participating in ten public meetings, including seven meetings with the Alkali Flat Redevelopment Area Committee (Alkali Flat RAC). Despite the Developer's efforts, the complexity of the design and financing of the project contributed to delays. Specifically, changes in the financial markets caused the original project financing structure to become infeasible, prompting modifications in the design and financial structure. Once the funding outlined in this report has been secured, the Agency will enter into a DDA. This will occur prior to the expiration of the ERN on December 31, 2009. Background is provided as Attachment 3.

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The Developer has incurred and will continue to incur additional expenses related to the redesign of this project, including but not limited to architectural fees and additional City development and design review fees. This report recommends the approval of an Agency loan for predevelopment expenses associated with the redesign. The loan documents are included as Exhibit B to the Redevelopment Agency Resolution.

Now that the scope and design of the project is complete, the Developer has determined the total project costs and assessed the available funding sources. As a result, the Developer has requested an Agency loan to fund a financing gap for this project. A summary of the sources and uses of project funds is included as Attachment 6. A cash flow proforma is included as Attachment 7. A schedule of maximum rents and income levels is included as Attachment 8.

Agency funds and land donation will be leveraged with Low Income Housing Tax Credits (LIHTC) and Transit Oriented Development (TOD) Housing Program funds awarded by the California State Housing and Community Development Department. Both the LIHTC and TOD funds are awarded through competitive processes. The TOD application is due on April 2, 2009. This represents the only opportunity the Developer has to leverage these funds because there are no additional award rounds planned. The Project's competitiveness will be increased by providing a funding commitment (provided as Exhibit A to the City Council Resolution and Exhibit C to the Redevelopment Agency Resolution). Once TOD funds have been secured, the Developer will submit an application for award of LIHTC, which is also awarded through a competitive process. Once the Agency and Developer have come to an agreement on the terms of the DDA, Agency staff will return to the City Council by December 31, 2009 for final approval of the DDA. Project construction can begin by early 2010, as soon as all funding commitments have been made.

Policy Considerations: The recommended action is consistent with the following goals in the Alkali Flat Implementation Plan and Redevelopment Plan: 1) Develop a mixed-use/transit oriented development which will eliminate factors hindering economically viable use and eliminate an underutilized blighted parcel, 2) Provide safe, decent, adequate and sanitary housing through the development of a mixture of housing types for all income groups; and 3) Maximize private participation and investment in the redevelopment effort.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action meets the requirements of the California Environmental Quality Act ("CEQA"). The "La Valentina Station: Rezone, Plan Review, Special Permit, and Variances," which includes the negative declaration and mitigation measures for this project, as adopted by the City of Sacramento on March 24, 2009, is adequate and sufficient for the environmental review. The Mitigated Negative Declaration is included as Attachment 9.

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Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long term affordable and reliable energy; (2) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled; (3) Goal number five – Public Health and Nutrition, specifically by maximizing the number of amenities that are located within ½ mile of all residents and cleanup, redevelopment, and reuse of areas that are brownfields; and (4) Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, and reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

Committee/Commission Action: *Alkali Flat Redevelopment Agency Advisory Committee (RAC):* At its meeting on March 9, 2009, the RAC voted to support Staff's recommendation. Members voting in opposition articulated their preference for a mixed-income development, as opposed to the current project which is entirely affordable. The votes were as follows:

AYES: Carter, Delgado, Ferderer, Miller, Monighan, Wright

NOES: Lough, Frankfield

ABSENT: Camacho, Poe, Owen

Committee/Commission Action: *Sacramento Housing and Redevelopment Commission:* At its meeting on March 18, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

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

NOES: None

ABSENT: Stivers

Rationale for Recommendation: Over the past 18 years, Agency staff and three different development teams have attempted to revitalize the La Valentina site. These previous attempts were unsuccessful, and the site remains vacant and unimproved. The actions proposed in this report will enable the Agency to work with the developer to negotiate and finalize mutually agreeable disposition terms. Construction on this mixed-use, transit-oriented development should begin by 2010. The approved project is designed to achieve goals of the Alkali Flat

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Redevelopment Plan. In addition, 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: 1) a budget amendment allocating \$200,000 of Alkali Flat TI for a predevelopment loan; and 2) a commitment of up to \$3,000,000 (consisting of \$1,000,000 from State Housing Trust Funds and \$2,000,000 from a combination of Aggregated City Low/Mod Housing Funds and Alkali Flat Tax Increment). Agency staff will return to the Council for approval of the DDA and loan documents associated with the DDA and the Agency Loan after the Developer has secured TOD funds.

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
Executive Director

Recommendation Approved:


RAY KERRIDGE
City Manager

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Project Background

Site Description

The La Valentina Development Site (Site) consists of eight parcels on approximately 1.23 acres of land which were incrementally acquired by the Sacramento Housing and Redevelopment Agency (Agency) from 1986 through 2008. The site is comprised of mostly vacant parcels in a highly visible and blighted area of the Alkali Flat Redevelopment Area. One parcel contains a residential structure that has been vacant for four years and is scheduled for demolition. The Site is located on 12th Street, which serves as the primary commercial corridor for the community of Alkali Flat and is one of the main routes into Sacramento's downtown from the north.

Alkali Flat/La Valentina Light Rail Station

The neighborhood is well-served by public transportation with a light rail station and buses running along 12th Street. The Site is directly adjacent to the Alkali Flat/La Valentina Light Rail Station, which is operated by the Sacramento Regional Transit District (RT). This station is well-used and ranks in the top one-third of the 24 stops on RT's Blue Line in terms of passenger volume. RT's Blue Line connects the Meadowview (south) and the I-80/Watt (north) stations.

Current Concept Design

The proposed La Valentina project (Project) will consist of the construction of a mixed-use, transit-oriented development on eight Agency-owned parcels. The Agency-owned property is located on two adjacent sites separated by D Street along the east side of the 12th Street corridor in the Alkali Flat Redevelopment Area. The south site, (located between D and E Streets), will be a mixed-use property adjacent to the Alkali Flat/La Valentina Light Rail Station which will include a 1,300 square foot café, 5,000 square feet of commercial/retail space, a 2,000 square foot community room, a property management office, a play area for resident children, and parking on the ground floor. There will be 63 affordable rental units located on the second, third, and fourth floors. The north site, (located between the C Street Alley and D Street), will consist of 18 affordable split-level townhome-style rental units. The entire project will consist of a total of 12 studios, 24 one-bedroom units, 21 two-bedroom units, and 24 three-bedroom units.

The Project has been designed as a sustainable development, incorporating principles from transit-oriented development and Leadership in Energy and Environmental Design (LEED). The Project will have many green features, including energy efficient systems, rooftop photovoltaic solar panels, solar hot water heating systems, a green eco-roof featuring rooftop plantings, and a bio-swale infiltration system which filters water runoff through plantings before entering the City's water system. The south site property is split into two distinct buildings connected by an open-air bridge and share elevator service. The perimeter will consist of painted stucco and paneling in alternating hardiplank material. The balconies on the southern building will be made of corten metal. The north site townhomes are located within six three-story, wood-framed buildings with painted fiber-cement panels, split-faced concrete block, and concrete tile roof.

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Project Evolution

Request for Qualifications

Since 1986 the Agency has entertained and worked with several different development teams and concepts for the Site, which included commercial/retail, day care, and single family homes. For multiple reasons these concepts did not come to fruition. In November 2006 the Agency issued a Request for Qualifications (RFQ) to develop the Site. Four development teams responded, and Domus Development, LLC (Domus) was unanimously chosen as the most qualified team by a project selection team. The project selection team included a member of the Alkali Flat Redevelopment Advisory Committee (RAC) and the Alkali Flat/Mansion Flat Neighborhood Association. In June 2007 the Agency entered into an Exclusive Right to Negotiate with Domus for the development of the La Valentina Development Project (Project). In July 2008 the ERN was extended for an additional nine months.

Community Process

Over the last 18 months the project concept has undergone several concept iterations resulting from adjustments to local zoning standards, Sacramento Regional Transit (RT) requirements, market conditions, and local community input. Since the Agency first entered into an ERN with Domus, their staff have participated in ten public meetings, including seven presentations to the Alkali Flat Redevelopment Area Committee (RAC). The RAC has been eager for development of this site, which lies along the most highly visible corridor in the redevelopment area, and to date the RAC has been supportive of the project.

Development Plan Changes

The July 2008 ERN called for the development of a mixed-use, mixed-income, transit-oriented project on the six Agency-owned lots between D Street and E Street. The developer has completed many of the milestones outlined in the ERN, which included submitting design concepts, developing preliminary budgets for the project, working on entitlements and environmental review, and participating in public meetings. Despite efforts from Domus' staff, the complexity of the design and financing of the project contributed to delays. Changes in the financial markets caused the original project financing structure to be infeasible, prompting modification in design and financial structure. In January 2008 Agency staff directed the developer to include development of the eight parcels that were included in the original RFQ. Domus incurred many expenses related to the design of the north site and the redesign of the south site. This staff report requests approval of a predevelopment loan which would help finance these costs through the remainder of the predevelopment process.

In addition to restructuring the project design, the developer had to restructure the funding of the project costs. The area market rents are low, and therefore a market-rate or mixed-income project could not support the amount of debt required to fund the project, either through conventional bank financing or tax-exempt mortgage revenue bond funding.

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All units, with the exception of the manager's unit, will be rent-restricted. However, the low-income rents Domus proposes are at or near current market rate rents for the area. Because of these affordability restrictions, this project can be funded primarily through tax credit equity and grants rather than financing, as detailed in the section below. Once the tax credit equity and state grant funding in this report has been secured, the Agency will enter into a Disposition and Development Agreement (DDA). This will occur prior to the expiration of the ERN on December 31, 2009.

Proposed Project Funding Sources

Over the course of the development period the developer has shown resilience, devising a financing strategy that is feasible and fiscally sensible. Domus will fund the project costs with 9% Low Income Housing Tax Credit (LIHTC) equity through the California Tax Credit Allocation Committee; Transit Oriented Housing Program (TOD) grant funds from the California State Housing and Community Development Department; Cal-Reuse Remediation Program grant funds through the California Pollution Control Financing Authority; bank loans; and developer equity. Even with these funds, there remains a gap in the total funds required to complete the project. This staff report proposes an Agency loan comprised of State Housing Trust Funds, Alkali Flat Project Area Tax Increment and Aggregated Housing Set Aside Tax Increment funds. This Agency loan will leverage a combination of public and private funds in order to finance the project development.

Both the LIHTC funds and the TOD funds are awarded through competitive processes. The TOD application is due April 2, 2009. This represents the only opportunity the developer has to leverage these funds because no additional award rounds are planned in the future. Overall, this project is in a strong position for award of TOD funds. The project is being supported by RT and has the support of many community members. Additionally, the scoring of the project will be increased by a commitment of Agency funds and land donation. TOD funding will be awarded in June 2009. Once TOD funds have been secured, the developer will submit an application for award of LIHTCs, which are also awarded through a competitive process. The scoring of the project will be increased by a DDA between the Agency and the developer which demonstrates Domus' site control. Once Domus has secured all public and private funding sources, construction will begin on this project. The developer anticipates starting construction on the project in early 2010. Project funds will be disbursed to the developer as reimbursement for construction completed.

LIHTC Equity	\$ 17,547,000
TOD Grant	\$ 4,035,000
Agency Loan	\$ 3,000,000
Environmental Grant	\$ 218,000
Bank Loan	\$ 1,030,000
Fee Waivers	\$ 120,000
Deferred Developer Fee	\$ 375,000
TOTAL SOURCES	\$ 26,325,000

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Development and Management Team

Developer

Domus Development, LLC is a developer of affordable rental housing focusing on the acquisition and rehabilitation of rental housing communities using tax-exempt bonds and low-income housing tax credits. The principals of Domus have completed rehabilitation and construction of several affordable housing projects in northern California, including Northland Village and Southcrest Apartments in Sacramento.

Property Management

Property management will be performed by Domus Management Company, LLC (DMC). DMC was established in 2007 by principals and executives who have extensive experience in affordable housing property management. The primary manager's experience includes supervision of over 5,500 units of affordable housing including both senior and multifamily projects. The principals have worked with projects financed through a variety of sources, including LIHTC's, the Multi Family Housing Program (MHP), the Home Investment Partnership Program (HOME), the California Department of Housing and Community Development (HCD), and the U.S. Department of Housing and Urban Development (HUD).

Resident Services Plan

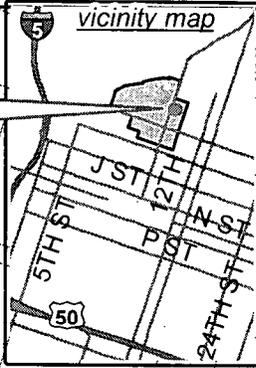
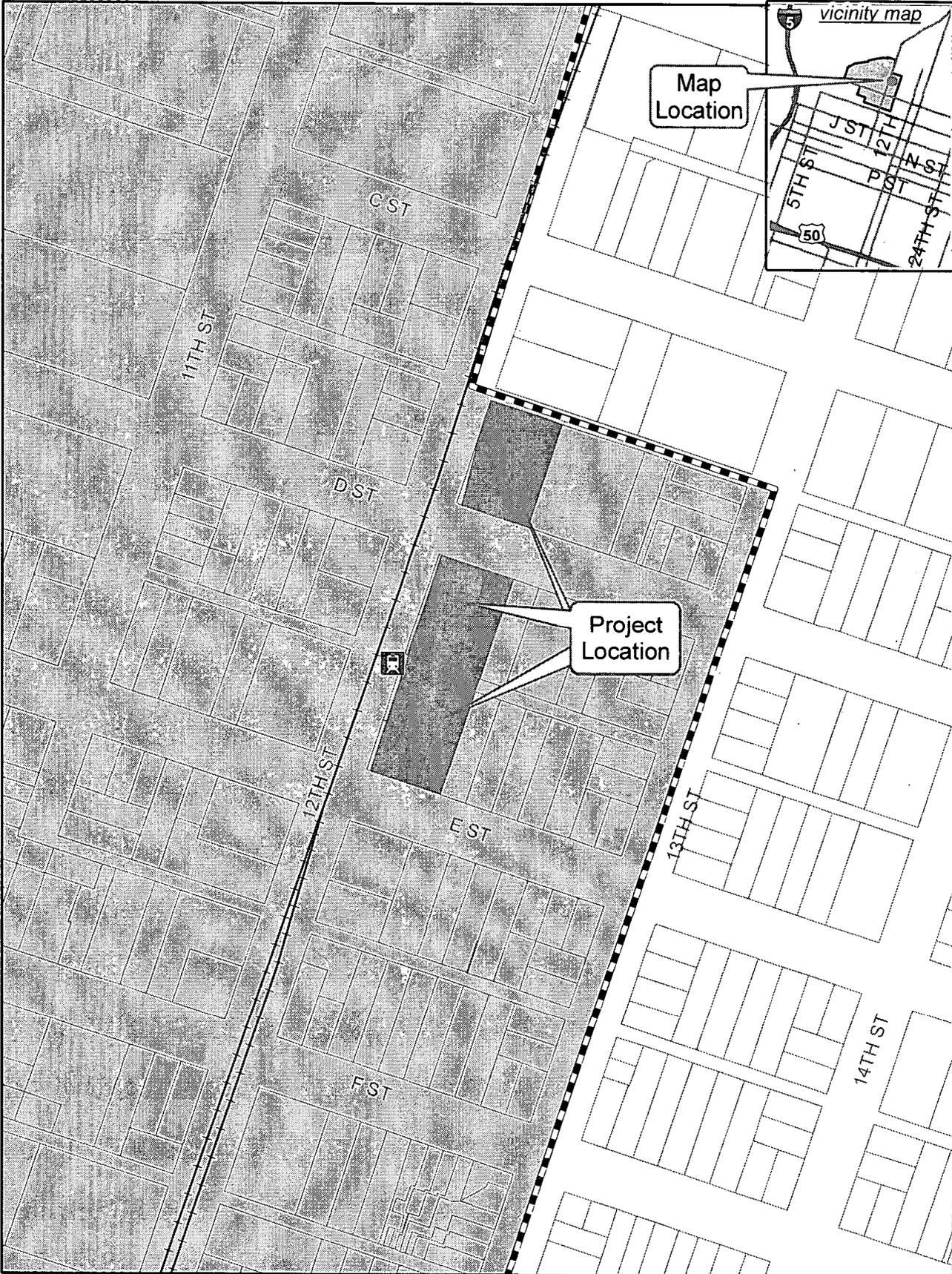
Resident Services will be provided by LifeSTEPS, a nonprofit 501(c)(3) corporation. LifeSTEPS proposes to offer a minimum of 15 hours per week of services and programs. LifeSTEPS provides resident services at 85 properties throughout the state of California, including 11 properties in Sacramento.

Security

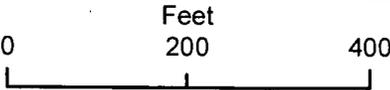
The Agency requires installation of a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, the Agency requires that Developer budget for drive-by security guards for the property if the situation is warranted.



La Valentina



-  La Valentina Project Parcel
-  Light Rail Line
-  Alkali Flat Redevelopment Area
-  Light Rail Stop



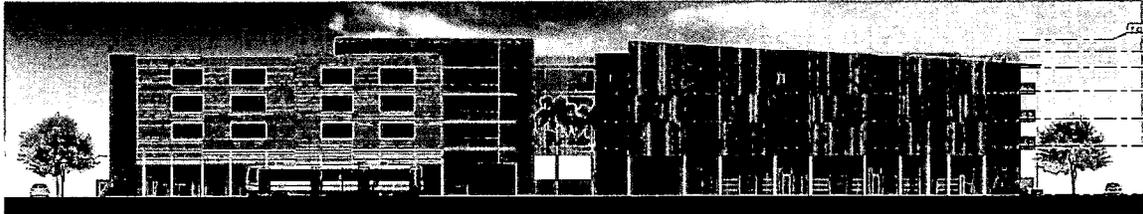
SHRA GIS
March 5, 2009

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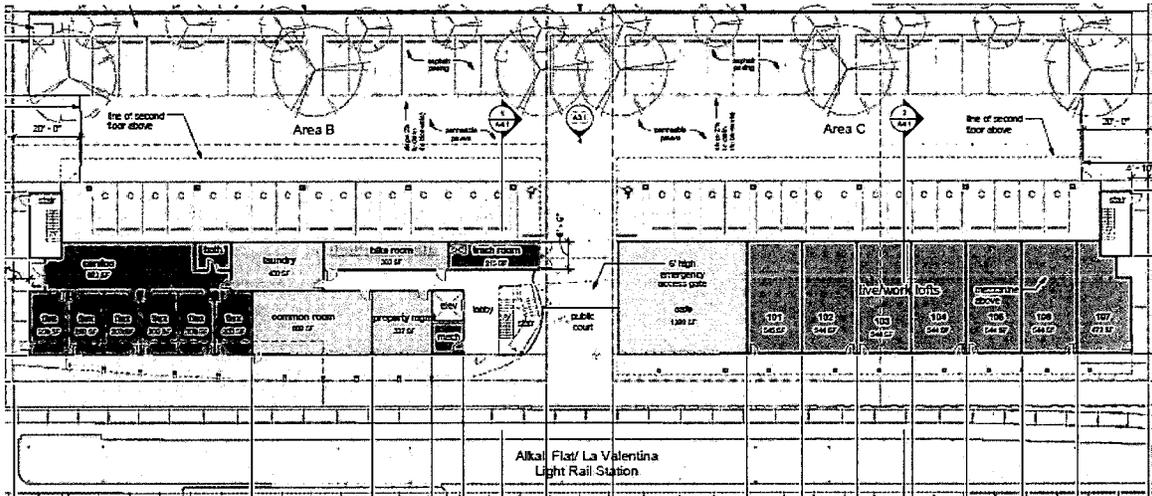
Attachment 3

Site Map

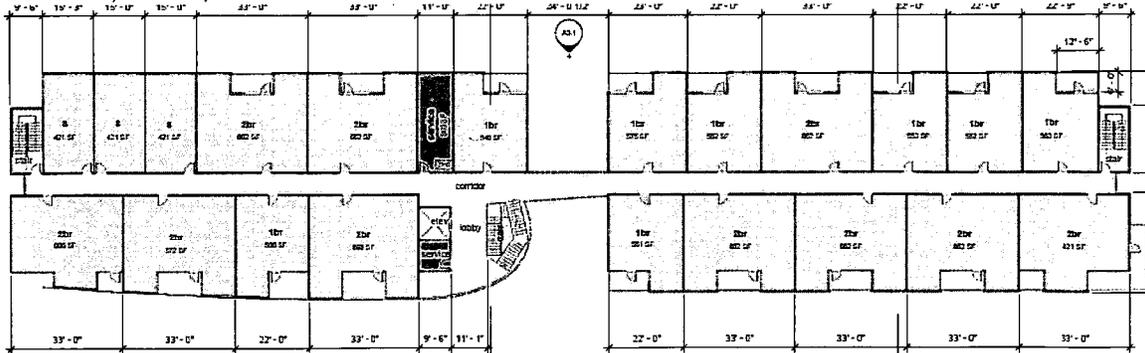
South Site: Mixed-Use Development



First Floor

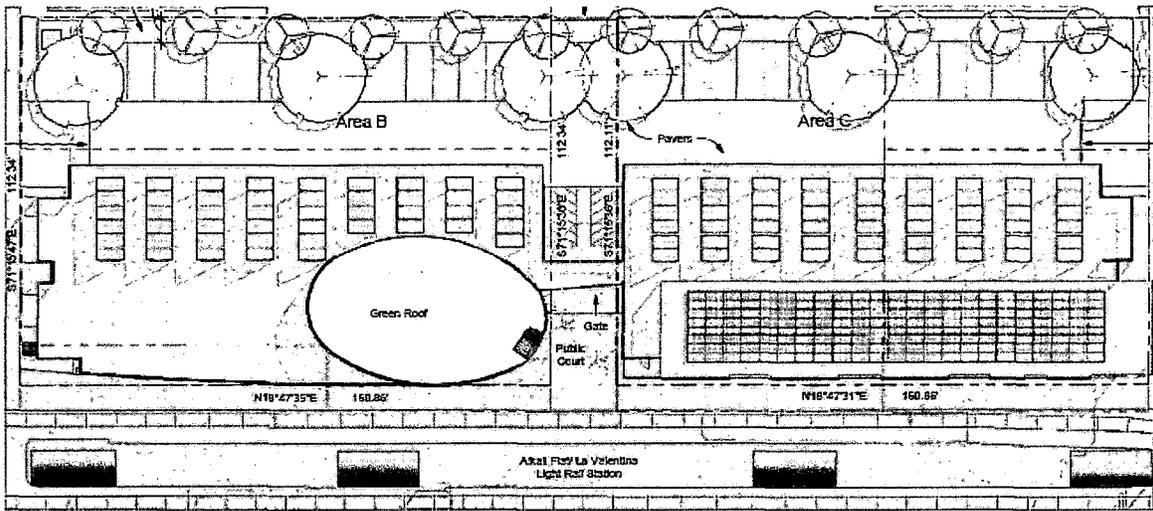


Second, Third, and Fourth Floors



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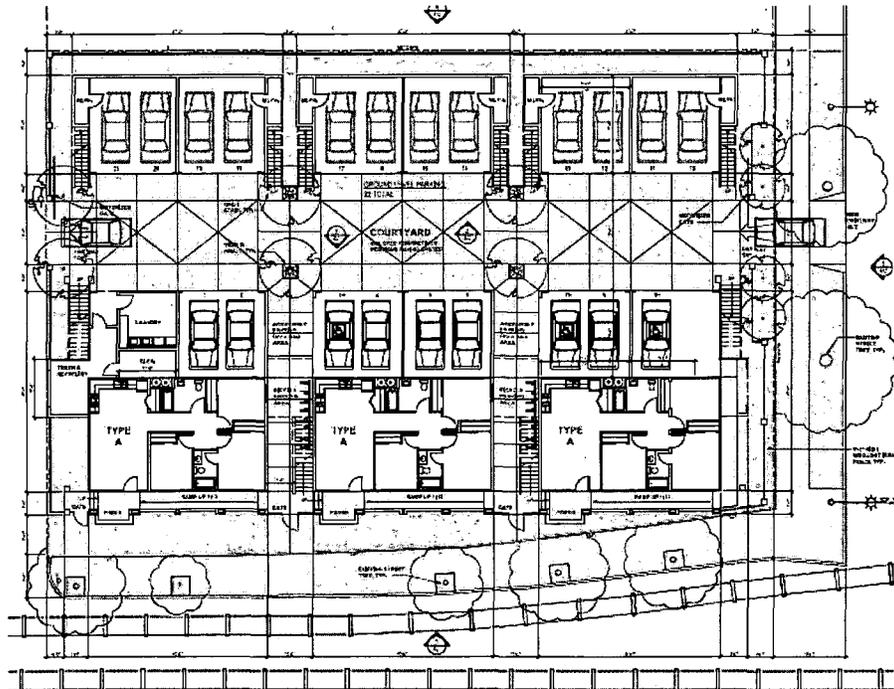
Roof



North Site: Townhomes



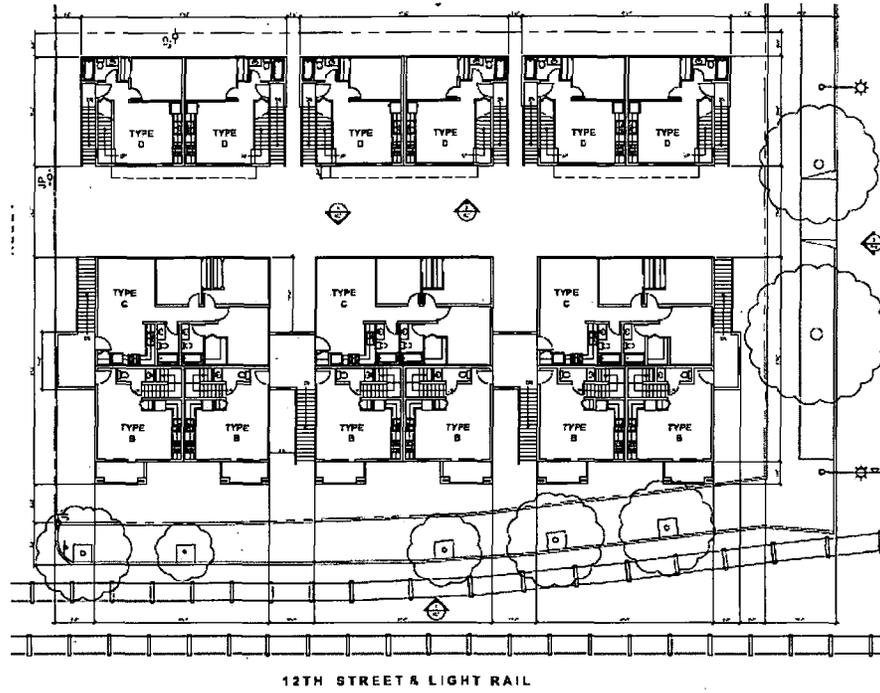
First Floor



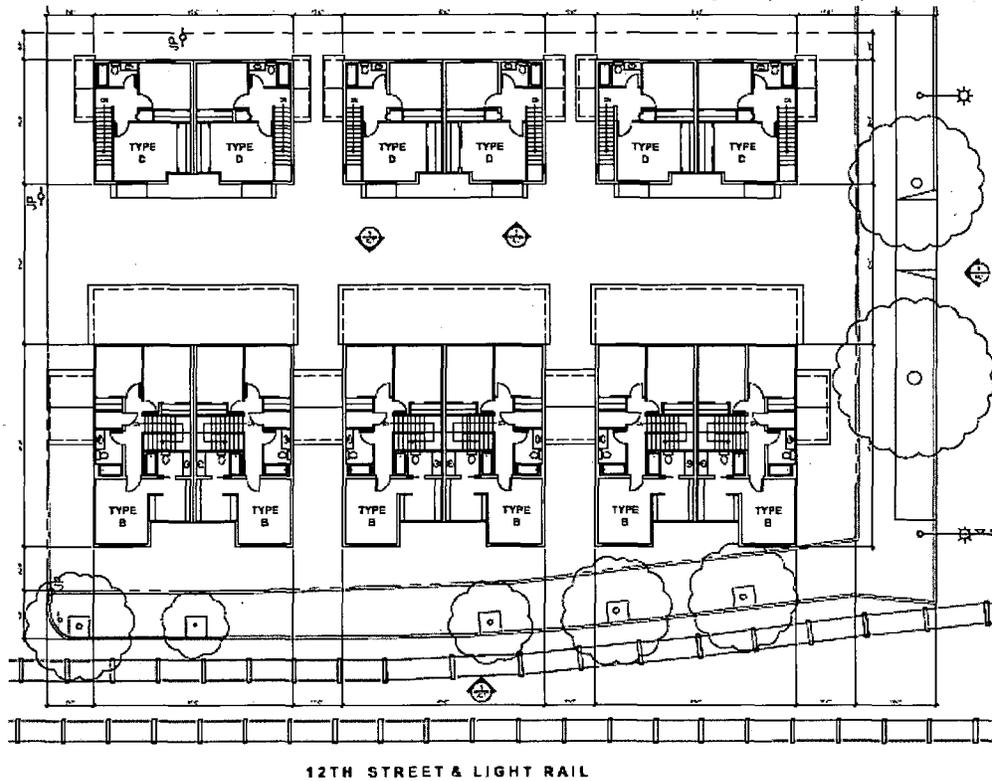
12TH STREET & LIGHT RAIL

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Second Floor



Third Floor



**La Valentina
Project Summary**

Address	12th Street between C Street Alley and E Street			
Number of Units	81			
Year Built	New Construction			
Acreage	1.23 acres			
Affordability	24 units at or below 30% of Area Median Income (AMI) 40 units at or below 50% of AMI 16 units at or below 60% of AMI 1 Manager's Units unrestricted			
Unit Mix and Rents	(30% AMI)	(50% AMI)	(60% AMI)	Manager Unit
Studio	4	6	2	0
1 Bedroom	7	12	5	0
2 Bedroom	6	10	5	1
3 Bedroom	7	12	4	0
	24	40	16	1
Square Footage	<u>Residential</u>	<u>Commercial</u>	<u>Community</u>	<u>Total</u>
Total	75,100	5,000	2,000	82,100
Studio	600			in sq ft
1 Bedroom	900			
2 Bedroom	1000			
3 Bedroom	1100			
Resident Facilities	This is a mixed-use, transit-oriented development adjacent to a light rail station. The project features a community room, laundry facilities, property management office, a green roof, and 5,000 square feet of ground floor commercial space.			
Permanent Sources	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>	
Tax Credit Equity	\$ 17,547,000	\$ 216,630	\$ 213.73	
TOD Grant	\$ 4,035,000	\$ 49,815	\$ 49.15	
Agency Loan	\$ 3,000,000	\$ 37,037	\$ 36.54	
Environmental Grant	\$ 218,000	\$ 2,691	\$ 2.66	
Bank Loan	\$ 1,030,000	\$ 12,716	\$ 12.55	
Fee Waivers	\$ 120,000	\$ 1,481	\$ 1.46	
Deferred Developer Fee Note	\$ 375,000	\$ 4,630	\$ 4.57	
TOTAL SOURCES	\$ 26,325,000	\$ 325,000	\$ 320.65	
Permanent Uses				
Off-site and Land Improvements	\$ 620,000	\$ 7,654	\$ 7.55	
Construction	\$ 17,250,000	\$ 212,963	\$ 210.11	
Development Impact Fees/Permits	\$ 1,050,000	\$ 12,963	\$ 12.79	
Architecture, Engineering, Survey	\$ 1,065,000	\$ 13,148	\$ 12.97	
Contingency	\$ 1,700,000	\$ 20,988	\$ 20.71	
Financing Costs	\$ 1,245,000	\$ 15,370	\$ 15.16	
Reserves	\$ 225,000	\$ 2,778	\$ 2.74	
Legal Fees	\$ 90,000	\$ 1,111	\$ 1.10	
Taxes and Insurance	\$ 180,000	\$ 2,222	\$ 2.19	
Developer Fee	\$ 2,000,000	\$ 24,691	\$ 24.36	
Third Party Reports, Marketing, Other	\$ 900,000	\$ 11,111	\$ 10.96	
TOTAL USES	\$ 26,325,000	\$ 325,000	\$ 320.65	
Management / Operations				
Proposed Developer:	Domus Development, LLC			
Property Management Company:	Domus Management Company			
Operations Budget:	\$351,176		\$4,336 per unit	
Replacement Reserves:	\$24,300		\$300 per unit	

La Valentina
Project Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio @ 30% AMI	4	600	2,400	\$ 372	\$ 59	\$ 313	\$ 0.52	\$ 1,252	\$ 15,024
Studio @ 50% AMI	6	600	3,600	\$ 621	\$ 59	\$ 562	\$ 0.94	\$ 3,372	\$ 40,464
Studio @ 60% AMI	2	600	1,200	\$ 745	\$ 59	\$ 686	\$ 1.14	\$ 1,372	\$ 16,464
1 BD @ 30% AMI	7	900	6,300	\$ 399	\$ 80	\$ 319	\$ 0.35	\$ 2,233	\$ 26,796
1 BD @ 50% AMI	12	900	10,800	\$ 665	\$ 80	\$ 585	\$ 0.65	\$ 7,020	\$ 84,240
1 BD @ 60% AMI	5	900	4,500	\$ 798	\$ 80	\$ 718	\$ 0.80	\$ 3,590	\$ 43,080
2 BD @ 30% AMI	6	1100	6,600	\$ 479	\$ 101	\$ 378	\$ 0.34	\$ 2,268	\$ 27,216
2 BD @ 50% AMI	10	1100	11,000	\$ 798	\$ 101	\$ 697	\$ 0.63	\$ 6,970	\$ 83,640
2 BD @ 60% AMI	5	1100	5,500	\$ 958	\$ 101	\$ 857	\$ 0.78	\$ 4,285	\$ 51,420
3 BD @ 30% AMI	7	1250	8,750	\$ 553	\$ 120	\$ 433	\$ 0.35	\$ 3,031	\$ 36,372
3 BD @ 50% AMI	12	1250	15,000	\$ 923	\$ 120	\$ 803	\$ 0.64	\$ 9,636	\$ 115,632
3 BD @ 60% AMI	4	1250	5,000	\$ 1,107	\$ 120	\$ 987	\$ 0.79	\$ 3,948	\$ 47,376
2 BD Manager's Unit	1	1100	1,100	\$ 958	\$ -	\$ 958	\$ 0.87	\$ 958	\$ 11,496
Totals	81		80,650					\$ 48,977	\$ 587,724

	Income rate	annual increase per unit	2011 Year 1	2012 Year 2	2013 Year 3	2014 Year 4	2015 Year 5	2020 Year 10	2030 Year 15
Potential Gross Income		2.50%	587,724	602,417	617,478	632,914	648,737	733,987	930,000
Commercial Income		2.50%	64,800	66,420	68,081	69,783	71,527	80,926	100,000
Other Income		2.50%	7,750	7,944	8,142	8,346	8,555	9,679	11,000
Less Commercial Vacancy	20%	(50% in Yr 1 & 2)	32,400	33,210	13,616	13,957	14,305	16,185	20,000
Less Residential and Other Vacancy	5.00%		29,386	30,121	30,874	31,646	32,437	36,699	46,000
Effective Gross Income			\$598,488	\$613,450	\$649,210	\$665,441	\$682,077	\$771,707	\$980,000
<u>Operating Expenses</u>									
Operating Expenses		3.50%	4,336	351,176	363,467	376,189	389,355	402,983	478,617
Assessments		2.00%	105	8,500	8,670	8,843	9,020	9,201	10,158
Property Management		3.50%	474	38,400	39,744	41,135	42,575	44,065	52,335
Social Services		2.00%	296	24,000	24,480	24,970	25,469	25,978	28,682
Safety		2.00%	185	15,000	15,300	15,606	15,918	16,236	17,926
Replacement Reserves		0.00%	300	24,300	24,300	24,300	24,300	24,300	24,300
Total Expenses			5,696	\$461,376	\$475,961	\$491,043	\$506,637	\$522,763	\$612,019
Net Operating Income				\$137,112	\$137,489	\$158,168	\$158,803	\$159,314	\$159,688

	amount	rate	amort	2011	2012	2013	2014	2015	2020	2030
<u>Debt Service</u>										
Bank Loan	\$1,030,572	7.50%	30	86,471	86,471	86,471	86,471	86,471	86,471	86,471
Debt Service Subtotal				\$86,471						
<u>Priority Distributions</u>										
Asset Management Fee (GP)		0.00%		7,500	7,500	7,500	7,500	7,500	7,500	7,500
Partnership Management Fee (LP)		0.00%		25,000	25,000	25,000	25,000	25,000	25,000	25,000
Priority Distributions Subtotal				\$32,500						
Net Cash after Priority Distributions				\$18,141	\$18,518	\$39,197	\$39,832	\$40,343	\$40,717	\$51,000
<u>Deferred Developer Fee</u>										
Principal Balance	\$375,000	4.00%		375,000	371,859	368,216	343,747	317,665	165,548	
Accumulated Interest				15,000	14,874	14,729	13,750	12,707	6,622	
Payment				18,141	18,518	39,197	39,832	40,343	40,717	
Balance				\$371,859	\$368,216	\$343,747	\$317,665	\$290,029	\$131,453	
Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$51,000
<u>Agency Loan</u>										
Principal Balance	\$3,000,000	4.00%		3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Accumulated Interest				120,000	240,000	360,000	480,000	600,000	1,200,000	2,220,000
Payment				0	0	0	0	0	0	3
Balance				\$3,120,000	\$3,240,000	\$3,360,000	\$3,480,000	\$3,600,000	\$4,200,000	\$5,180,000
Net Cash After Loan Repayment				\$0	\$0	\$0	\$0	\$0	\$0	\$16,000

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MAXIMUM RENT AND INCOME LEVELS 2009
(Rents @ 30%, 50%, and 60% of AMI where applicable)

Maximum Income Limits:			
Family Size	Max Income 30% AMI	Max Income 50% AMI	Max Income 60% AMI
1 person	\$14,900	\$24,850	\$29,820
2 person	\$17,050	\$28,400	\$34,080
3 person	\$19,150	\$31,950	\$38,340
4 person	\$21,300	\$35,500	\$42,600
Maximum Rent Limits: Alkali Flat Project Area Tax Increment Funds			
Unit Size	Gross Rent 30% AMI	Gross Rent 50% AMI	Gross Rent 60% AMI
Studio	\$372.00	\$621.25	\$745.50
1 Bedroom	\$399.00	\$710.00	\$852.00
2 Bedroom	\$479.00	\$798.75	\$958.50
3 Bedroom	\$553.00	\$887.50	\$1,065.00
Maximum Rent Limits: 9% Low-Income Housing Tax Credit Program			
Unit Size	Gross Rent 30% AMI	Gross Rent 50% AMI	Gross Rent 60% AMI
Studio	\$372.00	\$621.00	\$745.00
1 Bedroom	\$399.00	\$665.00	\$798.00
2 Bedroom	\$479.00	\$798.00	\$958.00
3 Bedroom	\$553.00	\$923.00	\$1,107.00
Maximum Rent Limits: HOME Program			
Unit Size		Gross Rent @ 50% AMI	Gross Rent @ 60% AMI
Studio		\$621.00	\$708.00
1 Bedroom		\$665.00	\$805.00
2 Bedroom		\$798.00	\$982.00
3 Bedroom		\$923.00	\$1,166.00



DEVELOPMENT SERVICES
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

300 RICHARDS BLVD
SACRAMENTO, CA
95811

PLANNING DIVISION

ENVIRONMENTAL PLANNING
SERVICES

MITIGATED NEGATIVE DECLARATION

The City of Sacramento, California, a municipal corporation, does hereby prepare, make, declare, and publish this Negative Declaration for the following described project:

P08-106 La Valentina Station – A mixed-use development located on 12th Street, between C Street and E Street comprised of 18 townhouse units, 63 affordable apartment units, 7 live-work units and approximately 2,500 square feet of ground-floor commercial/flex spaces on 1.27 acres in the General Commercial (C-2) zone the proposed Multi-Family (R-5) zone. Specific entitlements include:

- A. **Rezone** RMX to R-5 to increase the allowable density from 36 to 94 du/na;
- B. **Special Permit** to allow gated development;
- C. **Special Permit – Height** to allow structures to exceed the maximum allowable height;
- D. **Special Permit – Parking** to reduce required parking;
- E. **Variance** to reduce the interior side setback;
- F. **Variance** to allow a roof structure to exceed the maximum allowable height;
- G. **Variance** to allow compact stalls to exceed a maximum of forty percent; and a
- H. **Tentative Map**

The City of Sacramento, Development Services Department, has reviewed the proposed project and on the basis of the whole record before it, has determined that there is no substantial evidence that the project, with mitigation measures as identified in the attached Initial Study, will have a significant effect on the environment. This Mitigated Negative Declaration reflects the lead agency's independent judgment and analysis. An Environmental Impact Report is not required pursuant to the Environmental Quality Act of 1970 (Sections 21000, et seq., Public Resources Code of the State of California).

This Mitigated Negative Declaration has been prepared pursuant to Title 14, Section 15070 of the California Code of Regulations; the Sacramento Local Environmental Regulations (Resolution 91-892) adopted by the City of Sacramento; and the Sacramento City Code.

A copy of this document and all supportive documentation may be reviewed or obtained at the City of Sacramento, Development Services Department, Planning Division, 300 Richards Boulevard, Sacramento, California 95811.

Environmental Services Manager, City of Sacramento,
California, a municipal corporation

By: 
Date: 2/12/09

LA VALENTINA STATION (P08-106) **INITIAL STUDY/MITIGATED NEGATIVE DECLARATION**

This Initial Study has been required and prepared by the Development Services Department, 300 Richards Boulevard, Sacramento, CA 95811, pursuant to Title 14, Section 15070 of the California Code of Regulations; and the Sacramento Local Environmental Regulations (Resolution 91-892) adopted by the City of Sacramento.

ORGANIZATION OF THE INITIAL STUDY

This Initial Study is organized into the following sections:

SECTION I - BACKGROUND: Provides summary background information about the project name, location, sponsor, and the date this Initial Study was completed.

SECTION II - PROJECT DESCRIPTION: Includes a detailed description of the Proposed Project.

SECTION III - ENVIRONMENTAL CHECKLIST AND DISCUSSION: Contains the Environmental Checklist form together with a discussion of the checklist questions. The Checklist Form is used to determine the following for the proposed project: 1) "Potentially Significant Impacts," which identifies impacts that may have a significant effect on the environment, but for which the level of significance cannot be appropriately determined without further analysis in an Environmental Impact Report (EIR), 2) "Potentially Significant Impacts Unless Mitigated," which identifies impacts that could be mitigated to less than significant with implementation of mitigation measures, and 3) "Less Than Significant Impacts," which identifies impacts that would be less than significant and do not require the implementation of mitigation measures.

SECTION IV - ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED: Identifies which environmental factors were determined to have either a "Potentially Significant Impact" or "Potentially Significant Impact Unless Mitigated," as indicated in the Environmental Checklist.

SECTION V - DETERMINATION: Identifies the determination of whether impacts associated with development of the Proposed Project are significant, and what, if any, added environmental documentation may be required.

SECTION VI - REFERENCES CITED

ATTAHMENTS:

- A – Vicinity Map/Site Plan
- B – URBEMIS Report
- C – Mitigation Monitoring Plan

SECTION I - BACKGROUND

File Number, Project Name: P08-106, La Valentina Station

Project Location: 12th Street, between C Street and E Street (APN: 002-0121-002, 002-0121-036, 002-0121-038, 002-0121-032, 002-0121-027, 002-0121-034, 002-0082-024, and 002-0082-016).

Project Applicant: Meea Kang
Domus Development
594 Howard Street, Suite 204
San Francisco, CA 94105
(415) 856-0010

Project Planner: David Hung, Associate Planner
Development Services Department
City of Sacramento
300 Richards Boulevard
Sacramento, CA 95811
(916) 808-5530

Environmental Planner: Rochelle Hall, Assistant Planner
Development Services Department
City of Sacramento
300 Richards Boulevard
Sacramento, CA 95811
(916) 808-5914

Date Initial Study Completed: February 13, 2009

INTRODUCTION

The following Initial Study/Mitigated Negative Declaration was prepared in accordance with the California Environmental Quality Act (CEQA) (Public Resources Code Sections 1500 *et seq.*). The City of Sacramento is the Lead Agency for the preparation of this Mitigated Negative Declaration for the La Valentina Station Project (P08-106) (proposed project).

The City determined that a Mitigated Negative Declaration is the appropriate environmental document for the proposed project. This environmental review examines project effects which are identified as potentially significant effects on the environment or which may be substantially reduced or avoided by the adoption of revisions or conditions to the design of project specific features. It is believed at this time that the project will not result in potentially significant impacts, with the application of appropriate mitigation measures. Therefore, a Mitigated Negative Declaration has been prepared for this project.

This analysis is incorporating by reference the general discussion portions of earlier environmental documents (CEQA Guidelines Section 15150(a)). These documents are available for public review at the City of Sacramento, Development Services Department, 300 Richards Boulevard, Sacramento, CA 95811.

Section 15130 (d) of the CEQA Guidelines state that, "No further cumulative impacts analysis is required when a project is consistent with a general, specific, master or comparable programmatic plan where the lead agency determines that the regional or area-wide cumulative impacts of the proposed project have already been adequately addressed, as defined in 15152(f)(1), in a certified EIR for the plan."

The City is soliciting views of interested persons and agencies on the content of the environmental information presented in this document. Due to the time limits mandated by state law, your response must be sent at the earliest possible date, but no later than the close of the 20-day review period as listed in the Notice of Availability/Intent, March 5, 2009.

Please send written responses to:

Rochelle Hall, Assistant Planner
Development Services Department
City of Sacramento
300 Richards Boulevard
Sacramento, CA 95811
rxhall@cityofsacramento.org

SECTION II - PROJECT DESCRIPTION

PROJECT LOCATION

The proposed project site is comprised of eight parcels, totaling 1.27 acres, and located on 12th Street, between C Street and E Street (Assessor Parcel Numbers: 002-0121-002, 002-0121-027, 002-01210-032, 002-0121-034, 002-0121-036, 002-0121-038, 002-0082-024, and 002-0082-016) (See Appendix A – Vicinity Map/Location Map).

PROJECT BACKGROUND, PURPOSE AND DESCRIPTION

The proposed project site has been vacant for the past ten years, and is located in the Central City Community Plan area of the City. The site is adjacent to a Sacramento Regional Transit Light Rail Station on 12th Street, between D and E Streets. The site is located in the combined sewer/drainage system, and includes an 8-inch main within the public utility easement (PUE) on the proposed site.

The site is located in the Central City Design District. The site is not located in an adopted historic district, but is bordered by adopted historic districts. The 12th Street Commercial Historic District borders the site to the south, and is characterized by early twentieth century association of clustering of buildings influenced by the evolution of the importance of the automobile. The Alkali Flat North Historic District and Alkali Flat Central Historic District border the site to the west, and are characterized by nineteenth century Queen Anne and Eastlake cottages, and early twentieth century Colonial Revival and Craftsman in style. The Washington Historic District borders the site to the east, and is similar to the alkali flat Historic Districts, with its ubiquitous high basement buildings. Many apartment buildings in this area are designed in the manner of single-family houses and are visually consistent with the character of the streets. C Street Commercial Historic District borders the site to the north, characterized by representatives of the commercial buildings of the 1920 era.

The proposed project is located on eight parcels with two General Plan designations: Urban Corridor Low and Traditional Medium Density. The Urban Corridor Low land use designation provides for a mix of horizontal and vertical mixed-use development and single-use commercial and residential development that includes retail, service, and office uses; and gathering places such as a plaza, courtyard, or park. The Traditional Medium Density land use designation also includes multi-family dwelling units and neighborhood-serving commercial uses.

The proposed project includes entitlements to construct a mixed-use development comprised of 18 townhouse units, 63 affordable apartment units, 7 live-work units and approximately 2,500 square feet of ground-floor commercial/flex spaces on 1.27 acres in the general commercial (C-2) zone and the proposed Multi-Family (R-5) zone. Specific entitlements include:

- A. **Rezone** from RMX to R-5 to increase the allowable density from 36 to 94 du/na;
- B. **Special Permit** to allow gated development;
- C. **Special Permit – Height** to allow structures to exceed the maximum allowable height;
- D. **Special Permit – Parking** to reduce required parking;
- E. **Variance** to reduce the interior side setback;
- F. **Variance** to allow a roof structure to exceed the maximum allowable height;
- G. **Variance** to allow compact stalls to exceed a maximum of forty percent; and
- H. **Tentative Map**

SECTION III – ENVIRONMENTAL CHECKLIST AND DISCUSSION

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
1. <u>LAND USE</u>			
<i>Would the proposal:</i>			
A) Result in a substantial alteration of the present or planned use of an area?			✓
B) Affect agricultural resources or operation (e.g., impacts to soils or farmlands, or impact from incompatible land uses?)			✓

ENVIRONMENTAL SETTING

The proposed project site consists of eight parcels, totaling approximately 1.27 acres site on 12th Street, between C and E Streets (Assessor Parcel Numbers: 002-0082-024, 002-0082-016, 002-0121-002, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038) (See Appendix A – Vicinity Map/Location Map). Adjacent land uses include vacant commercial to the north, residential to the east, residential and commercial to the south and to the west.

General Plan land use designations for the site are Urban Corridor Low and Traditional Neighborhood Medium Density. The Zoning for the site is General Commercial (C-2 and Residential Mixed Use.

STANDARDS OF SIGNIFICANCE

For the purposes of this analysis, an impact is considered significant if the project would substantially alter an approved land use plan that would result in a physical change to the environment. Impacts to the physical environment resulting from the proposed project are discussed in subsequent sections of this document.

ANSWERS TO CHECKLIST QUESTIONS

QUESTIONS A AND B

The proposed project is generally consistent with the allowable uses as designated in the adopted General Plan Central City Community Plan; however, a rezone is proposed for the site from residential mixed-use (RMX) to multi-family (R-5), which would increase the allowable density from 36 dwelling units per acre to 70 -94 dwelling units per acre. The rezone would be consistent with surrounding uses, and with the goals of the General Plan to increase density in urban centers adjacent to public transportation. The site is located within the "Midtown Commercial Corridors" Growth Opportunity Area and was designated for high density mixed use development (20-110

du/acre). Applicable General Plan policies include: Infill Development; Mixed-use Corridors; and Corridor Uses. The proposed project would not be incompatible with adjacent land uses, which include residential and commercial. Therefore, the proposed project would have a less than significant impact to present or planned land uses.

The project site is within an urbanized area and is not suitable for agricultural use. No agricultural operations are located within the vicinity. Therefore, the proposed project would have a less than significant impact on agricultural resources or operations.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project would result in less-than-significant land use impacts.

LA VALENTINA STATION (P08-106)
INITIAL STUDY/MITIGATED NEGATIVE DECLARATION

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
2. <u>POPULATION AND HOUSING</u>			
<i>Would the proposal:</i>			
A) Induce substantial growth in an area either directly or indirectly (e.g., through projects in an undeveloped area or extension of major infrastructure)?			✓
B) Displace existing housing, especially affordable housing?			✓

ENVIRONMENTAL SETTING

The proposed project site consists of eight parcels, totaling approximately 1.27 acres on 12th Street, between C and E Streets (Assessor Parcel Numbers: 002-0082-024, 002-0082-016, 002-0121-002, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038) (See Appendix A – Vicinity Map/Location Map). Adjacent land uses include vacant commercial to the north, residential to the east, residential and commercial to the south and to the west.

General Plan land use designations for the site are Urban Corridor Low and Traditional Neighborhood Medium Density. The Community Plan land use designation and the Zoning for the site is Residential Mixed Use.

STANDARDS OF SIGNIFICANCE

For the purposes of this analysis, an impact is considered significant if the project would induce substantial growth that is inconsistent with the approved land use plan for the area or displace existing affordable housing.

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A

The proposed project would construct 18 townhouse units, 63 dwelling units, 7 live-work units, and 2,500 square feet of commercial uses on approximately 1.27 acres in the general commercial (C-2) and the residential mixed-use (RMX) zone. The proposed project is consistent with the General Plan and Central City Community Plan designations of the site and would not result in a substantial alteration of the designated land use. The proposed project would require a rezone from residential mixed-use (RMX) multi-family (R-5) to increase the allowable density of the site from a maximum of 36 dwelling units per acre to a maximum of 94 dwelling units per acre. The allowable density would increase, and would permit the proposed project to develop the site in a manner consistent with adopted goals of land use plans to increase densities in urban centers and near access to public transportation. Any impacts would be considered less than significant. The 2030 General Plan Land Use Diagram shows the site as Urban Corridor Low which allows for 20 to 110 du per net acre and 0.4 to 4.0 Floor Area Ratio (FAR). Allowed land uses include a mixture of retail, service, office and residential uses. In addition, the traffic impacts of development consistent with the Land Use Diagram were covered in the 2030 General Plan EIR.

QUESTION B

No existing housing exists on the site. The project would not displace any existing or planned affordable housing, but would include the development of affordable housing, and impacts to existing housing would be less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project would result in less-than-significant impacts to population and housing.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
3. SEISMICITY, SOILS, AND GEOLOGY			
Would the proposal result in or expose people to potential impacts involving:			
A) Seismic hazards?			✓
B) Erosion, changes in topography or unstable soil conditions?			✓
C) Subsidence of land (groundwater pumping or dewatering)?			✓
D) Unique geologic or physical features?			✓

ENVIRONMENTAL SETTING

The project site is located in the central portion of the Great Valley geomorphic province of California. The Great Valley lies between the mountains and the foothills of the Sierra Nevada Range to the east and the California Coast Ranges to the west. The geological formations of the Great Valley are typified by thick sequences of alluvial sediments (up to two-mile depth) deposited during the filling of a large ancient basin (Wallace Kuhl, 1994).

The surface geology within the project area consists of Holocene floodplain deposits, which include unconsolidated sands, silts and clays formed from flooding of the American and Sacramento Rivers. The soil type in the immediate project vicinity is depicted as Sailboat-Scribner-Cosumnes, which is defined as very deep, somewhat poorly and poorly-drained soils that have a seasonal high water table and are protected by levees (SGPU DEIR, T-1, T-2, T-5).

No geologic features such as faults or Alquist-Priolo special studies zones are known to occur in or near the project area. In addition, according to the CA Division of Mines and Geology, the City is classified as Zone I, out of a three-point scale with III being the most susceptible to seismic hazards (SGPU DEIR, T-6 and T-10). Development within this area is subject to potential damage from earthquake ground shaking at a maximum intensity of VIII on the Modified Mercalli Scale (SGPU DEIR, T-6). The closest active fault to the site is the Foothills Fault System, which passes about 21 miles to the east. Three other major active faults in the area are the Great Valley Fault, located about 28 miles to the southwest; and the Hunting Creek – Berryessa Fault and Concord – Green Valley Fault located 40 miles to the west (Lowney 2006, Page 4).

STANDARDS OF SIGNIFICANCE

For the purposes of this analysis, an impact is considered significant if it allows a project to be built that will either introduce geologic or seismic hazards by allowing the construction of the project on such a site without protection against those hazards.

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A

Because no active or potentially active faults are known in the project area, the proposed project would not be subject to the rupture of a known earthquake fault.

Due to the seismicity in the region, people and property on the site could be subject to seismic hazards, such as groundshaking, liquefaction, and settlement, which could result in damage or failure of components of the proposed project. This seismic activity could disrupt utility service due to damage or destruction of infrastructure, resulting in unsanitary or unhealthful conditions or possible fires or explosion from damaged natural gas lines.

Compliance with the California Uniform Building Code (Title 24) would minimize the potential for adverse effects on people and property due to seismic activity by requiring the use of earthquake protection standards in construction. Prior to construction, the project applicant must demonstrate to the City that the site, infrastructure, and building designs for the proposed project comply with all required regulations and standards pertaining to seismic hazards.

Implementation of applicable regulations, codes, and standard engineering practices would mitigate any potential impacts caused by development of the proposed project site related to groundshaking or secondary seismic hazards. Therefore, the impacts due to seismic activity would be less than significant and no mitigation is required.

QUESTION B

The project would not involve significant changes in topography. Erosion may occur as a result of grading, since soils are especially prone to erosion from storm water runoff that occurs during or immediately after construction. All grading and erosion control would be conducted in compliance with the requirements of the Sacramento City Code to prevent erosion of soils during construction (Ordinance 15.88.250). This Ordinance requires the project applicant to show erosion and sediment control methods on the improvement plans. These plans also show the methods to control urban runoff pollution from the project site during construction. In addition, the majority of the proposed project site will be built, landscaped, and paved upon completion of the project, which will help prevent erosion.

QUESTIONS C AND D

According to the SGPU DEIR, no significant subsidence of land has occurred within the City of Sacramento (SGPU, DEIR T-13). State regulations and standards related to geotechnical considerations are reflected in the Sacramento City Code. Construction and design would be required to comply with the latest City-adopted code at the time of construction, including the Uniform Building Code. The code would require construction and design of buildings to meet standards that would reduce risks associated with subsidence or liquefaction. In addition, the proposed project does not include below-grade features, such as basements, which would require

LA VALENTINA STATION (P08-106)
INITIAL STUDY/MITIGATED NEGATIVE DECLARATION

extensive excavation and; therefore, construction of the proposed project is not anticipated to require groundwater pumping or dewatering. However, in the event that dewatering activities are required, a short-term change could occur in the quantity of groundwater and/or direction of rate of flow, as well as the quality of the groundwater. Any dewatering activities associated with the proposed project must comply with application requirements established by the Central Valley Regional Water Quality Control Board (RWQCB) to ensure that such activities would not result in substantial changes in groundwater flow or quality. Therefore, compliance with the RWQCB requirements would ensure a less than significant impact and no mitigation is required.

There are no recognized unique geologic features or physical features that would be impacted by the construction of the proposed project. Therefore, related impacts on area soils and earth conditions are anticipated to be less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project would result in less-than-significant impacts to geology, soils and seismicity.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
<p>4. WATER Would the proposal result in or expose people to potential impacts involving:</p> <p>A) Changes in absorption rates, drainage patterns, or the rate and amount of surface/stormwater runoff (e.g. during or after construction; or from material storage areas, vehicle fueling/maintenance areas, waste handling, hazardous materials handling & storage, delivery areas, etc.)?</p>			✓
<p>B) Exposure of people or property to water related hazards such as flooding?</p>			✓
<p>C) Discharge into surface waters or other alteration of surface water quality that substantially impact temperature, dissolved oxygen or turbidity, beneficial uses of receiving waters or areas that provide water quality benefits, or cause harm to the biological integrity of the waters?</p>			✓
<p>D) Changes in flow velocity or volume of stormwater runoff that cause environmental harm or significant increases in erosion of the project site or surrounding areas?</p>			✓
<p>E) Changes in currents, or the course or direction of water movements?</p>			✓
<p>F) Change in the quantity of ground waters, either through direct additions or withdrawal, or through interception of an aquifer by cuts or excavations or through substantial loss of groundwater recharge capability?</p>			✓
<p>G) Altered direction or rate of flow of groundwater?</p>			✓
<p>H) Impacts to groundwater quality?</p>			✓

ENVIRONMENTAL SETTING

Surface Water/Drainage. The Sacramento, American, and Cosumnes Rivers are the main surface water tributaries that drain much of Sacramento. The aquifer system underlying the City is part of the larger Central Valley groundwater basin. Surface inflows to the east of the City Limits and deep percolation of precipitation and surface water applied to irrigated crop land recharge the aquifer system.

Water Quality. The majority of the City's municipal water is received from the American and Sacramento Rivers. The water quality of the American River is considered very good. The Sacramento River water is considered to be of good quality also, although higher sediment loads and extensive irrigated agriculture upstream of Sacramento tends to degrade the water quality. During the spring and fall, irrigation tailwaters are discharged into drainage canals that flow to the river. In the winter, runoff flows over these same areas. In both instances, flows are highly turbid and introduce large amounts of herbicides and pesticides into the drainage canals, particularly rice field herbicides in May and June. The aesthetic quality of the river is changed from relatively clear to turbid from irrigation discharges.

The City of Sacramento has obtained a municipal stormwater NPDES permit from the State Water Resources Control Board (SWRCB) under the requirements of the Environmental Protection Agency and Section 402 of the Clean Water Act (CWA). The goal of the permit is to reduce pollutants found in urban storm runoff. The general permit requires the permittee to employ BMPs before, during, and after construction. The primary objective of the BMPs is to reduce non-point source pollution into waterways. These practices include structural and source control measures for residential and commercial areas, and BMPs for construction sites. BMP mechanisms minimize erosion and sedimentation and prevent pollutants such as oil and grease from entering the stormwater drains. BMPs are approved by the Department of Utilities prior to construction (the BMP document is available for review from the Department of Utilities, Engineering Services Division, 1395 35th Avenue, Sacramento, CA).

Flooding. The Federal Emergency Management Agency (FEMA) publishes Flood Insurance Rate Maps (FIRM) that delineates flood hazard zones for communities. The project site is currently within the "Shaded X" flood zone, as specified in a February 16, 2005 Letter of Map Revision (LOMR) to the City's Flood Insurance Rate Map (FIRM). This zone is applied to areas of the City, which are outside of the 100-year flood plain due to the protection of levees.

Groundwater. The City of Sacramento is located within the South American Groundwater Subbasin, part of the large Sacramento Valley Groundwater Basin. Various geologic formations comprise the water-bearing deposits in the basin. Groundwater occurs in unconfined to semi-confined states throughout the subbasins. The degree of confinement typically increases with depth below the ground surface. Groundwater in the upper aquifer formations is typically unconfined. In general groundwater levels in the vicinity of the City of Sacramento have been reported to be stable, fluctuating less than 10 feet since the 1970's (CA Dept of Water Resources, 2004).

Groundwater within the project area has been recorded at fairly shallow depths. Groundwater has been reported at a depth of 20 feet below ground surface, flowing in a southeast direction (SMCS DEIR, 2005).

STANDARDS OF SIGNIFICANCE

Water Quality. For purposes of this environmental document, an impact is considered significant if the proposed project would substantially degrade water quality and violate any water quality objectives set by the State Water Resources Control Board, due to increased sediments and other contaminants generated by consumption and/or operation activities.

Flooding. For purposes of this environmental document, an impact is considered significant if the proposed project substantially increases exposure of people and/or property to the risk of injury and damage in the event of a 100-year flood.

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A

The project site is relatively flat and currently contains impervious surfaces from prior urban uses. The site is also surrounded by urban uses, and runoff is directed to drop-inlets, which discharge into the City's Combined Sewer System (CSS), and is ultimately conveyed to wastewater treatment plants for treatment prior to discharge into the Sacramento River.

The proposed project would not result in a significant increase in the volume of runoff due to the impervious surface of the prior development. The site was previously developed with urban uses, and all sewer and drainage infrastructure are already in place on the site. Existing sewer and drainage infrastructure constructed with the previous uses may not meet current City standards. However, any newly required sewer or drainage infrastructure to connect the site to existing public utilities, or required upgrades to the system, would be designed and installed per the City's standards for private storm drainage systems (per Section 11.12 of the Design and Procedures Manual). Therefore, impacts due to changes in absorption rates, drainage patterns, or the rate and amount of stormwater drainage would be less than significant.

QUESTION B

The project site is located within the "Shaded X" Flood Zone. The Flood Zone X is defined as areas of 500-year flood - areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood. Therefore, implementation of the project will not expose people and/or property to the risk of injury and damage in the event of a 100-year, or greater, flood. The proposed project would have a less than significant impact for exposure of people to water hazards, such as flooding.

QUESTIONS C, D, AND E

Construction related activities such as grading, trenching, paving, and landscaping have the potential to impact water quality. These activities have the potential to increase sediment loads in runoff that would enter the combined sewer system. The degree of construction-related impacts to water quality are partially determined by the duration of the various construction activities and rainfall distribution. Due to low summer rainfall, summer construction activities would decrease the sediment and other pollutant levels that may impact water quality. Fuel, oil, grease, solvents, and other chemicals used in construction activities have the potential to create toxicity problems if allowed to enter a waterway. Construction activities are also a source of various other materials including trash, cleaning materials, paints, solvents, adhesives, and cementitious asphaltic materials.

The applicant/developer would be required to comply with the City's Grading, Erosion and Sediment Control Ordinance (Code 15.88.250). This ordinance requires the applicant to prepare erosion and sediment control plans during construction, prepare preliminary and final grading plans. On-site source control measures as well as maintenance of erosion and sediment control practices are also required at all times.

During construction, sediment may contribute to runoff. Because the project is required to comply with the City's ordinance described above, the project impacts to water quality is anticipated to be less-than-significant.

Additionally, development of the site would be required to comply with regulations involving the control of pollution in stormwater discharges under the City's Stormwater Management and Discharge Control Code (Title 13, Chapter 13.16). This code requires all development to prevent pollutants from entering the stormwater conveyance system. Under this code, the project would be required to develop and comply with Best Management Practices (BMPs) (e.g., use of erosion control barriers, proper disposal of chemicals, hydroseeding, good house keeping, etc.) to manage short-term, construction related, erosion and stormwater issues which would be regulated by the City's Stormwater Prevention Pollution Plan Inspectors. Long term stormwater issues are addressed through source control and good housekeeping practices.

Compliance with all applicable ordinances, codes and regulatory requirements designed to maintain and improve water quality from development activities would ensure that the proposed project will have a less-than-significant impact on drainage and water quality.

QUESTIONS F, G AND H

The proposed project includes below grade levels, and is expected to involve substantial excavation or trenching that could impact groundwater. Groundwater has been reported in the area at fairly shallow depths (20 feet below ground surface), and in the event that dewatering activities are required, these could result in a short-term change in the quantity of groundwater and/or direction of rate of flow, and groundwater quality. The City of Sacramento requires that any discharges of groundwater from construction foundation or basement dewatering be permitted through the City Utilities Department. All groundwater discharges to the sewer must also obtain a discharge permit from the SRCSD Industrial Waste Section. If groundwater pumping or discharges would need to occur to accommodate foundation construction, all such activities would be regulated and enforced through regulatory mechanisms already in place. In addition, there are no known groundwater contamination issues at the site, and it is not anticipated that contaminated groundwater would be encountered if dewatering would need to occur. However, should contaminants be detected in groundwater that were not previously detected, the City would require the applicant to initiate actions to control contaminant levels during dewatering through the required permitting process.

With implementation of established City review procedures for excavation and dewatering, Therefore, the proposed project would have a less-than-significant impact on groundwater.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project will have a less-than-significant impact on water resources.

LA VALENTINA STATION (P08-106)
INITIAL STUDY/MITIGATED NEGATIVE DECLARATION

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
<p>5. AIR QUALITY</p> <p><i>Would the proposal:</i></p>			
<p>A) Violate any air quality standard or contribute to an existing or projected air quality violation?</p>			✓
<p>B) Exposure of sensitive receptors to pollutants?</p>			✓
<p>C) Alter air movement, moisture, or temperature, or cause any change in climate?</p>			✓
<p>D) Create objectionable odors?</p>			✓

ENVIRONMENTAL SETTING

The project area is located in the Sacramento Valley Air Basin (SVAB), which is bounded by the Sierra Nevada on the east and the Coast Range on the west. The climate of the SVAB is Mediterranean in character, with mild, rainy winters and hot dry summers. Prevailing winds in the project area originate primarily from the southwest. These winds are the result of marine breezes coming through the Carquinez Straits. These marine breezes diminish during the winter months, and winds from the north occur more frequently at this time. Air quality within the project area and surrounding region is largely influenced by urban emission sources.

The SVAB is subject to federal, state, and local air quality regulations under the jurisdiction of the Sacramento Metropolitan Air Quality Management District (SMAQMD). The SMAQMD is responsible for implementing emissions standards and other requirements of federal and state laws. As there are minimal industrial emissions, urban emission sources originate primarily from automobiles. Home fireplaces also contribute a significant portion of the air pollutants, particularly during the winter months. Air quality hazards are caused primarily by carbon monoxide (CO), particulate matter (PM₁₀), and ozone, primarily as a result of motor vehicles. Both the federal Environmental Protection Agency and the California Air Resources Board classifies the SVAB as non-attainment for ozone and PM₁₀ (particulate matter less than 10 microns in diameter). Although, SMAQMD reports that air quality meets Federal PM10 Standards, but a maintenance plan must be submitted in order for the SVAB to be formally designated to attainment. Carbon monoxide (CO) is designated as unclassified/attainment (California Air Resources Board, 1998).

STANDARDS OF SIGNIFICANCE

The SMAQMD adopted the following thresholds of significance in 2002:

Ozone and Particulate Matter. An increase of nitrogen oxides (NO_x) above 85 pounds per day for short-term effects (construction) would result in a significant impact. An increase of either ozone precursor, nitrogen oxides (NO_x) or reactive organic gases (ROG), above 65 pounds per day for long-term effects (operation) would result in a significant impact (as revised by SMAQMD, March 2002). The threshold of significance for PM₁₀ is a concentration based threshold equivalent to the California Ambient Air Quality Standard (CAAQS). For PM₁₀, a project would have a significant impact if it would emit pollutants at a level equal to or greater than five percent of the CAAQS (50 micrograms/cubic meter for 24 hours) if there were an existing or projected violation; however, if a project is below the ROG and NO_x thresholds, it can be assumed that the project is below the PM₁₀ threshold as well (SMAQMD, 2004).

Carbon Monoxide. The pollutant of concern for sensitive receptors is carbon monoxide (CO). Motor vehicle emissions are the dominant source of CO in Sacramento County (SMAQMD, 2004). For purposes of environmental analysis, sensitive receptor locations generally include parks, sidewalks, transit stops, hospitals, rest homes, schools, playgrounds and residences. Commercial buildings are generally not considered sensitive receptors. Carbon monoxide concentrations are considered significant if they exceed the 1-hour state ambient air quality standard of 20.0 parts per million (ppm) or the 8-hour state ambient standard of 9.0 ppm (state ambient air quality standards are more stringent than their federal counterparts).

ANSWERS TO CHECKLIST QUESTIONS

QUESTIONS A AND B

The URBEMIS 2007 9.2.2 model was used to calculate estimated emissions for the construction of the proposed project. Based on the estimated emissions from the URBEMIS model, the proposed project would not exceed the short-term emissions threshold of 85 lbs/day for NO_x. Estimated NO_x emissions using the URBEMIS 2007 9.2.2 model were calculated to be approximately 1.17 lbs/day, which is less than the 85 lbs/day threshold.

Construction activities would be required to comply with SMAQMD's Rule 403 on Fugitive Dust, which provides that the operator shall take every reasonable precaution not to cause or allow the emissions of fugitive dust from being airborne beyond the property line from which the emission originates, from any construction, handling or storage activity, or any wrecking, excavation, grading, clearing of land or solid waste disposal operation. Reasonable precautions shall include, but are not limited to:

- the use of water or chemicals for control of dust in the demolition of existing buildings or structures, construction operations, the construction of roadways or the clearing of land.
- the application of asphalt, oil, water, or suitable chemicals on dirt roads, materials stockpiles, and other surfaces which can give rise to airborne dusts;
- other means approved by the Air Pollution Control Officer.

Compliance with this rule will further reduce impacts associated with the proposed project.

Operational Impacts

The URBEMIS 2007 9.2.2 model was used to calculate estimated emissions for the operations of the proposed project. Based on the estimated emissions from the URBEMIS model, the proposed project would not exceed the long-term emissions threshold of 65 lbs/day for NO_x. Estimated NO_x emissions using the URBEMIS 2007 9.2.2 model were calculated to be approximately 0.91 lbs/day, which is not above the 65 lbs/day threshold. . Based on the estimated emissions from the URBEMIS model, the proposed project would not exceed the long-term emissions threshold of 65 lbs/day for Reactive Organic Gases (ROG). Estimated ROG emissions using the URBEMIS 2007 9.2.2 model were calculated to be approximately 0.83 lbs/day, which is less than the 65 lbs/day threshold.

Therefore, impacts to air quality from the construction or operations of the proposed project would be less than significant.

QUESTION C

The project does not propose buildings of a height or mass that would cause alterations in climate. The land use proposed for the project would not result in changes to moisture or temperature in the project area. Any impacts would be considered less than significant.

QUESTION D

The proposed project would construct of 18 townhouse units, 63 affordable apartment units, 7 live-work units and approximately 2,500 square feet of ground-floor commercial/flex spaces. The proposed land uses would not emit substantial objectionable odors. Construction equipment and materials may emit odors perceptible to residents within the project vicinity. However, any construction-related odors would be localized to the immediate vicinity of construction operations, and would be temporary (occurring only during active construction). Therefore, the impact on sensitive receptors from pollutants and odor is considered less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project will have a less-than-significant impact on air quality.

LA VALENTINA STATION (P08-106)
INITIAL STUDY/MITIGATED NEGATIVE DECLARATION

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
6. TRANSPORTATION/CIRCULATION Would the proposal result in:			
A) Increased vehicle trips or traffic congestion?			✓
B) Hazards to safety from design features (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?			✓
C) Inadequate emergency access or access to nearby uses?			✓
D) Insufficient parking capacity on-site or off-site?			✓
E) Hazards or barriers for pedestrians or bicyclists?			✓
F) Conflicts with adopted policies supporting alternative transportation (e.g., bus turnouts, bicycle racks)?			✓
G) Rail, waterborne or air traffic impacts?			✓

ENVIRONMENTAL SETTING

Roads. Regional automobile access to the project area, the Sacramento Central City and midtown area, is provided primarily by the freeway system that serves Downtown Sacramento, including U.S. 50, the Capital City Freeway (Business Route 80), and State Route 99 (SR99).

Interstate 5 (I-5) is a north-south freeway located west of the project site. Primary access to the project site from I-5 is provided at the I Street/J Street interchange.

U.S. 50 is an east-west freeway that is located along the south side of the Central City, about south of the project. Access to this freeway is primarily via interchanges at Business Route 80, Stockton Boulevard, and 26th Street. To the east, U.S. 50 serves eastern portions of the City and County of Sacramento and extends into El Dorado County. To the west, U.S. 50 extends via the Pioneer Bridge to West Sacramento Yolo County.

The Capitol City Freeway (Business Route 80) is a north-south freeway that is located along the east side of the Central City east of the project site. Access to this freeway is primarily via interchanges at E Street, H Street, J Street, N Street, P Street and T Street. To the northeast, the Capitol City Freeway provides access to northeastern portions of the City and County of Sacramento, and Interstate 80 extending into Placer County. To the south, the freeway provides access to U.S. 50 and continues as **SR 99** south of U.S. 50. SR 99 provides access to southern portions of the City and County, as well as other Central Valley communities. Downtown Sacramento is served by a grid street system. Numbered streets exist in a north-south orientation; lettered streets exist in an east-west orientation.

12th Street is a one-way, southbound arterial roadway located east of the project site. 12th Street extends from Richards Boulevard to the north to Riverside Boulevard to the south. In the vicinity of the project site, this roadway provides four southbound travel lanes. Between the 12th Street intersection with Sunbeam Avenue/Sproule Avenue and the K Street pedestrian mall, the 12th Street right-of-way includes two sets of light rail tracks. The southbound track is located in a shared, southbound travel lane. The northbound tracks are in a dedicated light rail lane. There are two light rail stations along this segment of 12th Street. The Alkali Flat/La Valentina station is located between D Street and E Street, and the 12th and I station is located between H Street and I Street. At both station, the southbound train occupies the southbound travel lane while loading and unloading passengers.

D and E Streets are two-way east-west streets that provided access to the project site and extend from East Sacramento in the east and terminate around the 7th Street in the west.

Public Transportation. Sacramento Regional Transit (RT) operates 80 bus routes and 26.9 miles of light rail covering a 418 square-mile service area. Buses and light rail run 365 days a year using 76 light rail vehicles, 258 buses powered by compressed natural gas (CNG) and 17 shuttle vans. Buses operate daily from 5:00 a.m. to 11:30 p.m. every 15 to 60 minutes, depending on the route. Light rail trains operate from 4:30 a.m. to 1:00 a.m. daily with service every 15 minutes during the day and every 30 minutes in the evening. The nearest light rail station is adjacent to the project site on 12th Street, between D and E Streets.

Bikeways. A Sacramento City / County Bicycle Task Force developed a 2010 Bikeway Master Plan for the region. Existing on-street bikeways include:

- E Street - 7th Street to east of Alhambra Boulevard

Parking. On-street parking is allowed on the adjacent local streets. The project will also include on site parking for residents and guests exclusively.

STANDARDS OF SIGNIFICANCE

The following *Standards of Significance* have been established in assessing the impacts of proposed projects on the transportation facilities.

- Roadways:**
- (1). An impact is considered significant for roadways when the project causes the facility to degrade from LOS C or better to LOS D or worse.
 - (2). For facilities that are already worse than LOS C without the project, an impact is also considered significant if the project increases the v/c ratio by 0.02 or more on a roadway.
- Signalized and unsignalized Intersections:**
- (1). An impact to the intersections is considered significant if the Project causes the LOS of the intersections to degrade from LOS C or better to LOS D or worse.
 - (2). For intersections that are already operating at LOS D, E, or F without the Project, an impact is significant if the implementation of the Project increases the average delay by 5 seconds or more at an intersection.
- Transit Facilities:**
- An impact is considered significant if the implementation of the project will cause one or more of the following:
- (1). The project-generated ridership, when added to the existing or future ridership, exceeds existing and/or planned system capacity. Capacity is defined as the total number of passengers the system of buses and light rail vehicles can carry during the peak hours of operation.
 - (2). Adversely affect the transit system operations or facilities in a way that discourages ridership (e.g., removes shelter, reduces park and ride).
- Bicycle Facilities:**
- An impact is considered significant if the implementation of the project will cause one or more of the following:
- (1). eliminate or adversely affect an existing bikeway facility in a way that discourages the bikeway use;
 - (2). interfere with the implementation of a proposed bikeway;
 - (3). result in unsafe conditions for bicyclists, including unsafe bicycle/pedestrian or bicycle/motor vehicle conflicts.
- Pedestrian Facilities:**
- An impact is considered significant if the project will adversely affect the existing pedestrian facility or will result in unsafe conditions for pedestrians, including unsafe pedestrian/bicycle or pedestrian/motor vehicle conflicts.
- Parking Facilities**
- A significant impact to parking would occur if the anticipated parking demand of the Project exceeds the available or planned parking supply for typical day conditions. However, the impact would not be significant if the Project is consistent with the parking requirements stipulated in the City Code.

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A

The proposed project consists of the development of a 18 townhouse units, 63 residential units, 7 live-work units, and 2,500 square feet of residential uses in a very close proximity to the La Valentina light rail station. The site is 1.27 acres, and was previously vacant; therefore, the proposed project would generate additional new trips on the roadway network. Trip generation was estimated using the ITE's *Trip Generation, Seventh Edition* with adjustment to account for trips using alternative modes, internal trip reduction between the retail and the residential uses and finally a pass-by reduction was also taken consistent with the methodologies described in the Trip Generation Handbook published by the ITE. The total number of new generated trips estimated for the site is 54 total A.M. peak hour trips, 53 total P.M. peak hour trips and 598 daily trips.

Additionally, the City is planning to upgrade the signal coordination in the downtown grid from the existing pre-timed signal timing to allow traffic signal coordination capabilities by upgrading the traffic controller/s within the 12th Street corridor. Therefore, the project applicant shall be required to pay a fair share contribution to this signal upgrade.

The additional trips would increase traffic volumes at project area intersections and roadways but the impacts to area roadways would be less than significant with the implementation of the following mitigation measures:

1. The project applicant shall construct a roadway medians at D Street and E Street to the satisfaction of the City's Department of Transportation
2. The project applicant shall pay a fair share contribution to the City of Sacramento Traffic Operation Center for the retiming and monitoring of the signals at 12th St/ D St and 12th St/E St. intersections to improve vehicle progression along the 12th Street corridor.

QUESTIONS B AND C

The proposed project would be required to allow for adequate access to proposed new residential and commercial uses on the site. Adequate access to the site would require both on- and off-site public improvements to be designed and constructed in accordance with the specifications in the City's Design Manual, to the satisfaction of the Traffic Engineering Division of the City's Department of Transportation. The site would be required as a condition of approval by the Fire Department to provide adequate access for emergency vehicles, which will include a Fire Truck Access. Upon project completion, the proposed project would not impair access by emergency vehicles or access to nearby uses. Therefore, the proposed project would have a less than significant impact to public safety and emergency access.

QUESTION D

City of Sacramento Zoning Code (Chapter 17.64) requires the following off-street parking for a project at this location in the Central City:

- Commercial, under 5,200 square feet— zero.
- Multi-Family—1 space per dwelling unit plus 1 guest space per 15 units.

- Multi-Family—1 space per dwelling unit plus 1 guest space per 15 units.

The proposed project consists of 18 townhouse units, 63 residential dwelling units, and the City Code would require 87 parking spaces. The proposed project includes 90 off-street parking spaces.

QUESTIONS E AND F

The proposed project would result in the addition of residents, employees, patrons, and/or visitors to the site, some of whom would travel by bicycle. The proposed project would not result in any substantial changes to the existing or future bikeway system. The proposed project is not anticipated to hinder or eliminate an existing designated bikeway, or interfere with implementation of a proposed bikeway. On-street bikeways would be maintained along D and E Streets. The project is not anticipated to result in unsafe conditions for bicyclists, including unsafe bicycle / pedestrian or bicycle / motor vehicle conflicts.

The project would not result in unsafe conditions for pedestrians, including unsafe bicycle / pedestrian or pedestrian / motor vehicle conflicts. Pedestrian travel between the project site and parking and transit facilities can be accomplished utilizing existing sidewalks and crosswalks. Bicycle and pedestrian impacts are less than significant.

QUESTION G

The project is near by Regional Transit's light rail line, but is not adjacent to any waterway or airport, and would not result in uses that would generate significant rail, waterborne or air traffic that exceed thresholds. Therefore, the proposed project would result in a less than significant impact to these modes of transportation.

MITIGATION MEASURES

1. The project applicant shall construct roadway medians at D Street and E Street to the satisfaction of the City's Department of Transportation.
2. The project applicant shall pay a fair share contribution to the City of Sacramento Traffic Operation Center for the retiming and monitoring of the signals at 12th St/ D St and 12th St/E St. intersections to improve vehicle progression along the 12th Street corridor.

FINDINGS

With the incorporation of mitigation measures listed above, the proposed project would not result in significant impacts to transportation and circulation.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
7. BIOLOGICAL RESOURCES			
Would the proposal result in impacts to:			
A) Endangered, threatened or rare species or their habitats (including, but not limited to plants, fish, insects, animals and birds)?			✓
B) Locally designated species (e.g., heritage or City street trees)?			✓
C) Wetland habitat (e.g., marsh, riparian and vernal pool)?			✓

ENVIRONMENTAL SETTING

The project site consists of "Urban Lands" habitat as identified in the SGPU EIR (SGPU DEIR, Pg. U-14). Urban Land habitat is associated with all the residential and commercial developments of the SGPU area. This includes buildings, associated landscapes, urban parks, schools, and similar areas (SGPU DEIR, U-14). Much of this habitat is not vegetated. When present, the dominant vegetation consists of artificially irrigated ornamental plantings. Turf-forming lawns, herbaceous flower beds, and scattered or aggregated trees and shrubs characterize this habitat. Native trees and shrubs are occasionally interspersed in native landscapes or where they have volunteered.

The proposed project site is approximately 1.27 acres in size and is surrounded by developed residential and commercial uses. The site was previously was left vacant and recently demolished. Although there is no special status species habitat on the project site, there are several ornamental trees along D Street and throughout the site. Trees along D Street are in the City right of way, and are approximately 18 - 24" diameter at breast height (dbh).

REGULATORY SETTING

Definitions of Special-Status Species

Special-status species are those plants and animals that, because of their recognized rarity or vulnerability to various causes of habitat loss or population decline, are recognized in some fashion by federal, state, or other agencies as deserving special consideration. Some of these species receive specific legal protection pursuant to federal or state endangered species legislation. Others lack such legal protection, but have been characterized as "sensitive" on the basis of adopted policies and expertise of state resource agencies or organizations with acknowledged expertise, or policies adopted by local governmental agencies such as counties, cities, and special districts to meet local conservation objectives. These species are referred to collectively as "special status species" in this report, following a convention that has developed

in practice but has no official sanction. The various categories encompassed by the term are presented below:

- plants or animals listed or proposed for listing as threatened or endangered under the federal ESA (50 Code of Federal regulations [CFR] 17.12 [listed plants], 17.11 [listed animals] and various notices in the Federal Register [FR] [proposed species]).
- plants or animals that are candidates for possible future listing as threatened or endangered under the federal ESA (61 FR 40, February 28, 1996);
- plants or animals designated as "special concern" (former C2 candidates) by Region 1 of the U.S. Fish and Wildlife Service (USFWS);
- plants or animals listed or proposed for listing by the State of California as threatened or endangered under the California ESA (14 California Code of Regulations [CCR] 670.5);
- plants listed as rare or endangered under the California Native Plant Protection Act (California Fish and Game Code, Section 1900 et seq.);
- plants that meet the definitions of rare and endangered under CEQA (State CEQA Guidelines, Section 15380);
- plants considered under the California Native Plant Society (CNPS) to be "rare, threatened or endangered in California" (Lists 1A, 1B, and 2 in CNPS 2001);
- plants listed by CNPS as plants about which more information is needed to determine their status and plants of limited distribution (Lists 3 and 4 in CNPS 2001), which may be included as special-status species on the basis of local significance or recent biological information;
- animal species of special concern to CDFG; and
- animals fully protected in California (California Fish and Game Code, Sections 3511 [birds], 4700 [mammals], and 5050 [reptiles and amphibians]).

Wetlands and Waters of the United States

The U.S. Army Corps of Engineers (Corps) has primary federal responsibility for administering regulations that concern "waters of the United States," including wetlands, within the Project Area. The Corps requires that a permit be obtained if a project proposes placing structures within, over, or under navigable waters and/or discharging dredged or fill material into waters of the U.S. below the ordinary high-water mark in non-tidal waters. The Environmental Protection Agency (EPA), U.S. Fish and Wildlife Service (USFWS), National Marine Fisheries Services (NMFS), and other state and local regulatory agencies may provide comment on Corps permit applications.

The state's authority in regulating activities in waters of the U.S. resides primarily with the CDFG and the State Water Resources Control Board (SWRCB). CDFG may provide comments on Corps permit actions under the Fish and Wildlife Coordination Act. CDFG is also authorized under the California Fish and Game Code Sections 1600-1607 to develop mitigation measures and enter into Streambed Alteration Agreements (SAA) with applicants who propose projects that would obstruct the flow of, or alter the bed, channel, or bank of a river or stream in which there is a fish or wildlife resource, including intermittent and ephemeral streams. The SWRCB, acting through the Regional Water Quality Control Board (RWQCB), must certify that a Corps permit action meets state water quality objectives (Section 401, Clean Water Act). California Fish and Game Code Sections 1600-1607 require the notification of CDFG for any activity that

could affect the bank or bed of any stream that has value to fish and wildlife. Upon notification, the CDFG has the responsibility to prepare a SAA, in consultation with the project proponent.

In a jurisdictional sense, there are two definitions of a wetland: one definition adopted by the Corps and a separate definition adopted by the state of California. Under normal circumstances, the federal definition of wetlands requires three wetland identification parameters (hydrology, soils, and vegetation) to be met, whereas the state adopted definition requires the presence of at least one of these parameters. For this reason, identification of wetlands by the CDFG consists of the union of all areas that are periodically inundated or saturated, or in which at least seasonal dominance by hydrophytes may be documented, or in which hydric soils are present. The CDFG does not normally have direct jurisdiction over wetlands unless they are subject to jurisdiction under an SAA or they support state-listed endangered species; however, the CDFG has trust responsibility for wildlife and habitats pursuant to California law.

City and Heritage Trees

The City of Sacramento's tree ordinance (City Code Chapter 12.64) defines a City tree as any tree growing in a public street right-of-way. Any impacts to City trees require a permit from the Parks and Recreation Director. Heritage trees are defined as trees meeting any of the following conditions: any species with a trunk circumference of one hundred inches or more, which is of good quality in terms of health, vigor of growth, and conformity to generally accepted horticultural standards of shape and location for its species; any oak (*Quercus* species), California buckeye (*Aesculus californica*), or California Sycamore (*Platanus racemosa*) having a circumference of 36 inches or greater when a single trunk, or a cumulative circumference of 36 inches or greater when a multi-trunk; any tree 36 inches or greater in circumference or greater in a riparian zone; any tree, grove of trees, or woodland trees designated by resolution of the City Council to be of special historical or environmental value, or of significant community benefit. The riparian zone is measured from the centerline of the watercourse to 30 feet beyond the high water mark.

The City of Sacramento tree ordinance also states that none of the following activities shall be performed unless a permit therefore is first applied for by the property owner or person authorized by the property owner and granted by the Director of the Parks and Recreation Department, subject to appeal provisions.

- (1) The removal of any heritage tree.
- (2) Pruning of any heritage tree segment greater than twelve inches in circumference or the placement of any chemical or other deleterious substance by spray or otherwise on any heritage tree.
- (3) Disturbing the soil or placing any chemical or other deleterious substance or material on the soil within the drip line area of any heritage tree.

STANDARDS OF SIGNIFICANCE

For purposes of this environmental document, an impact would be significant if any of the following conditions or potential thereof, would result with implementation of the proposed project:

- Creation of a potential health hazard, or use, production or disposal of materials that would pose a hazard to plant or animal populations in the area affected;
- Substantial degradation of the quality of the environment, reduction of the habitat, reduction

of population below self-sustaining levels of threatened or endangered species of plant or animal;

- Affect other species of special concern to agencies or natural resource organizations (such as regulatory waters and wetlands); or
- Violate the Heritage Tree Ordinance (City Code 12:64.040).

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A

The site has been previously disturbed and has remained vacant. There are several trees located on the site that are proposed for removal and would require a City tree removal permit. Because the project is located in a developed, urbanized area, these trees are unlikely to provide nesting habitat for special status species or raptors. Therefore, impacts to these biological resources would be less than significant.

QUESTION B

The proposed project site contains several existing trees along the street frontages, including trees in the City right of way. The existing trees are planned for removal. These trees are not considered a special habitat or resource, and are not protected by any City policies. Impacts to City and Heritage trees would be less than significant.

QUESTION C

The proposed project does not contain any wetlands, or any soils or vegetation that indicate the presence of wetlands or waters of the US on the site. Impacts to these resources would be less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

Impacts of the proposed project on biological resources would be less than significant.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
8. ENERGY			
Would the proposal result in impacts to:			
A) Power or natural gas?			✓
B) Use non-renewable resources in a wasteful and inefficient manner?			✓
C) Substantial increase in demand of existing sources of energy or require the development of new sources of energy?			✓

ENVIRONMENTAL SETTING

Gas. Gas service is supplied to the City of Sacramento and the project site by Pacific Gas and Electric (PG&E). PG&E gas transmission pipelines are concentrated north of the City of Sacramento. Distribution pipelines are located throughout the City, usually underground along City and County public utility easements (PUEs).

Electricity. Electricity is supplied to the City of Sacramento and the project site by the Sacramento Municipal Utility District (SMUD). SMUD operates a variety of hydroelectric, photovoltaic, geothermal and co-generation powerplants. SMUD also purchases power from PG&E and the Western Area Power Administration. Major electrical transmission lines are located in the northeastern portion of the City of Sacramento.

Underground Service Alert (USA). The City of Sacramento is a member of the USA one-call program. Under this program, the Contractor is required to notify the USA 48 hours in advance of performing excavation work. The developer has the responsibility for timely removal, relocation, or protection of any existing utility services located on the site of any construction project.

STANDARDS OF SIGNIFICANCE

Gas Service. A significant environmental impact would result if a project would require PG&E to secure a new gas source beyond their current supplies.

Electrical Services. A significant environmental impact would occur if a project resulted in the need for a new electrical source (e.g., hydroelectric and geothermal plants).

ANSWERS TO CHECKLIST QUESTIONS

QUESTIONS A THROUGH C

The SGPU DEIR anticipated that SMUD's existing facilities would generally be adequate to serve the electrical demand created by infill development (SGPU DEIR, R-8). In addition, PG&E anticipates no major problems in providing natural gas service to the SGPU area (SGPU DEIR, R-7). Therefore, operation of the project once completed would not represent a significant impact on power supplies, as it is consistent with planned uses in the adopted General Plan. No additional sources of gas or electricity would be required to serve the project site beyond what is currently available to SMUD and PG&E.

The proposed project is also required to meet State Building Energy Efficient Standards (Title 24) and will have energy conservation measures built into the project.

Therefore, the project's impact to energy sources is expected to be less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project would result in less than significant impacts to energy resources.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
9. HAZARDS			
<i>Would the proposal involve:</i>			
A) A risk of accidental explosion or release of hazardous substances (including, but not limited to: oil, pesticides, chemicals or radiation)?			✓
B) Possible interference with an emergency evacuation plan?			✓
C) The creation of any health hazard or potential health hazard?			✓
D) Exposure of people to existing sources of potential health hazards?			✓
E) Increased fire hazard in areas with flammable brush, grass, or trees?			✓

ENVIRONMENTAL SETTING

Phase I and Phase II Environmental Site Assessments (ESA) were prepared by Secor International, Inc. in September 2005 and November 2005 specifically for the proposed project site, which identified a number of petroleum and automobile repair-related businesses were in operation at the site from the 1930s to the 1950s. A previous soil sampling at the site, conducted by Lush Geosciences in 2000, indicated total lead concentrations in the soil in excess of US EPA guidelines.

Currently no aboveground storage tanks or underground storage tanks have occurred at the site. No structures containing lead or asbestos, or any other hazardous materials are known to occur on the project site.

Two high-voltage, pole mounted transformers are located on the site; however, they are in good condition with no evidence of staining or leakage.

STANDARD REGULATORY REQUIREMENTS

Federal Regulations

The principal federal regulatory agency responsible for ensuring the safe use and handling of hazardous materials is EPA. Key federal legislation pertaining to hazardous wastes is described below. Other applicable federal regulations are contained primarily in 29, 40, and 49 CFR.

Resource Conservation and Recovery Act. The Resource Conservation and Recovery Act enables EPA to administer a regulatory program that extends from the manufacture of hazardous materials to their disposal, thus regulating the generation, transportation, treatment, storage, and disposal of hazardous waste at all facilities and sites in the nation.

Comprehensive Environmental Response, Compensation, and Liability Act. The Comprehensive Environmental Response, Compensation, and Liability Act (also known as Superfund) was passed to facilitate the cleanup of the nation's toxic waste sites. In 1986, the act was amended by the Superfund Amendment and Reauthorization Act Title III (community right-to-know laws). Title III states that past and present owners of land contaminated with hazardous substances can be held liable for the entire cost of the cleanup, even if the material was dumped illegally when the property was under different ownership.

State Regulations

California regulations are equal to or more stringent than federal regulations. EPA has granted California primary oversight responsibility for administering and enforcing hazardous waste management programs. State regulations require planning and management to ensure that hazardous wastes are handled, stored, and disposed of properly to reduce risks to human and environmental health. Several key laws pertaining to hazardous wastes are discussed below.

Hazardous Materials Release Response Plans and Inventory Act of 1985. The Hazardous Materials Release Response Plans and Inventory Act, also known as the Business Plan Act, requires businesses using hazardous materials to prepare a plan that describes their facilities, inventories, emergency response plans, and training programs. Hazardous materials are defined as raw or unused hazardous materials that are part of a process or manufacturing step. They are not considered hazardous waste. Health concerns pertaining to the release of hazardous materials, however, are similar to those relating to hazardous waste.

Hazardous Waste Control Act. The Hazardous Waste Control Act created the state hazardous waste management program, which is similar to, but more stringent than, the federal Resource Conservation and Recovery Act program. The act is implemented by regulations contained in 26 CCR, which describes the following required aspects for the proper management of hazardous waste:

- identification and classification;
- generation and transportation;
- design and permitting of recycling, treatment, storage, and disposal facilities;
- treatment standards;
- operation of facilities and staff training; and
- closure of facilities and liability requirements.

These regulations list more than 800 materials that may be hazardous and establish criteria for identifying, packaging, and disposing of such waste. Under the Hazardous Waste Control Act and 26 CCR, the generator of hazardous waste must complete a manifest that accompanies the waste from generator to transporter to the ultimate disposal location. Copies of the manifest must be filed with the California Department of Toxic Substances Control.

Emergency Services Act. Under the Emergency Services Act, the state developed an emergency response plan to coordinate emergency services provided by federal, state, and

local agencies. Rapid response to incidents involving hazardous materials or hazardous waste is an important part of the plan, administered by the California Office of Emergency Services. The office coordinates the responses of other agencies, including EPA, the California Highway Patrol (CHP), RWQCBs, air quality management districts, and county disaster response offices.

STANDARD REGULATORY REQUIREMENTS

Hazardous or contaminated materials may only be removed and disposed from the project site in accordance with the following provisions:

- A. All work is to be completed in accordance with the following regulations and requirements:
 1. Chapter 6.5, Division 20, California Health and Safety Code.
 2. California Administration Code, Title 22, relating to Handling, Storage, and Treatment of Hazardous Materials.
 3. City of Sacramento Building Code and the Uniform Building Code, 1994 edition.
- B. Coordination shall be made with the County of Sacramento Environmental Management Department, Hazardous Materials Division, and the necessary applications shall be filed.
- C. All hazardous materials shall be disposed of at an approved disposal site and shall only be hauled by a current California registered hazardous waste hauler using correct manifesting procedures and vehicles displaying a current Certificate of Compliance. The Contractor shall identify by name and address the site where toxic substances shall be disposed of. No payment for removal and disposal services shall be made without a valid certificate from the approved disposal site that the material was delivered.
- D. None of the aforementioned provisions shall be construed to relieve the Contractor from the Contractor's responsibility for the health and safety of all persons (including employees) and from the protection of property during the performance of the work. This requirement shall be applied continuously and not be limited to normal working hours.

STANDARDS OF SIGNIFICANCE

For the purposes of this document, an impact is considered significant if the proposed project would:

- expose people (e.g., residents, pedestrians, construction workers) to existing contaminated soil during construction activities;
- expose people (e.g., residents, pedestrians, construction workers) to asbestos-containing materials; or
- expose people (e.g., residents, pedestrians, construction workers) to existing contaminated groundwater during dewatering activities.

ANSWERS TO CHECKLIST QUESTIONS

QUESTIONS A AND C

The proposed project involves the development of 18 townhouse units, 63 residential units, 7 live-work units, and 2,500 square feet of commercial uses. No hazardous substances or noxious uses would be permitted on the site outside of standard cleaning supplies. Construction of the proposed project may involve minor amounts of hazardous substances; however required compliance with Standard Regulatory Requirements indicated above would reduce any impacts to a less than significant level.

QUESTION B

The proposed project would not interfere with any established or adopted emergency evacuation plan. The project design would be required as a condition of approval by the City's Department, Development of Transportation and the Fire Department, to include adequate ingress and egress access, and all curbs, sidewalk and gutters will be required to meet the specifications of the City's design manual for public improvements. Therefore, the project would have less than significant impacts to emergency evacuation plans.

QUESTION D

As stated in the setting, the site previously contained petroleum and automobile repair-related businesses. Soil sampling and analysis was performed at four locations at 20 feet below ground surface. Motor oil was detected in only one soil boring and at a concentration below regulatory clean up levels. Tetrachloroethene, a Volatile Organic Compound (VOC), was detected in two of the boring samples, at a concentration below their respective remediation goals. At the date of the soil sampling, lead was found in the upper one foot of soil across the site, and above the U.S. EPA standards. The extent of contamination, cleanup requirements and specific procedures to be followed would not be known until additional testing and excavation is completed. Any contamination cleanup would be within the jurisdiction of the County of Sacramento, Department of Environmental Health, which administers state laws and regulations relating to such efforts. Mitigation Measure Hazards 1 requires additional testing, with the results to be submitted for review and determination of specific procedures for cleanup that will be required and implemented. With the inclusion of Mitigation Measures Hazards 1 and Hazards 2, impacts from exposure to existing sources of potential health hazards would be less than significant.

QUESTION E

The 1.27 acres proposed project site was previously developed, but has remained vacant in the recent past. The site is in an urban corridor bordered by urban development. The site does not contain concentrations of dry grass, brush or other flammable vegetation or materials. Impacts due to increased fire hazard would be less than significant.

MITIGATION MEASURES

Hazards 1: The November 2005 Phase II Environmental Site Assessment shall be submitted to the County of Sacramento, Department of Environmental Health (DEH) for review. The applicant shall comply with all requirements for cleanup identify by DEH.

Hazards 2: Prior to approval of any building permit, the applicant shall submit documentation that confirms that DEH has approved the applicant's plan for cleanup and that all cleanup efforts have been completed.

FINDINGS

The proposed project would result in less-than-significant impacts regarding hazards with the incorporation of Mitigation Measures Hazards 1 and Hazards 2.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
<p>10. NOISE <i>Would the proposal result in:</i></p> <p>A) Increases in existing noise or vibration levels? Short-term Long Term</p>			<p style="text-align: center;">✓ ✓</p>
<p>B) Exposure of people to severe noise or vibration levels? Short-term Long Term</p>			<p style="text-align: center;">✓ ✓</p>

ENVIRONMENTAL SETTING

Noise is defined as unwanted sound. Sound levels are usually measured and expressed in decibels (dB) with 0 dB being the threshold of hearing. Decibel levels range from 0 to 140. Typical examples of decibel levels would be a low decibel level of 50 dB for light traffic to a high decibel level of 120 dB for a jet takeoff at 200 feet. Sound intensity decreases in proportion with the square of the distance from the source. Generally, sound levels for a point source will decrease by 6 dB(A) for each doubling of distance. Sound levels for a line source, such as a roadway, decrease by approximately 3 dB(A) for each doubling of distance. Soft surfaces, such as grass, result in a 4.5 dB(A)-decrease per doubling of distance.

The decibel scale can be adjusted for community noise impact assessment to consider the additional sensitivity to different pitches (through the A-weighting mechanism) and to consider the sensitivity during evening and nighttime hours (through the Community Noise Equivalent Level and Day-Night Average). The day-night average sound level (L_{dn}) represents sound exposure averaged over a 24-hour period. L_{dn} values are calculated using hourly L_{eq} values, with the L_{eq} values for the nighttime period (10:00 P.M.-7:00 A.M.) increased by 10 dB to reflect the greater disturbance potential from nighttime noises.

The project is located in the Midtown area of the City of Sacramento within the Alhambra Corridor Special Planning District. Adjacent areas include Sutter's Fort State Historic Park and a mix of professional office buildings. The project also has nearby uses that would be considered "sensitive noise receptors". Sensitive receptors are those uses that may be more affected by high noise levels. These uses usually are those where people sleep, or those where activities occur that require quiet environments.

The noise environment within the project area is defined primarily by roadway traffic on local Streets and light rail along 12th Street. In addition, background noise levels due to school uses, ambulance and police sirens, and general neighborhood activities also contribute to the overall noise environment.

STANDARDS OF SIGNIFICANCE

Thresholds of significance are those established by Chapter 8.28 of the City Code and by the City's General Plan Noise Element and the City Noise Ordinance. Noise and vibration impacts resulting from the implementation of the proposed project would be considered significant if they cause any of the following results:

- Exterior noise levels at the proposed project which are above the upper value of the normally acceptable Community Noise Equivalent (CNEL) sound level category for various land uses (SGPU DEIR AA-27) caused by noise level increases due to the project. The maximum normally acceptable exterior community noise exposure for office buildings is 65L_{dn}.
- Construction noise levels not in compliance with the City of Sacramento Noise Ordinance;
- Occupied existing and project residential and commercial areas are exposed to vibration peak particle velocities greater than 0.5 inches per second due to project construction;
- Project residential and commercial areas are exposed to vibration peak particle velocities greater than 0.5 inches per second due to highway traffic and rail operations; and
- Historic buildings and archaeological sites are exposed to vibration peak particle velocities greater than 0.25 inches per second due to project construction, highway traffic, and rail operations.

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A

Short-term Construction Noise and Vibration Impacts. Temporary increases in noise and vibration levels would occur during construction of the proposed facility. Construction activities would require heavy equipment for site preparation, grading, and paving, as well as typical equipment used in the construction of new residential and commercial structures. Generally, noise levels at construction sites can vary from 65 dBA to a maximum of nearly 90 dBA when heavy equipment is used nearby. Construction noise and vibration would be intermittent, and such levels would vary depending on the type of construction activity. Construction noise and vibration would be perceptible to nearby residents. However, construction noise is exempt from the City of Sacramento Noise Ordinance, provided that construction is limited to the hours between 7:00 a.m. and 6:00 p.m., Monday through Saturday, and between 9:00 a.m. and 6:00 p.m. on Sundays.

City ordinances require that notation must be placed on the construction plans, which indicates that the operation of construction equipment shall be restricted to the hours listed above. All internal combustion engines in use on the project must be equipped with original manufacturers' silencers or their after market equivalents, in good working order (as required by City Ordinance). Therefore, short-term noise and vibration impacts from the proposed project would be less than significant.

Long-term Operational Noise and Vibration Impacts. New residential and commercial uses would increase noise and vibration levels in the vicinity consistent with other similar residential and commercial uses already developed in the area. Allowed land uses include a mixture of retail, service, office and residential uses. Noise generating activities associated with the project

operation would be similar to noise from adjacent uses and are consistent with noise levels predicted by the land use designation. In addition, operation of the proposed project would be required to comply with the City's Noise Control Ordinance, which sets limits for exterior noise levels generated by existing uses. Therefore, the long-term noise impact from the proposed project on adjacent uses would be less than significant.

QUESTION B

The site is located within the "Midtown Commercial Corridors" Growth Opportunity Area and was designated for high density mixed use development (20-110 du/acre). As stated above, the dominant source of noise and vibration is that generated by vehicular traffic on these roadways.

The proposed project includes the development of 18 townhouse units, 63 residential units, 7 live-work units, and 2,500 square feet of commercial uses on an approximately 1.27 acres site. The applicable CNEL guideline for exterior areas, in this case, is 65 dB Ldn (SGPU DEIR, Exhibit AA-27), and a conditionally acceptable range of 65 to 80 dB Ldn. The site plan does not show any exterior uses associate with the project, and the commercial portion will be built according to standard construction practices providing significant interior noise reduction. While the City has adopted no standards for interior noise levels for office uses, the proposed project is consistent with General Plan designations.

Noise levels at the project site would be less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project would result in less-than-significant impacts to the community noise environment.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
11. PUBLIC SERVICES Would the proposal have an effect upon, or result in a need for new or altered government services in any of the following areas:			
A) Fire protection?			✓
B) Police protection?			✓
C) Schools?			✓
D) Maintenance of public facilities, including roads?			✓
E) Other governmental services?			✓

Environmental Setting

Fire Protection. The Sacramento Fire Department operates approximately 21 stations in the City of Sacramento. Fire stations are located so as to provide a maximum effective service radius of two miles (SGPU DEIR, M-1). This service radius virtually assures blanket coverage of the City.

Police Protection. The City Police Dept provides police protection. The project site is within the service area of the William J. Kinney Police Station at Marysville Boulevard and South Avenue.

Schools. The proposed project site is within the Sacramento City Unified School District.

STANDARDS OF SIGNIFICANCE

For the purposes of this report, an impact would be considered significant if the project resulted in the need for new or altered services related to fire protection, police protection, school facilities, roadway maintenance, or other governmental services.

ANSWERS TO CHECKLIST QUESTIONS

QUESTIONS A AND B

The proposed project would be constructed in an urban area of midtown Sacramento. The City of Sacramento Police and Fire Departments currently provide emergency services to the project area. These departments would continue to provide emergency services to the project area.

Although the proposed project would construct a multi-story structure, the maximum height would be less than 75 feet, and would be served by usual fire protection methods. The project is consistent with zoning and General Plan designations; therefore, the project would not create

a new demand for fire and police services that would be significant enough to warrant construction of new facilities. Impacts to police and fire services would be less than significant.

QUESTION C

The proposed project would construct residential and commercial uses consistent with the Residential Mixed Use zoning. The project has the potential to generate new students in the area; however, because the use is consistent with all applicable plans and zoning, impacts related to schools would be less than significant.

QUESTIONS D AND E

Because the proposed project is consistent with allowable development within the SGPU land use designation and the existing zoning, any impacts to public services have been already considered in planning for City services. The proposed commercial office building would not require the construction of new parks or public facilities, and impacts to other public facilities and governmental services are considered less than significant.

MITIGATION MEASURES

No mitigation is required.

FINDINGS

The proposed project would result in less-than-significant impacts to public services.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
12. UTILITIES <i>Would the proposal result in the need for new systems or supplies, or substantial alterations to the following utilities:</i>			
A) Communication systems?			✓
B) Local or regional water supplies?			✓
C) Local or regional water treatment or distribution facilities?			✓
D) Sewer or septic tanks?			✓
E) Storm water drainage?			✓
F) Solid waste disposal?			✓

ENVIRONMENTAL SETTING

Water Supply/Treatment. The City provides water service from a combination of surface and groundwater sources. The area south of the American River is served by surface water from the American and Sacramento Rivers. The City's average water demand is 135 million gallons per day (mgd). The maximum day demand is 240 mgd. The City wholesales water to the California American Water and the County of Sacramento, in water year 2004-2005 this was roughly 7,700 acre feet (AF). The total water demand for the year 2004 was 143,784 AFY (approximately 128 mgd); therefore, based upon 2005 entitlements of 205,000 AFY, the City has an additional supply of 61,216 AFY of water (Utilities, 2004/2005).

Annually the City of Sacramento provides more than 45 billion gallons of water for drinking, household use, fire suppression, landscaping, and commercial and industrial use. The Department of Utilities operates and maintains the City's two water treatment plants, eight pump stations, thousands of hydrants, and more than 1,400 miles of pipeline necessary to distribute water to homes and businesses throughout the City. The City's water infrastructure includes one pressure zone with two active water treatment plants, 10 storage reservoirs, 33 municipal water wells, and approximately 1,400 miles of water mains ranging from 4 to 60 inches in diameter (Utilities 2004/2005). Within the project vicinity, there is a 8-inch line in a public utility easement

Sanitary and Storm Sewers. The proposed project site is within a combined sewer system (CSS) maintained by the City of Sacramento, Department of Utilities. Existing combined sewer system lines are located in portions of the adjacent rights of way, including a 8-inch line in a PUE located on the project site.

Solid Waste. Solid waste transport within the City of Sacramento is generally provided by private contractors consequently, disposal of solid waste occurs at a number of locations. However, typically, disposal of solid waste occurs either at Kiefer Landfill, operated by the County of

Sacramento Public Works Department, or it is sent to the Sacramento Recycling and Transfer Station, which then transfers the solid waste to the Lockwood Regional Landfill in Sparks, Nevada. According to Doug Kobold, Solid Waste Planner for Sacramento Region Solid Waste Authority, Kiefer Landfill has capacity until 2035 at the current throughput. According to City's Solid Waste Division, the Lockwood landfill has capacity for the next 250 to 300 years. Consequently, these two landfills are not capacity constrained.

In 1989, the California Legislature passed California State Assembly Bill 939 (AB 939) requiring California cities to implement plans designed to reduce waste deposited in landfills by 50 percent per person by December 31, 2000. AB 939 requires counties to prepare Solid Waste Master Plans to implement the goals of the bill. As part of AB 939, cities and counties were required to develop a Source Reduction and Recycling Element (SRRE) of their General Plan. This element is designed to develop programs to achieve the landfill diversion goals, to stimulate local recycling in manufacturing and the purchase of recycled products. AB 939 requires all cities to achieve a minimum diversion of 25 percent of the City's waste stream from landfilling by the year 1995 and 50 percent diversion by the year 2000. The City of Sacramento's Final Draft SRRE, approved in 1995, pledges to exceed the requirements of AB 939, where feasible, in an effort to achieve a 70 percent landfill avoidance goal adopted by City Council in August 1989. In order to achieve this goal, the City has implemented a number of programs, including curbside recycling, drop-off and buy-back centers, and compost programs.

The project is required to meet the City's Recycling and Solid Waste Disposal Regulations (Chapter 17.72 of the Zoning Ordinance). The purpose of the ordinance is to regulate the location, size, and design of features of recycling and trash enclosures in order to provide adequate, convenient space for the collection, storage, and loading of recyclable and solid waste material for existing and new development; increase recycling of used materials; and reduce litter.

STANDARDS OF SIGNIFICANCE

For purposes of this environmental document, an impact is considered significant if the proposed project would:

- Result in a detriment to microwave, radar, or radio transmissions;
- Create an increase in water demand of more than 10 million gallons per day;
- Substantially degrade water quality;
- Generate more than 500 tons of solid waste per year; or
- Generate stormwater that would exceed the capacity of the stormwater system.

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A

The project would not result in the need for new communications systems or result in a detriment to existing microwave, radar or radio transmissions. The project site is serviced by SBC, Comcast and other local telecommunication networks. Development of the project would not adversely affect the functionality of any critical communication systems involving microwave, radar or radio transmissions, or any other telecommunication systems. Therefore, a less than significant impact to communication systems is expected.

QUESTIONS B AND C

The proposed project is consistent with the general residential and commercial uses identified and allowed in the Central City. The project would develop 63 apartment units, 7 live-work units, and 2,500 square feet of commercial uses, which would not create an increase in water demand of 10 million gallons per day. The SGPU DEIR estimates the average maximum daily water demand for residential and commercial uses at 8,000 and 4,000 gallons per acre, respectively. The project site is approximately 0.87 acres. Therefore, the proposed project's impact on water supply and treatment is less than significant.

QUESTIONS D AND E

The proposed project site is within the combined sewer service area and could require new connections to the combined system. Existing combined sewer system lines are located in portions of the adjacent rights of way, including a 6-inch line along 12th street. The City of Sacramento, Department of Utilities will require a sewer study to determine what improvements to the existing combined sewer system will be required of the project and to determine the size of new facilities to be extended to the site. The Central Valley Regional Water Quality Control Board (CVRWQCB) has issued the City Department of Utilities (DOU) a National Pollution Discharge and Elimination System (NPDES) Permit, which prohibits the bypass or overflow of the combined wastewater collection system except at permitted discharge points to the Sacramento River under specific conditions. The Permit requires technical reports to be submitted within identified timeframes and implementation of the remedial action thereafter.

Any required sewer or drainage infrastructure to connect the site to existing public utilities would be designed and installed per the City's standards for private storm drainage systems (per Section 11.12 of the Design and Procedures Manual). The proposed project may have a project-specific impact on the environment in that an increase of flow is being added to a system that occasionally encounters failure and in its exposure of more people to the possible harmful effects of exposure to overflows. However, the Department of Utilities requires as a condition of approval that new development within this area pay fees to off-set impacts to the combined sewer. The wastewater generation factor for residential and commercial uses is 0.2 ESD/1000 square feet, where ESD is one equivalent single family dwelling unit and has a wastewater generation rate of 400 gallons/day. Therefore, the proposed 63 residential units, 7 live-work units, and 2,500 square feet of commercial use would generate approximately 28,200 gallons/day of wastewater.

Currently, the SRWTP treats an average of 165 million gallons per day (mgd). The overall capacity of the SRWTP is 380 mgd, of which 60 mgd is dedicated to receiving flows from the City of Sacramento's CSS. During wet weather, when wastewater flows exceed maximum levels accepted by the SRWTP (60 mgd), the City diverts flows to the CWTP (130 mgd), resulting in a combined total capacity of 190 mgd. The additional 4,400 gallons per day (0.0044 mgd) generated by the project could be adequately treated by existing infrastructure during dry weather conditions. However, the CSS presently experiences CSO's under existing conditions during severe storm events. Any increase in flows to the CSS during these conditions could result in a significant impact.

In order to reduce combined sewer overflow events, the City identified a long-term control plan (Combined Sewer System (CSS) Improvement Program), which includes system improvements. The RWQCB issued a new NPDES permit (Order Number 96-090) that includes a schedule for implementing phase I of the CSS Improvement Program, which consisted of \$84.5 million in improvements during the first is near completion (City Hall EIR, Pg. 6.9-2). The project will be conditioned to pay the Combined Sewer System (CSS) Development Fee prior to issuance of any

building permit. This fee will be used for improvements to the CSS. Therefore, the project's impacts are considered less than significant.

QUESTION F

According to the 2030 General Plan Draft MEIR, solid waste generation rate for residential development is estimated to be 1.1 tons/unit/year, and 10.8 lbs./employee/day. At this rate, the proposed 18 townhouse units, 63 residential units, 7 live-work units, and 2,500 square feet of commercial units, would generate approximately 96.8 tons of waste a year for residential and 39.42 tons of waste a year for commercial, estimating 20 employees for 2,500 square feet of commercial, totaling 136.22 tons of waste a year. This is below the City's threshold of 500 tons per year. In addition, as indicated above, the two primary landfills, which receive the majority of solid waste generated by the City of Sacramento, are not anticipated to be capacity constrained. Kiefer Landfill has capacity until 2035 at the current throughput, and the Lockwood landfill has capacity for the next 250 to 300 years. Consequently, the 136.22 tons per year of solid waste generated by the project would not adversely affect capacity at these landfills. Compliance with AB 939 and the City's SRRE (discussed in the setting, above) will further reduce the project's generated solid waste.

Prior to issuance of a building permit by the Building Division the applicant would be required to comply with the City's Zoning Ordinance (Title 17.72 of the City Code). This section addresses recycling and solid waste disposal requirements for new and existing developments, which are designed to reduce impacts from the disposal of solid waste. Because the proposed project will be required to comply with this ordinance, it would result in less-than-significant impacts from solid waste.

MITIGATION MEASURES

No mitigation is required.

FINDINGS

The proposed project would result in less-than-significant impacts to utilities.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
13. <u>AESTHETICS, LIGHT AND GLARE</u>			
Would the proposal:			
A) Affect a scenic vista or adopted view corridor?			✓
B) Have a demonstrable negative aesthetic effect?			✓
C) Create light or glare?			✓

ENVIRONMENTAL SETTING

The visual environment surrounding the proposed project site is characterized by typical views of urban streets and surrounding residential and commercial uses within the Central City.

STANDARDS OF SIGNIFICANCE

Glare. Glare is considered to be significant if it would be cast in such a way as to cause public hazard or annoyance for a sustained period of time.

Light. Light is considered significant if it would be cast onto oncoming traffic or residential uses.

ANSWERS TO CHECKLIST QUESTIONS

QUESTIONS A AND B

The proposed project would not obstruct views from any scenic highway or roadway, and the project site is not located within the viewshed of a federal or state scenic highway. The project site does not have rock outcroppings, historic buildings, or any other protected scenic resources.

The project site is vacant. The project site is subject to the Central City Neighborhood Design Guidelines, as well as Design Commission and Design Director approval to ensure that aesthetic impacts are less than significant.

No demonstrable negative aesthetic effect would occur due to the project, and any aesthetic impacts would be less than significant.

QUESTIONS C AND D

Any required street lighting on City rights-of-way would be installed in accordance with City standards and cut-off luminaries to avoid potential spillover, skyglow or glare impacts. The new structures would not create significant new sources of light or glare. Therefore, any impacts due to light or glare are considered to be less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project would result in less-than-significant impacts to aesthetics, light and glare.

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
14. CULTURAL RESOURCES			
<i>Would the proposal:</i>			
A) Disturb paleontological resources?			✓
B) Disturb archaeological resources?		✓	
C) Affect historical resources?		✓	
D) Have the potential to cause a physical change which would affect unique ethnic cultural values?		✓	
E) Restrict existing religious or sacred uses within the potential impact area?			✓

ENVIRONMENTAL SETTING

The project site is not within a Primary Impact Area for cultural resources according to the SGPU (SGPU DEIR, pg V-5). The project site is already developed and is located within an established residential neighborhood. No documented archaeological sites have been recoded in or adjacent to the project study area.

STANDARDS OF SIGNIFICANCE

Cultural resource impacts may be considered significant if the proposed project would result in one or more of the following:

1. Cause a substantial change in the significance of a historical or archaeological resource as defined in CEQA Guidelines Section 15064.5 or
2. Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature.

ANSWERS TO CHECKLIST QUESTIONS

QUESTION A THROUGH E

The project site is not within a Primary Impact Area for cultural resources by the SGPU (SGPU DEIR, pg V-5). However, there is a possibility that grading activities or excavation during construction could disturb unknown archaeological or paleontological resources beneath the surface. The following mitigation measures will ensure that impacts to cultural resources are less than significant.

MITIGATION MEASURES

CR-1 In the event that any prehistoric subsurface archeological features or deposits, including locally darkened soil ("midden"), that could conceal cultural deposits, animal bone, obsidian and/or mortars are discovered during construction-related earth-moving activities, all work within 50 meters of the resources shall be halted, and the City shall consult with a qualified archeologist to assess the significance of the find. Archeological test excavations shall be conducted by a qualified archeologist to aid in determining the nature and integrity of the find. If the find is determined to be significant by the qualified archeologist, representatives of the City and the qualified archeologist shall coordinate to determine the appropriate course of action. All significant cultural materials recovered shall be subject to scientific analysis and professional museum curation. In addition, a report shall be prepared by the qualified archeologist according to current professional standards.

CR-2 If a Native American site is discovered, the evaluation process shall include consultation with the appropriate Native American representatives.

If Native American archeological, ethnographic, or spiritual resources are involved, all identification and treatment shall be conducted by qualified archeologists, who are certified by the Society of Professional Archeologists (SOPA) and/or meet the federal standards as stated in the Code of Federal Regulations (36 CFR 61), and Native American representatives, who are approved by the local Native American community as scholars of the cultural traditions.

In the event that no such Native American is available, persons who represent tribal governments and/or organizations in the locale in which resources could be affected shall be consulted. If historic archeological sites are involved, all identified treatment is to be carried out by qualified historical archeologists, who shall meet either Register of Professional Archeologists (RPA), or 36 CFR 61 requirements.

CR-3 If a human bone or bone of unknown origin is found during construction, all work shall stop in the vicinity of the find, and the County Coroner shall be contacted immediately. If the remains are determined to be Native American, the coroner shall notify the Native American Heritage Commission, who shall notify the person most likely believed to be a descendant. The most likely descendant shall work with the contractor to develop a program for re-internment of the human remains and any associated artifacts. No additional work is to take place within the immediate vicinity of the find until the identified appropriate actions have taken place.

FINDINGS

With the incorporation of the above mitigation measures, the project is determined to have a less than significant impact on cultural resources.

LA VALENTINA STATION (P08-106)
 INITIAL STUDY/MITIGATED NEGATIVE DECLARATION

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
15. RECREATION <i>Would the proposal:</i> A) Increase the demand for neighborhood or regional parks or other recreational facilities?			✓
B) Affect existing recreational opportunities?			✓

ENVIRONMENTAL SETTING

The proposed project site is located within the Central City Community Plan, Design district, and Historic district. Neely Johnson Park is a community park located between E and F Streets at 11th Street. Other local nearby parks include Zapata Park at 9th and E Streets, Muir Park at 15th and C Streets, and Washington Park at 17th and E Streets, all of which are less than five blocks of the project site.

REGULATORY SETTING

Quimby Act

California Government Code section 66477, Subdivision Map Act, referred to as the Quimby Act, permits local jurisdictions to require the dedication of land and/or the payment of in-lieu fees solely for park and recreation purposes. The required dedication and/or fee are based upon the residential density, parkland cost, and other factors. Land dedication and fees collected pursuant to the Quimby Act may be used for acquisition, improvement, and expansion of park, playground, and recreational facilities or the development of public school grounds.
Chapter 16.64 Parks and Recreational Facilities

Chapter 16.64 of the Municipal Code provides standards and formulas for the dedication of parkland and in-lieu fees. These policies help the City acquire new parkland. This chapter sets forth the standard that five acres of property for each 1,000 persons residing within the city be devoted to local recreation and park purposes. Where a recreational or park facility has been designated in the general plan or a specific plan, and is to be located in whole or in part within a proposed subdivision to serve the immediate and future needs of the residents of the subdivision, the subdivider shall dedicate land for a local recreation or park facility sufficient in size and topography to serve the residents of the subdivision. The amount of land to be provided shall be determined pursuant to the appropriate standards and formula contained within the chapter. Under the appropriate circumstances, the subdivider shall, in lieu of dedication of land, pay a fee equal to the value of the land prescribed for dedication to be used for recreational and park facilities which will serve the residents of the area being subdivided.

Chapter 18.44 Park Development Impact Fee

Chapter 18.44 of the City's Code imposes a park development fee on residential and non-residential development within the city. Fees collected pursuant to Chapter 18.44 are primarily used to finance the construction of park facilities and reimburse the City for existing facilities. The park fees are assessed upon landowners developing property in order to provide all or a portion of the funds which will be necessary to provide neighborhood or community parks required to meet the needs of and address the impacts caused by the additional persons residing or employed on the property as a result of the development.

STANDARDS OF SIGNIFICANCE

Impacts to recreational resources are considered significant if the proposed project would do either of the following:

- cause or accelerate substantial physical deterioration of existing area parks or recreational facilities; or
- create a need for construction or expansion of recreational facilities beyond what was anticipated in the General or Community Plan.

ANSWERS TO CHECKLIST QUESTIONS

QUESTIONS A AND B

The project proposes to develop a mixed-use development comprised of 18 townhouse units, 63 affordable apartment units, 7 live-work units and approximately 2,500 square feet of ground-floor commercial/flex spaces on 1.27 acres in the general commercial (C-2) zone and the proposed Multi-Family (R-5) zone. This project is consistent with the General Plan and Community Plan designations of the site and would not result in a substantial alteration of the designated land use; however, a rezone is requested to increase the density. The proposed project includes new residential uses. The proposed project includes Quimby fees and Park Development Impact Fees, Title 16.64 and 18.44 of the City Code. As such, the proposed project would not generate significant additional users of parks and recreational facilities in the area or create the need for new parks and recreational facilities.

No existing recreational opportunities would be adversely affected by the project, nor would the project accelerate substantial physical deterioration of existing area parks or recreational facilities.

Therefore, impacts to recreational resources are considered to be less than significant.

MITIGATION MEASURES

No mitigation measures are required.

FINDINGS

The proposed project would result in less-than-significant impacts to recreational resources.

MANDATORY FINDINGS OF SIGNIFICANCE

Issues:	Potentially Significant Impact	Potentially Significant Impact Unless Mitigated	Less-than-significant Impact
<p>16. MANDATORY FINDINGS OF SIGNIFICANCE</p>			
<p>A. Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory, including archaeological or paleontological resources?</p>		✓	
<p>B. Does the project have the potential to achieve short-term, to the disadvantage of long-term environmental goals?</p>			✓
<p>C. Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.)</p>			✓
<p>D. Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?</p>			✓

Answers to Checklist Questions

Question A

The proposed project would not degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, or threaten to eliminate a plant or animal community. The project would not impact any rare or endangered wildlife species, or eliminate important examples of the major periods of California history or prehistory. Mitigation measures have been included to ensure that historical and archaeological resources known to exist in the area are not significantly impacted by the proposed project. Additional language has been included in the case than previously unidentified cultural or paleontological resources are uncovered during construction.

Question B & C

The project will not contribute to any significant cumulative impacts, since the project is consistent with City of Sacramento General Plan Update (SGPU) (CEQA Guidelines, Section 15130).

Question D

With implementation of the mitigation measures described in this document, the project would not have environmental effects that would cause substantial adverse effects on human beings, either directly or indirectly.

SECTION IV - ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED

The environmental factors checked below would potentially be affected by this project.

	Land Use and Planning	✓	Hazards
	Population and Housing		Noise
	Seismicity, Soils and Geology		Public Services
	Water		Utilities and Service Systems
	Air Quality		Aesthetics
✓	Transportation/Circulation	✓	Cultural Resources
	Biological Resources		Recreation
	Energy and Mineral Resources	✓	Mandatory Findings of Significance
	None Identified		

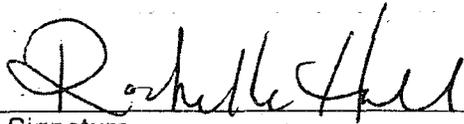
SECTION V - DETERMINATION

On the basis of the initial evaluation:

I find that the Proposed Project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.

I find that although the Proposed Project could have a significant effect on the environment, there will not be a significant effect in this case because the project-specific mitigation measures described in Section III have been added to the project. A NEGATIVE DECLARATION will be prepared.

I find that the Proposed Project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.


Signature

02/12/09
Date

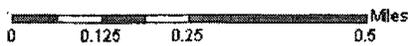
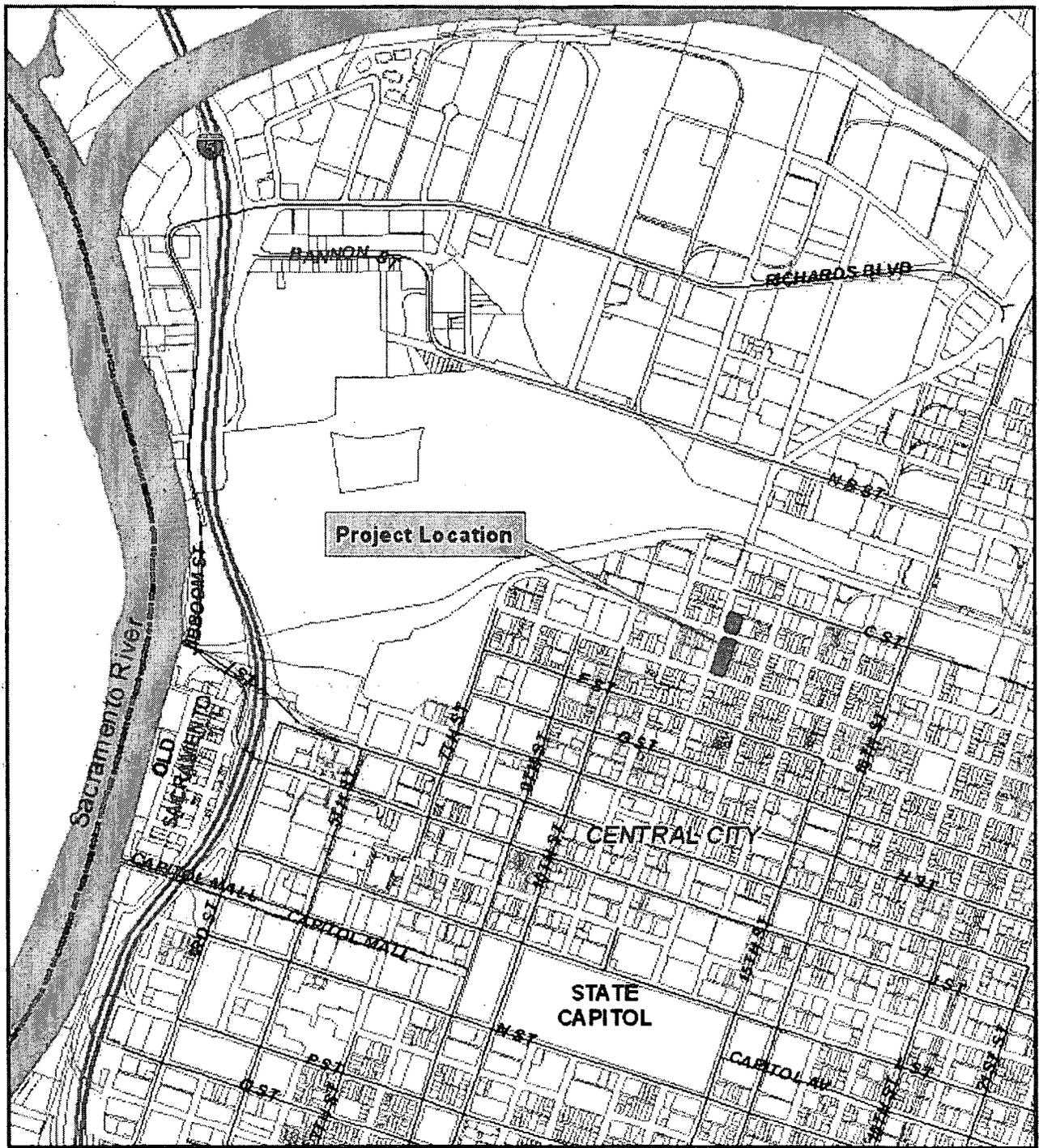
Rochelle Hall, Assistant Planner
Printed Name

REFERENCES CITED

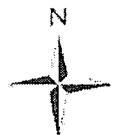
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- City of Sacramento. Sacramento General Plan Update DEIR (SGPU DEIR). 1988.
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- Sacramento Metropolitan Air Quality Management District. Guide to Air Quality Assessment. Sacramento, CA. July 2004.
- Secor International Incorporated. Phase I Environmental Site Assessment, La Valentina Station. September 2005.
- Secor International Incorporated. Phase II Environmental Site Assessment, La Valentina Station. November 2005.

ATTACHMENT A
Vicinity Map/Location Map/Site Plan

City of Sacramento, Development Services Department Geographic Information System



P08-106 Vicinity Map La Valentina Station



D.Hung | Feb 2009

Page: 1

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Urbemis 2007 Version 9.2.4

Combined Annual Emissions Reports (Tons/Year)

File Name:

Project Name: revised La Valentina Station

Project Location: Sacramento County AQMD

On-Road Vehicle Emissions Based on: Version : Emfac2007.V2.3 Nov 1 2006

Off-Road Vehicle Emissions Based on: OFFROAD2007

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Summary Report:

CONSTRUCTION EMISSION ESTIMATES

	<u>ROG</u>	<u>NOx</u>	<u>CO</u>	<u>SO2</u>	<u>PM10 Dust</u>	<u>PM10 Exhaust</u>	<u>PM10</u>	<u>PM2.5 Dust</u>	<u>PM2.5 Exhaust</u>
2007 TOTALS (tons/year unmitigated)	0.04	0.34	0.18	0.00	0.17	0.02	0.19	0.04	0.02
2008 TOTALS (tons/year unmitigated)	1.28	1.21	1.34	0.00	0.07	0.07	0.15	0.02	0.02

AREA SOURCE EMISSION ESTIMATES

	<u>ROG</u>	<u>NOx</u>	<u>CO</u>	<u>SO2</u>	<u>PM10</u>	<u>PM2.5</u>	<u>CO2</u>
TOTALS (tons/year, unmitigated)	1.21	0.23	3.46	0.01	0.48	0.47	284.42

OPERATIONAL (VEHICLE) EMISSION ESTIMATES

	<u>ROG</u>	<u>NOx</u>	<u>CO</u>	<u>SO2</u>	<u>PM10</u>	<u>PM2.5</u>	<u>CO2</u>
TOTALS (tons/year, unmitigated)	3.46	4.49	43.27	0.03	5.70	1.10	3,330.76

SUM OF AREA SOURCE AND OPERATIONAL EMISSION ESTIMATES

	<u>ROG</u>	<u>NOx</u>	<u>CO</u>	<u>SO2</u>	<u>PM10</u>	<u>PM2.5</u>	<u>CO2</u>
TOTALS (tons/year, unmitigated)	4.67	4.72	46.73	0.04	6.18	1.57	3,615.18

ATTACHMENT C
Mitigation Monitoring Plan

MITIGATION MONITORING PLAN

FOR

La Valentina Station (P08-106)

**TYPE OF ENVIRONMENTAL DOCUMENT:
INITIAL STUDY/ NEGATIVE DECLARATION**

PREPARED FOR:

CITY OF SACRAMENTO, DEVELOPMENT SERVICES DEPARTMENT

DATE:

February 13, 2009

ADOPTED BY:

CITY OF SACRAMENTO
PLANNING COMMISSION

DATE:

02/12/09

ATTEST:



**La Valentina Station (P08-106)
MITIGATION MONITORING PLAN**

This Mitigation Monitoring Plan (MMP) has been required by and prepared for the City of Sacramento Development Services Department, Environmental Planning Services, 300 Richards Boulevard, Sacramento, CA 95811, pursuant to CEQA Guidelines Section 21081.6.

SECTION 1: PROJECT IDENTIFICATION

Project Name / File Number: La Valentina Station / P08-106
Owner/Developer- Name: Meeakang – Domus Development, Inc.
Address: 594 Howard Street, Suite 204
San Francisco, CA 94105

Project Location / Legal Description of Property (if recorded):
The proposed project site is located on 12th Street between C and E Streets in the Central City.

Assessor's Parcel Number (APN) 002-0082-016, 002-0082-024, 002-0121-002, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, and 002-0121-038.

Project Description:

A mixed-use development comprised of 18 townhouse units, 63 affordable apartment units, 7 live-work units and approximately 2,500 square feet of ground-floor commercial/flex spaces on 1.27 acres in the general commercial (C-3) zone and the proposed Multi-Family (R-5) zone. Specific entitlements include:

- A. **Rezone** RMX to R-5 to increase the allowable density from 36 to 94 du/na;
- B. **Special Permit** to allow gated development;
- C. **Special Permit – Height** to allow structures to exceed the maximum allowable height;
- D. **Special Permit – Parking** to reduce required parking;
- E. **Variance** to reduce the interior side setback;
- F. **Variance** to allow a roof structure to exceed the maximum allowable height;
- G. **Variance** to allow compact stalls to exceed a maximum of forty percent; and a
- H. **Tentative Map**

SECTION 2: GENERAL INFORMATION

The Plan includes mitigation for Cultural Resources, Hazards, and Traffic. The intent of the Plan is to prescribe and enforce a means for properly and successfully implementing the mitigation measures as identified within the Initial Study for this project. Unless otherwise noted, the cost of implementing the mitigation measures as prescribed by this Plan shall be funded by the owner/developer identified above. This Mitigation Monitoring Plan (MMP) is designed to aid the City of Sacramento in its implementation and monitoring of mitigation measures adopted for the proposed project.

The mitigation measures have been taken from the Initial Study and are assigned the same number they have in the document. The MMP describes the actions that must take place to implement each mitigation measure, the timing of those actions, and the entities responsible for implementing and monitoring the actions. The developer will be responsible for fully understanding and effectively implementing the mitigation measures contained within the MMP. The City of Sacramento will be responsible for ensuring compliance.

**La Valentina Station (P08-106)
MITIGATION MONITORING PLAN
MITIGATION AGREEMENT**

PROJECT NAME / FILE NUMBER: La Valentina Station (P08-106)

OWNER/DEVELOPER/APPLICANT: ~~Amelia Dotan~~ MEEA KANG (MR)
~~DOMUS~~ Domus Development, Inc. LLC
594 Howard Street, Suite 204
San Francisco, CA 94105

I, Meea Kang (owner/developer/applicant), agree to amend the project application P08-106 to incorporate the attached mitigation measures as identified in the Initial Study for the project. I understand that by agreeing to these mitigation measures, all identified potentially significant environmental impacts should be reduced to below a level of significance, thereby enabling the Environmental Coordinator to prepare a Mitigated Negative Declaration of environmental impact for the above referenced project.

I also understand that the City of Sacramento will adopt a Mitigation Monitoring Plan (Plan) for this project. This Plan will be prepared by the Development Services Department, pursuant to the California Environmental Quality Act Guidelines Section 21081.6 and pursuant to Article III of the City's Local Administrative Procedures for the Preparation of Environmental Documents.

I acknowledge that this project, P08-106, would be subject to this Plan at the time the Plan is adopted. This Plan will establish responsibilities for the monitoring of my project by various City Departments and by other public agencies under the terms of the agreed upon mitigation measures. I understand that the mitigation measures adopted for my project may require the expenditure of owner/developer funds where necessary to comply with the provisions of said mitigation measures.

Meea Kang
Signature (Owner/Developer/Applicant)

President
Title

2/12/09
Date

**La Valentina Station (P08-106)
MITIGATION MONITORING PLAN**

Environmental Resource	Mitigation Measure	Responsible Entity	Compliance Milestone / Confirm Complete
<p align="center">Cultural Resources</p>	<p>Cultural Resources</p> <p>CR-1 In the event that any prehistoric subsurface archeological features or deposits, including locally darkened soil ("midden"), that could conceal cultural deposits, animal bone, obsidian and/or mortars are discovered during construction-related earth-moving activities, all work within 50 meters of the resources shall be halted, and the City shall consult with a qualified archeologist to assess the significance of the find. Archeological test excavations shall be conducted by a qualified archeologist to aid in determining the nature and integrity of the find. If the find is determined to be significant by the qualified archeologist, representatives of the City and the qualified archeologist shall coordinate to determine the appropriate course of action. All significant cultural materials recovered shall be subject to scientific analysis and professional museum curation. In addition, a report shall be prepared by the qualified archeologist according to current professional standards.</p> <p>CR-2 If a Native American site is discovered, the evaluation process shall include consultation with the appropriate Native American representatives.</p> <p>If Native American archeological, ethnographic, or spiritual resources are involved, all identification and treatment shall be conducted by qualified archeologists, who are certified by the Society of Professional Archeologists (SOPA) and/or meet the federal standards as stated in the Code of Federal Regulations (36 CFR 61), and Native American representatives, who are approved by the local Native American community as scholars of the cultural traditions.</p>	<p>Development Service Department, City of Sacramento</p> <p>Native American Heritage Commission</p>	<p>The Development Services Department shall assure that measures are identified on construction plans and specifications and confirm compliance prior to issuance of any grading or building permit.</p>

**La Valentina Station (P08-106)
MITIGATION MONITORING PLAN**

Environmental Resource	Mitigation Measure	Responsible Entity	Compliance Milestone / Confirm Complete
	<p>In the event that no such Native American is available, persons who represent tribal governments and/or organizations in the locale in which resources could be affected shall be consulted. If historic archeological sites are involved, all identified treatment is to be carried out by qualified historical archeologists, who shall meet either Register of Professional Archeologists (RPA), or 36 CFR 61 requirements.</p> <p>CR-3 If a human bone or bone of unknown origin is found during construction, all work shall stop in the vicinity of the find, and the County Coroner shall be contacted immediately. If the remains are determined to be Native American, the coroner shall notify the Native American Heritage Commission, who shall notify the person most likely believed to be a descendant. The most likely descendant shall work with the contractor to develop a program for re-internment of the human remains and any associated artifacts. No additional work is to take place within the immediate vicinity of the find until the identified appropriate actions have taken place.</p>		

**La Valentina Station (P08-106)
MITIGATION MONITORING PLAN**

Environmental Resource	Mitigation Measure	Responsible Entity	Compliance Milestone / Confirm Complete
<p>Hazards</p>	<p>Hazards Hazards 1: The November 2005 Phase II Environmental Site Assessment shall be submitted to the County of Sacramento, Department of Environmental Health (DEH) for review. The applicant shall comply with all requirements for cleanup identify by DEH. Hazards 2: Prior to approval of any building permit, the applicant shall submit documentation that confirms that DEH has approved the applicant's plan for cleanup and that all cleanup efforts have been completed.</p>	<p>Development Service Department, City of Sacramento Department of Environmental Health, County of Sacramento</p>	<p>The Development Services Department shall assure that measures are identified on construction plans and specifications and confirm compliance prior to issuance of any grading or building permit.</p>
<p>Traffic</p>	<p>Traffic Traffic 1: The project applicant shall construct a roadway medians at D Street and E Street to the satisfaction of the City's Department of Transportation. Traffic 2: The project applicant shall pay a fair share contribution to the City of Sacramento Traffic Operation Center for the retiming and monitoring of the signals at 12th St/ D St and 12th St/E St. intersections to improve vehicle progression along the 12th Street corridor.</p>	<p>Department of Transportation Development Services Department</p>	<p>The Department of Transportation and the Development Services Department shall assure that measures are identified on construction plans and specifications and confirm compliance prior to issuance of any grading or building permit.</p>

RESOLUTION NO. 2009 –

Adopted by the Sacramento City Council

on date of

LA VALENTINA: AUTHORIZING A LOAN COMMITMENT FOR A CONSTRUCTION AND PERMANENT FINANCING LOAN WITH DOMUS DEVELOPMENT, LLC FOR AGENCY-OWNED PROPERTY LOCATED ON 12TH STREET

BACKGROUND

- A. Domus Development, LLC (“Developer”) has applied for an allocation of One Million Dollars (\$1,000,000) in State Housing Trust Funds to assist in funding the construction and permanent financing of the Project;
- B. The proposed action is subject to environmental review under the California Environmental Quality Act (CEQA). An Initial Study/Mitigated Negative Declaration was released for circulation on February 19, 2009. The initial study resulted in preparation of a Mitigated Negative Declaration and Mitigation Monitoring Program and adoption of the Mitigated Negative Declaration and Mitigation Monitoring Program by the City Council on March 24, 2009. The environmental analysis is adequate and complete and the adoption of the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program is appropriate for this project.

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

- Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as stated above, are approved.
- Section 2. The Loan Commitment, attached to and incorporated in this resolution by this reference, for financing the Project with \$1,000,000 in State Housing Trust Funds (for a total of loan commitment of up to \$3,000,000 including \$2,000,000 in Alkali Flat Project Area Tax Increment Funds and

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan
Commitment of La Valentina

Aggregated Housing Set Aside Tax Increment), is approved and the
Agency is authorized to execute and transmit the Loan Commitment to the
Developer.

Table of Contents

Exhibit A – Loan Commitment

March 31, 2009

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan
Commitment for La Valentina

Exhibit A

March 24, 2009

Meea Kang
Domus Development, LLC
594 Howard Street, Suite 204
San Francisco, CA 94105

RE: Conditional Funding Commitment, La Valentina

Dear Ms. Kang,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (collectively "Agency"), we are pleased to advise you of its commitment of construction and permanent loan funds ("Loan") from the Alkali Flat Project Area Tax Increment Funds and Aggregated 20% Housing Set Aside Tax Increment Funds (collectively "TI"), and State Housing Trust Fund ("State HTF") for the purpose of financing the development of that certain real property located on the east side of 12th Street between the C Street Alley and E Street in Sacramento, California ("Property"). 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 is subject to approval by the Sacramento City Council.

This commitment will expire on June 1, 2010.

1. PROJECT DESCRIPTION: The project is the new construction of mixed-use, transit-oriented development. The property is located on two sites along the east side of 12th Street between the C Street Alley and E Street, at assessor's parcel numbers 002-0082-

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan Commitment for La Valentina

016, 002-0082-024, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038. The south site, located between D Street and E Street, will contain a community room and at least 5,000 square feet of commercial space on the ground floor and 63 units of affordable rental housing on the second, third, and fourth floors. The north site, located between the C Street Alley and D Street, will contain 18 units of townhome-style rental units. Between the two sites, at least sixty (60) units will be affordable to families earning less than 50 percent of the area median income and all of the remaining units, with the exception of the unrestricted manager's unit, will be affordable to families earning less than 60 percent of the area median income.

2. BORROWER: The name of the Borrower for the Loan is Domus Development, LLC, or a related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of 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: The combined principal amount of the Loan will be the lesser of (a) Three Million Dollars (\$3,000,000), 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 ninety percent of the appraised value.
5. TERM OF LOAN: The Loan shall mature 40 years from the date of the first disbursement.
6. INTEREST RATE: The Loan shall bear simple 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 shall amortize as permitted by monthly payments.
8. MONTHLY PAYMENT: Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 168 months. Beginning in month 169, monthly installments shall be made according to the following schedule:

Months 169-180	\$ 3,047 monthly
Months 181-192	\$ 2,922 monthly
Months 193-204	\$ 2,777 monthly
Months 205-216	\$ 2,609 monthly
Months 217-228	\$ 2,418 monthly
Months 229-240	\$ 2,202 monthly
Months 241-252	\$ 1,960 monthly
Months 253-264	\$ 1,691 monthly
Months 265-276	\$ 1,393 monthly

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan Commitment for La Valentina

Months 277-288	\$ 1,065 monthly
Months 289-300	\$ 705 monthly
Months 301-312	\$ 312 monthly
Months 313-479	residual receipts payments
Month 480	All outstanding principal and interest due and payable

9. ANNUAL PAYMENT: In addition to monthly payments, the Developer will pay the Agency annual payments equal to 50% of the net income from commercial rents.
10. 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: \$3,000,000 in TI and \$1,000,000 State HTF. 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.

_____ (Borrower Initial)

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. 327-332). (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.

_____ (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

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Improvements, which shall be a first lien upon the Property and Improvements subject only to 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 construction of the Property.

12. LAND DONATION: Agency shall donate to Borrower the eight parcels of land valued at approximately \$800,000 identified in Section 1 of this commitment letter. This land donation is conditioned upon Borrower's acceptance of Agency's requirements and conditions, including among others, execution of the Disposition and Development Agreement.
13. 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.
14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$17,000,000 in Low Income Housing Tax Credit Equity and no less than \$375,000 in deferred developer fee.
15. 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:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction 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.
 - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
 - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.
 - (d) 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.
16. 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

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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 reasonable 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.

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 judgment 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") 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.
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.
23. 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

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performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

24. 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.

25. 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, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, 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.

26. 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 June 1, 2010.

27. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than June 1, 2012.

28. 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).

29. 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: Bodily injury liability of \$1,000,000 each occurrence and \$5,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single

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limit and \$5,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$5,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and 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.

30. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 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 third 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.
31. 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.
32. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
33. 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.

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34. 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.
35. 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.
36. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include drive-by security guards if necessary.
37. SOCIAL SERVICES PLAN: Borrower shall provide Agency with a detailed social services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the number of hours per week that services will be provided; 3) a description of the programs to be offered, and; 4) a proforma social services budget.
38. 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.
39. 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.
40. 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.
41. 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.

March 31, 2009

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan
Commitment for La Valentina

Yours truly,

LaShelle Dozier
Executive Director

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

LaShelle Dozier
Executive Director

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

Dated:

BORROWER:
Domus Development, LLC

By: _____
Meea Kang

RESOLUTION NO. 2009 -

Adopted by the Redevelopment Agency of the City of Sacramento

ON DATE OF

LA VALENTINA: AUTHORIZING AN EXCLUSIVE RIGHT TO NEGOTIATE, A LOAN COMMITMENT FOR A CONSTRUCTION AND PERMANENT FINANCING LOAN AND A PREDEVELOPMENT LOAN AGREEMENT WITH DOMUS DEVELOPMENT, LLC FOR AGENCY-OWNED PROPERTY LOCATED ON 12TH STREET

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Alkali Flat Redevelopment Plan ("Redevelopment Plan") and a 2005 – 2009 Implementation Plan for the Alkali Flat Project Area ("Project Area").
- B. Agency owns certain real property that includes eight tax parcels in the Project Area generally described as being located on the east side of 12th Street from the C Street Alley to E Street. The property is adjacent to the La Valentina Light Rail Station. APN Numbers: 002-0082-016 and -024; 002-0121-002, -027, -032, -034, -036 and -038 ("Property").
- C. The Agency is seeking redevelopment of the Property for a transit-oriented development that would have a mix of commercial and residential uses, with the residential units appealing to a range of household income levels.
- D. A Selection Committee has evaluated the credentials of four teams that responded to a Request for Qualifications and has recommended a development team led by Domus Development, LLC ("Developer") to engage in pre-development activities intended to result in a specific project proposal for the Property and to negotiate terms of a Disposition and Development Agreement.
- E. The Agency and Developer are seeking authorization to execute an Exclusive Right to Negotiate ("ERN") to obligate the parties to work together with the purpose of developing the Property.

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- F. Use of Alkali Flat Project Area Tax Increment Funds and Aggregated Housing Set Aside Tax Increment Funds (TI) for the development of the Property will benefit the Project Area by providing high quality affordable housing to downtown workers and residents and add an attractive building on the 12th Street Corridor which will include commercial opportunities on a previously inactive site.
- G. Predevelopment funds are needed to pay for architectural and entitlement expenses incurred as a result of project redesign.
- H. The proposed action is subject to environmental review under the California Environmental Quality Act (CEQA). An Initial Study/Mitigated Negative Declaration was released for circulation on February 19, 2009. The initial study resulted in preparation of a Mitigated Negative Declaration and Mitigation Monitoring Program which was adopted by the City Council on March 24, 2009, a copy of which appears as Exhibit 7.

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

- Section 1. The Agency has reviewed and considered the Mitigated Negative Declaration and the mitigation measures adopted by the City Council, and has determined that they are adequate and sufficient. No additional review or mitigation measures are required.
- Section 2. The Executive Director, or her designee, is authorized to amend the Agency budget to transfer up to \$200,000 in Alkali Flat TI to the Project.
- Section 3. The Executive Director, or her designee, is authorized to execute the attached ERN with the Developer.
- Section 4. The Loan Commitment for construction and permanent financing, attached to and incorporated in this resolution by this reference, for financing the Project with Alkali Flat TI in the amount of up to \$2,000,000, (for a total of loan commitment of up to \$3,000,000 including \$1,000,000 in State Housing Trust Funds), is approved, and the Executive Director, or her designee, is authorized to execute and transmit the Loan Commitment to the Developer.

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Commitment of La Valentina

Section 5. The Predevelopment Loan Agreement, attached to and incorporated in this resolution by this reference, for financing the Project with aggregated housing set aside tax increment funds in the amount of up to \$200,000, is approved, and the Executive Director, or her designee, is authorized to execute and transmit the Predevelopment Loan Agreement and other related documents necessary to implement the Predevelopment Loan Agreement to the Developer.

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Exhibit A – Exclusive Right to Negotiate

Exhibit B – Loan Agreement – Predevelopment Loan

Exhibit C – Loan Commitment Letter

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan Commitment for
La Valentina

Exhibit A

**AGREEMENT FOR EXCLUSIVE RIGHT TO NEGOTIATE
LA VALENTINA PROJECT**

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Agency") and DOMUS DEVELOPMENT, LLC, ("Developer"), have entered into this Agreement for Exclusive Right to Negotiate ("Agreement") as of _____, ("Effective Date") upon the follow terms:

1. RECITALS. This Agreement is based upon the following recitals, facts and understandings of the Parties:

a Developer desires to negotiate with Agency to develop certain real property ("Property") located in the City of Sacramento, County of Sacramento, State of California is generally described as Assessor's Parcel Numbers 002-0082-016 (317 12th Street); 002-0082-024 (331 12th Street); 002-0121-002 (1210 D Street); 002-0121-027 (1209 E Street); 002-0121-032 (417 12th Street) 002-0121-034 (429 12th Street); 002-0121-036 (415 12th Street) and 002-0121-038. The Property is within Alkali Flat Neighborhood Redevelopment Project Area ("Project Area") and is owned by the Agency. The development of the Property ("Project") consistent with Alkali Flat Neighborhood Redevelopment Project Plan ("Redevelopment Plan") and its implementing documents has been identified by the Agency as important to the furtherance of the Project Area and the elimination of blighting conditions in the Project Area.

b. The parties desire to investigate the feasibility of the Project and to negotiate a Disposition and Development Agreement ("DDA") for transfer, financing and development of the Property.

c. The development of the Site, the completion of the Project and the fulfillment generally of this Agreement are for the purpose of community improvement and welfare, for the benefit of the Project Area and in accord with the public purposes and provisions of any applicable federal, state and local laws and requirements under which the Project is to be undertaken.

2. IDENTITY OF PARTIES. The legal identities of the parties to this Agreement and their addresses are as follows:

a. Developer is Domus Development, LLC, a limited liability company, organized and doing business in the State of California. The principal office of Developer is located at 9 Cushing, Suite 200, Irvine, CA 92618. The project development office of Developer is located at 594 Howard Street, Suite 204, San Francisco, CA 94105. Developer shall make full disclosure to Agency of the identity of all principals, officers, stockholders, partners, joint venturers, and entities in Developer. Initially, the principals of Developer are Meea Kang, President and member; Jong C. Limb, member; and Monique R. Hastings, member.

b. Agency is the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, organized under California law and functioning within the jurisdiction of the City of Sacramento. The principal office of Agency for purposes of this agreement is located at 630 I Street, Sacramento, California 95814. If copy to Developer, send to principal office and to project development office.

c. Notices to any party shall be personally delivered or sent by first class mail to its principal office address. Notices to Agency shall be clearly marked "Attention: La Valentina Project".

3. EXCLUSIVE NEGOTIATION. During the term of this Agreement, the parties shall negotiate exclusively with each other, and in good faith, regarding the Property and the Project. The parties acknowledge and agree that neither party is obligated by this Agreement or otherwise to undertake the Project or any other Project on the Property and that no party has a cause of action against the other arising under this Agreement for failure to approve or undertake the Project.

4. TERM. This Agreement shall be effective as of the Effective Date, and shall terminate upon the earlier of completion of all obligations or two hundred seventy (270) days after the Effective Date unless extended by written agreement of the parties.

5. LEGISLATIVE ACTION. Agency and Developer acknowledge that the Agency must exercise its independent legislative authority in making any and all findings and determinations required of them by law concerning the Project. This Agreement does not restrict the legislative authority of the Agency in any manner, whatsoever, and does not obligate the Agency to enter into the DDA or to take any course of action with respect to the Project.

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a. Except as expressly stated in this Agreement, if this Agreement terminates without execution of a DDA, each party shall bear its own costs related to this Agreement.

b. Developer acknowledges that Agency and the City of Sacramento are separate legal entities, and that the Project is also subject to independent review by the City in proper exercise of its jurisdiction, including without limitation, review by the City’s Planning Department, Design Review/Preservation Board and Building Department. If the Project is disapproved by final action of the governing bodies of the Agency, as a result of CEQA review or otherwise, this Agreement shall terminate as of the date of such disapproval.

6. CEQA REVIEW. In accordance with the California Environmental Quality Act (“CEQA”), Agency shall prepare the environmental documentation and consider the environmental effects of the Project prior to considering action to approve the proposed DDA.

a. Nothing in this Agreement shall be construed to limit the application of CEQA to the Project or to changes in the Project or to control the actions of Agency in meeting its respective CEQA obligations. In fulfilling its obligations under CEQA, the Agency shall act independently and without regard to its respective obligations under this Agreement. Agency shall not be liable, in any respect, to Developer or any third party beneficiary of this Agreement for their action or inaction in fulfilling their respective CEQA obligations.

b. Agency will not consider the approval of the Project unless and until it has fully reviewed and considered the environmental impacts of the proposed Project in accordance with CEQA. After CEQA review, Agency is not, and shall not be considered to be, obligated by this Agreement, or otherwise, to approve a DDA or any other agreement. After CEQA review, Agency is not obligated, by this Agreement or otherwise, to adopt findings of overriding considerations for the approval of the Project or take any other action in support of the proposed Project. After CEQA review, Agency is not precluded, by this Agreement or otherwise, from rejecting the Project or from imposing mitigation measures as a condition of Project approval, which measures mitigate or avoid direct or indirect environmental effects of the Project.

c. Upon Agency request, Developer shall supply data and information both to determine the impact of the development on the environment and to assist in the preparation of the environmental documents for the proposed Project.

7. SCHEDULE OF PERFORMANCES. The parties shall perform the following stated obligations at the times specified in the following schedule (“Schedule of Performances”):

Responsible Party	Action	Project Schedule Target Dates*
Agency and Developer	Execute ERN	Within 10 days or by April 2, 2009
Developer	<ul style="list-style-type: none"> • Submit revised estimated construction cost breakdown • Submit revised schematic site plans, plans and elevations • Submit ownership structure • Submit commitments for debt financing 	Within 40 days or by May 1, 2009
Agency	Review submitted documents	Within 70 days or by June 1, 2009
Developer	<ul style="list-style-type: none"> • Obtain Environmental Remediation Plan from Sacramento County Environmental Department • Present final design concept and financing structure to the RAC (Actual RAC meeting date is June 4, 2009) 	Within 100 days or by July 1, 2009
Agency and Developer	Agree to terms and conditions for the Project DDA and funding approval	Within 100 days or by July 1, 2009
Agency and Developer	Submit DDA to City Council for approval	Within 270 days or by December 31, 2009
Developer	Submit TCAC application	Within 270 days or by December 31, 2009

* Target Date may be modified contingent on modifications made to the TCAC Application schedule. All target dates are computed from the Effective Date.

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8. OTHER EXTENSION. Upon written request of Developer, Agency shall reasonably consider an extension of the initial term of this Agreement if Developer has acted diligently and in good faith in performing its obligations under this Agreement and if there is a reasonable likelihood that the parties can negotiate a mutually acceptable DDA.

9. DEPOSIT FEE. The deposit ("Deposit") in the amount of Thirty-nine Thousand Dollars (\$39,000), made by Developer to Agency in conjunction with its prior Exclusive Right to Negotiate, which included the Property and which was dated July 22, 2008, shall be transferred by Agency to serve as the deposit under this Agreement. In the first two hundred seventy (270) days after the Effective Date, Developer may terminate the negotiations and this Agreement and Agency shall return the full amount of the "Net Deposit" (as defined below) to Developer. After two hundred seventy days (270) days have elapsed Agency shall retain the full amount of the Deposit; provided, however, that if Agency rejects a proposed DDA resulting from the negotiations under this Agreement, Agency shall refund the full amount of the Net Deposit.

a. Prior to execution of the DDA for the Project or termination of negotiations between Agency and Developer, Agency may expend the Deposit solely for payment of all third-party fees, costs and expenses for predevelopment activities for the Project incurred by Agency. Agency costs may include, without limitation, costs related to preparation of the environmental documentation for the Project and supporting studies other than fees for Agency outside legal counsel for the negotiation or preparation of documents for the transactions contemplated by this Agreement. Developer upon written approval by staff, for predevelopment soft costs, which include architectural, engineering, and consultants' costs, as well as market studies, appraisals and application fees. Funds remaining after payment of all such costs and disbursements are the "Net Deposit". Fifteen days prior to any such expenditure, Agency shall provide the Developer with a schedule of anticipated expenditures. The parties anticipate that all costs to be paid under these provisions will not exceed the amount of the Deposit. If the actual expenditures exceed the anticipated amount the parties shall meet and confer with respect to the budget for such costs, and Agency is not obligated to continue with the Project until Developer has deposited such additional funds as may reasonably be needed to pay such remaining costs. It is agreed and understood that the required Deposit is a Deposit only, and that to the extent that the costs of the Project exceed the Deposit, Developer is responsible for the payment of any and all such additional costs.

b. If Developer and Agency agree in writing to terminate the negotiations, the Net Deposit will be refunded to the Developer.

c. If the terms of the DDA are not finalized during the negotiation period for any reason not considered in the foregoing, the Deposit is the property of the Agency, without restriction as to its use, unless the Agency agrees in writing to extend the negotiation period.

10. DEFAULTS. Either of the Agency or the Developer shall be in default of this Agreement if it (a) fails to fulfill its obligations when due, which failure is not caused by the other party, (b) does not negotiate the DDA in good faith and upon the terms stated in this Agreement, (c) does not reasonably cooperate with the other in fulfilling the other's obligations under this Agreement, or (d) refuses to execute the DDA when negotiations are completed and deposit any funds then required of it for the DDA (except if the Agency has disapproved the project after public hearing in exercise of its legislative authority or in accordance with CEQA in exercise of its independent review).

The defaulting party shall have thirty (30) days to cure the default after receipt of notice of such default. Should the defaulting party fail to cure the default within the thirty (30) days, the nondefaulting party may terminate this Agreement by written notice to the defaulting party, and may pursue equitable remedies available to it for such default. Should the Agency be in default, the Developer is entitled to the unencumbered remainder of the Deposit, if any. In the event of such a default by Developer, Agency may retain the Deposit and may terminate the Agreement.

a. After termination of this Agreement for default of Developer, Developer shall have no rights under this Agreement to participate in the development of the Project, and the Agency shall have the absolute right to pursue development of the Project, in any manner it deems appropriate.

b. The remedies contained in this Section 0 are the sole exclusive remedies for default of this Agreement, and neither party may claim, as a result of a default of this Agreement, any damages, whether monetary, non-monetary, contingent, consequential or otherwise.

11. DISPOSITION AND DEVELOPMENT AGREEMENT. In addition to other provisions stated in this Agreement, the DDA will address, without limitation, the following provisions (a) use covenants to run with the land; (b) payment and performance

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bonding and other completion assurances; (c) insurance and indemnities, including hazardous materials indemnities; (d) anti-discrimination provisions; (e) performance assurances such as the deposit; (f) limitation on transfers prior to Project completion; (g) compliance with CEQA mitigation; (h) Agency's rights to revest the Property upon Developer default; (i) Agency's Art in Public Places requirements; (j) extension fees for delay in construction, and liquidated damages; (k) Agency's rights to cure defaults, assume loans and complete construction; (l) delayed transfer of title to land; and (m) loan guarantees and additional securities.

12. PREDEVELOPMENT COSTS. Developer shall bear all predevelopment costs relating to actions of Developer under this Agreement, including but not limited to costs for planning, environmental architectural, engineering and legal services, and other costs associated with preparation of Developer's Proposal and the DDA except for those costs specifically identified in the Predevelopment Loan between Agency and Developer.

13. ASSIGNMENT. This Agreement is not assignable by either party in whole or in part without the prior written consent of the other party.

14. APPLICABLE LAW; VENUE. This Agreement shall be construed in accordance with the law of the State of California, and venue for any action under this Agreement shall be in Sacramento County, California.

15. ATTORNEYS' FEES. In the event of any dispute between the parties, whether or not such dispute results in litigation, the prevailing party shall be reimbursed by the other party for all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees, witness and expert fees and investigation costs. A party receiving an award after arbitration or an order or judgment after hearing or trial shall not be considered a prevailing party if such award, order or judgment is not substantially greater than the other party's offer of settlement made in advance of the arbitration, hearing or trial.

EXECUTED as of the date first written above, in Sacramento, California.

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

Approved as to form:

Agency Counsel

By: _____
LaShelle Dozier
Executive Director

DEVELOPER: DOMUS DEVELOPMENT, LLC

Approved as to form:

By: _____
Counsel for Developer

By: _____
Meea Kang
President and authorized signatory

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan Commitment for La Valentina

Exhibit B

**PREDEVELOPMENT LOAN AGREEMENT
LA VALENTINA**

IN CONSIDERATION of their mutual promises, the parties agree as follows:

- 1. LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
- 2. DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. If an item in this Article 1 table is marked "None", "Not Applicable", "N/A" or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan as the context may indicate.

"EFFECTIVE DATE"	Being the date as of which this Loan Agreement shall be effective.	
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A public body, corporate and politic	
Principal Address	630 I Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Domus Development, LLC	
Legal Status	a limited liability company	
Principal Address	9 Cushing, Suite 200, Irvine, CA 92618	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	Alkali Flat Project Area Tax Increment Funds
"LOAN AMOUNT"	Two Hundred Thousand Dollars and No Cents (\$200,000.00)	
"INTEREST RATE"	The interest rate is four percent (4%) per year, simple interest.	
"PAYMENT START DATE"	Principal and interest shall be deferred as per the Payment Schedule, below.	
"MATURITY DATE"	Principal and interest shall be paid in full at the closing of the Construction Loan or December 31, 2011, whichever shall occur first, except as provided in "Special Terms".	
"PAYMENT SCHEDULE"	Principal and Interest to be deferred until the Maturity Date	
"BORROWER EQUITY"	Thirty Nine Thousand Dollars and No Cents (\$39,000.00)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
	N.A.	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).

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<p>"SPECIAL TERMS"</p>	<p>This Predevelopment Loan is being made in conjunction with an Exclusive Right to Negotiate by and between Domus Development, LLC and the Redevelopment Agency of the City of Sacramento (the "ERN").</p> <p>In the event that the ERN expires or otherwise terminates without a Disposition and Development Agreement ("DDA") between Domus Development, LLC and the Redevelopment Agency approved by the Agency's governing bodies at their sole discretion, the work product, including but not limited to reports, drawings and plans as paid for with the proceeds of this Predevelopment Loan shall be provided to and then owned by the Agency. In this event, upon an assignment of the work product to the Agency, the Borrower's obligations under this Loan Agreement shall be satisfied and the Loan shall be deemed paid in full.</p>
<p>"PROJECT"</p>	<p>Which is the Project to be developed on the Property with the Loan funds, described as:</p> <p>Predevelopment activities including, but not limited to, architectural fees and City development and entitlement process fees incurred as a result of project redesign in 2009.</p>

B. "COLLATERAL" The Collateral securing repayment of the Loan, which Collateral consists of the following:

<p>"PROPERTY"</p>	<p>The following described real property, which is the site of the Project:</p>	
<p>Address</p>		
<p>Assessor's Parcel Number</p>		
<p>"Legal Description"</p>	<p>The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.</p>	
<p>Borrower's Title Interest</p>	<p>Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow unless either a DDA is not entered into between the Borrower and the Agency or the DDA is entered into and either party terminates the DDA.</p>	
<p>"ADDITIONAL COLLATERAL"</p>	<p>The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any</p>	
<p>"PERSONAL PROPERTY"</p>	<p>Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement</p>	<p>Materials and supplies for the Project; work product including but not limited to architectural materials, drawings, designs, and elevations that were produced in the predevelopment process.</p>
<p>OTHER ADDITIONAL COLLATERAL</p>	<p>Borrower's interest in the following property:</p>	<p>None</p>

C. "ESCROW INFORMATION":

<p>"Title Company" and "Escrow Agent"</p>	<p>n/a</p>	<p>Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow</p>
<p>"Escrow"</p>	<p>The escrow with Escrow Agent</p>	
<p>"Closing Date"</p>		<p>Which is the date for close of the Escrow, as it may be extended</p>

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):

EXHIBIT	DEFINED TERM
<p><u>Exhibit 1: Legal Description</u></p>	<p>"Legal Description"</p>
<p><u>Exhibit 2: Note Form</u></p>	<p>"Note"</p>
<p><u>Exhibit 3: Predevelopment Budget</u></p>	

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E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval:
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
"Budget" for the Project predevelopment expenses

F. "ASSIGNED DOCUMENTS" Borrower shall assign or cause to be assigned the following documents to Lender:
Architectural Contract

G. "CONSTRUCTION INFORMATION":			
"Completion Date"	June 1, 2010	Which is the date on or before which the Completion of the Project, i.e., the predevelopment activities described above, must occur.	
"General Contractor"	Brown Construction	Which is the general contractor for construction of the Project	
"Project Architect"	David Baker and Partners; YHLA Architects	Which are the architects for design of the Project	
"Retention"	The following percentage of each disbursement made for construction work, in aggregate not to exceed the following percentage of the Loan Amount, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of disbursement:	N.A.
		Percentage of Loan:	no retention for soft costs

H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement:
The Loan proceeds are for predevelopment costs, including, but not limited to, architectural fees and City development and entitlement process fees incurred as a result of project redesign in 2009. These predevelopment costs shall be funded with Alkali Flat Project Area Tax Increment Funds.
Principal and interest shall be paid in full at the closing of the Construction Loan or December 31, 2010, whichever shall occur first.
As a condition precedent to the Agency funding this Predevelopment Loan, Developer shall provide Agency with a letter from Developer's architect in which Developer's architect agrees in writing to assignment of its work pursuant to this Predevelopment Loan Agreement.

3. **DEFINITIONS.** Terms not defined in Article I and II of this Loan Agreement shall have the definitions assigned in the Trust Deed. If a definition in Article I refers to an Exhibit that is an attached document form, the attached document is a true and correct copy of the document referenced. As used in this Loan Agreement, the following terms shall have the following meanings:

3.1. "Accumulated Interest" shall mean the interest accrued while the payments are deferred.

3.2. "Budget" is the budget approved by Lender for the development of the Project.

3.3. "Change" means any extra work or installation of materials not included in the Plans and Specifications or any change in or deviation from the Plans and Specifications.

3.4. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Note and any other instrument which is incorporated in this Loan Agreement or which otherwise secures the repayment of the Loan.

3.5. "Financial Statements" means the financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

3.6. "General Contractor" means the general contractor named by Borrower in his application or supporting documents as the general contractor to do the Project, or any other general contractor so designated by Borrower and approved in writing in advance by Lender.

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3.7. "Governmental Authority" means the United States of America, the State of California, the County of Sacramento, the City of Sacramento or any other political subdivision, agency, department, commission, board, bureau, or instrumentality of any of them.

3.8. "Governmental Requirement" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

3.9. "Loan" is the loan from Lender to Borrower made pursuant to this Loan Agreement.

3.10. "Loan Agreement" means this Predevelopment Loan Agreement including Article I and II, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

3.11. "Loan Documents" means the Note, this Loan Agreement and all other documents (including guaranties) evidencing, securing, or relating to the Loan.

3.12. "Loan Maturity Date" means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.

3.13. "Loan Proceeds" means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.

3.14. "Plans and Specifications" means the final set of architectural, structural, mechanical, electrical, grading, sewer, water, street, and utility plans and specifications for the Project, including all supplements, amendments, and modifications.

3.15. "Potential Default" means an event that would constitute an Event of Default but for any requirement of notice to be given or period of grace or time to elapse.

3.16. "Project" means the predevelopment work of the Property necessary to define the Project and determine its feasibility in accordance with the Exclusive Right to Negotiate entered into between Mercy Housing California and the Redevelopment Agency of the City of Sacramento as well as all work of demolition and investigation to be conducted on the Property.

4. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** As a material inducement to Lender to enter into this Loan Agreement and to make the Loan to Borrower, Borrower unconditionally, and each signatory who signs on its behalf, to the extent of their actual knowledge, represents and warrants to Lender, as of the Effective Date, as follows:

4.1. **LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated in Article I, is qualified to do business in California, and has full power to consummate the transactions contemplated.

4.2. **BORROWER'S POWERS.** Borrower has full authority to execute this Loan Agreement, the Note, and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

4.3. **BINDING OBLIGATION.** This Loan Agreement and the Note constitute a legal and binding obligation of, and are valid and enforceable against, each party other than Lender, in accordance with the terms of each.

4.4. **NO OTHER BREACH.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Borrower is a party or by which it or the Property may be bound or affected.

4.5. **NO DEFAULT.** There is no Event of Default or Potential Default on the part of Borrower.

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4.6. **NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by Lender in writing.

4.7. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of project predevelopment/due diligence and deposits under the purchase contract.

4.8. **TAXES PAID.** Borrower has filed all required Federal, State, County, and City tax returns and has paid all taxes due and owing. Borrower knows of no basis for additional assessments with respect to any taxes, other than the lien of taxes not yet due.

4.9. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

5. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, an amount not to exceed the Loan Amount, to finance the predevelopment/due diligence of the Project and deposits under the purchase contract and for other purposes as specified in the Scope of Development, subject to the terms, conditions, representations, warranties, and covenants in this Loan Agreement.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of the Lender on account of the Project, not to exceed the amounts stated in the Budget (as the Budget may be adjusted by written approval of Lender). In any event, the principal amount of the Loan shall not exceed the Loan Amount.

5.2. **USE OF LOAN FUNDS.** Loan funds shall be used solely for actual costs of the Project as stated in the Budget. No Loan funds shall be used for any costs except as provided in the Budget. Loan funds shall be used solely for costs incurred by third party contractors. Unless otherwise noted in the Budget, allowed predevelopment costs, if any, are not subject to the withholding as Retention.

5.3. **LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.

5.4. **NOTE AND SECURITY DOCUMENTS.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender. Lender shall have a security interest in the work product paid for with the proceeds of this Loan.

5.5. **COMMISSIONS.** Lender is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

6. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Loan Agreement:

6.1. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Effective Date, and (c) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement.

6.2. **CONDITIONS TO BORROWER'S PERFORMANCE.** Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) Lender has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Lender's representations and warranties in this Loan Agreement are correct as of the Effective Date; and (c) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has

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occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

6.3. **RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Lender and Borrower agree and acknowledge that there are no tenants and that there is no displacement that will result from the activities contemplated by this Loan Agreement.

7. **ADDITIONAL SECURITY INSTRUMENTS.** Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Project and all other property of any kind owned by Borrower and used primarily in connection with the Property. Lender may, at any time and from time to time may reasonably require additions of new contracts. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

7.1. **ACKNOWLEDGMENT OF RELIANCE.** Borrower acknowledges that Lender is making Loan disbursements in advance of disbursements of other lenders in reliance upon Borrowers compliance with this provision.

7.2. **CHANGES.** In order to assure sufficient funding for the Project, Borrower shall not authorize any Change without the prior written consent of Lender. If in the judgment of Lender, a Change, together with all other Changes contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent, provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such Changes. Borrower will submit any such Change to Lender for approval on a form acceptable to Lender

7.3. **CONTRACTORS AND CONTRACTS.** Upon Lender's request, Borrower will furnish to Lender correct lists of all consultants, contractors, subcontractors and material suppliers employed in connection with the Project, specifying their addresses, their respective portion of the Project and their respective Project cost. Lender may contact directly each consultant, contractor, subcontractor, and material supplier to verify the facts disclosed by the list or for any other purpose related to the Loan. All contracts let by Borrower or its contractors relating to the Project will require them to disclose to Lender information sufficient to make such verification.

7.4. **INSPECTION.** Lender may, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the predevelopment consultants to cooperate fully) with the Lender and its Lender's designated agent and to permit all appropriate access to all relevant books and records. Borrower shall bear the cost of reasonable inspections.

7.5. **PROTECTION AGAINST LIEN CLAIMS.** Borrower shall promptly and fully discharge all claims for labor, materials and services in connection with the Project. Borrower shall promptly file a valid Notice of Completion on completion of the Project. Borrower shall promptly file a Notice of Cessation in the event of a cessation of labor on the Project for a continuous Period of 30 days or more. Borrower shall take all other reasonable steps to protect against the assertion of lien claims against the Property. Within 20 days after the filing of any claim of lien against the Property, Borrower shall record a surety bond in the office of the Recorder of the County where the Property is located in an amount sufficient to release the claim of lien or deliver to Lender any other assurance as may be acceptable to Lender as evidenced by Lender's written acceptance of such assurance.

7.5.1. Borrower is not required to pay, prior to adjudication, any claims for labor, materials, or services that Borrower, in good faith, reasonably disputes, and that Borrower, at its own expense, is currently and diligently contesting in the proper forum, provided that Borrower has filed the surety bond or given Lender such other assurance as Lender accepts in writing.

7.6. **NO PRIOR LIENS.** Borrower shall not allow the Project construction to begin or materials to be delivered to the Project until after Close of Escrow.

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7.7. **PROJECT SIGN.** If Borrower 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. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

7.8. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(6)(E)), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Borrower represents to the Agency that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower obtains other non-qualifying public subsidy, Borrower shall pay prevailing wages for the Project. Therefore, Borrower 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 the improper application of California prevailing wage laws to the Project by Borrower or Contractor or both of them. If more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement), Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements.

8. **LOAN DISBURSEMENT PROCEDURES.** These predevelopment loan proceeds shall be disbursed following: (a) Borrower's execution of the Note and Loan Agreement; and (b) the satisfaction of the conditions to disbursement in this Section. Borrower may, on a monthly basis, make draws for the reimbursement of expenses permitted herein by submitting invoices from the consultants and other contractors performing eligible work.

8.1. **CONDITIONS PRECEDENT TO EACH LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent:

8.1.1. No Event of Default or Potential Default of Borrower has occurred and is continuing.

8.1.2. Lender is satisfied with the quality, adequacy, and suitability of third party consultants, including architects, contractors, appraisers and environmental consultants employed or used in the Project, and the workmanship of all of them.

8.1.3. The representations and warranties in the Loan Documents are correct as of the date of the requested disbursement.

8.1.4. Borrower has paid Lender all commitment, loan, and other fees then due, and Borrower has submitted to Lender all documents, records, statements, certificates, reports, and other materials and information then required to be submitted to Lender for approval under this Loan Agreement.

8.1.5. Borrower has delivered to Lender all funds, documents, instruments, policies, evidence of satisfaction of conditions, and other materials then due or otherwise requested by Lender under the Loan Documents.

8.2. **CONDITIONS PRECEDENT TO DISBURSEMENT.** Borrower's request for the Loan disbursement is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 8.1 have been met:

Borrower has presented invoices or similar documentation from third party contractors for actual costs of the Project as stated in the Budget.

8.2.1. **DEFAULT**

8.3. **EVENTS OF DEFAULT.** At the option of Lender, each of the following events will constitute an Event of Default, subject to applicable cure rights, if any:

8.3.1. Borrower's failure to comply with any Governmental Requirements.

8.3.2. Making of any unauthorized payment from Loan Proceeds or other funds of Lender.

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9. REMEDIES

9.1. **OPTION TO ACT.** On the occurrence of any Event of Default and Borrower's failure to cure within 30 days of written notice, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

9.1.1. Terminate its obligation to make disbursements.

9.1.2. Declare the Note and all other sums owing to Lender with respect to the other Loan Documents immediately due.

9.1.3. Make any disbursements after the happening of any one or more of the Events of Default, without waiving its right to demand payment of the Note and all other sums owing to Lender with respect to the other Loan Documents or any other rights or remedies and without liability to make any other or further disbursements, regardless of Lender's previous exercise of any rights and remedies.

9.1.4. Proceed as authorized at law or in equity with respect to the Event of Default, and in connection with that, remain entitled to exercise all other rights and remedies described in this Loan Agreement.

9.1.5. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the maximum amount allowed by law from the date the funds were spent until repaid .

9.2. **RIGHTS CUMULATIVE, NO WAIVER.** All of Lender's rights and remedies provided in this Loan Agreement or in any of the other Loan Documents are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy will not constitute a cure of any Event of Default unless all sums then due to Lender under the Loan Documents are repaid and Borrower has cured all other Events of Default. No waiver will be implied from Lender's failure to take, or delay in taking, any action concerning any Event of Default or from any previous waiver of any similar or unrelated Event of Default. Any waiver under any of the Loan Documents must be in writing and will be limited to its specific terms.

9.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable to construct, complete, or protect the Project; to pay any expense in connection with the exercise of any remedy; or to perform any other obligation of Borrower.

10. INSURANCE

10.1. **LIABILITY INSURANCE POLICY LIMITS.** Borrower shall obtain all insurance under this Section 10 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

10.2. **WORKER'S COMPENSATION.** Borrower shall obtain and maintain worker's compensation coverage which shall be written for the statutory limits as required by Article 1 (commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code (as it may, from time to time, be amended) and having an employer's liability of not less than \$1,000,000.

10.3. **COMMERCIAL GENERAL LIABILITY.** Borrower shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or form endorsed by Insurer to evidence that coverage is equivalent or better. Such insurance shall have limits of liability which are not less than \$1,000,000 general aggregate limit.

10.4. **COMPREHENSIVE AUTOMOBILE LIABILITY.** Borrower shall obtain and maintain comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having a combined single limit of not less than \$1,000,000.

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10.5. **INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of B++ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Lender's legal counsel in writing in advance:

10.5.1. **ADDITIONAL INSURED.** Borrower shall obtain a policy in ISO form CG 20 33 or form endorsed by Insurer to evidence that coverage is equivalent or better, naming Lender as additional insured under the Commercial General Liability Policy.

10.5.2. **CERTIFIED POLICY COPY.** Borrower shall provide Lender with a certificate of insurance evidencing each required policy of insurance as and when received by Borrower. Borrower shall provide Lender with a Certificate of Insurance for each policy on the applicable ACORD form. ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance deleting the sentence in the bottom right-hand box above the authorized representative signature, deleting the words "endeavor to" and "but failure to do so shall impose not obligation or liability of any kind upon the insurer, its agents or representatives."

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

10.6. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender shall have the right, after providing Borrower with not less than 7 days notice to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Lender. If Borrower fails to reimburse the Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

10.7. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 14 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 Lender 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 Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 11 with respect to such insurance shall otherwise be satisfied by such blanket policy.

11. MISCELLANEOUS

11.1. **NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's partners, principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

11.2. **SUBORDINATION.** There is no need to subordinate this Loan as the principal and interest shall be fully repaid at the Maturity Date.

11.3. **FEDERAL REQUIREMENTS.** If any Loan Program is federally funded, Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of such funds. Lender shall fully cooperate with, and assist, Borrower in fulfillment of such obligations.

11.4. **NATURE OF REPRESENTATIONS AND WARRANTIES.** Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower, will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best

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knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

11.5. FINANCIAL STATEMENTS. Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

11.6. NO WAIVER. No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

11.7. NO THIRD PARTIES BENEFITED. This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds under this Loan Agreement.

11.8. NOTICES. Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above by one or more of the following methods. Copies of any notices to the Borrower shall also be sent to:

DOMUS DEVELOPMENT, LLC
C/O Newport Partners, LLC
9 Cushing, Suite 200
Irvine, CA 92618
Attn: Meea Kang, President

- (a) 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;
- (b) 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;
- (c) 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
- (d) 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 Borrower or Lender may respectively designate by written notice to the other.
- (e) It shall be the responsibility of the above identified notices to provide written information if there is a change in address.

11.9. ACTIONS. Lender will have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties, or the disbursement of any funds under this Loan Agreement. In connection with that, Lender may incur and pay costs and expenses, including, without limitation, reasonable attorney fees. Borrower agrees to pay to Lender on demand all these expenses, and Lender is authorized to disburse funds from this Loan Agreement for that purpose. This Section does not apply to actions or proceedings between the parties.

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11.10. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender. Notwithstanding any other provision of this Loan Agreement, Borrower may assign this Loan Agreement to a single asset entity in which Borrower 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 Loan Agreement and all agreements related to this Loan Agreement, and (iii) that the entity has been approved in writing, in advance, by the Agency's Executive Director. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

11.11. **PREPAYMENT.** Borrower may prepay the Loan only on and subject to the terms and conditions in the Note. Borrower shall have no rights to receive, and under no circumstances will Borrower receive repayment of any fees previously paid to Lender.

11.12. **BORROWER'S RESPONSIBILITIES.** To prevent and avoid construction defects, Borrower shall inspect, review, supervise, and assure the high quality, adequacy, and suitability of: (i) the Plans and Specifications and all changes and amendments; and (ii) architects, contractors, subcontractors, and material suppliers employed or used in the Project, and the workmanship of and the materials used by all of them; and (iii) the progress and course of construction and its conformance with the Plans and Specifications and any amendments, alterations, and changes that may be approved by Lender. Borrower will, at Borrower's expense, defend, indemnify, save, and hold Lender harmless against all claims, demands, losses, expenses, damages (general, punitive, or otherwise), and causes of action (whether legal or equitable) asserted by any Person arising out of the use of the proceeds of the Loan. Borrower will pay Lender on demand all claims, judgments, damages, losses, or expenses (including attorney fees and expenses) incurred by Lender as a result of any legal action arising out of the use of the proceeds of the Loan. The provisions of this Section will survive the termination of this Loan Agreement and the repayment of the Loan.

11.13. **NONLIABILITY FOR NEGLIGENCE, LOSS, OR DAMAGE.** Borrower acknowledges, understands, and agrees as follows:

11.13.1. The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower to select, review, inspect, supervise, pass judgment on, or inform Borrower of the quality, adequacy, or suitability of the Project work, except as to matters which are within the intent and purpose for which Lender has made the Loan.

11.13.2. Lender owes no duty of care to protect Borrower against negligent, faulty, inadequate, or defective building or construction.

11.13.3. Lender will not be responsible or liable to Borrower for any loss or damage of any kind to person or property whether suffered by Borrower or any other Person or group of Persons or for negligent, faulty, inadequate, or defective building or construction, and Borrower will hold Lender harmless from any liability, loss, or damage for these things.

11.14. **CONTROLLING LAW; VENUE.** The Loan Documents will be governed by and construed in accordance with California law. The venue for any legal action or proceeding will be in the County of Sacramento, California

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11.15. **CONSENTS AND APPROVALS.** All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing. Lender's consent to or approval of any act by Borrower requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

11.16. **SURVIVAL OF WARRANTIES AND COVENANTS.** The warranties, representations, conditions, covenants, and agreements in this Loan Agreement and in the other Loan Documents will survive the making of the Loan and the execution and delivery of the Note and will continue in full force until the Indebtedness has been paid in full. Nothing in this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Indebtedness or the termination of any Loan Document.

11.17. **LOAN EXPENSES.** In making the disbursement, Lender may, at its option, deduct from the proceeds of that disbursement a sum equal to the aggregate of the following, to the extent Lender has knowledge of it and demand has been made on Lender at the time of the deposit: all expenses specifically incurred in connection with the Loan or the preparation, execution, and delivery of the Loan Documents, including, but not limited to, recording costs and expenses, transfer and other taxes (if any), surveys, appraisal fees, title and hazard insurance premiums, recording, notary, and escrow charges, and all other similar, usual, or customary loan closing charges and expenses; and any other budgeted expenses that have been approved by Lender in writing; and Lender will, for the benefit of Borrower, pay those amounts over to the respective parties on whose behalf the demands will have been received by Lender. Borrower will pay directly any expenses in connection with the Loan not so paid by Lender, including, without limitation, any of the expenses specified above, and will hold Lender free from any cost, liability, or obligation of any nature in connection with it, including reasonable attorney fees incurred by Lender. Borrower further agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any Loan Party, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Loan rate, will form a part of the indebtedness and will be secured by the Security Documents.

11.18. **NO REPRESENTATIONS BY LENDER.** By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

11.19. **NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture or partnership between Lender and Borrower. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Lender and Borrower other than that of a lender and borrower.

11.20. **AMENDMENT.** The Loan Documents and the terms of each of them may not be modified, waived, discharged, or terminated except by a written instrument signed by the party against whom enforcement of the modification, waiver, discharge, or termination is asserted.

11.21. **TERMINATION.** Except as otherwise provided in the Loan Documents, all rights and obligations under this Loan Agreement will terminate except as to any accrued obligations effective on the payment of all Indebtedness owing by Borrower to Lender.

11.22. **COUNTERPARTS.** The Loan Documents may be executed in any number of counterparts and by different parties in separate counterparts, each of which when executed and delivered will be deemed an original and all of which counterparts taken together will constitute one and the same instrument.

11.23. **SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all

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applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

11.24. **CAPTIONS.** All Article and Section headings in the Loan Documents are inserted for convenience of reference only and do not constitute a part of the Loan Documents for any other purpose.

11.25. **INDEMNITY.** Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, the Project, or any portion of them. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note.

11.26. **FURTHER ASSURANCES.** At Lender's request and at Borrower's expense, Borrower will execute, acknowledge, and deliver all other instruments and perform all other acts necessary, desirable, or proper to carry out the purposes of the Loan Documents or to perfect and preserve any liens created by the Loan Documents.

11.27. **DISCLOSURE OF INFORMATION.** If Lender elects to sell the Loan, Lender may forward to the buyer of the Loan all documents and information related to the Loan in Lender's possession, including without limitation all Financial Statements, whether furnished by Borrower or otherwise.

11.28. **LENDER'S AGENTS.** Lender may designate agents or independent contractors to exercise any of Lender's rights under the Loan Documents. Any reference to Lender in any of the Loan Documents will include Lender's employees, agents, and independent contractors.

11.29. **INTEGRATION AND INTERPRETATION.** The Loan Documents contain or expressly incorporate by reference the entire agreement between Lender and Borrower with respect to the covered matters and supersede all prior negotiations. Any reference to the Property or Project in any of the Loan Documents will include all or any portion of them. Any reference to the Loan Documents themselves in any of the Loan Documents will include all amendments, renewals, or extensions approved by Lender.

11.30. **NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. Person means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT in Sacramento, California as of the Effective Date.

BORROWER :
DOMUS DEVELOPMENT, LLC, a California limited liability company

AGENCY:
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AGENCY

By: _____
Meea Kang, President

By: _____
LaShelle Dozier, Executive Director

Date: _____

Date: _____

March 31, 2009

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan Commitment
for La Valentina

Approved as to form:

Approved as to form:

Borrower Counsel

Agency Counsel

March 31, 2009

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Exhibit 3: Legal Description

Legal Description will be drafted by attached before loan documents are signed.

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Exhibit 2: Note Form

PROMISSORY NOTE
FOR *PROJECT NAME*****
*****FUNDING AGREEMENT NAME*****

BORROWER HAS MADE THIS PROMISSORY NOTE ("NOTE") AS OF THE EFFECTIVE DATE. The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked "None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

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

DEFINED TERM:	DEFINITION:	
"Effective Date"	***Effective Date***	
"Lender"	***Agency***	
"Borrower"	***Developer Name***	
"Borrower Legal Status"	***Developer Legal Form***	
"Loan Agreement"	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan ("Loan") evidenced by this Note.	
"Principal Amount"	***Loan Amount*** (\$***Loan Amount***)	
"Interest Rate"	The interest rate is ***Interest rate***% per year, simple interest.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"	***Special Loan Terms*** ***IF If Adjustment for Cost Savings***	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The first day of the ***Month of last payment*** calendar month following the Effective Date.	
"Payment Start Date"	***IF If lump sum repayment = FALSE*****IF If lump sum repayment***	
"Payment Amount(s)"	***IF If monthly payment schedule*****IF If lump sum repayment***	
	Payment Month	Payment Amount
	IF If monthly payment schedule	\$***Loan Payment Amount***
	Through	
	Through	

FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement"), the making of which is further consideration for this Note.

2. ***IF If monthly payment schedule: Borrower shall make payments monthly in the amounts shown in the Payment Schedule, on the first day of each month, beginning on the First Payment Date and continuing for the number of payments shown in the

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Payment Schedule. On the Maturity Date, the unpaid balance of said principal sum, if any, together with all unpaid interest, fees and charges due, if any, shall become due and payable. *** All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 630 "I" Street, Sacramento, CA 95814-2490, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.
4. ***IF If Trust Deed: This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.***
5. Lender and Borrower shall comply with and fulfill the Special Terms.
6. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:
 - a. Borrower defaults in the payment of any principal or interest when due.
 - b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
 - c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
Borrower defaults or breaches any of the terms of Loan Agreement ***IF If Trust Deed*****IF If Reg Agr*** or this Note.
Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property ***IF If Trust Deed***
 - d. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
 - e. The occurrence of any of the following:
 - 1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.
 - 2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.
 - 3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.
7. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.
8. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.
9. During the existence of default or delinquency under the terms of this Note***IF If Trust Deed***, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

March 31, 2009

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10. This Loan is a nonrecourse loan, and notwithstanding any provision of this Note or any document evidencing or securing this Loan, Borrower, and Borrower's principals, members, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

11. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note***IF If Trust Deed***, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

IN WITNESS WHEREOF, Borrower has executed this Note as of the Loan Date.

Borrower:

Developer Name

By:

Developer signatory

Developer signatory title

Authorized Representative

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Exhibit 3: Predevelopment Budget

La Valentina Station- North and South Blocks
Estimated Predevelopment Costs

Architecture and engineering costs associated with the design of the north site and modification of the design of the south site	\$150,000
City planning fees associated with the design the north site and modification of the design of the south site	\$ 40,000
Third party reports including, by not limited, to a soils study, noise study, Phase 1 and 2 environmental site assessment, market study, and appraisal	\$ 30,000
Total:	\$220,000

March 31, 2009

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Commitment for La Valentina

Exhibit C

March 24, 2009

Meea Kang
Domus Development, LLC
594 Howard Street, Suite 204
San Francisco, CA 94105

RE: Conditional Funding Commitment, La Valentina

Dear Ms. Kang,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (collectively "Agency"), we are pleased to advise you of its commitment of construction and permanent loan funds ("Loan") from the Alkali Flat Project Area Tax Increment Funds and Aggregated 20% Housing Set Aside Tax Increment Funds (collectively "TI"), and State Housing Trust Fund ("State HTF") for the purpose of financing the development of that certain real property located on the east side of 12th Street between the C Street Alley and E Street in Sacramento, California ("Property"). 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 is subject to approval by the Sacramento City Council.

This commitment will expire on June 1, 2010.

1. PROJECT DESCRIPTION: The project is the new construction of mixed-use, transit-oriented development. The property is located on two sites along the east side of 12th Street between the C Street Alley and E Street, at assessor's parcel numbers 002-0082-

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016, 002-0082-024, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038. The south site, located between D Street and E Street, will contain a community room and at least 5,000 square feet of commercial space on the ground floor and 63 units of affordable rental housing on the second, third, and fourth floors. The north site, located between the C Street Alley and D Street, will contain 18 units of townhome-style rental units. Between the two sites, at least sixty (60) units will be affordable to families earning less than 50 percent of the area median income and all of the remaining units, with the exception of the unrestricted manager's unit, will be affordable to families earning less than 60 percent of the area median income.

2. BORROWER: The name of the Borrower for the Loan is Domus Development, LLC, or a related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of 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: The combined principal amount of the Loan will be the lesser of (a) Three Million Dollars (\$3,000,000), 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 ninety percent of the appraised value.
5. TERM OF LOAN: The Loan shall mature 40 years from the date of the first disbursement.
6. INTEREST RATE: The Loan shall bear simple 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 shall amortize as permitted by monthly payments.
8. MONTHLY PAYMENT: Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 168 months. Beginning in month 169, monthly installments shall be made according to the following schedule:

Months 169-180	\$ 3,047 monthly
Months 181-192	\$ 2,922 monthly
Months 193-204	\$ 2,777 monthly
Months 205-216	\$ 2,609 monthly
Months 217-228	\$ 2,418 monthly
Months 229-240	\$ 2,202 monthly
Months 241-252	\$ 1,960 monthly
Months 253-264	\$ 1,691 monthly
Months 265-276	\$ 1,393 monthly

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Months 277-288	\$ 1,065 monthly
Months 289-300	\$ 705 monthly
Months 301-312	\$ 312 monthly
Months 313-479	residual receipts payments
Month 480	All outstanding principal and interest due and payable

9. ANNUAL PAYMENT: In addition to monthly payments, the Developer will pay the Agency annual payments equal to 50% of the net income from commercial rents.

10. 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: \$3,000,000 in TI and \$1,000,000 State HTF. 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.

_____ (Borrower Initial)

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. 327-332). (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.

_____ (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

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Improvements, which shall be a first lien upon the Property and Improvements subject only to 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 construction of the Property.

12. LAND DONATION: Agency shall donate to Borrower the eight parcels of land valued at approximately \$800,000 identified in Section 1 of this commitment letter. This land donation is conditioned upon Borrower's acceptance of Agency's requirements and conditions, including among others, execution of the Disposition and Development Agreement.
13. 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.
14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$17,000,000 in Low Income Housing Tax Credit Equity and no less than \$375,000 in deferred developer fee.
15. 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:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction 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.
 - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
 - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.
 - (d) 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.
16. 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

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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 reasonable 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.

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 judgment 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") 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.
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.
23. 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

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performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

24. 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.
25. 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, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, 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.
26. 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 June 1, 2010.
27. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than June 1, 2012.
28. 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).
29. 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: Bodily injury liability of \$1,000,000 each occurrence and \$5,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single

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limit and \$5,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$5,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and 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.

30. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 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 third 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.
31. 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.
32. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
33. 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.

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34. 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.
35. 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.
36. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include drive-by security guards if necessary.
37. SOCIAL SERVICES PLAN: Borrower shall provide Agency with a detailed social services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the number of hours per week that services will be provided; 3) a description of the programs to be offered, and; 4) a proforma social services budget.
38. 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.
39. 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.
40. 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.
41. 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.

March 31, 2009

Approval of the Exclusive Right to Negotiate, Predevelopment Loan, and Loan
Commitment for La Valentina

Yours truly,

LaShelle Dozier
Executive Director

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

LaShelle Dozier
Executive Director

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

Dated:

BORROWER:
Domus Development, LLC

By: _____
Meea Kang