



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

**6
Consent
January 12, 2010**

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

**Title: Approval of Tax Increment Loans for Norwood Avenue Apartments and
Norwood Estates**

Location/Council District: 3257 Norwood Avenue and 402 Carroll Avenue; 3351
Norwood Avenue; Council District 2

Recommendation: Adopt 1) a **Redevelopment Agency Resolution** a) approving a loan commitment of up to \$1,250,000 including up to \$412,680 of Alkali Flat Low/Moderate Tax-exempt Tax Increment Housing Set-aside funds and up to \$837,320 of North Sacramento Low/Moderate Tax-exempt Tax Increment Housing Set-aside funds for the acquisition, rehabilitation, and permanent financing of the Norwood Avenue Apartments; b) reallocating \$333,000 of North Sacramento Low/Moderate Tax-exempt Tax Increment Housing Set-aside funds to the Norwood Avenue Apartments project from the Norwood Estates project to replace City Home Investment Partnership Program (HOME) funds being de-funded; c) authorizing the Executive Director or her designee to execute the attached commitment letter; d) approving the consolidation and restructuring of existing Tax Increment and Community Development Block Grant (CDBG) loans in the combined amount of approximately \$950,000 and assumption of the debt by Norwood Housing Associates, L.P.; e) approving the transfer of the property to Norwood Housing Associates, L.P.; and f) approving the attached Owner Participation Agreement and authorizing the Executive Director to execute the agreement and related documents, including loan documents, with Norwood Housing Associates, L.P., or related entity for the Norwood Avenue Apartments project; 2) a **Redevelopment Agency Resolution** a) approving a loan commitment of up to \$1,750,000 including up to \$1,183,000 of Aggregate Low/Moderate Tax Increment Housing Set-aside funds, up to \$300,000 of Alkali Flat Low/Moderate Tax-exempt Tax Increment Housing Set-aside funds, up to \$172,442 of Del Paso Heights Low/Moderate Tax Increment funds, and up to \$94,558 of North Sacramento Low/Moderate Tax-exempt Tax Increment Housing Set-aside funds for the rehabilitation and permanent financing of Norwood Estates; b) approving an allocation of \$783,000 of Aggregate Low/Moderate Housing Set-aside funds to the Norwood Estates project replacing HOME funds to be de-funded; c) de-funding \$333,000 of North Sacramento Low/Moderate Tax-exempt Tax Increment Housing Set-aside funds from the Norwood

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Estates project for the purpose of reallocating to the Norwood Avenue Apartments project; d) authorizing the Executive Director or her designee to execute the attached commitment letter; and e) approving the attached Owner Participation Agreement and authorizing the Executive Director to execute the agreement and related documents, including loan documents, with Norwood Housing Associates, L.P., or related entity for the Norwood Estates project; 3) a **City Resolution** a) de-funding \$333,000 in City HOME funds from the Norwood Avenue Apartments project; b) approving the consolidation and restructuring of existing Tax Increment and CDBG loans in the combined amount of approximately \$950,000 and assumption of the debt by Norwood Housing Associates, L.P.; c) approving the transfer of the property to Norwood Housing Associates, L.P.; d) authorizing the Sacramento Housing and Redevelopment Agency (Agency) to execute the attached commitment letter; and e) authorizing the Agency to execute loan documents; and 4) a **City Resolution** a) de-funding \$450,000 in City HOME funds from the Norwood Estates project.

Contact: Christine Weichert, Assistant Director, Housing and Community Development, 440-1353; Jeree Glasser Hedrick, Program Manager, Housing and Community Development, 440-1302

Presenters: None

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The City Council and Redevelopment Agency previously approved an allocation of up to \$3 million of Tax Increment (TI) and HOME funds for the acquisition, rehabilitation, and permanent financing of the Norwood Avenue Apartments and Norwood Estates. This report recommends approval of Agency loans for the projects, including a partial reallocation of funding sources, and the restructuring of existing Agency loans on the Norwood Avenue Apartments project.

Norwood Avenue Apartments: This report recommends approval of a loan of up to \$1,250,000 in TI funds to accomplish the immediate acquisition and rehabilitation of Norwood Avenue Apartments. The funds are Alkali Flat and North Sacramento tax-exempt bond funds, which by law cannot be repaid so these funds will be disbursed as a loan that will be forgivable after satisfactory completion of the project.

Additionally, this report recommends consolidation and restructuring of three existing Agency loans on the project to ensure the continued viability of the development. The TI and Community Development Block Grant (CDBG) loans originated in 1991 and 1992 now have a combined principal and accrued interest balance of approximately \$950,000 which cannot ever be repaid from project cash flow because of severe restrictions on the rents. Staff recommends these

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loans are restructured to have a single deferred payment with the entire outstanding balance due at maturity with no further accrual of interest.

Norwood Estates: This report also recommends approval of a loan of up to \$1,750,000 in TI funds for the rehabilitation of Norwood Estates. Of the loan amount, \$1,355,442 will be a deferred-payment loan to be repaid with interest at maturity. The remaining funds are Alkali Flat and North Sacramento tax-exempt TI bond funds, which will be disbursed as a loan that will be forgivable after satisfactory completion of the project. The use of TI funds requires an executed Owner Participation Agreement (OPA) on each property.

Further background on the project developer and the properties are included in Attachment 1. Vicinity and location maps and site plans are included as Attachments 2 and 3 respectively. Project summaries, including proposed sources and uses of funds, are included as Attachments 4 and 4a. Cash flow projections are presented as Attachments 5 and 5a. A schedule of maximum rents and incomes for the projects is included as Attachment 6.

Policy Considerations: The recommended actions are consistent with approved Agency multifamily lending policies with the exception that staff recommends a waiver of developer equity and loan to value requirements because the projects' restricted rents do not support sufficient property valuations. Additionally, staff recommends the Agency's annual administration fee on Norwood Avenue Apartments will be paid from residual receipts due to the requirements of the California Department of Housing and Community Development (HCD). The project qualifies as a recapitalization project which has a high priority for Agency funding under the Agency's adopted multifamily lending guidelines. The expenditure of TI funding on these family projects will help the Agency meet its obligation to expend funding on family projects under redevelopment law. Regulatory restrictions on the property will be specified in loan regulatory agreements with the Agency. As affordable housing projects, Norwood Avenue Apartments and Norwood Estates are exempt from the Art in Public Places requirement.

Environmental Considerations: The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged. The project is Categorical Excluded from environmental review under National Environmental Policy Act regulations at 24 CFR Section 58.35 (a) subsection (3)(ii).

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Sustainability Considerations: The Project has been reviewed for consistency with the focus areas, goals, policies, and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following focus areas: the project supports Focus Area number one – Energy Independence, by replacing resource inefficient infrastructure, and Focus Area number six – Urban Design, Land Use, Green Building and Transportation, by reducing dependence on private automobiles due to the fact that the properties are located in close proximity to Regional Transit bus stops.

Committee/Commission Action: *Sacramento Housing and Redevelopment Commission:* At its meeting on September 2, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation of lending for this project. The votes were as follows:

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

NOES: None

ABSENT: None

Rationale for Recommendation: The actions recommended in this report further the Agency goal of eliminating blight and promoting and preserving affordable housing in the City and enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City and County of Sacramento.

Financial Considerations: Staff recommends approval of loans in the total amount of \$3 million in Low/Moderate Tax Increment Housing Set-Aside funds to accomplish the immediate acquisition and renovation of Norwood Avenue Apartments and the renovation of Norwood Estates. Due to restrictions on the repayment of tax-exempt TI bond funds, these funds will be disbursed as loans that will be forgivable upon satisfactory completion of the projects. The remaining TI funds on Norwood Estates will be repaid as a deferred payment loan with all outstanding principal and interest due at maturity. Additionally, this report recommends consolidation and restructuring of existing Agency loans with a combined balance of approximately \$950,000 to ensure the continued viability of the development.

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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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Norwood Avenue Apartments and Norwood Estates Projects Background Information

Description of Development: Norwood Avenue Apartments is a 28 unit project originally constructed in 1971 and renovated in 1993 by Norwood Avenue Housing Corporation (NAHC). The current project was financed with 9 percent Low Income Housing Tax Credits (LIHTC's), Family Housing Demonstration Project (FHDP) funds from the California Department of Housing and Community Development (HCD), and Tax Increment (TI) and Community Development Block Grant (CDBG) loans from the Agency in 1991 and 1992 totaling \$1,276,000. Another loan for construction in 1992 in the amount of \$500,000 was paid off. The project consists of eight one-bedroom, 11 two-bedroom, and nine three-bedroom units in seven two-story buildings. Amenities include a Head Start daycare facility, a community room, three laundry rooms, and gated entry.

Norwood Estates is a 44 unit project built in 1991 by Sacramento Mutual Housing Association (SMHA) also using 9 percent LIHTC's and TI loans from the Agency totaling \$423,181. The project consists of 22 two-bedroom and 22 three-bedroom units in six buildings. Amenities include a clubhouse/business center, a tot-lot, a laundry room, and gated entry.

The two projects were constructed similarly with wood frame buildings on concrete foundations with stucco siding. The roofs are pitched with composition shingles. Together the projects include 32 very low-income units affordable to families at or below 50 percent of Area Median Income (AMI), 39 low-income units affordable to families at or below 60 percent of AMI, and one manager's unit.

NAHC and SMHA propose combining management of the properties in order to allow for cost efficiencies that can be achieved through the unified operation of the projects as one development. SMHA also owns the 15-unit Norwood Annex Apartments located between the two subject properties. The use of a single property management firm for all three developments and the ability to combine contracts for services will result in lower operating costs per unit throughout. Resident services will be provided to the residents of all the projects allowing for reduced cost and greater flexibility in the range of services provided. Additionally, construction costs associated with the rehabilitation of the Norwood Avenue Apartments and Norwood Estates will be lower per unit than if the two projects are completed separately.

The proposed project will include a complete rehabilitation of the Norwood Avenue Apartments and Norwood Estates including interior and exterior repairs to the buildings and site improvements. Interior rehabilitation will include repair and replacement of appliances, kitchen cabinets, bathroom fixtures, water heaters, carpets and vinyl flooring, as needed. Exterior work will include replacement or repair of the stucco, roofing, and gutters along with repainting. Site work will include landscaping, improvements to the children's playground, asphalt repairs, installation of additional site

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lighting and new security cameras. The proposed rehabilitation conforms to the Agency's guidelines and will bring the properties up to current market standards.

Developer: SMHA is an experienced owner and manager of affordable rental housing projects. SMHA owns and operates approximately 650 affordable homes in 11 mutual housing communities, and houses more than 2,150 low income residents. Incorporated in 1988, SMHA was formed as a partnership of neighborhood residents, business representatives, housing advocates, and local government dedicated to improving housing opportunities for lower income families. Mutual housing is designed to offer a permanent solution to the housing needs of low-income residents with residents taking a key role in the management and maintenance of their homes and developing a vested interest in the success of their community. SMHA is the owner of a number of projects in the Sacramento area, including Mutual Housing at Lemon Hill, Victory Townhomes and Evergreen Estates, River Garden Estates, Greenway Village, and Los Robles.

Resident Services: Services will be provided to the residents by SMHA. The service provider will be required to provide at least 17 hours of services per week. Programs will be tailored to the needs of the residents. Examples of services include after-school programs, computer training, English as a Second Language classes and coordinating social activities for the residents.

Property Management: The project will be managed by Jon Berkley Management, Incorporated which is experienced in operating affordable apartment communities. Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, to ensure the company meets the Agency's requirements for property management.

Project Financing-Norwood Avenue Apartments: Financing for the acquisition and rehabilitation of Norwood Avenue Apartments will include a new senior loan from Community Housing Capital, Inc., in the amount of \$364,000, assumption of the HCD loan with accrued interest in the total amount of approximately \$2,226,000, and Agency loans. This report recommends approval of a new Agency loan of up to \$1,250,000, in TI funds. The loan will be composed of Alkali Flat (\$412,680) and North Sacramento (\$837,320) Low/Moderate tax-exempt bond funds which by law cannot be repaid to the Agency so these funds will be disbursed as a loan that will be forgivable after satisfactory completion of the project.

Additionally, this report recommends consolidation and restructuring of three existing Agency loans on the project to ensure the continued financial viability of the development. The TI and CDBG loans originated in 1991 and 1992 now have a combined principal and accrued interest balance of approximately \$950,000 which can never be repaid from project cash flow because of the restricted rents on the project. Staff recommends these loans be consolidated and restructured to have a single deferred payment with the entire outstanding balance due at maturity with no further accrual of interest, and the maturity date extended out to match that of the HCD loan.

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Project Financing-Norwood Estates: The existing financing on Norwood Estates is a senior loan from Community Housing Capital, Inc., in the amount of \$1,259,599 and Agency loans with a total principal and accrued interest balance of approximately \$625,000. This report recommends approval of a new Agency loan of up to \$1,750,000 in TI funds for the rehabilitation of the development. The tax-exempt bond funds will be disbursed as a loan that will be forgivable after satisfactory completion of the project. The remaining TI funds will be disbursed as a deferred payment loan with the outstanding principal and accrued interest due at maturity. The use of TI funds requires an executed Owner Participation Agreement (OPA) on each property.

Low-Income Set-Aside Requirements: As a condition of the previous tax credit financing, federal law required the apartments be set-aside for targeted income groups. Further restrictions on incomes and rents are imposed as a result of the existing FHDP loan from HCD, and the loans from the Redevelopment Agency. Income restrictions will remain unchanged as a result of the current transactions, but the Agency regulatory restrictions, which expired in June 2009 on Norwood Avenue Apartments and will expire on Norwood Estates in 2023, will be renewed for 55 years. As a result of its regulatory agreement on Norwood Avenue Apartments, HCD reviews and approves the rent structure on that project annually.

The following chart summarizes the combined proposed affordability restrictions:

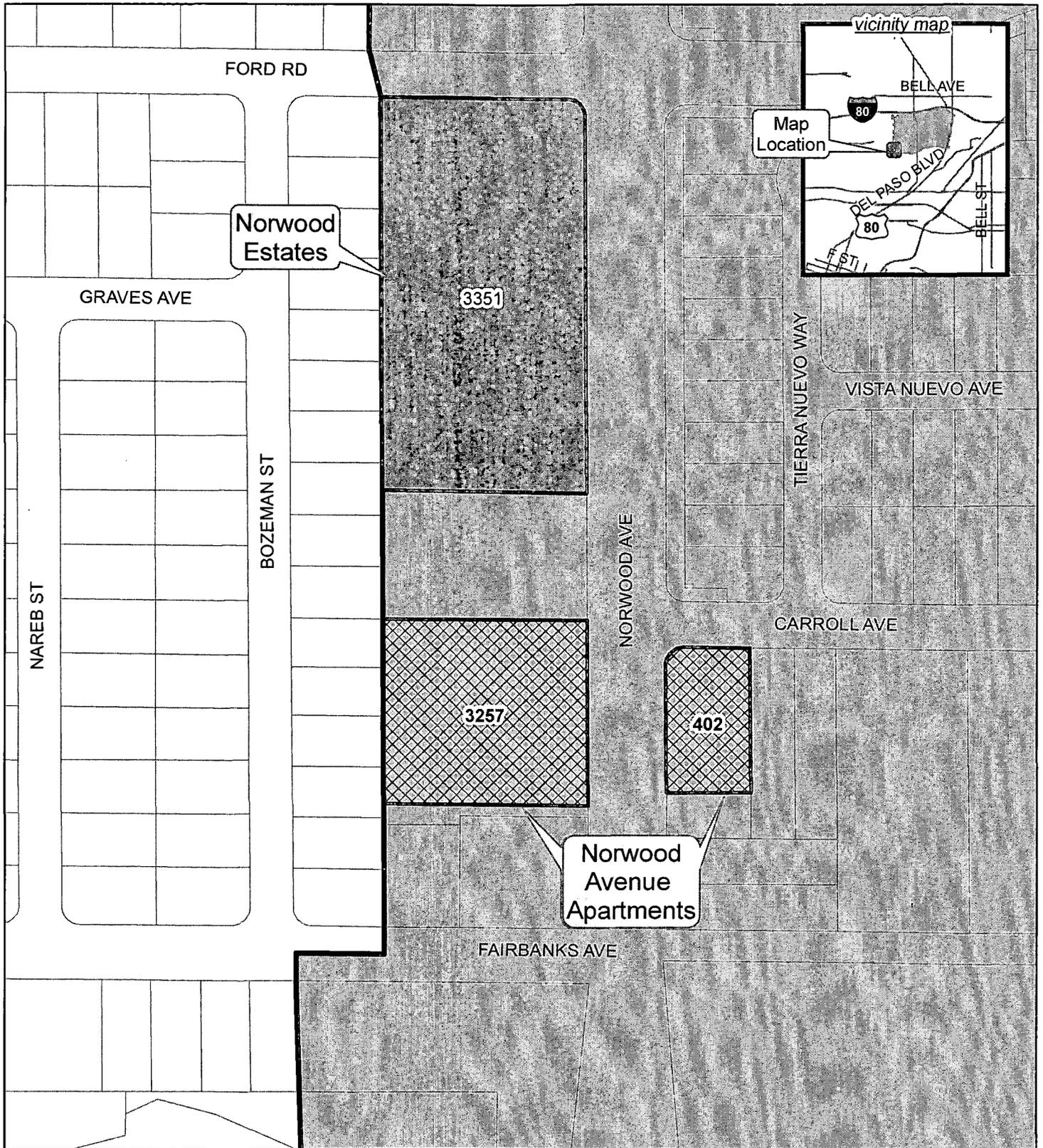
Funding	% of Units	Affordability Restrictions	No. Units	Regulatory Requirements
Tax Credits (LIHTC) Agency TI Loans HCD Loan	44%	Very Low Income (50% AMI)	32	55 years
	54%	Low Income (60% AMI)	39	55 years
Manager's Unit	2%	Unrestricted	1	
Total	100%		72	

Maximum rent and income limits for the LIHTC program, tax increment funds, and HCD can be found in Attachment 6. The project's affordability restrictions will be specified in regulatory agreements with the Developer.

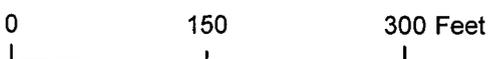
Relocation: State law requires the creation and adoption of a relocation plan, which outlines relocation procedures and tenant's rights whenever redevelopment projects result in the permanent displacement of residents. Residents of Norwood Avenue Apartments and Norwood Estates will be relocated temporarily to other units in their project, with reimbursement for expenses, while their own units are being rehabilitated, but adoption of a relocation plan is not required for the Norwood Avenue Apartments or Norwood Estates because no tenants are anticipated to be permanently displaced as a result of the current project.



Norwood Avenue Apartments & Norwood Estates



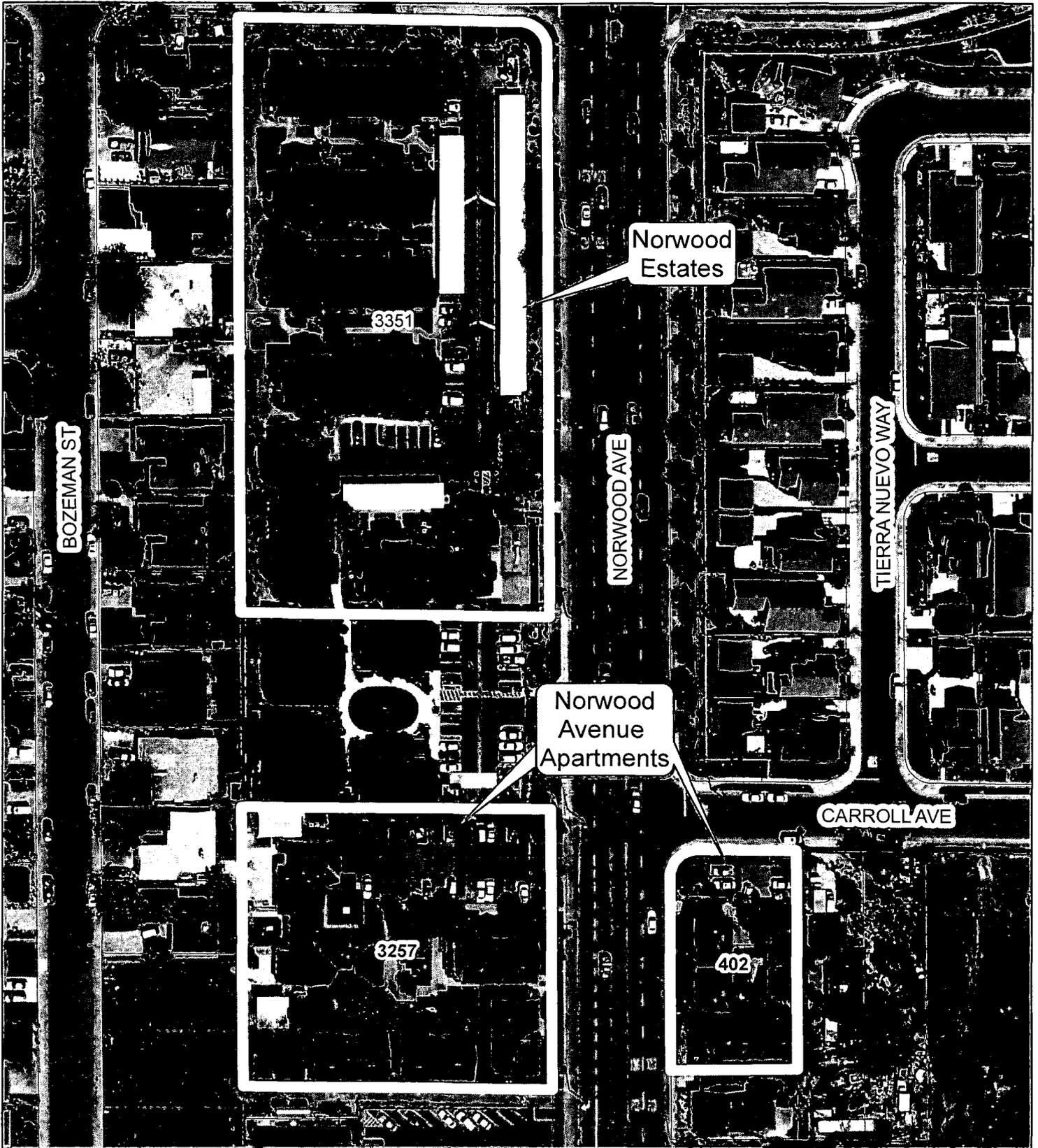
- Norwood Ave Apts Parcel
- Del Paso Heights Redevelopment Area
- Norwood Estates Parcel



SHRA GIS
December 15, 2009



Site Plan



0 100 200 Feet



SHRA GIS
December 15, 2009

Norwood Avenue Apartments
Project Summary

Address	3257 Norwood Avenue and 402 Carroll Avenue		
Number of Units	28		
Year Built	1971(Renovated 1993)		
Acreage	1.38 acres		
Affordability	20 units (71%) at or below 50% of Area Median Income (AMI) 8 units (29%) at or below 60% of AMI		
Unit Mix and Rents	<u>50% AMI</u>	<u>60% AMI</u>	<u>Total</u>
1 Bedroom / 1 Bath	8		8
2 Bedroom / 1 Bath	7	4	11
3 Bedroom / 1 Bath	5	4	9
* Rents on all units regulated by HCD under FHDP regulations			
Square Footage	<u>Per Unit</u>	<u>Total</u>	
1 Bedroom / 1 Bath	548	4,384 s.f.	
2 Bedroom / 1 Bath	644	7,084 s.f.	
3 Bedroom / 1 Bath	660	5,940 s.f.	
Leasing Office / Daycare		5,500 s.f.	
Laundry Rooms / Storage Rooms		480 s.f.	
Total		23,388 s.f.	
Resident Facilities	Community room with kitchen Head Start daycare facility		
Permanent Sources	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>
Senior Loan (New)	\$ 360,000	\$ 12,857	\$ 15.39
Agency Loan (New)	\$ 1,250,000	\$ 44,643	\$ 53.45
Project Reserves (Existing)	\$ 230,000	\$ 8,214	\$ 9.83
TOTAL SOURCES	\$ 1,840,000	\$ 65,714	\$ 78.67
Permanent Uses			
Acquisition Costs	\$ -	\$ -	\$ -
Refinance Debt	\$ 255,000	\$ 9,107	\$ 10.90
Construction Costs	\$ 956,000	\$ 34,143	\$ 40.88
Architecture and Engineering	\$ 23,000	\$ 821	\$ 0.98
Contingency	\$ 100,000	\$ 3,571	\$ 4.28
Financing Costs	\$ 69,000	\$ 2,464	\$ 2.95
Reserves	\$ 201,000	\$ 7,179	\$ 8.59
Legal Fees	\$ 15,000	\$ 536	\$ 0.64
Temporary Relocation	\$ 18,000	\$ 643	\$ 0.77
Developer Fee	\$ 185,000	\$ 6,607	\$ 7.91
Third Party Expenses	\$ 18,000	\$ 643	\$ 0.77
TOTAL USES	\$ 1,840,000	\$ 65,714	\$ 78.67
HCD-FHDP Debt Assumed	\$ 2,226,000		
Agency Debt Assumed	\$ 946,000		
Management / Operations	Sacramento Mutual Housing Association		
Proposed Developer:	Jon Berkley Management		
Property Management Company:			
Operations Budget:	\$124,882	\$4,460	
Replacement Reserves:	\$8,400	\$300	

**Norwood Estates
Project Summary**

Address	3335 Norwood Avenue		
Number of Units	44		
Year Built	1991		
Acreage	2.23 acres		
Affordability	12 units (27%) at or below 50% of Area Median Income (AMI) 31 units (70%) at or below 60% of AMI One Manager Unit		
Unit Mix and Rents	<u>50% AMI</u>	<u>60% AMI</u>	<u>Total</u>
2 Bedroom / 1 Bath	9	13	22
3 Bedroom / 2 Bath	3	18	21
Manager Unit			1
Square Footage	<u>Per Unit</u>	<u>Total</u>	
2 Bedroom / 1 Bath	845	18,590 s.f.	
3 Bedroom / 2 Bath	1,047	23,034 s.f.	
Leasing Office / Community Room		3,942 s.f.	
Total		45,566 s.f.	
Resident Facilities	Clubhouse/Business center Tot-lot		
Permanent Sources	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>
Community Housing Capital Debt (Existing)	\$ 150,000	\$ 3,409	\$ 3.29
Agency Loan (New)	\$ 1,750,000	\$ 39,773	\$ 38.41
Project Reserves (Existing)	\$ 338,000	\$ 7,682	\$ 7.42
TOTAL SOURCES	\$ 2,238,000	\$ 50,864	\$ 49.12
Permanent Uses			
Acquisition Costs	\$ -	\$ -	\$ -
Construction Costs	\$ 1,272,000	\$ 28,909	\$ 27.92
Architecture and Engineering	\$ 37,000	\$ 841	\$ 0.81
Contingency	\$ 135,000	\$ 3,068	\$ 2.96
Financing Costs	\$ 97,000	\$ 2,205	\$ 2.13
Reserves	\$ 312,000	\$ 7,091	\$ 6.85
Legal Fees	\$ 11,000	\$ 250	\$ 0.24
Temporary Relocation	\$ 32,000	\$ 727	\$ 0.70
Developer Fee	\$ 290,000	\$ 6,591	\$ 6.36
Third Party Reports	\$ 52,000	\$ 1,182	\$ 1.14
TOTAL USES	\$ 2,238,000	\$ 50,864	\$ 49.12
Community Housing Capital Debt (Existing)	\$ 1,106,000		
Agency Debt (Existing)	\$ 627,000		
Management / Operations	Proposed Developer: Sacramento Mutual Housing Association		
Property Management Company:	Jon Berkley Management		
Operations Budget:	\$203,175	\$4,618	
Replacement Reserves:	\$13,200	\$300	

**Norwood Avenue Apartments
Project Cash Flow Proforma**

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Unit Type	Number	Square Feet	Total Sq Feet	Max. Gross Rent	Utility Allowance	Max. Net Rent	Avg. Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
1 BD / 1 BA @ 50% AMI	8	500	4,000	\$ 546	\$ 55	\$ 491	\$ 436	\$ 0.87	\$ 3,488	\$ 41,853
2 BD / 1 BA @ 50% AMI	7	620	4,340	\$ 655	\$ 67	\$ 588	\$ 503	\$ 0.81	\$ 3,519	\$ 42,229
2 BD / 1 BA @ 60% AMI	4	620	2,480	\$ 737	\$ 67	\$ 670	\$ 561	\$ 0.90	\$ 2,242	\$ 26,906
3 BD / 1 BA @ 50% AMI	5	750	3,750	\$ 757	\$ 78	\$ 679	\$ 517	\$ 0.69	\$ 2,587	\$ 31,039
3 BD / 1 BA @ 60% AMI	4	750	3,000	\$ 852	\$ 78	\$ 774	\$ 648	\$ 0.86	\$ 2,594	\$ 31,124
Total / Average for Restricted Units	28	628	17,570					\$ 0.82	\$ 14,429	\$ 173,151

<u>Residential Income</u>	Rate	Annual Increase	Per unit	2010 Year 1	2011 Year 2	2012 Year 3	2013 Year 4	2014 Year 5	2019 Year 10	2024 Year 15	2029 Year 20	2034 Year 25	2039 Year 30
Potential Gross Income		2.50%		173,151	184,848	197,458	205,846	214,531	262,738	315,381	356,825	403,715	456,766
Other Income		2.50%		2,066	2,118	2,171	2,225	2,280	2,580	2,919	3,303	3,737	4,228
Less Vacancy	5.00%	20.00%	Year 1	(35,043)	(9,348)	(9,981)	(10,404)	(10,841)	(13,266)	(15,915)	(18,006)	(20,373)	23,050
Effective Gross Income				\$140,173	\$177,617	\$189,647	\$197,668	\$205,971	\$252,052	\$302,386	\$342,121	\$387,079	\$437,944

<u>Commercial Income</u>	Rate	Annual Increase	Per unit	2010 Year 1	2011 Year 2	2012 Year 3	2013 Year 4	2014 Year 5	2019 Year 10	2024 Year 15	2029 Year 20	2034 Year 25	2039 Year 30
Potential Gross Income (Head Start)		1.00%		44,944	45,393	45,847	46,306	46,769	49,155	51,662	54,297	57,067	59,978
Less Vacancy	10.00%			(4,494)	(4,539)	(4,585)	(4,631)	(4,677)	(4,915)	(5,166)	(5,430)	(5,707)	5,998
Effective Gross Income				\$40,450	\$40,854	\$41,263	\$41,675	\$42,092	\$44,239	\$46,496	\$48,868	\$51,360	\$53,980
Total Effective Gross Income				\$180,623	\$218,471	\$230,910	\$239,343	\$248,063	\$296,292	\$348,881	\$390,989	\$438,439	\$491,925

<u>Operating Expenses</u>	Rate	Annual Increase	Per unit	2010 Year 1	2011 Year 2	2012 Year 3	2013 Year 4	2014 Year 5	2019 Year 10	2024 Year 15	2029 Year 20	2034 Year 25	2039 Year 30
Operating Expenses		3.50%	4,642	129,963	134,512	139,220	144,092	149,136	177,126	210,370	249,854	296,748	352,444
Property Management Fee		2.50%	480	13,440	13,776	14,120	14,473	14,835	16,785	18,990	21,486	24,309	27,504
Resident Services		3.50%	517	14,481	14,988	15,512	16,055	16,617	19,736	23,440	27,840	33,065	39,271
Assessments		2.00%	108	3,036	3,097	3,159	3,222	3,286	3,628	4,006	4,423	4,883	5,391
Replacement Reserves			300	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Total Expenses			6,047	\$169,320	\$174,772	\$180,411	\$186,243	\$192,274	\$225,675	\$265,207	\$312,003	\$367,406	\$433,010

Net Operating Income				\$11,303	\$43,699	\$50,499	\$53,100	\$55,788	\$70,616	\$83,674	\$78,986	\$71,034	\$58,915
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Deposit from Operating Reserve \$19,239

<u>Debt Service</u>	Amount	Rate	Term	2010 Year 1	2011 Year 2	2012 Year 3	2013 Year 4	2014 Year 5	2019 Year 10	2024 Year 15	2029 Year 20	2034 Year 25	2039 Year 30
Senior Loan	\$364,000	7.50%	30	30,542	30,542	30,542	30,542	30,542	30,542	30,542	30,542	30,542	30,542
Debt Service Subtotal				\$30,542	\$30,542	\$30,542	\$30,542	\$30,542	\$30,542	\$30,542	\$30,542	\$30,542	\$30,542
DSCR on Senior Loan				1.43	1.65	1.74	1.83	2.31	2.74	2.59	2.33	1.93	

Net Cash Flow After Debt Service \$0 \$13,157 \$19,957 \$22,558 \$25,247 \$40,074 \$53,133 \$48,445 \$40,492 \$28,373

Replacement Reserves (Additional) Up to \$8,400 0 8,400 8,400 8,400 8,400 8,400 8,400 8,400 8,400 8,400 8,400 8,400
 Remaining Cash Flow 0 4,757 11,557 14,158 16,847 31,674 44,733 40,045 32,092 19,973

Split 50/50 (SMHA and Lenders) 0 2,379 5,779 7,079 8,423 15,837 22,366 20,022 16,046 9,987

SMHA Distribution (Primary) Up to \$41,255 0 2,379 5,779 7,079 8,423 15,837 22,366 20,022 16,046 9,987
 SHRA Administrative Fee Up to \$1,875 0 1,237 1,875 1,875 1,875 1,875 1,875 1,875 1,875 1,875
 HCD Required Payment Up to \$6,393 0 1,142 3,904 5,204 6,393 6,393 6,393 6,393 6,393 6,393
 SMHA Distribution (Secondary) Up to \$41,255 total 0 0 0 0 156 7,569 14,098 11,755 7,778 1,719
 HCD Residual Receipts Payments 0 0 0 0 0 0 0 0 0 0 0 0 0

Total Sponsor Distribution \$0 \$2,379 \$5,779 \$7,079 \$8,579 \$23,407 \$36,465 \$31,777 \$23,824 \$11,705

SHRA Consolidation Loan Payments \$950,000 0.00% \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
 Deferred payment
 Outstanding balance due 9/30/2043

SHRA New Loan Payments \$1,250,000 0.00% \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
 Forgivable Loan
 Outstanding balance due 9/30/2043

Norwood Estates
Project Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	Max. Gross Rent	Utility Allowance	Max. Net Rent	Avg. Net Rent	Rent per Sq Foot	Total Mo. Rent
2 BD / 1 BA @ 50% AMI	9	845	7,605	\$ 819	\$ 67	\$ 752	\$ 682	\$ 0.81	\$ 6,138
2 BD / 1 BA @ 60% AMI	13	845	10,985	\$ 983	\$ 67	\$ 916	\$ 697	\$ 0.82	\$ 9,061
3 BR / 2 BA @ 50% AMI	3	1,047	3,141	\$ 910	\$ 78	\$ 832	\$ 763	\$ 0.73	\$ 2,289
3 BR / 2 BA @ 60% AMI	18	1,047	18,846	\$ 1,092	\$ 78	\$ 1,014	\$ 793	\$ 0.76	\$ 14,274
Manager's Unit	1	1,047	1,047	\$ 1,092	\$ 78	\$ 1,014	\$ 799	\$ 0.76	\$ 799
Totals	44		41,624						\$ 32,561

	Rate	Annual Increase	Per unit	2010 Year 1	2011 Year 2	2012 Year 3	2013 Year 4	2014 Year 5	2015 Year 6	2019 Year 10	2024 Year 15	2029 Year 20	2034 Year 25	2039 Year 30
<u>Income</u>														
Potential Gross Income		2.50%		400,500	410,513	420,776	431,295	442,077	453,129	500,170	565,896	640,260	724,395	819,587
Other Income		2.50%		3,247	3,328	3,412	3,497	3,584	3,674	4,055	4,588	5,191	5,873	6,645
Less Vacancy	5.00%	20.00%	Year 1	80,750	20,692	21,209	21,740	22,283	22,840	25,211	28,524	32,273	36,513	41,312
Effective Gross Income				\$322,998	\$393,149	\$402,978	\$413,052	\$423,379	\$433,963	\$479,014	\$541,960	\$613,178	\$693,755	\$784,920
<u>Operating Expenses</u>														
Operating Expenses		3.50%	\$4,618	203,175	210,286	217,646	225,263	233,148	241,308	276,906	328,878	390,604	463,914	550,985
Property Management Fee		2.50%	492	21,648	22,189	22,744	23,313	23,895	24,493	27,035	30,588	34,608	39,155	44,301
Resident Services		3.50%	522	22,982	23,787	24,619	25,481	26,373	27,296	31,322	37,201	44,183	52,476	62,325
Assessments		2.00%	160	7,038	7,179	7,322	7,469	7,618	7,771	8,411	9,286	10,253	11,320	12,498
Replacement Reserves			300	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200
Total Expenses			\$6,092	\$268,043	\$276,640	\$285,531	\$294,725	\$304,234	\$314,067	\$356,875	\$419,153	\$492,847	\$580,066	\$683,309
Net Operating Income				\$54,955	\$116,509	\$117,447	\$118,327	\$119,145	\$119,896	\$122,139	\$122,807	\$120,331	\$113,689	\$101,612
<u>Debt Service</u>	Amount	Rate	Amort											
Senior Loan	\$1,259,599	7.00%	30	99,714	99,714	99,714	99,714	99,714	99,714	99,714	99,714	99,714	99,714	99,714
Monitoring Fee	\$1,750,000	0.15%		2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625
Debt Service Subtotal				\$102,339	\$102,339	\$102,339	\$102,339	\$102,339	\$102,339	\$102,339	\$102,339	\$102,339	\$102,339	\$102,339
DCR on Senior Loan					1.14	1.15	1.16	1.16	1.17	1.19	1.20	1.18	1.11	0.99
Cash Flow After Debt Service				\$0	\$14,170	\$15,108	\$15,988	\$16,806	\$17,557	\$19,800	\$20,468	\$17,992	\$11,350	\$0
SMHA Allowed Distribution	Up to	\$20,376		\$0	\$14,170	\$15,108	\$15,988	\$16,806	\$17,557	\$19,800	\$20,376	\$17,992	\$11,350	\$0
SHRA Existing Loan Payments	\$423,181	3.00%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$92	\$0	\$0	\$0
<u>Residual Receipts</u>														
Outstanding balance due 8/1/2033														
SHRA New Loan Payments	\$1,750,000			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Forgivable Portion \$394,558		0.00%												
Deferred Portion \$1,355,442		4.00%												
Outstanding balance due 1/2040														

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MAXIMUM RENT AND INCOME LEVELS 2009

Maximum Income Limits		
Family Size	Max Income <i>50% AMI</i>	Max Income <i>60% AMI</i>
2 person	\$29,100	\$34,920
3 person	\$32,750	\$39,300
4 person	\$36,400	\$43,680

Maximum Rent Limits		
Housing and Community Development (HCD)		
Unit Size	Gross Rent <i>40% AMI</i>	Gross Rent <i>45% AMI</i>
1 Bedroom	\$546	\$614
2 Bedroom	\$655	\$737
3 Bedroom	\$757	\$852
Tax Increment*		
Unit Size	Gross Rent <i>50% AMI</i>	Gross Rent <i>60% AMI</i>
1 Bedroom	\$728	\$873
2 Bedroom	\$819	\$983
3 Bedroom	\$910	\$1,092
Low-Income Housing Tax Credit Program*		
Unit Size	Gross Rent <i>50% AMI</i>	Gross Rent <i>60% AMI</i>
1 Bedroom	\$682	\$819
2 Bedroom	\$818	\$982
3 Bedroom	\$946	\$1,135

* Tax Increment rents and Low-Income Housing Tax Credit rents differ because the rents are based on different occupancy standards.

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RESOLUTION NO. 2010 –

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

NORWOOD AVENUE APARTMENTS: APPROVAL OF \$1,250,000 LOAN COMMITMENT (REDEVELOPMENT PROJECT AREA FUNDS); REALLOCATION OF \$333,000 OF REDEVELOPMENT PROJECT AREA FUNDS; CONSOLIDATION AND RESTRUCTURING OF OUTSTANDING LOANS AND ASSUMPTION OF OBLIGATIONS BY NORWOOD HOUSING ASSOCIATES, L.P., OR RELATED ENTITY; TRANSFER OF PROPERTY TO NORWOOD HOUSING ASSOCIATES, L.P. OR RELATED ENTITY; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS; EXECUTION OF OWNER PARTICIPATION AGREEMENT AND RELATED DOCUMENTS WITH NORWOOD HOUSING ASSOCIATES, L.P., OR RELATED ENTITY

BACKGROUND

- A. Norwood Housing Associates, L.P., has applied for an Agency Loan in the amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) of Tax Increment (TI) funds, comprised of Four Hundred Twelve Thousand Six Hundred Eighty Dollars (\$412,680) of Alkali Flat Low/Moderate TI Set-aside tax-exempt bond funds and Eight Hundred Thirty-seven Thousand Three Hundred Twenty Dollars (\$837,320) of North Sacramento Low/Moderate TI Set-aside tax-exempt bond funds, to assist in the acquisition and rehabilitation of the 28-unit Norwood Avenue Apartments ("Project");
- B. The Agency desires to utilize Alkali Flat and North Sacramento Redevelopment Project Area funds for the development of the Project;
- C. The Agency finds that the Project, which is located in the Del Paso Heights Project Area and within the City's jurisdiction, will eliminate blight, promote affordable housing, and preserve the community's supply of low income housing available at an affordable housing cost to persons that are very low and low income households which will be of benefit to Project Areas;
- D. The Agency finds that the TI set-aside funds used to fund the Project are needed to make the housing units affordable, and it is not economically feasible to provide the artwork. Therefore, the project is not required to provide Art in Public Places;
- E. The Project currently has three Agency loans outstanding: (1) a TI and Community Development Block Grant (CDBG) loan of \$215,000 plus accrued interest; (2) a CDBG loan of \$190,100 with no accrued interest; and (3) accrued

interest of \$38,740 on a TI loan of which the original principal balance of \$596,000 has been paid off;

- F. The original Agency signatory for the three outstanding Agency loans was the Redevelopment Agency of the City of Sacramento. In order to maintain consistency with the previous transaction, the Redevelopment Agency of the City of Sacramento will also be the Agency signatory for this transaction
- G. The Agency has determined that the project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.

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

- Section 1. The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.
- Section 2. It is found and determined that the use of Project Area funds to develop the Project will improve and preserve affordable housing for very low and low income individuals in the Project Area.
- Section 3. It is found and determined that the TI housing set-aside funds that will be used for the project are needed to make the units affordable and it is not economically feasible to provide for artwork. The Project, therefore, is exempt from providing Art in Public Places.
- Section 4. The Loan Commitment, attached to and incorporated in this resolution by this reference (Exhibit A), for financing the Norwood Avenue Apartments project with Low/Mod TI Funds not to exceed \$1,250,000 is approved and the Executive Director, or her designee, is authorized to execute and transmit the Loan Commitment to Norwood Housing Associates, L.P., or related entity. The Loan is to be forgivable after satisfactory completion of the project. The Loan may be subordinated if such subordination is required to obtain primary financing.
- Section 5. The consolidation and restructuring of outstanding Agency loans in the amounts of \$215,000 principal, plus accrued interest; \$190,100 principal; and \$38,740 interest, into a deferred payment loan at 0% interest with an extended maturity date and the assumption of the obligation by Norwood Housing Associates, L.P., in order to ensure the continued viability of the development is approved. The loan may be subordinated if such subordination is required to obtain primary financing.

- Section 6. The Owner Participation Agreement (“OPA”) attached to and incorporated in this resolution by this reference (Exhibit B), is approved. The Executive Director, or her designee, is authorized to execute the OPA substantially in the form attached to this resolution and execute other documents and perform other actions necessary in relation to and consistent with the OPA. Termination of past agreements and related documents, including reconveyance of associated deeds of trust, is approved.
- Section 7. Reallocation of \$333,000 of North Sacramento Low/Moderate TI Housing Set-aside Tax-exempt bond funds to the Project from the Norwood Estates Project to replace City Home Investment Partnership Program (HOME) funds that are being defunded is approved and the Executive Director is authorized to amend the Agency budget.
- Section 8. Transfer of the property to Norwood Housing Associates, L.P., or related entity is approved.
- Section 9. The Executive Director, or her designee, is authorized to execute standard agency loan documents in a form approved by Agency Counsel and in accordance with the OPA, the Loan Commitment accompanying this resolution, and in accordance with all applicable laws, regulations, and policies regarding the making of the Loan and the use of the allocated funds the Project.

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- Exhibit A: Loan Commitment
Exhibit B: Owner Participation Agreement

Date: January 12, 2010

Exhibit A

Ms. Rachel Iskow
Norwood Housing Associates, a California Limited Partnership
8001 Fruitridge Road
Sacramento, CA 95820

**RE: Norwood Avenue Apartments
Conditional funding commitment**

Dear Ms. Iskow:

On behalf of Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (together "Agency"), we are pleased to advise you of its commitment to consolidate existing Agency debt (Consolidated Loan) and to loan Redevelopment Project Area Tax Increment (TI) funds (Forgivable Loan) for the purpose of financing the acquisition and rehabilitation of that certain real property known as Norwood Avenue Apartments located at 3257 Norwood Avenue and 402 Carroll Avenue, 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 Loans 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 Loans 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 attached loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

This commitment will expire July 31, 2010.

1. **PROJECT DESCRIPTION:** The project is the acquisition and rehabilitation of a 28-unit affordable apartment project known as Norwood Avenue Apartments located at 3257 Norwood Avenue and 402 Carroll Avenue, Sacramento, California.
2. **BORROWER:** The name of the Borrower for the Loans is Norwood Housing Associates, LP, or related entity.
3. **PURPOSE OF LOANS:** (a) The Consolidated Loan is for the purpose of consolidating the outstanding principal and interest balances of three (3) existing Agency loans on the Property;

(b) The Forgivable Loan is to be used by Borrower solely to pay the costs of acquisition and rehabilitation and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.

4. PRINCIPAL AMOUNT: (a) The total principal amount of the Consolidated Loan will be equal to the combined principal and accrued interest balances of three (3) existing Agency loans on the Property on the date of closing;
(b) The total principal amount of the Forgivable Loan will be the lesser of (i) One Million Two Hundred Fifty Thousand Dollars (\$1,250,000); or (ii) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. TERM OF LOAN: The Loans shall mature on **September 30, 2043** to coincide with the maturity of the senior loan from the California Department of Housing and Community Development, however, the Forgivable Loan is forgivable upon satisfactory completion of the rehabilitation of the project in accordance with the terms of the Owner Participation Agreement.
6. INTEREST RATE: (a) The Consolidated Loan will accrue no interest;
(b) The Forgivable Loan will accrue simple interest at four percent (4.0%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: (a) The Consolidated Loan shall have a deferred payment with all outstanding principal and accrued interest due and payable at maturity;
(b) The Forgivable Portion is forgivable upon satisfactory completion of the rehabilitation of the project in accordance with the terms of the Owner Participation Agreement.
8. MONTHLY PAYMENT: Not applicable.
9. SOURCE OF LOAN FUNDS: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise:

Consolidated Loan (Original sources of funds)
Community Development Block Grant (CDBG)
Redevelopment Project Area Tax Increment (TI)

Forgivable Loan
Alkali Flat Low/Moderate TI Housing Set-aside tax-exempt bond funds
North Sacramento Low/Moderate TI Housing Set-aside tax-exempt bond funds

The Loans are 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 Loans; 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 Loans, 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. 3701-3708); (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

_____ (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 Loans shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from Community Housing Capital, Incorporated and the California Department of Housing and Community Development (Family Housing Demonstration Program) and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.
12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Rental schedules shall at all times be in conformance with the requirements of the regulatory agreements on the Property.
13. PROOF OF EQUITY: Borrower shall provide proof of equity in the Property and Improvements in the form of Operating and Replacement Reserves in the total amount of not less than \$200,000 at the time of closing, if requested by Agency.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

- (1) Commitment for new senior permanent financing in the amount of no less than \$360,000 for a term of not less than 30 years and fully amortized;
- (2) Approval from California Department of Housing and Community Development for assumption of the existing Family Housing Demonstration Program loan in the principal amount of approximately \$1,522,000 plus accrued interest.

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

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

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loans Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency, if requested, a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan is "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, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.

19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement"), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), if any, 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 Loans. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) as retention from each disbursement of the Forgivable Loan, not to exceed a total of ten percent (10.0%) 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 specifications 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.

If required by the Agency, Borrower shall submit copies of all contracts, subcontracts, contractors, and subcontractors for approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

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

23. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification which shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings 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 and the original approved budget for the project.

24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than July 31, 2010.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction no later than July 31, 2011.
26. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance, if required by Agency, in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loans, that Agency's Deeds of Trust constitute liens or charges 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 Loans must be issued by a title insurer approved by Agency.

30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency upon request a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. LOW INCOME HOUSING TAX CREDITS ("LIHTC"): Not applicable.
35. FEDERAL HOME LOAN BANK AFFORDABLE HOUSING GRANT: Not applicable.
36. 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.
37. 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.
38. 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.

39. 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) confirmation the services for Norwood Avenue Apartments and Norwood Estates together will be provided for a minimum of 17 hours per week, including a minimum of 8 hours per week of after school activities; 3) a description of the programs to be offered, and; 4) social services budget.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

LaShelle Dozier
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:

Norwood Housing Associates, a California Limited Partnership

By: Mutual Housing Corporation,
A California Nonprofit Public Benefit Corporation
Its Managing Member

By: _____
Rachel Iskow, Executive Director

EXHIBIT B

OWNER PARTICIPATION AGREEMENT
Using Funds from the
Alkali Flat Redevelopment Project Area Tax Increment,
and North Sacramento Redevelopment Project Area Tax Increment

NORWOOD AVENUE APARTMENTS
3257 NORWOOD AVENUE AND 402 CARROLL AVENUE, SACRAMENTO, CA 95838

Redevelopment Agency of the City of Sacramento
and
NORWOOD HOUSING ASSOCIATES, L.P.

**OWNER PARTICIPATION AGREEMENT
NORWOOD AVENUE APARTMENTS**

Using funds from the Alkali Flat Redevelopment Project Area Tax Increment
and North Sacramento Redevelopment Project Area Tax Increment

For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 17.

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, and NORWOOD HOUSING ASSOCIATES L.P., also defined as Agency and Owner, respectively, enter into this Owner Participation Agreement (“OPA”), as of _____, 2010.

RECITALS

A. Owner is acquiring real property located at 3257 Norwood Avenue and 402 Carroll Avenue, Sacramento, California 95838, in the City of Sacramento, California (“Property”), more particularly described in attached Exhibit 1: Legal Description, which is incorporated into this OPA by this reference. The Property is located in the Del Paso Heights Redevelopment Project Area and is subject to the Project Area’s Redevelopment Plan.

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

C. The Agency is participating in this OPA because this OPA is consistent with, and furthers, the Redevelopment Plan and the Implementation Plan and the Agency’s Multifamily Lending and Mortgage Revenue Bond Policies. Specifically and without limitation, the Agency has determined that the Project will eliminate the following blighting influences: low or stagnant property values and impaired investment in the Project Area, deficient buildings and improper parcels. The Agency has also determined that the Project will meet the following goals of the current “Implementation Plan” adopted for the Project Area: eliminate blighting conditions by rehabilitating the buildings, and preserving and improving affordable housing for the project area.

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

AGREEMENT

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

1. **PROJECT DESCRIPTION.** The Project being assisted with Agency Funding is the rehabilitation, upgrading, and modernization, including site improvements, of a 28-unit apartment complex known as Norwood Avenue Apartments. The Project is to be completed according to the Schedule of Performances, attached as Exhibit 2: Schedule of Performances, and the Scope of Development, attached as Exhibit 3: Scope of Development. The Project is to be developed by Sacramento Mutual Housing Association, defined as Developer, under a Development Agreement with Owner.

2. **AGENCY FUNDING.** Agency is providing funding to the Project under the Agency Funding Agreement for development of the Project as described in Section 1. If Owner fails to develop the Project as and when required by this OPA, Owner must repay the Agency Funding as provided in the Agency Funding Agreement. As a condition of Agency's obligation to provide the Agency Funding and in consideration of the Agency Funding, Agency is purchasing from Owner, and Owner is selling to Agency, an operating covenant to assure the operation of the Project as described in Section 1, as well as other obligations and restrictions, including without limitation, use restrictions, as evidenced by the Regulatory Agreement attached as Exhibit 4: Regulatory Agreement.

2.1. **FORGIVABLE LOAN.** Agency Funding Agreement consists of a forgivable loan in an amount not to exceed One Million Two Hundred Fifty Thousand Dollars (\$1,250,000). The actual loan amount will be based upon cost incurred and may be less than \$1,250,000. Loan Documents shall evidence the forgivable loan for the structural upgrade of the building. This Forgivable Loan shall be evidenced by a Note and a recorded Trust Deed.

2.1.1 **OWNER'S POWER TO HAVE THE FORGIVABLE LOAN FORGIVEN.** Owner shall have the sole power to have the forgivable loan forgiven upon the issuance of a certificate of occupancy by the City of Sacramento Chief Building Official following Agency verification of completion in satisfaction of this OPA.

2.2. **EXISTING DEBT.** There is existing debt from project financing currently recorded against the property consisting of CDBG and tax increment loans. No proceeds from the existing debt remains and, therefore, no additional public money is or will be used for or towards the Project. These existing Agency loans shall be consolidated into one new loan which shall include remaining principal and accrued interest to date ("Consolidated Loan"). This Consolidated Loan shall be at no interest. The terms and conditions of this Consolidated Loan shall be included in the Agency Funding Agreement.

3. **PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS.** This OPA is a financing document of the Agency and not a land use or planning document. Approval of the

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

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

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

3.3. PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS. Owner shall prepare the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Owner shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall conform in all material respects to the Preliminary Plans and the Scope of Development. To the extent that the Preliminary Plans and Scope of Development have insufficient detail or are unclear, the Preliminary Plans shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this OPA. The Final Plans shall incorporate all related mitigation measures required for compliance with CEQA approvals, as stated in the Mitigation Monitoring Plan, if any adopted under CEQA as a condition of approval of the Project. Owner agrees that it will comply with the requirements of the Design Review Board to the extent of its jurisdiction.

3.4. DELIVERY. Owner shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the Agency Clerk and shall have clearly marked on its exterior "URGENT: Norwood Housing Associates, L.P., PROJECT PLAN REVIEW" or the equivalent.

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

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

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

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

3.6.1. **SUBSTANTIAL CHANGE.** A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements. For purposes of this Section 3.6.1, a "material change" is a change that is material to the Agency in accomplishing its purposes under this OPA.

- a) Material changes in the layout, elevation design, square footage.
- b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.
- c) Material changes in site development items for the Property that are specified in the Final Plans.

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

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

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

4. DEVELOPMENT PROVISIONS. As stated in detail in this Section 4, Owner shall construct and manage the Project according to the requirements established in this OPA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Owner shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this OPA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the Community Redevelopment Law shall control.

4.1. CONSTRUCTION CONTRACTS. Owner shall submit to Agency the construction contract for the Project. Agency's review of the construction contract shall be only for determining its compliance with this OPA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Owner, Owner shall, nevertheless, bear the responsibility to complete, at Owner's cost, the construction of the Project in accordance with this OPA. In the event of cost increases that result from unforeseeable circumstances, Developer shall submit to Agency a revised scope of work for approval by Agency, and the Developer and Agency shall come to agreement on a revised scope of work for the project based on available resources.

4.2. GOVERNMENTAL REVIEW PROCESS. Notwithstanding any other provision of this OPA, Owner is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento. To assure proper review by the City, Owner shall, within thirty (30) days of the date of this OPA, make an initial deposit toward "plan check fees" with the City's Planning Department. In addition, Owner shall, as applicable, take designs before the Design Review/Preservation Board or its appropriate subcommittee for comment as soon as practicable. Conditions to the project imposed by the City shall be considered obligations of the Owner under this OPA. If a dispute with City staff arises regarding such City conditions, Owner shall accept the decision of the City's Planning Commission interpreting, imposing and enforcing such City conditions, subject to any applicable appeals process of the Planning Commission.

4.3. SUBSTANTIAL CHANGES. Owner covenants and agrees that Owner shall not make or permit to be made any construction of the Project which incorporates a substantial change in the

Final Plans, as described in Section 3.6, without Agency approval of such changes as provided in Section 3.6.

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

4.5. PREVAILING WAGES. In accordance with Labor Code Section 1720(c)(4), so long as the sole and only public subsidy for the Project is from the Agency's Low and Moderate Income Housing Fund as such terms are defined therein, the Project is not subject to prevailing wages. Developer represents to the Agency that Developer has obtained no other public subsidy for the Project. If Developer obtains another public subsidy, Developer shall pay prevailing wages for the Project. Therefore, in the event Developer obtains another public subsidy other than the Agency's Low and Moderate Income Housing Fund, Developer shall indemnify, hold harmless and defend 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 Developer or Contractor or both of them.

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

4.7. NONDISCRIMINATION IN CONTRACTING AND EMPLOYMENT. Owner for itself, any project manager, the Contractor, and the property manager engaged in connection with the Project or Property, and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

4.7.1. EMPLOYMENT. Owner shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, marital status, creed or national origin. The Owner will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, creed, sex, marital

status, national origin, ancestry, familial status, or disability. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Owner agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Agency setting forth the provisions of this nondiscrimination clause.

4.7.2. SBE, SECTION 3 AND NEW HIRE AGREEMENT. Owners (Owner or designee) agrees to work with the Agency and the Small Business Enterprise program (SBE) to accomplish, to the greatest extent feasible, the goals and activities set forth in this OPA and the SBE, Section 3 and New Hire Agreement as attached hereto and incorporated herein as Exhibit 5: SBE, Section 3 and New Hire Agreement.

4.7.3. EMPLOYMENT REPORTING REQUIREMENTS. Owner will provide written reports to Agency as to the number of construction positions involved in the rehabilitation and how many of those positions are new positions or new hires. The Agency will provide a form to Owner for this reporting requirement. Owner shall or cause its contractor to provide the required information. Owner must comply with SBE and Section 3 hiring efforts (Section 4.7.2 above). Exhibit 6: SBE and Section 3 Report Form is attached hereto and incorporated herein for compliance with this Section.

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

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

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

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

4.11. CERTIFICATE OF COMPLETION. After the Agency has determined that Owner has completed the construction of the Project in accordance with the Final Plans and Owner's obligations under this OPA, the Agency will furnish the Owner with a "Certificate of Completion" certifying such completion. Such certification shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the OPA with respect to the

obligations of the Owner to construct the Project as of the Completion Date, subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute each Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

4.11.1. Such certification and such determination shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Owner to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any provision of this OPA that is not related to construction of the Project.

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

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

4.13. **NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS.** Owner shall assure that the respective parties through the Project Documents have the responsibility of notifying the Project contractors, architects and engineers for the Project of the requirements of this OPA. Owner shall include, where applicable, the provisions of Sections 4.4, 4.5, 4.6, 4.7, 4.7.1, 4.7.2, 4.7.3, 4.7.4 and 4.9 of this OPA in construction contracts and subcontracts for the Project, and Owner shall undertake the enforcement of such provisions.

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

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

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

5. **ADDITIONAL PROJECT PROVISIONS.** Owner is agreeing to certain job outreach goals and reporting requirements more specifically described in the Funding Agreement.

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

6.1. **EVIDENCE OF AVAILABLE FUNDS.** Unless otherwise approved by the Agency, Owner's evidence of available funds must include only the following: (a) Owner equity (as provided in Section 6.3); (b) firm and binding loan commitments (as provided in Section 6.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this OPA. Within ten (10) days after Agency's request, Owner shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

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

6.3. **EVIDENCE OF OWNER EQUITY.** Unless otherwise agreed in writing by the Agency, Owner may provide evidence of required equity, if any, by any one or more of the following actions: (a) a deposit of the required equity in a joint account with the Agency, which funds shall

be released only upon the joint signatures of the Agency and the Owner; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Owner obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Owner's provision of financial statements prepared by a certified public accountant that show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity; or (d) Operating and Replacement Reserves in the total amount of not less than \$200,000 at the time of closing. Owner shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Owner profit or fees or Owner contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

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

7.1. NONDISCRIMINATION. There shall be no discrimination against or segregation of any person on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code in the sale, lease, or rental or in the use or occupancy of the Property hereby conveyed or any part thereof. Grantee covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

8. REGULATORY AGREEMENT. Owner covenants by and for itself, its heirs, executors, administrators, and all persons claiming under or through it, that the Property shall be used strictly in accordance with the provisions of the Regulatory Agreement subject to subordination to the regulatory agreements of other governmental lenders.

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

Agency shall indemnify, protect, defend and hold Owner harmless from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Agency, its officers, commission members, employees, advisory committee members or agents

and for any and all costs incurred by Owner in defending against such liability claims, including attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Owner.

This indemnification provision shall survive the termination of this agreement.

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

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

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

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

11.3. COMPREHENSIVE GENERAL LIABILITY. Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as may be approved by Agency Counsel). Such insurance shall have limits of liability which are not less than \$2,000,000, each occurrence, for bodily injury coverage; \$5,000,000 aggregate, for products and completed operations coverage;

\$1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

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

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

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

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

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

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

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

11.6.5. BLANKET COVERAGE. Owner's obligation to carry insurance as required under this Section 10 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the

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

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

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

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

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

following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

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

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

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Owner Participation Agreement dated _____ between the Redevelopment Agency of the City of Sacramento and Norwood Housing Associates, L.P. ("OPA"). Lender requests, in accordance with Section 13.1 of the OPA, that if any default notice shall be given to Owner under the OPA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

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

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

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

14.5. DEFAULT BY OWNER. In the event of a default by Owner, Agency shall not terminate this OPA unless and until the Agency has given notice to Lender of such default, as provided in this Section 13.5 and Lender has failed to cure such default as provided in Section 13.5 provided, however that if such default cannot practicably be cured by the Lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this OPA) shall be tolled if and so long as:

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

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

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

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

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

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

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

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

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

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

Property possible. Owner shall not, prior to issuance of a Certificate of Completion, assign Owner's interests or obligations under this OPA or undertake any act or transaction resulting in a significant change in the interests of the principals of Owner or the degree of their control of Owner without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Owner. Such a transfer as permitted in this Section 13 shall not relieve Owner, or any other party bound in any way by the OPA, from any of its obligations under the OPA. With respect to this provision, the Owner and the parties signing the OPA on behalf of the Owner represent that they have the authority of all of Owner's principals to agree to and bind them to this provision. Notwithstanding the provisions of this Section 13.10, Owner may assign this OPA to a single asset entity in which Owner, Developer, or Mutual Housing Corporation has a substantial interest and is the managing member, the general partner or the controlling shareholder and chief operations officer; provided (i) that the entity form and organizational documents have been approved by Agency Counsel, (ii) that the new entity has agreed in writing to be bound by all the provisions of this OPA and all agreements related to this OPA, and (iii) that the entity has been approved in writing, in advance, by the Agency's Executive Director.

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

15.1. INTEGRATED DOCUMENTS; SEVERABILITY. This OPA and the documents incorporated in this OPA are to be considered as one document and default of any of them shall be considered a default of all of them. This OPA, including the incorporated documents, integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. If any term or provision of this OPA shall, to any extent, be held invalid or unenforceable, the remainder of this OPA shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

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

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

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

15.5. DRAFTER. This OPA shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to sections are to this OPA. All exhibits referred to in this OPA are attached to it and incorporated in it by this reference.

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

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

15.8. 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 Agency and Owner. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Agency and Owner other than that of a governmental entity regulating the development of private property, and the owner of such private property.

15.9. 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 at any time on deposit in the Construction Account or the Impound Account, if established.

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

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

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

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

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

16.1. Addresses for notices are as follows:

16.1.1. Agency: Redevelopment Agency of the City of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Richard Marsh.

16.1.2. Developer: Sacramento Mutual Housing Association, 8001 Fruitridge Road, Sacramento, CA 95820; Attention: Rachel Iskow

16.1.3. Owner: Norwood Housing Associates, L.P., 8001 Fruitridge Road, Sacramento, CA 95820; Attention: Rachel Iskow

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

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

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

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

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

17. DEFINITIONS.

17.1. "Agency" is the Redevelopment Agency of the City of Sacramento. The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California. The principal office of the Agency is located at 801 12th Street, Sacramento, California 95814. Agency as used in this OPA includes the Redevelopment Agency of the City of Sacramento and any assignee of or successor to its rights, powers, and responsibilities. The Sacramento Housing and Redevelopment Agency is a joint powers agency which provides staffing for the operation of the Agency.

17.2. "Agency Funding" is the funding provided by the Agency under this OPA to Owner for the Project.

17.3. "Agency Funding Agreement" is the Construction and Permanent Loan Agreement.

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

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

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

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

17.8. "Completion Date" is the date on or before which Owner must complete the construction of the Project. The Completion Date for the Project is July 31, 2011.

17.9. "Contractor" is the general contractor or contractors with whom Owner has contracted for the construction of the Project.

17.10. "Developer" is Sacramento Mutual Housing Association. The principal office of the Developer is located at 8001 Fruitridge Road, Sacramento, CA 95820.

17.11. "Development Agreement" is the agreement between the Owner and the Developer that specifies the duties and responsibilities of the Developer.

17.12. "Escrow" is the escrow for the transactions contemplated by this OPA.

17.13. "Escrow Instructions" means the escrow instructions for the close of the Escrow.

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

17.15. "Hazardous Substances" as used in this OPA shall include, without limitation to, all substances, wastes and materials designated or defined as hazardous or toxic pursuant to any of the following statutes, as they may be amended or superseded, from time to time: the Clean

Water Act (33 U.S.C.1321 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.); the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101); the Environmental Protection Agency list of hazardous materials (40 CFR Part 302) and California Health and Safety Code Sections 25115, 25117, 25122.7, 25140 (Hazardous Waste Control Law), 25316 (Carpenter-Presley-Tanner Hazardous Substances Account Act), 25501 (Hazardous Materials Release Response Final Plans and Inventory) and 25281 (Underground Storage of Hazardous Substances); all applicable local regulations; and all regulations and promulgations pursuant to said laws.

17.16. "Legal Description" is the legal description of the various parcels of real property affected by this OPA. The Legal Description is attached as Exhibit 1: Legal Description.

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

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

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

17.20. "Owner" is Norwood Housing Associates, L.P., a California limited partnership. The principal office of the Owner is located at 8001 Fruitridge Road, Sacramento, CA 95820.

17.21. "Preliminary Plans" are the Project designs, if any, prepared by the Project architect, _____, dated _____. Agency has approved the Preliminary Plans concurrently with the approval of this OPA.

17.22. "Plans" shall mean either or both Preliminary Plans, if any, and Final Plans, if any, as the context may indicate.

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

17.24. "Project Area" is the Del Paso Heights Redevelopment Project Area, as defined in the Redevelopment Plan.

17.25. "Redevelopment Plan" is the redevelopment plan for the Project Area (as it may be amended from time to time) for the Del Paso Heights Redevelopment Project Area as duly adopted by the City Council and currently active in the City.

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

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

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

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

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

continued on next page...

notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

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

OWNER :
NORWOOD HOUSING ASSOCIATES, L.P., a
California limited partnership

AGENCY: THE REDEVELOPMENT AGENCY
OF THE CITY OF SACRAMENTO, a body
corporate and politic

BY: MUTUAL HOUSING CORPORATION, a
California nonprofit public benefit
corporation
ITS GENERAL PARTNER

BY: _____
Rachel Iskow, Executive Director

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

Approved as to form:

Owner Counsel

Agency Counsel

EXHIBIT 1
Legal Description

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

All that portion of Lot 8 in Block 58 of West Del Paso Heights, according to the Amended Plat thereof, filed in the Office of the Recorder of Sacramento County, California, on December 5, 1911 in Book 12 of Maps, Map No. 52, described as follows:

Beginning at the Northwest corner of said Lot 8, being the intersection of the East line of Norwood Avenue, formerly Sully Street, with the South line of Carroll Avenue, as shown on said plat; thence from said point of beginning, along the North line of said Lot 8 and the South line of said Carroll Avenue, East 96.50 feet; thence parallel with the West line of said Lot 8 and the East line of said Norwood Avenue, South 160.00 feet; thence parallel with the North line of said Lot 8 and the South line of said Carroll Avenue, West 96.50 feet to the West line of said Lot 8 and the East line of said Norwood Avenue; thence along the West line of said Lot 8 and the East line of said Norwood Avenue, North 160.00 feet to the point of beginning.

APN: 250-0250-001-0000

Lot 106, as shown on the "Plat of Strawberry Terrace", recorded March 8, 1961 in Book 64 of Maps, Map No. 18, records of said County.

APN: 250-0314-032-0000

EXHIBIT 2
Schedule of Performances

NORWOOD AVENUE APARTMENTS

SCHEDULE OF PERFORMANCES

	<u>Completion Date</u>
Closing	January 31, 2010
Commence construction	July 31, 2010
Complete construction	July 31, 2011

EXHIBIT 3
Scope of Development

NORWOOD AVENUE APARTMENTS

SCOPE OF DEVELOPMENT

The rehabilitation plan for Norwood Avenue Apartments was developed in response to the findings stated in the recent assessment reports prepared by LandAmerica Assessment Corporation.

The property will require repair or replacement of the following items; exterior and interior rehab of all residential buildings, all parking areas, as well as common landscaped and open space areas. In addition, further pest inspection of several units will take place to determine if further repair or replacement to its interiors may be needed.

Exterior rehabilitation for **Norwood Avenue Apartments** will include:

- Replacement and upgrade sod lawn and plant life, install irrigation system
- Repair overlay, seal coat and re-stripe all parking and driveways
- Replace electrometric plywood, and clean repaint railings (*elevated walkway*)
- Repair and re-paint stairs and landings
- Replace siding with stucco siding and paint
- Replace exterior apartment doors
- Remove and replace all existing roof cover, gutters and downspouts
- Install security cameras and system
- Improve walkways/ramps/parking to allow ADA accessibility

Interior rehabilitation for **Norwood Avenue Apartments** will include:

- Replacement of all condensing units and furnaces
- Replacement of Carpeting and vinyl flooring
- Re-paint interior of several units
- Replace interior doors to several units
- Replace kitchen cabinets and countertops, sinks and fixtures
- Replace bathroom cabinetry, countertops, exhaust fans, tubs and surrounds, sinks and fixtures
- Replace appliances such as range, range hoods, refrigerators, exhaust fans, and garbage disposals
- Replace water heaters
- Minor modification to two (2) units to allow ADA accessibility

The construction is anticipated to commence shortly after acquisition of Norwood Avenue Apartments, with a projected timeline of all improvements to be completed within 12 months.

EXHIBIT 4
Regulatory Agreement

NO FEE DOCUMENT:

Entitled to free recording
 per Government Code 27383.
 When recorded, return to:
 REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
 801-12th Street,
 Sacramento, CA 95814

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
 CONTAINING COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	Norwood Avenue Apartments
PROJECT ADDRESS:	3257 Norwood Avenue and 402 Carroll Avenue, Sacramento, California
APN:	250-0314-032-0000 and 250-0250-001

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

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

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

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		
“Agency”	Redevelopment Agency of the City of Sacramento		
	The Agency is a public body, corporate and politic.		
“Owner”	Norwood Housing Associates, L.P.		
“Agency Address”	Agency’s business address is 801-12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	8001 Fruitridge Road,	Sacramento, CA 95820
“Jurisdiction”	City of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Acquisition and Permanent Loan Agreement
		Dated:	
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		
“Agency Funding Amount”	The amount of the Agency Funding, as follows:		\$***Loan Amount***
“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.		(%)

"Funding Requirements"	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.	
"Approved Use"	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	28

RESTRICTED PARCELS; APPROVAL OF LEASES. In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels. HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Agency Funding Sources:	Affordability Level:	Number of Units:	Restricted Units:	Initial Gross Rent per Unit per Month:
Redevelopment Project Area Tax Increment (TI)	50% AMI (VLI)	8	1 Bedroom	\$727.50
	60% AMI	-		-
	50% AMI (VLI)	7	2 Bedroom	\$818.75
	60% AMI	4		\$982.50
	50% AMI (VLI)	5	3 Bedroom	\$910.00
	60% AMI	4		\$1,092.00
Total		28		

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

Approved Management Company
Jon Berkley Management , Inc.

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

Provision	Term
1. <u>Annual Administration Fee.</u> Owner agrees to pay an Annual Administration Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. Owner shall pay Fee according to the requirements of the California Housing and Community Development (HCD)	Fifty-five (55) years

<p>amended regulatory agreement dated _____ until the expiration of said agreement. Following expiration of the HCD regulatory agreement, Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the original loan amount of \$1,250,000 in equal semi-annual installments on January 1 and July 1 each year</p>	
<p>2. <u>Expiration of affordability period.</u> Owner agrees the rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.</p>	
<p>3. <u>Smoke-free environment.</u> At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.</p>	
<p>4. <u>Resident services.</u> Owner shall provide approved resident services at Norwood Avenue Apartments and Norwood Estates together according to the following minimum schedule: Coordinator on site: 5 hours/week After-school programs: 2 hours/day, 4 days /week Additional resident services: 4 hours/week</p>	
<p>5. <u>Regulatory Agreement Violations.</u> Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one-incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.</p>	
<p>6. <u>"Excess" utility charges.</u> Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent.</p>	
<p>7. <u>Renters' insurance.</u> Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.</p>	

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

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

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.

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

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

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

f. Owner shall not cause and shall not permit discrimination on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

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

8. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifty-five (55) years from the Effective Date.

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

10. MULTIPLE FUNDING REQUIREMENTS. If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit,

including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

11. RECORDKEEPING AND REPORTING. Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**OWNER: NORWOOD HOUSING ASSOCIATES, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP
BY: MUTUAL HOUSING CORPORATION, A
CALIFORNIA NONPROFIT PUBLIC BENEFIT
CORPORATION
ITS GENERAL PARTNER**

**AGENCY: THE SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY**

By: _____
LaShelle Dozier, Executive Director

Date: _____

By: _____
Rachel Iskow
Executive Director

Approved as to form: _____
Agency Counsel

Date: _____

Approved as to form: _____

[NOTARIZED ACKNOWLEDGEMENTS]

EXHIBIT 1
Legal Description of the Property

Exhibit 2

TI FUNDING REQUIREMENTS FOR RENTAL HOUSING
PROJECT AREA REDEVELOPMENT HOUSING FUND

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

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Housing Fund (as defined in Health & Safety Code Section 33334.3) of the Project Area Redevelopment Project Area ("Project Area") and made in accordance with the provisions of the redevelopment plan for the Project Area ("Redevelopment Plan") and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding ("Property") is rehabilitated or developed as residential rental property ("Project") with certain units regulated in accordance with Health & Safety Code Section 33487 ("TI Restricted Units") by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(e). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area.
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate :
 - a. Moderate-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - b. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - c. Very Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - d. Owner shall be responsible to determine the affordable amounts for the TI Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.
3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of fifty-five (55) years, unless a longer term is specified in the body of the document to which this attached.

Exhibit 3 - COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.

Owner Participation Agreement

<p>Failure to provide a resident service required by Resident Services Plan</p>	<p>Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented..</p>	<p>7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.</p>
<p>Noncompliant lease</p>	<p>\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.</p>	<p>30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.</p>

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee. Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action

Owner Participation Agreement

	Correction: Submit correction letter with documentation to compliance staff.	not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

EXHIBIT 5
Small Business Enterprise and Local Hire Agreement

Owner (Owner or designee) agrees to work with the Agency Small Business Enterprise (SBE) to accomplish, to the greatest extent feasible, the goals and activities set forth in the Project Agreement and this attachment.

Owner Responsibilities

The Owner or designee will be responsible for the following:

- Provide outreach and bidding information to area firms and on the SBE list provided by the Agency. Firms mean suppliers, contractors, and professional services including architectural, engineering, project management, consulting or any construction or planning related activity.
- Provide SBE information in bid packages or similar solicitation material.
- At least one month prior to a pre-construction conference, provide to the Agency a list of the firms contacted for contracting opportunities for this project; the method of solicitation; reasons for acceptance or denial; list of selected firms with an indication if they are minority or women owned contractors and whether their principal place of business is in the Target Area area; and, the contract amount. The Owner may use an Agency provided form for this purpose.
- Host the pre-construction subcontractor meeting to inform subcontractors of the SBE and local hire information.
- Coordinate a local hire recruitment effort which will include:
 - Outreach to all Target Area/Construction Training Programs graduates/Sacramento Youthbuild graduates, if any
 - Sponsoring a community information workshop or similar to advertise job opportunities
 - Advertise workshop information and job opportunities with community based organizations, religious, educational, vocational and similar organizations and in local newspapers.
 - Invite the Target Area RAC, if one exists, to send one or two representatives to help with the interview process.
- Prior to construction, provide the Agency with a profile of the workforce of each contractor, subcontractor or subtier contractor with a similar profile of projected needs. A profile consists of the number from each trade. For example, a framing contractor may have a workforce profile of four carpenters and one laborer and anticipates adding one carpenter and one laborer. This information indicates the new hire opportunity.
- Establish a goal of 30 percent of the newly available full- and part-time construction jobs including construction related like architecture and engineering, be directed to local Target Area residents.

- Establish a goal of 30 percent of the newly available full-and part-time construction jobs including construction related like architecture and engineering, be available to members of economically disadvantaged groups.
- Provide to the Agency reports covering new hires. The periodic reports should be made available monthly after the start of construction and consist of the new hire's name, address, phone number, social security number, ethnicity, gender, position, rate of pay, date of hire, date of termination and reason (if applicable), and whether working full-time or part-time. The Owner may use an Agency provided form for this purpose.

AGENCY RESPONSIBILITIES

The Agency will provide the following services:

- Provide a list of local contractors and suppliers and certified SBE firms to the Owner or designee for soliciting construction bids and supplies; the list will include trades and suppliers that the Owner identifies as relevant to the project.
- Assist the Owner with the documentation to track the solicitation efforts.
- After solicitations are completed and the Owner submits the activity information, the Agency will evaluate the efforts and make any recommended changes to increase the effectiveness of this approach.
- The results of the evaluation will be available to the Owner upon request.

EXHIBIT 6
SBE AND SECTION 3 REPORT FORM
Project New Hire Summary

Owner / Contractor: _____

Project Name: _____ **Project Number:** _____

Number of company employees who performed work on this project: _____

You are required to furnish the following information to comply with the terms of the contract for this project. This form is to be completed and returned with the close-out documentation.

During the course of the project you and/or your subcontractor(s) may find the need to hire new workers to complete the project. "New Hires" are defined as persons hired specifically to perform work on this project. Should "New Hires" be necessary, you are encouraged to hire persons residing within the "Local Area". The "Local Area" defined as, within the boundaries of Sacramento County. All new hires are to be recorded whether they reside within the Local Area or not. Each new hire is to complete a New Hire Questionnaire (attached) at the time of employment. All completed Questionnaires are to be attached to this summary sheet and returned with the close-out documentation. The purpose of the Questionnaire is to allow the gathering of information to gauge the economic impact of this project on the community (Local Area). Reports of statistical results may be submitted to the Agency's governing boards or HUD. The greatest economic impact is made by the hiring of Section 3 residents or residents from the redevelopment project area, if applicable. Section 3 residents are defined as, public housing residents or persons who live in the Local Area where the project is located and who have a household income that falls below HUD's income limits.

Collect, tally and record the following information during the project (use additional sheets if necessary). This requirement applies to all contractors and subcontractors working on this project.

1. What trades/classifications/professions (e.g. carpenter, plumber, laborer, architect, engineer, etc.) were hired specifically for this project.
2. Total number of New Hires for each trade/classification/profession.
3. Number of New Hires that were Local Area residents and those that were Section 3.

TRADE / CLASSIFICATION / PROFESSION	TOTAL NEW HIRES	LOCAL AREA NEW HIRES	SECTION 3 NEW HIRES

I declare that the above is true and correct to the best of my knowledge.

Signature

Date

New Hire Questionnaire (2009)

Owner/Contractor: _____

Project Name: _____ Project Number: _____

Note to employer: Use this form as part of your new hire process.

Questionnaire

Your employer is required to furnish the following information in complying with the terms of the contract for this project. All information you provide will be **confidential** and will be used to prepare statistical reports. Your responses will not affect your employment situation. Please complete all requested information and return this form to your employer.

1. New Hire

First Name: _____ Middle Initial: ____ Last Name: _____

Street Address: _____ City: _____ Phone: _____

State: _____ Zip Code: _____ Job Title: _____

Ethnic Code: _____ (1=White, Caucasian; 2=Black, African American; 3= Native American; 4= Hispanic; 5= Asian, Pacific Islander; 0=Other) Sex: ____Male ____Female

2. Income before taking this job. We need to know the economic impact this job has on the community. Please review the chart below, match your household size (include yourself) with the **maximum** household income; then, place a checkmark next to the category type (A, B or C) that applies to your household.

Category A

Household Size

Maximum	1	2	3	4	5	6	7	8
Income	\$24,850	\$28,400	\$31,950	\$35,500	\$38,350	\$41,200	\$44,000	\$46,850

Category B

Household Size

	1	2	3	4	5	6	7	8
At least	\$24,850	\$28,400	\$31,950	\$35,500	\$38,350	\$41,200	\$44,000	\$46,850
But no more than	\$39,750	\$45,450	\$51,100	\$56,800	\$61,350	\$65,900	\$70,450	\$75,000

Category C = exceeds the maximum of Category B

Owner Participation Agreement

For example, suppose your household size is 3 and the total annual household income was \$32,000.00. From the charts above, the income was above the maximum for type A for a family of 3 (\$31,950.00) but less than maximum for B (\$51,100.00) for a family of 3. You would checkmark B.

Mark one category: A _____; B _____; C _____.

3. **Job Source:** how did you find about this job? referred by: _____; recruited by: _____; other: _____.

4. **Statement**

I declare that the above is true and correct to the best of my knowledge.

Your signature: _____ Date: _____



**Sacramento
Housing &
Redevelopment
Agency**

RESOLUTION NO. 2010 –

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

NORWOOD ESTATES: ALLOCATION OF \$783,000 AND APPROVAL OF \$1,750,000 LOAN COMMITMENT (REDEVELOPMENT PROJECT AREA FUNDS); REALLOCATION OF \$333,000 OF REDEVELOPMENT PROJECT AREA FUNDS; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS; EXECUTION OF OWNER PARTICIPATION AGREEMENT AND RELATED DOCUMENTS WITH NORWOOD HOUSING ASSOCIATES, L.P., OR RELATED ENTITY

BACKGROUND

- A. Norwood Housing Associates, L.P., has applied for Agency Loans in the amount of One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000) of Tax Increment (TI) funding, comprised of up to One Million One Hundred Eighty-three Thousand Dollars (\$1,183,000) of Aggregate Low/Moderate TI Set-aside funds, Three Hundred Thousand Dollars (\$300,000) of Alkali Flat Low/Moderate TI Set-aside tax-exempt bond funds, One Hundred Seventy-two Thousand Four Hundred Forty-two Dollars (\$172,442) of Del Paso Heights Low/Moderate TI, and Ninety-four Thousand Five Hundred Fifty-eight Dollars (\$94,558) of North Sacramento Low/Moderate TI Set-aside tax-exempt bond funds, to assist in funding the rehabilitation of the 44-unit Norwood Estates ("Project");
- B. The Agency desires to utilize Aggregate, Alkali Flat, Del Paso Heights, and North Sacramento Redevelopment Project Area funds for the development of the Project;
- C. The Agency finds that the Project, which is located in the Del Paso Heights Project Area and within the City's jurisdiction, will eliminate blight, promote affordable housing, and preserve the community's supply of low income housing available at an affordable housing cost to persons that are very low and low income households which will be of benefit to Project Areas;
- D. The Agency finds that the Tax Increment set-aside funds used to fund the Project are needed to make the housing units affordable. Therefore, the project is not required to provide Art in Public Places;
- E. The Project currently has two Agency loans outstanding: (1) a TI loan of Three Hundred Fifty-two Thousand Five Hundred Three Dollars (\$352,503) plus accrued interest; and (2) a TI loan of Seventy Thousand Six Hundred Seventy-eight (\$70,678) plus accrued interest;
- F. The Agency has determined that the project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310

and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.

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

- Section 1. The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.
- Section 2. It is found and determined that the use of Project Area funds to develop the Project will improve and preserve affordable housing for very low and low income individuals in the Project Area.
- Section 3. It is found and determined that the TI housing set-aside funds that will be used for the project are needed to make the units affordable, and it is not economically feasible to provide for art. The Project, therefore, is exempt from providing Art in Public Places.
- Section 4. The Loan Commitment, attached to and incorporated in this resolution by this reference (Exhibit A), for financing the Norwood Estates project with Low/Moderate TI Funds not to exceed One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000) is approved and the Executive Director, or her designee, is authorized to execute and transmit the Loan Commitment to Norwood Housing Associates, L.P., or related entity. A portion of the Loan in the amount of Three Hundred Ninety-four Thousand Five Hundred Fifty-eight Dollars (\$394,558), comprised of Three Hundred Thousand Dollars (\$300,000) of Alkali Flat Low/Moderate TI Set-aside tax-exempt bond funds and Ninety-four Thousand Five Hundred Fifty-eight Dollars (\$94,558) of North Sacramento Low/Moderate TI Set-aside tax-exempt bond funds, is to be forgivable after satisfactory completion of the project. The Loan may be subordinated if such subordination is required to obtain primary financing.
- Section 5. The Owner Participation Agreement ("OPA"), attached to and incorporated in this resolution by this reference (Exhibit B), is approved. The Executive Director, or her designee, is authorized to execute the OPA substantially in the form attached to this resolution and execute other documents and perform other actions necessary in relation to and consistent with the OPA. Termination of past agreements and related documents is approved.
- Section 6. Allocation of Seven Hundred Eighty-three Thousand Dollars (\$783,000) of Aggregate Low/Moderate TI Housing Set-aside funds to the Project and reallocation of Three Hundred Thirty-three Thousand (\$333,000) of North Sacramento Low/Moderate Tax-exempt TI Housing Set-aside tax-exempt bond funds from the Norwood Estates project to the Norwood Avenue

Apartments project to replace City Home Investment Partnership Program (HOME) funds that are being de-funded are approved and the Executive Director is authorized to amend the Agency budget.

Section 7. The Executive Director, or her designee, is authorized to execute standard agency loan documents in a form approved by Agency Counsel and in accordance with the OPA, the Loan Commitment, and in accordance with all applicable laws, regulations, and policies regarding the making of the Loan and the use of the allocated funds the Project.

Table of Contents:

Exhibit A: Loan Commitment

Exhibit B: Owner Participation Agreement

Date: January 12, 2010

Exhibit A

Ms. Rachel Iskow
Norwood Housing Associates, a California Limited Partnership
8001 Fruitridge Road
Sacramento, CA 95820

**RE: Norwood Estates
Conditional funding commitment**

Dear Ms. Iskow:

On behalf of Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (together "Agency"), we are pleased to advise you of its commitment of Redevelopment Project Area Tax Increment (TI) funds for the purpose of financing the rehabilitation of that certain real property known as Norwood Estates located at 3351 Norwood Avenue, Sacramento, California ("Property"). Loans will be in the form of a deferred loan (Deferred Loan) and a forgivable loan (Forgivable Loan). 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 Loans 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 attached loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

This commitment will expire July 31, 2010.

1. **PROJECT DESCRIPTION:** The project is the rehabilitation of a 44-unit affordable apartment project known as Norwood Estates located at 3351 Norwood Avenue, Sacramento, California.
2. **BORROWER:** The name of the Borrower for the Loans is Norwood Housing Associates, LP, or related entity.
3. **PURPOSE OF LOAN:** The Loans are to be used by Borrower solely to pay the costs of rehabilitation and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.

4. PRINCIPAL AMOUNT: (a) The total principal amount of the Deferred Loan will be the lesser of (i) One Million Three Hundred Fifty-five Thousand Four Hundred Forty-two Dollars (\$1,355,442) or (ii) an amount to be determined prior to close of the Loan based on a project budget approved by Agency;
(b) The total principal amount of the Forgivable Loan will be the lesser of (i) Three Hundred Ninety-four Thousand Five Hundred Fifty-eight Dollars (\$394,558) or (ii) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. TERM OF LOAN: The Loans shall mature on **September 30, 2043** to coincide with the maturity of the senior loan from the California Department of Housing and Community Development on *Norwood Avenue Apartments*, however, the Forgivable Loan is forgivable upon satisfactory completion of the rehabilitation of the project in accordance with the terms of the Owner Participation Agreement.
6. INTEREST RATE: The Loans will accrue simple interest at four percent (4.0%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: (a) The Deferred Loan shall be repaid with all outstanding principal and accrued interest due and payable at maturity;
(b) The Forgivable Loan is forgivable upon satisfactory completion of the rehabilitation of the project in accordance with the terms of the Owner Participation Agreement.
8. MONTHLY PAYMENT: Not applicable.
9. SOURCE OF LOAN FUNDS: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise:

Deferred Loan

Aggregate Low/Moderate TI funds
Del Paso Heights Low/Moderate TI funds

Forgivable Loan

Alkali Flat Low/Moderate TI Housing Set-aside tax-exempt bond funds
North Sacramento Low/Moderate TI Housing Set-aside tax-exempt bond funds

The Loans are 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 Loans, 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. 3701-3708); (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

_____ (Borrower Initial)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loans in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing a loan from Community Housing Capital, Incorporated and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.
12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Rental schedules shall at all times be in conformance with the requirements of the regulatory agreements on the Property.
13. PROOF OF EQUITY: Borrower shall provide proof of equity in the Property and Improvements in the form of Operating and Replacement Reserves in the total amount of not less than \$300,000 at the time of closing, if requested by Agency.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency: Not applicable.

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

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

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

21. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) as retention from each disbursement, not to exceed a total of ten percent (10.0%) 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 specifications 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.

If required by the Agency, Borrower shall submit copies of all contracts, subcontracts, contractors, and subcontractors for approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

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

23. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification which shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings 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 and the original approved budget for the project.
24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than July 31, 2010.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction no later than July 31, 2011.
26. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance, if required by Agency, in a form and substance approved by Agency. Coverage shall be for

protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

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

32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency upon request a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. LOW INCOME HOUSING TAX CREDITS ("LIHTC"): Not applicable.
35. FEDERAL HOME LOAN BANK AFFORDABLE HOUSING GRANT: Not applicable.
36. 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.
37. 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.
38. 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.
39. 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) confirmation the services for Norwood Avenue Apartments and Norwood Estates together will be provided for a minimum of 17 hours per week, including a minimum of 8 hours per week of after school activities; 3) a description of the programs to be offered, and; 4) social services budget.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

LaShelle Dozier
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:

Norwood Housing Associates, a California Limited Partnership

By: Mutual Housing Corporation,
A California Nonprofit Public Benefit Corporation
Its Managing Member

By: _____
Rachel Iskow, Executive Director

form 1dcl 083199

OWNER PARTICIPATION AGREEMENT
Using Funds from the
Aggregate Low/Moderate Tax Increment
Alkali Flat Redevelopment Project Area Tax Increment,
Del Paso Heights Redevelopment Project Area Tax Increment,
and North Sacramento Redevelopment Project Area Tax Increment

NORWOOD ESTATES
3351 NORWOOD AVENUE, SACRAMENTO, CA 95838

Redevelopment Agency of the City of Sacramento
and
NORWOOD HOUSING ASSOCIATES, L.P.

**OWNER PARTICIPATION AGREEMENT
NORWOOD ESTATES**

Using funds from the Aggregate Low/Moderate Tax Increment
Alkali Flat Redevelopment Project Area Tax Increment,
Del Paso Heights Redevelopment Project Area Tax Increment,
and North Sacramento Redevelopment Project Area Tax Increment

For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 16.

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, and NORWOOD HOUSING ASSOCIATES L.P., also defined as Agency and Owner, respectively, enter into this Owner Participation Agreement (“OPA”), as of _____, 2010.

RECITALS

- A. Owner owns real property located at 3351 Norwood Avenue, Sacramento, California 95838, in the City of Sacramento, California (“Property”), more particularly described in attached Exhibit 1: Legal Description, which is incorporated into this OPA by this reference. The Property is located in the Del Paso Heights Redevelopment Project Area and is subject to the Project Area’s Redevelopment Plan.
- B. This OPA is made in accordance with provisions of the Redevelopment Plan for participation by property owners in redevelopment of the project area (adopted in accordance with California Health & Safety Code Section 33339).
- C. The Agency is participating in this OPA because this OPA is consistent with, and furthers, the Redevelopment Plan and the Implementation Plan and the Agency’s Multifamily Lending and Mortgage Revenue Bond Policies. Specifically and without limitation, the Agency has determined that the Project will eliminate the following blighting influences: low or stagnant property values and impaired investment in the Project Area, deficient buildings and improper parcels. The Agency has also determined that the Project will meet the following goals of the current “Implementation Plan” adopted for the Project Area: eliminate blighting conditions by rehabilitating the buildings, and preserving and improving affordable housing for the project area.
- D. In order to accomplish such Agency goals and purpose, the OPA provides that the Owner will redevelop the Property in the manner and for the uses described in this OPA. Therefore, Owner desires to develop the Property, and Agency desires to assist development of the Property, on the terms and conditions in this OPA.

AGREEMENT

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

1. **PROJECT DESCRIPTION.** The Project being assisted with Agency Funding is the rehabilitation, upgrading, and modernization, including site improvements, of a 44-unit apartment complex known as Norwood Estates. The Project is to be completed according to the Schedule of Performances, attached as Exhibit 2: Schedule of Performances, and the Scope of Development, attached as Exhibit 3: Scope of Development. The Project is to be developed by Sacramento Mutual Housing Association, defined as Developer, under a Development Agreement with Owner.

2. **AGENCY FUNDING.** Agency is providing funding to the Project under the Agency Funding Agreement for development of the Project as described in Section 1. The Agency funding, pursuant to this OPA, consists of a forgivable loan, a deferred loan, and existing debt. If Owner fails to develop the Project as and when required by this OPA, Owner must repay the Agency Funding as provided in the Agency Funding Agreement. As a condition of Agency's obligation to provide the Agency Funding and in consideration of the Agency Funding, Agency is purchasing from Owner, and Owner is selling to Agency, an operating covenant to assure the operation of the Project as described in Section 1, as well as other obligations and restrictions, including without limitation, use restrictions, as evidenced by the Regulatory Agreement attached as Exhibit 4: Regulatory Agreement.

2.1. **FORGIVABLE LOAN.** Agency Funding Agreement includes a forgivable loan in an amount not to exceed Three Hundred Ninety-four Thousand Five Hundred Fifty-eight Dollars (\$394,558). The actual loan amount will be based upon cost incurred and may be less than \$394,558. Loan Documents shall evidence the forgivable loan for the structural upgrade of the building. This Forgivable Loan shall be evidenced by a Note and a recorded Trust Deed.

2.1.1 **OWNER'S POWER TO HAVE THE FORGIVABLE LOAN FORGIVEN.** Owner shall have the sole power to have the forgivable loan forgiven upon the issuance of a certificate of occupancy by the City of Sacramento Chief Building Official following Agency verification of completion in satisfaction of this OPA.

2.2. **DEFERRED LOAN.** Agency funding shall also include a deferred loan in an amount not to exceed One Million Three Hundred Fifty-five Thousand Four Hundred Forty-two Dollars (\$1,355,442). The actual loan amount will be based upon cost incurred and may be less than \$1,355,442. The terms and conditions of this deferred loan shall be included in the Agency Funding Agreement.

2.3. EXISTING DEBT. There is existing debt from project financing currently recorded against the property consisting of tax increment loans. No proceeds from the existing debt remains and, therefore, no additional public money is or will be used for or towards the Project.

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

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

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

3.3. PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS. Owner shall prepare the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Owner shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall conform in all material respects to the Preliminary Plans and the Scope of Development. To the extent that the Preliminary Plans and Scope of Development have insufficient detail or are unclear, the Preliminary Plans shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this OPA. The Final Plans shall incorporate all related mitigation measures required for compliance with CEQA approvals, as stated in the Mitigation Monitoring Plan, if any adopted under CEQA

as a condition of approval of the Project. Owner agrees that it will comply with the requirements of the Design Review Board to the extent of its jurisdiction.

3.4. DELIVERY. Owner shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the Agency Clerk and shall have clearly marked on its exterior "URGENT: Norwood Housing Associates, L.P, PROJECT PLAN REVIEW" or the equivalent.

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

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

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

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

3.6.1. SUBSTANTIAL CHANGE. A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements. For purposes of this Section 3.6.1, a "material change" is a change that is material to the Agency in accomplishing its purposes under this OPA.

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

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

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

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

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

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

4. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 4, Owner shall construct and manage the Project according to the requirements established in this OPA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Owner shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this OPA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the Community Redevelopment Law shall control.

4.1. **CONSTRUCTION CONTRACTS.** Owner shall submit to Agency the construction contract for the Project. Agency's review of the construction contract shall be only for determining its compliance with this OPA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Owner, Owner shall, nevertheless, bear the responsibility to complete, at Owner's cost, the construction of the Project in accordance with this OPA. In the event of cost increases that result from unforeseeable circumstances, Developer shall submit to Agency a revised scope of work for approval by Agency, and the Developer and Agency shall come to agreement on a revised scope of work for the project based on available resources.

4.2. **GOVERNMENTAL REVIEW PROCESS.** Notwithstanding any other provision of this OPA, Owner is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento. To assure proper review by the City, Owner shall, within thirty (30) days of the date of this OPA, make an initial deposit toward "plan check fees" with the City's Planning Department. In addition, Owner shall, as applicable, take designs before the Design Review/Preservation Board or its appropriate subcommittee for comment as soon as practicable. Conditions to the project imposed by the City shall be considered obligations of the Owner under this OPA. If a dispute with City staff arises regarding such City conditions, Owner shall accept the decision of the

City's Planning Commission interpreting, imposing and enforcing such City conditions, subject to any applicable appeals process of the Planning Commission.

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

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

4.5. PREVAILING WAGES. In accordance with Labor Code Section 1720(c)(4), so long as the sole and only public subsidy for the Project is from the Agency's Low and Moderate Income Housing Fund as such terms are defined therein, the Project is not subject to prevailing wages. Developer represents to the Agency that Developer has obtained no other public subsidy for the Project. If Developer obtains another public subsidy, Developer shall pay prevailing wages for the Project. Therefore, in the event Developer obtains another public subsidy other than the Agency's Low and Moderate Income Housing Fund, Developer shall indemnify, hold harmless and defend 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 Developer or Contractor or both of them.

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

4.7. NONDISCRIMINATION IN CONTRACTING AND EMPLOYMENT. Owner for itself, any project manager, the Contractor, and the property manager engaged in connection with the Project or Property, and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

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

4.7.2. SBE, SECTION 3 AND NEW HIRE AGREEMENT. Owners (Owner or designee) agrees to work with the Agency and the Small Business Enterprise program (SBE) to accomplish, to the greatest extent feasible, the goals and activities set forth in this OPA and the SBE, Section 3 and New Hire Agreement as attached hereto and incorporated herein as Exhibit 5: SBE, Section 3 and New Hire Agreement.

4.7.3. EMPLOYMENT REPORTING REQUIREMENTS. Owner will provide written reports to Agency as to the number of construction positions involved in the rehabilitation and how many of those positions are new positions or new hires. The Agency will provide a form to Owner for this reporting requirement. Owner shall or cause its contractor to provide the required information. Owner must comply with SBE and Section 3 hiring efforts (Section 4.7.2 above). Exhibit 6: SBE and Section 3 Report Form is attached hereto and incorporated herein for compliance with this Section.

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

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

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

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

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

4.11.1. Such certification and such determination shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Owner to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any provision of this OPA that is not related to construction of the Project.

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

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

4.13. NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS. Owner shall assure that the respective parties through the Project Documents have the responsibility of notifying the Project contractors, architects and engineers for the Project of the requirements of this OPA. Owner shall include, where applicable, the provisions of Sections 4.4, 4.5, 4.6, 4.7, 4.7.1, 4.7.2, 4.7.3, 4.7.4 and 4.9 of this OPA in construction contracts and subcontracts for the Project, and Owner shall undertake the enforcement of such provisions.

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

4.15. ZONING OF THE PROPERTY. Agency exercises no authority with regard to zoning of the Property. Owner shall assure that zoning of the Property at the time of development shall be

such as to permit the development and construction, use, operation and maintenance of the Project in accordance with the provisions of this OPA.

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

5. ADDITIONAL PROJECT PROVISIONS. Owner is agreeing to certain job outreach goals and reporting requirements more specifically described in the Funding Agreement.

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

6.1. EVIDENCE OF AVAILABLE FUNDS. Unless otherwise approved by the Agency, Owner's evidence of available funds must include only the following: (a) Owner equity (as provided in Section 6.3); (b) firm and binding loan commitments (as provided in Section 6.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this OPA. Within ten (10) days after Agency's request, Owner shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

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

that requires the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party.

6.3. EVIDENCE OF OWNER EQUITY. Unless otherwise agreed in writing by the Agency, Owner may provide evidence of required equity, if any, by any one or more of the following actions: (a) a deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Owner; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Owner obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Owner's provision of financial statements prepared by a certified public accountant that show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity; or (d) Operating and Replacement Reserves in the total amount of not less than \$300,000 at the time of closing. Owner shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Owner profit or fees or Owner contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

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

7.1. NONDISCRIMINATION. There shall be no discrimination against or segregation of any person on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code in the sale, lease, or rental or in the use or occupancy of the Property hereby conveyed or any part thereof. Grantee covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

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

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

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

This indemnification provision shall survive the termination of this agreement.

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

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

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

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

10.3. COMPREHENSIVE GENERAL LIABILITY. Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or

such other substantially similar coverage as may be approved by Agency Counsel). Such insurance shall have limits of liability which are not less than \$2,000,000, each occurrence, for bodily injury coverage; \$5,000,000 aggregate, for products and completed operations coverage; \$1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

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

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

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

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

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

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

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

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

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

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

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

12. ATTORNEY'S FEES AND RELATED COSTS. If an action is commenced between the parties, the prevailing party in that action shall be entitled to recover from the non-prevailing party all reasonable attorney fees and costs, witness fees, arbitrator's fees, and court and arbitration costs. The term "prevailing party" shall include without limitation, the party who receives performance from the other party for an alleged breach of contract or a desired remedy where the performance is substantially equal to the relief sought in an action; the party who receives any award for relief

through arbitration; or the party determined to be the prevailing party by a court of law. In any event, the prevailing party shall mean the party receiving a judgment, ruling or award that is more favorable than the last firm offer of settlement made by such party. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

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

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

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Owner Participation Agreement dated _____ between the Redevelopment Agency of the City of Sacramento and Norwood Housing Associates, L.P. ("OPA"). Lender requests, in accordance with Section 13.1 of the OPA, that if any default notice shall be given to Owner under the OPA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

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

13.3. LENDER NOT OBLIGATED TO CONSTRUCT. Notwithstanding any of the provisions of the OPA, Lender shall not be obligated by the provisions of the OPA to construct or complete the Project. Nothing in this Section or any other provision of the OPA shall be construed to permit

or authorize Lender to devote the Property to any uses, or to construct any improvements on the Property, other than those uses or improvements provided or permitted in the OPA.

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

13.5. DEFAULT BY OWNER. In the event of a default by Owner, Agency shall not terminate this OPA unless and until the Agency has given notice to Lender of such default, as provided in this Section 13.5 and Lender has failed to cure such default as provided in Section 13.5 provided, however that if such default cannot practicably be cured by the Lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this OPA) shall be tolled if and so long as:

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

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

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

13.5.4. From and after the cure of such Owner default, Lender or its designee is not required to obtain possession or to continue in possession of the Property. Nothing in this Section shall preclude the Agency from exercising any of its rights or remedies with respect to Owner during any period of such forbearance.

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

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

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

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

13.10. PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER. In reliance on the financial capability and experience of Owner, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of the Property possible. Owner shall not, prior to issuance of a Certificate of Completion, assign Owner's interests or obligations under this OPA or undertake any act or transaction resulting in a significant change in the interests of the principals of Owner or the degree of their control of Owner without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Owner. Such a transfer as permitted in this Section 13 shall not relieve Owner, or any other party bound in any way by the OPA, from any of its obligations under the OPA. With respect to this provision, the Owner and the parties signing the OPA on behalf of the Owner represent that they have the authority of all of Owner's principals to agree to and bind them to this provision. Notwithstanding the provisions of this Section 13.10, Owner may assign this OPA to a single asset entity in which Owner, Developer, or Mutual Housing Corporation has a substantial interest and is the managing member, the general partner or the controlling shareholder and chief operations officer; provided (i) that the entity form and organizational documents have been approved by Agency Counsel, (ii) that the new entity has agreed in writing to be bound by all the provisions of this OPA and all agreements related to this OPA, and (iii) that the entity has been approved in writing, in advance, by the Agency's Executive Director.

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

14.1. INTEGRATED DOCUMENTS; SEVERABILITY. This OPA and the documents incorporated in this OPA are to be considered as one document and default of any of them shall be considered a default of all of them. This OPA, including the incorporated documents, integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. If any term or provision of this OPA shall, to any extent, be held invalid or unenforceable, the remainder of this OPA shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

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

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

respect to any other defaults by Owner under this Section or with respect to the particular default except to the extent specifically waived in writing.

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

14.5. DRAFTER. This OPA shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to sections are to this OPA. All exhibits referred to in this OPA are attached to it and incorporated in it by this reference.

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

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

14.8. 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 Agency and Owner. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Agency and Owner other than that of a governmental entity regulating the development of private property, and the owner of such private property.

14.9. 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 at any time on deposit in the Construction Account or the Impound Account, if established.

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

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

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

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

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

15.1. Addresses for notices are as follows:

15.1.1. Agency: Redevelopment Agency of the City of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Richard Marsh.

15.1.2. Developer: Sacramento Mutual Housing Association, 8001 Fruitridge Road, Sacramento, CA 95820; Attention: Rachel Iskow

15.1.3. Owner: Norwood Housing Associates, L.P., 8001 Fruitridge Road, Sacramento, CA 95820; Attention: Rachel Iskow

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

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

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

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

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

16. **DEFINITIONS.**

16.1. "Agency" is the Redevelopment Agency of the City of Sacramento. The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California. The principal office of the Agency is located at 801 12th Street, Sacramento, California 95814. Agency as used in this OPA includes the Redevelopment Agency of the City of Sacramento and any assignee of or successor to its rights, powers, and responsibilities. The Sacramento Housing and Redevelopment Agency is a joint powers agency which provides staffing for the operation of the Agency.

16.2. "Agency Funding" is the funding provided by the Agency under this OPA to Owner for the Project.

16.3. "Agency Funding Agreement" is the Construction and Permanent Loan Agreement.

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

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

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

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

16.8. "Completion Date" is the date on or before which Owner must complete the construction of the Project. The Completion Date for the Project is July 31, 2011.

16.9. "Contractor" is the general contractor or contractors with whom Owner has contracted for the construction of the Project.

16.10. "Developer" is Sacramento Mutual Housing Association. The principal office of the Developer is located at 8001 Fruitridge Road, Sacramento, CA 95820.

16.11. "Development Agreement" is the agreement between the Owner and the Developer that specifies the duties and responsibilities of the Developer.

16.12. "Escrow" is the escrow for the transactions contemplated by this OPA.

16.13. "Escrow Instructions" means the escrow instructions for the close of the Escrow.

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

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

16.16. "Legal Description" is the legal description of the various parcels of real property affected by this OPA. The Legal Description is attached as Exhibit 1: Legal Description.

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

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

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

16.20. "Owner" is Norwood Housing Associates, L.P., a California limited partnership. The principal office of the Owner is located at 8001 Fruitridge Road, Sacramento, CA 95820.

16.21. "Preliminary Plans" are the Project designs, if any, prepared by the Project architect, _____, dated _____. Agency has approved the Preliminary Plans concurrently with the approval of this OPA.

16.22. "Plans" shall mean either or both Preliminary Plans, if any, and Final Plans, if any, as the context may indicate.

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

16.24. "Project Area" is the Del Paso Heights Redevelopment Project Area, as defined in the Redevelopment Plan.

16.25. “Redevelopment Plan” is the redevelopment plan for the Project Area (as it may be amended from time to time) for the Del Paso Heights Redevelopment Project Area as duly adopted by the City Council and currently active in the City.

16.26. “Regulatory Agreement” is the agreement containing covenants, conditions and restrictions, including without limitation, use restrictions that run with the Property as a condition of Agency Funding.

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

16.28. “Scope of Development” is the detailed description of the work to be done under this OPA for the Project. The Scope of Development attached as Exhibit 4: Scope of Development.

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

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

continued on next page...

notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

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

OWNER :
NORWOOD HOUSING ASSOCIATES, L.P., a
California limited partnership

AGENCY: THE REDEVELOPMENT AGENCY
OF THE CITY OF SACRAMENTO, a body
corporate and politic

BY: MUTUAL HOUSING CORPORATION, a
California nonprofit public benefit
corporation
ITS GENERAL PARTNER

BY: _____
Rachel Iskow, Executive Director

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

Approved as to form:

Owner Counsel

Agency Counsel

EXHIBIT 1
Legal Description

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Lots 102, 103 and 104, as said lots are show on that certain plat entitled "Strawberry Terrace" filed in the office of the Recorder of Sacramento County in Book 64 of Maps, Map No. 18, being shown as Exhibit A in that certain Certificate of Compliance recorded May 26, 1992 in Book 920526, Page 1133, Sacramento County Records, being more particularly described as follows:

Beginning at the Northwest corner of said Lot 102 located on the South right of way line of Ford Road as shown on said plat; thence leaving said point of beginning and along said South right of way line of Ford Road and the North line of said Lot 102 North 89° 02' 30" East, 207.49 feet; thence along a curve to the right having a radius of 20.00 feet and a chord bearing and distance of South 46° 22' 00" East, 28.08 feet to the West right of way line Norwood Avenue (formerly Sully Street) and the East line of said Lot 102; thence along said West line of Norwood Avenue and the East line of said Lots 102, 103 and 104 South 01° 46' 30" East, 407.33 feet to the Southeast corner of said Lot 104; thence along the South line of said Lot 104 South 89° 02' 30" West, 227.20 feet to the Southwest corner of said Lot 104; thence along the West line of said Lots 102, 103 and 104 North 01° 46' 30" West, 427.04 feet to the point of beginning.

APN: 250-0314-033-0000

EXHIBIT 2
Schedule of Performances

NORWOOD ESTATES

SCHEDULE OF PERFORMANCES

	<u>Completion Date</u>
Closing	January 31, 2010
Commence construction	July 31, 2010
Complete construction	July 31, 2011

EXHIBIT 3
Scope of Development

NORWOOD ESTATES

SCOPE OF DEVELOPMENT

The rehabilitation plan for Norwood Estates was developed in response to the findings stated in the recent assessment reports prepared by LandAmerica Assessment Corporation.

The property will require repair or replacement of the following items; exterior and interior rehab of all residential buildings, all parking areas, as well as common landscaped and open space areas. In addition, further pest inspection of several units will take place to determine if further repair or replacement to its interiors may be needed.

The exterior rehabilitation needed at **Norwood Estates** will include the following items:

- Eliminate soil erosion occurring on west end of property
- Replacement and upgrade sod lawn and plant life through out site
- Installation of new pedestrian gate and lighting in surrounding area
- Repair overlay, seal coat and re-stripe entire parking area and driveway
- Repair/replace and repaint patio fencing
- Clean and paint Exterior Insulation Finishing Systems (EIFS), trim, metal railings
- Remove and replace all existing roof cover, gutters and downspouts
- Install security cameras and system
- Improve walkways/ramps/parking to allow ADA accessibility

Interior rehabilitation for **Norwood Estates** will include:

- Replacement of all condensing units and furnaces
- Replacement of Carpeting and vinyl flooring
- Re-paint interior of all units
- Replace kitchen cabinets and countertops, sinks and fixtures
- Replace bathroom cabinetry, countertops, exhaust fans, tubs and surrounds, sinks and fixtures
- Replace appliances such as range, range hoods, exhaust fans, garbage disposals
- Replace water heaters
- Minor modification to three (3) units to allow ADA accessibility

The construction is anticipated to commence shortly after acquisition of Norwood Avenue Apartments, with a projected timeline of all improvements to be completed within 12 months.

EXHIBIT 4
Regulatory Agreement

NO FEE DOCUMENT:

Entitled to free recording
 per Government Code 27383.
 When recorded, return to:
 REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
 801-12th Street,
 Sacramento, CA 95814

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
 CONTAINING COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	Norwood Estates
PROJECT ADDRESS:	3351 Norwood Avenue, Sacramento, California
APN:	250-0314-033

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

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

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

TERM	DEFINITION				
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:				
“Agency”	Redevelopment Agency of the City of Sacramento The Agency is a public body, corporate and politic.				
“Owner”	Norwood Housing Associates, L.P.				
“Agency Address”	Agency’s business address is 801-12th Street, Sacramento, California 95814				
“Owner Address”	Owner’s business address is as follows: 8001 Fruitridge Road, Sacramento, CA 95820				
“Jurisdiction”	City of Sacramento				
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference				
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Titled:</td> <td>Acquisition and Permanent Loan Agreement</td> </tr> <tr> <td>Dated:</td> <td></td> </tr> </table>	Titled:	Acquisition and Permanent Loan Agreement	Dated:	
Titled:	Acquisition and Permanent Loan Agreement				
Dated:					
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property				
“Agency Funding Amount”	The amount of the Agency Funding, as follows: \$***Loan Amount***				
“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation. (%)				

"Funding Requirements"	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.	
"Approved Use"	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	28

RESTRICTED PARCELS; APPROVAL OF LEASES. In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels. HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Agency Funding Sources:	Affordability Level:	Number of Units:	Restricted Units:	Initial Gross Rent per Unit per Month:
Redevelopment Project Area Tax Increment (TI)	50% AMI (VLI)	9	2 Bedroom	\$818.75
	60% AMI	13		\$982.50
	50% AMI (VLI)	3	3 Bedroom	\$910.00
	60% AMI	19		\$1,092.00
Total		44		

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

Approved Management Company
Jon Berkley Management , Inc.

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

Provision	Term
1. <u>Annual Administration Fee.</u> Owner shall pay an Annual Administration Fee equal to 15 basis points (0.15%) of the original loan to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. The fee is payable in advance at closing prorated until July 1, 2010 and in equal semi-annual installments thereafter.	Fifty-five (55) years
2. <u>Expiration of affordability period.</u> Owner agrees the rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.	

<p>3. <u>Smoke-free environment.</u> At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.</p>	
<p>4. <u>Resident services.</u> Owner shall provide approved resident services at Norwood Avenue Apartments and Norwood Estates together according to the following minimum schedule: Coordinator on site: 5 hours/week After-school programs: 2 hours/day, 4 days /week Additional resident services: 4 hours/week</p>	
<p>5. <u>Regulatory Agreement Violations.</u> Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.</p>	
<p>6. <u>"Excess" utility charges.</u> Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent.</p>	
<p>7. <u>Renters' insurance.</u> Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.</p>	

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

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

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.
- c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.
- d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.

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

f. Owner shall not cause and shall not permit discrimination on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

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

8. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifty-five (55) years from the Effective Date.

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

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

11. RECORDKEEPING AND REPORTING. Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**OWNER: NORWOOD HOUSING ASSOCIATES, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP
BY: MUTUAL HOUSING CORPORATION, A
CALIFORNIA NONPROFIT PUBLIC BENEFIT
CORPORATION
ITS GENERAL PARTNER**

**AGENCY: THE SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY**

By: _____
LaShelle Dozier, Executive Director

Date: _____

By: _____
Rachel Iskow
Executive Director

Approved as to form: _____
Agency Counsel

Date: _____

Approved as to form: _____
Developer Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

EXHIBIT 1
Legal Description of the Property

Exhibit 2

TI FUNDING REQUIREMENTS FOR RENTAL HOUSING
PROJECT AREA REDEVELOPMENT HOUSING FUND

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

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Housing Fund (as defined in Health & Safety Code Section 33334.3) of the Project Area Redevelopment Project Area ("Project Area") and made in accordance with the provisions of the redevelopment plan for the Project Area ("Redevelopment Plan") and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding ("Property") is rehabilitated or developed as residential rental property ("Project") with certain units regulated in accordance with Health & Safety Code Section 33487 ("TI Restricted Units") by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(e). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area.
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate :
 - a. Moderate-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - b. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - c. Very Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - d. Owner shall be responsible to determine the affordable amounts for the TI Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.
3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of fifty-five (55) years, unless a longer term is specified in the body of the document to which this attached.

Exhibit 3 - COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.

Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented..	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.

Owner Participation Agreement

Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee. Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

EXHIBIT 5
Small Business Enterprise and Local Hire Agreement

Owner (Owner or designee) agrees to work with the Agency Small Business Enterprise (SBE) to accomplish, to the greatest extent feasible, the goals and activities set forth in the Project Agreement and this attachment.

Owner Responsibilities

The Owner or designee will be responsible for the following:

- Provide outreach and bidding information to area firms and on the SBE list provided by the Agency. Firms mean suppliers, contractors, and professional services including architectural, engineering, project management, consulting or any construction or planning related activity.
- Provide SBE information in bid packages or similar solicitation material.
- At least one month prior to a pre-construction conference, provide to the Agency a list of the firms contacted for contracting opportunities for this project; the method of solicitation; reasons for acceptance or denial; list of selected firms with an indication if they are minority or women owned contractors and whether their principal place of business is in the Target Area area; and, the contract amount. The Owner may use an Agency provided form for this purpose.
- Host the pre-construction subcontractor meeting to inform subcontractors of the SBE and local hire information.
- Coordinate a local hire recruitment effort which will include:
 - Outreach to all Target Area/Construction Training Programs graduates/Sacramento Youthbuild graduates, if any
 - Sponsoring a community information workshop or similar to advertise job opportunities
 - Advertise workshop information and job opportunities with community based organizations, religious, educational, vocational and similar organizations and in local newspapers.
 - Invite the Target Area RAC, if one exists, to send one or two representatives to help with the interview process.
- Prior to construction, provide the Agency with a profile of the workforce of each contractor, subcontractor or subtier contractor with a similar profile of projected needs. A profile consists of the number from each trade. For example, a framing contractor may have a workforce profile of four carpenters and one laborer and anticipates adding one carpenter and one laborer. This information indicates the new hire opportunity.
- Establish a goal of 30 percent of the newly available full- and part-time construction jobs including construction related like architecture and engineering, be directed to local Target Area residents.

- Establish a goal of 30 percent of the newly available full-and part-time construction jobs including construction related like architecture and engineering, be available to members of economically disadvantaged groups.
- Provide to the Agency reports covering new hires. The periodic reports should be made available monthly after the start of construction and consist of the new hire's name, address, phone number, social security number, ethnicity, gender, position, rate of pay, date of hire, date of termination and reason (if applicable), and whether working full-time or part-time. The Owner may use an Agency provided form for this purpose.

AGENCY RESPONSIBILITIES

The Agency will provide the following services:

- Provide a list of local contractors and suppliers and certified SBE firms to the Owner or designee for soliciting construction bids and supplies; the list will include trades and suppliers that the Owner identifies as relevant to the project.
- Assist the Owner with the documentation to track the solicitation efforts.
- After solicitations are completed and the Owner submits the activity information, the Agency will evaluate the efforts and make any recommended changes to increase the effectiveness of this approach.
- The results of the evaluation will be available to the Owner upon request.

EXHIBIT 6
SBE AND SECTION 3 REPORT FORM
Project New Hire Summary

Owner / Contractor: _____

Project Name: _____ **Project Number:** _____

Number of company employees who performed work on this project: _____

You are required to furnish the following information to comply with the terms of the contract for this project. This form is to be completed and returned with the close-out documentation.

During the course of the project you and/or your subcontractor(s) may find the need to hire new workers to complete the project. "New Hires" are defined as persons hired specifically to perform work on this project. Should "New Hires" be necessary, you are encouraged to hire persons residing within the "Local Area". The "Local Area" defined as, within the boundaries of Sacramento County. All new hires are to be recorded whether they reside within the Local Area or not. Each new hire is to complete a New Hire Questionnaire (attached) at the time of employment. All completed Questionnaires are to be attached to this summary sheet and returned with the close-out documentation. The purpose of the Questionnaire is to allow the gathering of information to gauge the economic impact of this project on the community (Local Area). Reports of statistical results may be submitted to the Agency's governing boards or HUD. The greatest economic impact is made by the hiring of Section 3 residents or residents from the redevelopment project area, if applicable. Section 3 residents are defined as, public housing residents or persons who live in the Local Area where the project is located and who have a household income that falls below HUD's income limits.

Collect, tally and record the following information during the project (use additional sheets if necessary). This requirement applies to all contractors and subcontractors working on this project.

1. What trades/classifications/professions (e.g. carpenter, plumber, laborer, architect, engineer, etc.) were hired specifically for this project.
2. Total number of New Hires for each trade/classification/profession.
3. Number of New Hires that were Local Area residents and those that were Section 3.

TRADE / CLASSIFICATION / PROFESSION	TOTAL NEW HIRES	LOCAL AREA NEW HIRES	SECTION 3 NEW HIRES

I declare that the above is true and correct to the best of my knowledge.

Signature

Date

New Hire Questionnaire (2009)

Owner/Contractor: _____

Project Name: _____ Project Number: _____

Note to employer: Use this form as part of your new hire process.

Questionnaire

Your employer is required to furnish the following information in complying with the terms of the contract for this project. All information you provide will be **confidential** and will be used to prepare statistical reports. Your responses will not affect your employment situation. Please complete all requested information and return this form to your employer.

1. New Hire

First Name: _____ Middle Initial: ____ Last Name: _____

Street Address: _____ City: _____ Phone _____

State: _____ Zip Code: _____ Job Title: _____

Ethnic Code: _____ (1=White, Caucasian; 2=Black, African American; 3= Native American; 4= Hispanic; 5= Asian, Pacific Islander; 0=Other) Sex: ____Male ____Female

2. Income before taking this job. We need to know the economic impact this job has on the community. Please review the chart below, match your household size (include yourself) with the **maximum** household income; then, place a checkmark next to the category type (A, B or C) that applies to your household.

Category A

Household Size

Maximum	1	2	3	4	5	6	7	8
Income	\$24,850	\$28,400	\$31,950	\$35,500	\$38,350	\$41,200	\$44,000	\$46,850

Category B

Household Size

	1	2	3	4	5	6	7	8
At least	\$24,850	\$28,400	\$31,950	\$35,500	\$38,350	\$41,200	\$44,000	\$46,850
But no more than	\$39,750	\$45,450	\$51,100	\$56,800	\$61,350	\$65,900	\$70,450	\$75,000

Category C = exceeds the maximum of Category B

Owner Participation Agreement

For example, suppose your household size is 3 and the total annual household income was \$32,000.00. From the charts above, the income was above the maximum for type A for a family of 3 (\$31,950.00) but less than maximum for B (\$51,100.00) for a family of 3. You would checkmark B.

Mark one category: A _____; B _____; C _____.

3. **Job Source:** how did you find about this job? referred by: _____; recruited by: _____; other: _____.

4. **Statement**

I declare that the above is true and correct to the best of my knowledge.

Your signature: _____ Date: _____



**Sacramento
Housing &
Redevelopment
Agency**

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RESOLUTION NO. 2010 –

Adopted by the Sacramento City Council

on the date

NORWOOD AVENUE APARTMENTS: APPROVAL OF CONSOLIDATION AND RESTRUCTURING OF OUTSTANDING LOANS AND ASSUMPTION OF OBLIGATIONS BY NORWOOD HOUSING ASSOCIATES, L.P., OR RELATED ENTITY; TRANSFER OF PROPERTY TO NORWOOD HOUSING ASSOCIATES, L.P., OR RELATED ENTITY; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH NORWOOD HOUSING ASSOCIATES, L.P., OR RELATED ENTITY; DEFUNDING \$333,000 IN HOME INVESTMENT PARTNERSHIP (HOME) FUNDS AND RELATED BUDGET AMENDMENT

BACKGROUND

- A. Norwood Housing Associates, L.P., has applied for an Agency Tax Increment loan of up to One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) to assist in funding the acquisition and rehabilitation of the 28-unit Norwood Avenue Apartments ("Project");
- B. The Sacramento Housing and Redevelopment Agency (Agency) desires to defund Three Hundred Thirty-three Thousand Dollars (\$333,000) of City Home Investment Partnership (HOME) funds that were allocated to the project to be replaced by Redevelopment Project Area Tax Increment funds;
- C. The Project currently has three Agency loans outstanding: (1) a TI and Community Development Block Grant (CDBG) loan of Two Hundred Fifteen Thousand (\$215,000), plus accrued interest; (2) a CDBG loan of One Hundred Ninety Thousand One Hundred Dollars (\$190,100) with no accrued interest; and (3) accrued interest of Thirty-eight Thousand Seven Hundred Forty Dollars (\$38,740) on a TI loan of which the original principal balance of Five Hundred Ninety-six Thousand Dollars (\$596,000) has been repaid;
- D. The original Agency signatory for the three outstanding Agency loans was the Redevelopment Agency of the City of Sacramento. In order to maintain consistency with the previous transaction, the Redevelopment Agency of the City of Sacramento will also be the Agency signatory for this transaction.
- E. The project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged. The Project is categorically excluded under the National Environmental Policy Act pursuant to 24 CFR Section 58.35 (a) subsection (3)(ii).

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

- Section 1. The above recitals are true and correct and the proposed action is exempt from environmental review under CEQA Guidelines Sections 15310 and 15301(a) and (d). The project is Categorically Excluded from environmental review under National Environmental Policy Act regulations at 24 CFR Section 58.35 (a) subsection (3)(ii).
- Section 2. The consolidation and restructuring of outstanding CDBG and TI loans in the amounts of Two Hundred Fifteen Thousand (\$215,000) principal, plus accrued interest; One Hundred Ninety Thousand One Hundred Dollars (\$190,100) principal; and Thirty-eight Thousand Seven Hundred Forty Dollars (\$38,740) interest, into a deferred payment loan at 0% interest with an extended maturity date and the assumption of the obligation by Norwood Housing Associates, L.P., in order to ensure the continued viability of the development is approved. The Loan Commitment, attached to and incorporated in this resolution by this reference (Exhibit A), is approved and the Executive Director, or her designee, is authorized to execute and transmit the Loan Commitment to Norwood Housing Associates, L.P., or related entity. The Loan may be subordinated if such subordination is required to obtain primary financing.
- Section 3. Defunding Three Hundred Thirty-three Thousand Dollars (\$333,000) of HOME funds from the Project is approved and the Agency is authorized to amend the Agency budget.
- Section 4. The Agency is authorized to execute standard agency loan documents in a form approved by Agency Counsel and in accordance with the OPA, the Loan Commitment and the staff report, accompanying this resolution, and in accordance with all applicable laws, regulations, and policies regarding the making of the Loan and the use of the allocated funds for the Project.
- Section 5. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds, including without limitation, subordination, extensions, and restructuring of such a loan.

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Exhibit A: Loan Commitment

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RESOLUTION NO. 2010 –

Adopted by the Sacramento City Council

on the date

NORWOOD ESTATES: APPROVAL OF DEFUNDING \$450,000 IN HOME INVESTMENT PARTNERSHIP (HOME) FUNDS AND RELATED BUDGET AMENDMENT

BACKGROUND

- A. The Sacramento Housing and Redevelopment Agency (Agency) desires to defund Four Hundred Fifty Thousand Dollars (\$450,000) of City Home Investment Partnership (HOME) funds that were allocated to the Norwood Estates.
- B. The proposed defunding of HOME funds is not a project under California Environmental Quality Act (CEQA).

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

- Section 1. The above recitals, including the environmental recital, are true and correct. The National Environmental Policy Act does not apply as no federal are being expended.
- Section 2. Defunding Four Hundred Fifty Thousand Dollars (\$450,000) of HOME funds from the Project is approved and the Agency is authorized to amend the Agency budget.