



**REPORT TO COUNCIL AND  
REDEVELOPMENT AGENCY** 15  
**City of Sacramento**  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Public Hearing**

August 24, 2010

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

**Title: Approval of Amended and Restated Disposition and Development Agreement and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project**

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

**Recommendation:** Conduct a public hearing pursuant to Health and Safety Codes § 33433 and 33431 and upon conclusion adopt: 1) a **City Resolution** a) defunding and reallocating \$1,000,000 of State Housing Trust Funds (State HTF) and \$200,000 of City Housing Trust Fund (City HTF) from the La Valentina project (Project) to the 7<sup>th</sup> and H Single Room Occupancy (SRO) Project, b) defunding and reallocating \$1,200,000 in City HOME Investment Partnership Funds (HOME) from the 7<sup>th</sup> and H project to the La Valentina project for construction and permanent financing of the Project, c) authorizing the Sacramento Housing and Redevelopment Agency (Agency) to enter into an amended loan commitment and loan agreement for up to \$7,035,000 with the 12<sup>th</sup> Street Partners L.P. (Developer); and 2) a **Redevelopment Agency Resolution** a) authorizing the Executive Director to enter into an Amended and Restated Disposition and Development Agreement (DDA), b) authorizing the Executive Director to enter into an amended loan commitment and loan agreement for up to \$7,035,000 with the Developer, and c) authorizing the Executive Director to enter into a loan agreement for a seller carry back loan for up to \$1,610,000 with the Developer.

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

**Presenters:** Noah Painter, Housing Finance Analyst

**Department:** Sacramento Housing and Redevelopment Agency

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

**Description/Analysis**

**Issue:** This report requests modification to the La Valentina project financing. The Project proposes the construction of a mixed-use, transit-oriented development on eight Agency-owned parcels. A location map is provided as Attachment 1. The Agency-owned property is located on two adjacent sites separated by D Street along the east side of the 12<sup>th</sup> Street corridor in the Alkali Flat Redevelopment Area.

The south site, (located between D and E Streets), is proposed as a mixed-use development adjacent to the Alkali Flat/La Valentina Light Rail Station which will include a 1,300 square foot café, a 2,000 square foot community room, 5,000 square feet of commercial/retail space, a property management office, and resident bicycle and car parking on the ground floor. There will be 63 affordable rental units located on the second, third, and fourth floors. The north site, (located between the C Street Alley and D Street), is proposed to include 18 affordable split-level town home style rental units. A site map is included as Attachment 2.

In March of 2010, the City Council approved an Agency loan of \$7,035,000. In June, the Project was awarded nine percent tax credits through a competitive process. The award completes the Project's financing package and groundbreaking is proposed in November of 2010. The Agency is recommending an exchange of \$1,000,000 of State HTF and \$200,000 of City HTF, allocated to La Valentina, for \$1,200,000 of HOME Funds, allocated to the 7<sup>th</sup> and H project approved by Council on June 10, 2010. The State HTF regulations have an extremely low income (ELI) expenditure requirement. Placing the State HTF funds with the 7<sup>th</sup> and H project will assist the Agency in better achieving this goal due to the fact that 75 units at the 7<sup>th</sup> and H Project will be ELI restricted while only 18 units at La Valentina will be ELI restricted.

Due to investor underwriting requirements, the Developer has requested to extend the term of the \$7,035,000 loan to 55 years. To offset the extension of the loan term, the Agency has requested that, in lieu of the previously proposed land donation, the Developer acquire the land from the Agency for \$1,610,000 funded through seller carry back financing. This change requires approval of an amended and restated Disposition and Development Agreement reflecting the sale. Additionally, the Agency has worked with the Developer to refine the operating budget. This includes a reduction of utility costs due to savings projected from the energy efficient systems installed as a result of the collaboration with SMUD. Collectively, these changes result in a better financial structure for the Agency and the Project.

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

The Project will leverage approximately \$12,000,000 in Low Income Housing Tax Credits (LIHTC), and approximately \$4,000,000 in other conventional and public sources. Additional background information on the Project is provided as Attachment 3, a summary of the sources and uses of Project funds is included as Attachment 4, a cash flow proforma is included as Attachment 5, and a schedule of maximum rents and income levels is included as Attachment 6.

**Policy Considerations:** The recommended action is consistent with the following goals in the Alkali Flat Implementation Plan and Redevelopment Plan:

- 1) Develop a mixed-use/transit-oriented development which will eliminate factors hindering economically viable use and eliminate an underutilized blighted parcel,
- 2) Provide safe, decent, adequate and sanitary housing through the development of a mixture of housing types for all income groups; and
- 3) Maximize private participation and investment in the redevelopment effort.

Furthermore the actions are consistent with the Agency's Multifamily and Mortgage Revenue Guidelines with the exception that the terms of both the seller carry back loan (funding the acquisition) and the construction and permanent loans will be extended to 55 years to ensure the project's feasibility.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed action consists of the reallocation of state and local funds from one project, which required individual review under CEQA, to another program which also required individual review under CEQA. The "La Valentina Station: Rezone, Plan Review, Special Permit, and Variances," which includes the negative declaration and mitigation measures for this project, was adopted by the City of Sacramento on March 24, 2009. The 7th and H Single Room Occupancy (SRO) project was analyzed by the City of Sacramento in accordance with CEQA Guidelines and a Class 32 Categorical Exemption was prepared and executed on April 28, 2010. The action of reallocating funding does not constitute a separate project under CEQA and no further environmental review is required pursuant to CEQA Guidelines §§ 15162 or 15163.

**Sustainability Considerations:** The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

reliable energy, (2) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled, (3) Goal number five – Public Health and Nutrition, specifically by the cleanup, redevelopment, and reuse of areas that are brownfields, and (4) Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, and reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

**Other:** This action involves the transfer of state and local funds from one project to another only; therefore, the National Environmental Policy Act (NEPA) does not apply to this action. Environmental review pursuant to NEPA is currently underway for the construction of both projects, which will include federal funding. The availability of federal funds for use in these projects is contingent upon the Federal Department of Housing and Urban Development's consent to the Agency's request for release of funds.

**Committee/Commission Action:** At its meeting on August 4, 2010, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

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

NOES: None

ABSENT: Otto

**Rationale for Recommendation:** Over the past 18 years, Agency staff and three different development teams have unsuccessfully attempted to revitalize the La Valentina site. As a result, the site remains vacant and unimproved. The actions proposed in this report will enable construction on this mixed-use, transit-oriented development which should begin in 2010. The approved project is designed to achieve goals of the Alkali Flat Redevelopment Plan. In addition, the actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City.

**Financial Considerations:** Staff recommends approval of a budget amendment defunding and reallocating \$1,200,000 of City HOME Funds from the 7<sup>th</sup> and H Project to La Valentina, defunding and reallocating \$1,000,000 in State Housing Trust Funds and \$200,000 of City HTF from La Valentina to the 7<sup>th</sup> and H Street Project. Additionally, staff recommends approval of a seller carry back acquisition loan in the amount of \$1,610,000 at 0% interest for a term of 55 years and to extend the term of the \$7,035,000 Construction and Permanent loan to 55 years.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

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

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

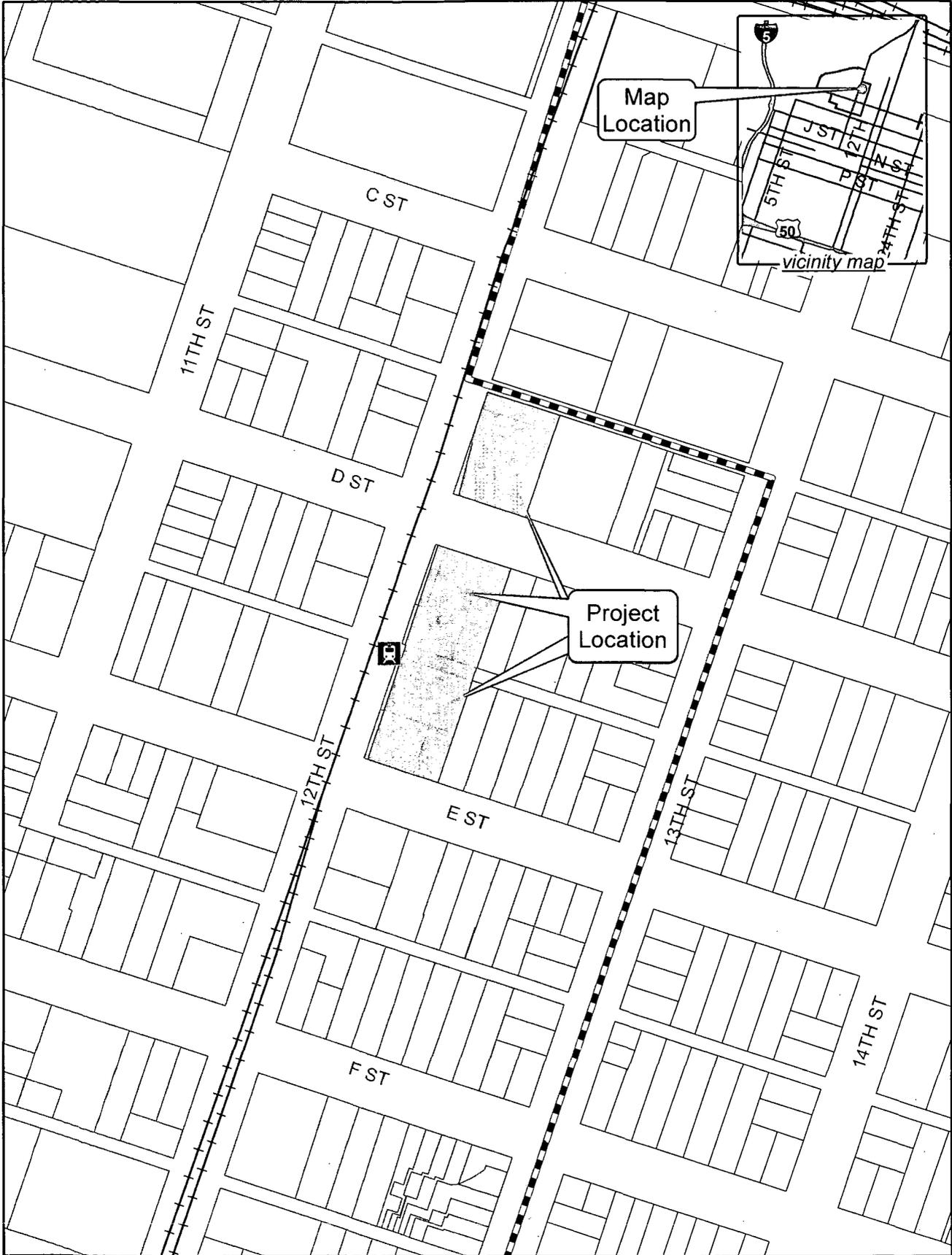
Recommendation Approved:

  
for GUS VINA  
Interim City Manager

**Table of Contents**

Report	pg. 1
<b>Attachments</b>	
1 Location Map	pg. 6
2 Site Map	pg. 7
3 Background	pg. 10
4 Project Summary	pg. 12
5 Cash Flow Proforma	pg. 13
6 Schedule of Maximum Rents and Incomes	pg. 14
7 City Resolution – 7TH and H Single Room Occupancy Project	pg. 15
8 City Resolution – La Valentina	pg. 16
Exhibit A – Report under Health and Safety Code Section 33433	pg. 19
Exhibit B – Loan Commitment Letter	pg. 21
9 Redevelopment Agency Resolution	pg. 31
Exhibit A – Report under Health and Safety Code Section 33433	pg. 34
Exhibit B- Amended and Restated Disposition and Development Agreement	pg. 36
Exhibit C – Loan Commitment Letter	pg. 74
Exhibit D – Seller Carry Back Loan Agreement	pg. 84

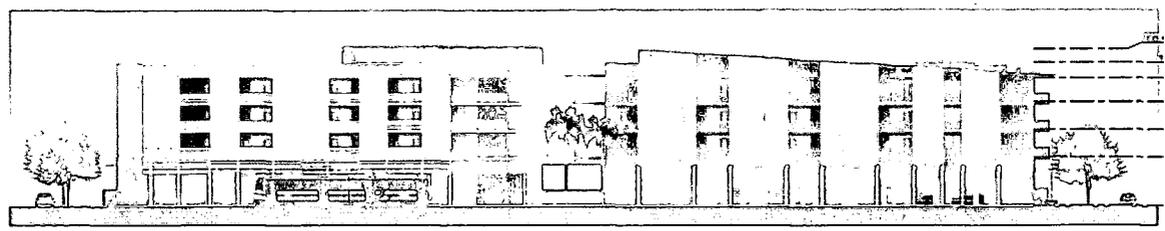
# La Valentina



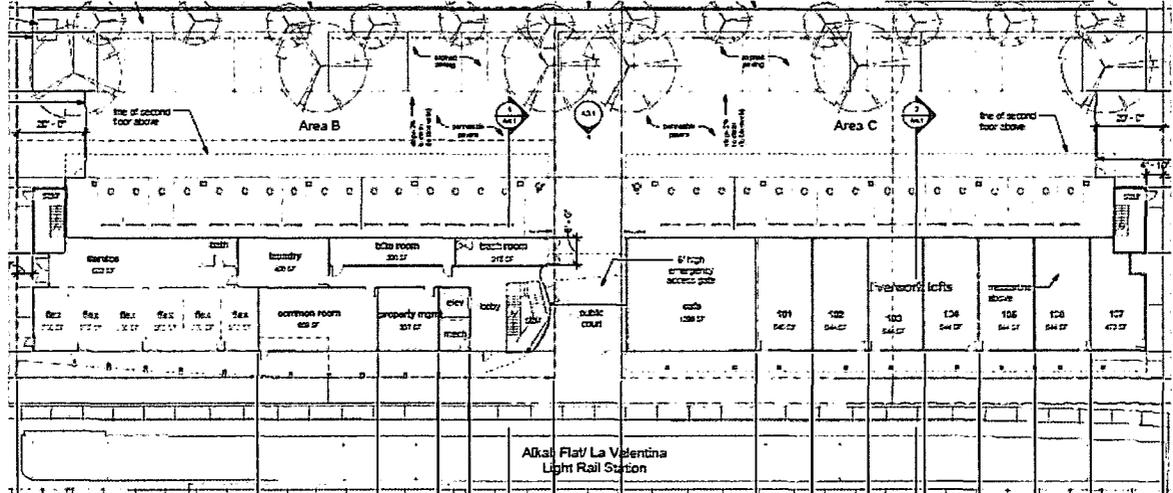
	La Valentina Project Parcel		Light Rail Line	Feet 0      200      400		SHRA GIS July 28, 2010
	Alkali Flat Redevelopment Area		Light Rail Stop			

### Site Map

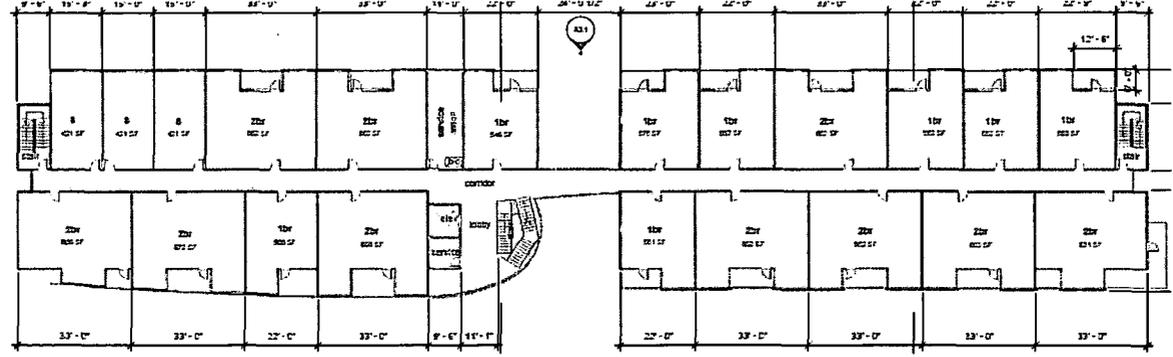
#### South Site: Mixed-Use Development



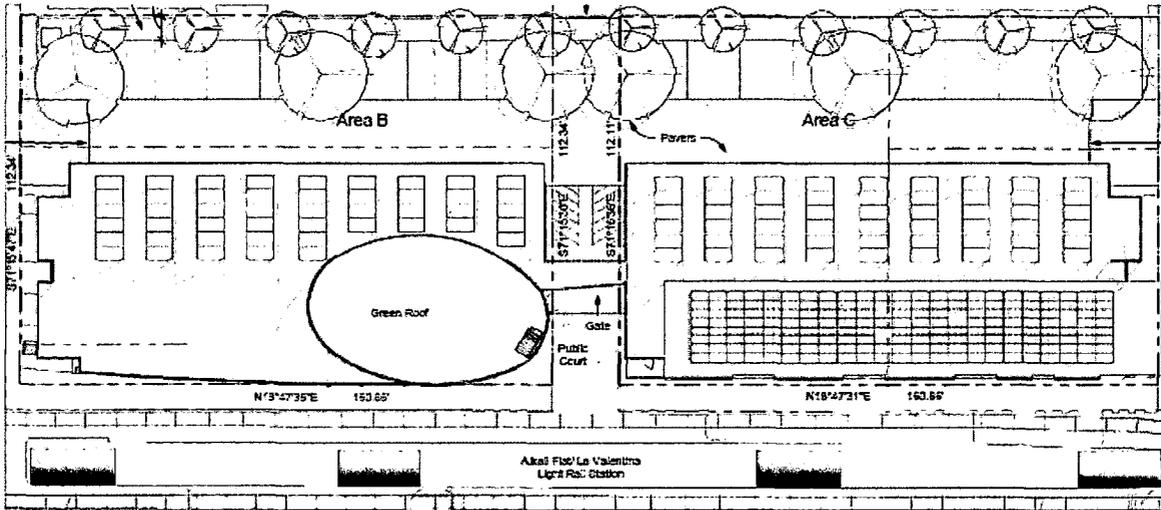
#### First Floor



#### Second, Third, and Fourth Floors



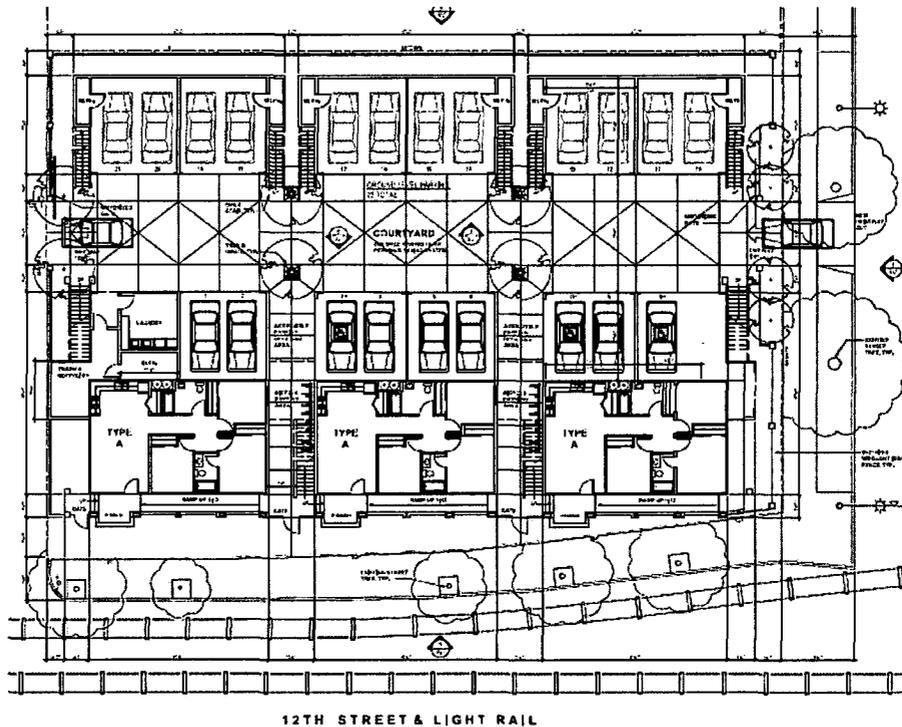
# Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project Roof



## North Site: Townhomes



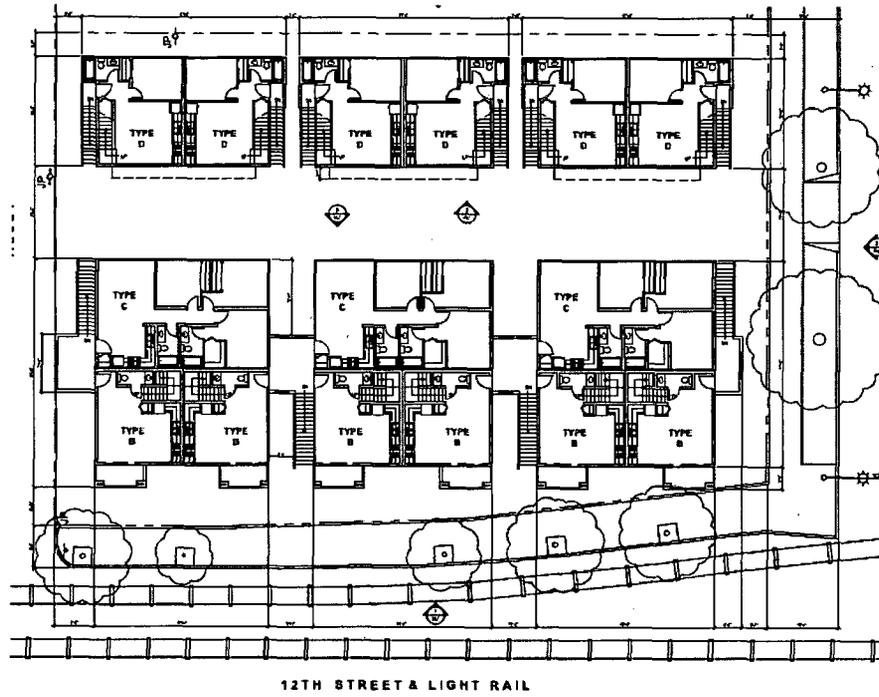
## First Floor



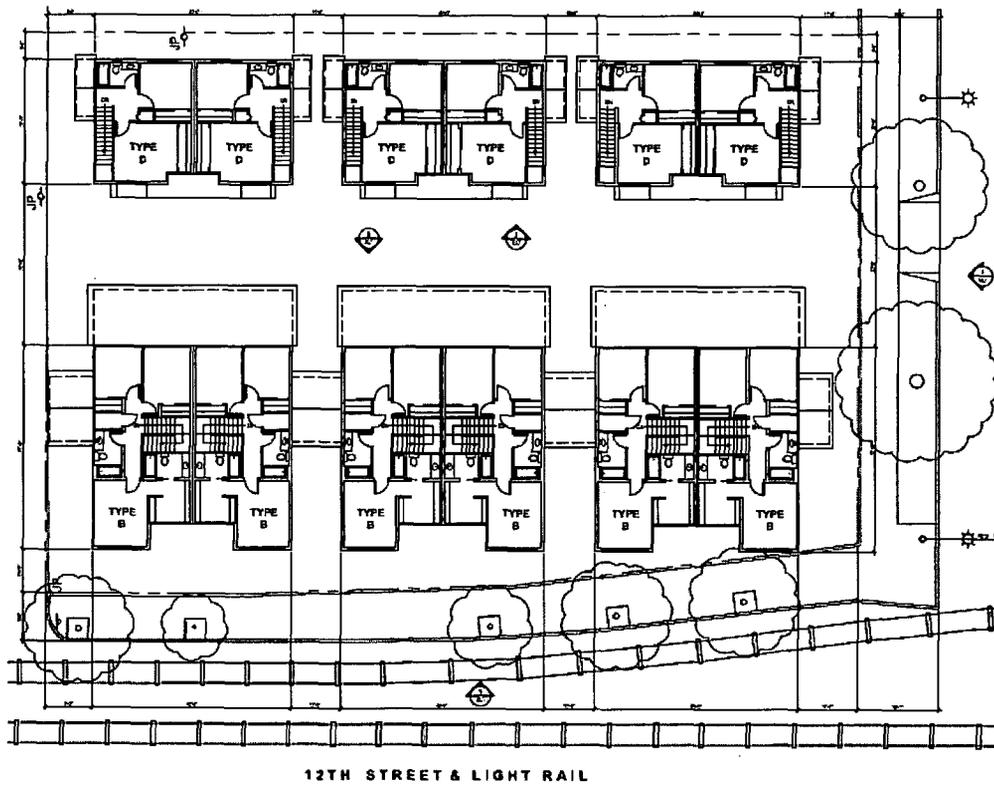
August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

Second Floor



Third Floor



## Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

Attachment 3

### Project Background

#### Site Description

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

#### Current Concept Design

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

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

#### Proposed Project Funding Sources

This staff report proposes an Agency loan of \$7,035,000 comprised of \$3,535,000 in City Housing Trust Funds, \$1,600,000 in Alkali Flat Project Area Tax Increment funds, and \$1,900,000 in HOME funds.

On June 9, 2010 La Valentina received approximately \$11,853,000 of 9% Low Income Housing Tax Credits (LIHTC) equity through the California Tax Credit Allocation Committee (TCAC). It is anticipated that construction will commence in November of 2010.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project

The Agency loans will leverage an additional \$4,095,400 of funds through a combination of public and private sources. The project costs will be funded with 9% LIHTC; Cal-Reuse Remediation Program (CalReUSE) grant funds through the California Pollution Control Financing Authority (CPCFA); Townhome of the Future Grant Funds through the Sacramento Municipal Utility District (SMUD); Community Development Block Grant Recovery funds (CDBG-R) through the Agency; bank loans; and developer equity. Despite the market downturn there is still demand for 9% LIHTCs, and 12<sup>th</sup> Street Partners is confident that they will be able to place the tax credit equity needed.

La Valentina  
Project Summary

<b>Address</b>	12th Street between C Street Alley and E Street				
<b>Number of Units</b>	81				
<b>Year Built</b>	New Construction				
<b>Acreage</b>	1.23 acres				
<b>Affordability</b>	16 units at or below 30% of Area Median Income (AMI) 8 units at or below 40% of AMI 40 units at or below 50% of AMI 16 units at or below 60% of AMI 1 Manager's Units unrestricted				
<b>Unit Mix and Rents</b>	(30% AMI)	(40% AMI)	(50% AMI)	(60% AMI)	Manager Unit
Studio	2	2	6	2	0
1 Bedroom	5	2	12	5	0
2 Bedroom	4	2	10	4	1
3 Bedroom	5	2	12	5	0
	16	8	40	16	1
<b>Square Footage</b>	<i>Residential</i>	<i>Commercial</i>	<i>Community</i>	<i>Total</i>	
Total	75,200	5,000	2,000	82,200	
Studio	600				
1 Bedroom	900				
2 Bedroom	1000				
3 Bedroom	1100				
<b>Resident Facilities</b>	This is a mixed-use, transit-oriented development adjacent to a light rail station. The project features a community room, laundry facilities, property management office, and 5,000 square feet of ground floor commercial space.				
<b>Permanent Sources</b>		<i>Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>	
Tax Credit Equity	\$	11,853,000	\$ 146,333	\$ 144.20	
Agency Loan	\$	7,035,000	\$ 86,852	\$ 85.58	
Agency Acquisition Loan	\$	1,610,000	\$ 19,877	\$ 19.59	
CalReUSE	\$	631,000	\$ 7,790	\$ 7.68	
CDBG-R	\$	221,000	\$ 2,728	\$ 2.69	
SMUD	\$	417,000	\$ 5,148	\$ 5.07	
Bank Loan	\$	2,256,400	\$ 27,857	\$ 27.45	
Fee Waivers	\$	191,000	\$ 2,358	\$ 2.32	
Deferred Developer Fee Note	\$	379,000	\$ 4,679	\$ 4.61	
<b>TOTAL SOURCES</b>	\$	24,593,400	\$ 303,622	\$ 299.19	
<b>Permanent Uses</b>					
Acquisition Costs	\$	1,610,000	\$ 19,877	\$ 19.59	
Off-site and Land Improvements	\$	620,000	\$ 7,654	\$ 7.54	
Construction	\$	12,744,400	\$ 157,338	\$ 155.04	
Development Impact Fees/Permits	\$	1,697,000	\$ 20,951	\$ 20.64	
Architecture, Engineering, Survey	\$	2,160,000	\$ 26,667	\$ 26.28	
Contingency	\$	1,549,000	\$ 19,123	\$ 18.84	
Financing Costs	\$	1,296,000	\$ 16,000	\$ 15.77	
Legal Fees	\$	63,000	\$ 778	\$ 0.77	
Relocation	\$	-	\$ -	\$ -	
Developer Fee	\$	2,000,000	\$ 24,691	\$ 24.33	
Third Party Reports, Marketing, Other	\$	567,000	\$ 7,000	\$ 6.90	
<b>TOTAL USES</b>	\$	24,593,400	\$ 303,622	\$ 299.19	
<b>Management / Operations</b>	Proposed Developer: Domus Development, LLC				
Property Management Company:	Domus Management Company				
Operations Budget:	\$351,176		\$4,336 per unit		
Replacement Reserves:	\$24,300		\$300 per unit		

La Valentina  
Project Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent
Studio @ 30% AMI	2	600	1,200	\$ 382	\$ 56	\$ 326	\$ 0.54	\$ 652
Studio @ 40% AMI	2	600	1,200	\$ 510	\$ 56	\$ 454	\$ 0.76	\$ 908
Studio @ 50% AMI	6	600	3,600	\$ 637	\$ 56	\$ 581	\$ 0.97	\$ 3,486
Studio @ 60% AMI	2	600	1,200	\$ 765	\$ 56	\$ 709	\$ 1.18	\$ 1,418
1 BD @ 30% AMI	5	900	4,500	\$ 409	\$ 63	\$ 346	\$ 0.38	\$ 1,730
1 BD @ 40% AMI	2	900	1,800	\$ 546	\$ 63	\$ 483	\$ 0.54	\$ 966
1 BD @ 50% AMI	12	900	10,800	\$ 682	\$ 63	\$ 619	\$ 0.69	\$ 7,428
1 BD @ 60% AMI	5	900	4,500	\$ 819	\$ 63	\$ 756	\$ 0.84	\$ 3,780
2 BD @ 30% AMI	4	1100	4,400	\$ 491	\$ 79	\$ 412	\$ 0.37	\$ 1,648
2 BD @ 40% AMI	2	1100	2,200	\$ 655	\$ 79	\$ 576	\$ 0.52	\$ 1,152
2 BD @ 50% AMI	10	1100	11,000	\$ 818	\$ 79	\$ 739	\$ 0.67	\$ 7,390
2 BD @ 60% AMI	4	1100	4,400	\$ 982	\$ 79	\$ 903	\$ 0.82	\$ 3,612
3 BD @ 30% AMI	5	1250	6,250	\$ 567	\$ 104	\$ 463	\$ 0.37	\$ 2,315
3 BD @ 40% AMI	2	1250	2,500	\$ 756	\$ 104	\$ 652	\$ 0.52	\$ 1,304
3 BD @ 50% AMI	12	1250	15,000	\$ 946	\$ 104	\$ 842	\$ 0.67	\$ 10,104
3 BD @ 60% AMI	5	1250	6,250	\$ 1,135	\$ 104	\$ 1,031	\$ 0.82	\$ 5,155
2 BD Manager's Unit	1	1100	1,100	\$ 982	\$ -	\$ 982	\$ 0.89	\$ 982
<b>Totals</b>	<b>81</b>		<b>80,800</b>					<b>\$ 53,048</b>

	annual rate	increase per unit	2013 Year 1	2014 Year 2	2015 Year 3	2016 Year 4	2017 Year 5	2027 Year 15	2037 Year 25	2047 Year 35	2052 Year 40	2057 Year 45	2062 Year 50	2067 Year 55
Potential Gross Income	2.50%		636,576	652,490	668,803	685,523	702,661	899,465	1,151,392	1,473,879	1,667,558	1,886,689	2,134,616	2,415,122
Commercial Income	2.50%		57,600	59,040	60,516	62,029	63,580	81,387	104,183	133,363	150,887	170,715	193,149	218,530
Other Income	2.50%		7,750	7,944	8,142	8,346	8,555	10,951	14,018	17,944	20,302	22,970	25,988	29,403
Less Commercial Vacancy	50% (50% in Yr 1 & 2)		43,200	44,280	30,258	31,014	31,790	40,694	52,091	66,681	75,444	85,358	96,574	109,265
Less Residential and Other Vacancy	5.00%		31,829	32,625	33,440	34,276	35,133	44,973	57,570	73,341	87,722	104,287	123,827	146,633
Effective Gross Income			\$626,897	\$642,570	\$673,763	\$690,607	\$707,872	\$906,136	\$1,159,931	\$1,525,163	\$1,725,582	\$1,952,337	\$2,208,891	\$2,499,157
<b>Operating Expenses</b>														
Operating Expenses	3.50%	3,514	284,594	294,555	304,864	315,534	326,578	460,671	649,822	916,638	1,088,678	1,293,008	1,535,688	1,823,915
Assessments	2.00%	105	8,500	8,670	8,843	9,020	9,201	11,216	13,672	16,666	18,400	20,315	22,430	24,764
Property Management	3.50%	474	38,400	39,744	41,135	42,575	44,065	62,158	87,680	123,681	146,894	174,464	207,209	246,089
Social Services	2.00%	296	24,000	24,480	24,970	25,469	25,978	31,667	38,602	47,056	51,954	57,361	63,331	69,923
Safety	2.00%	185	15,000	15,300	15,606	15,918	16,236	19,792	24,127	29,410	32,471	35,851	39,582	43,702
Replacement Reserves	0.00%	300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300
Total Expenses		4,874	\$394,794	\$407,049	\$419,718	\$432,817	\$446,359	\$609,804	\$838,202	\$1,157,751	\$1,362,697	\$1,605,300	\$1,892,540	\$2,232,704
<b>Net Operating Income</b>			<b>\$232,103</b>	<b>\$235,521</b>	<b>\$254,045</b>	<b>\$257,790</b>	<b>\$261,514</b>	<b>\$296,332</b>	<b>\$321,729</b>	<b>\$367,412</b>	<b>\$362,884</b>	<b>\$347,038</b>	<b>\$316,351</b>	<b>\$266,453</b>

	amount	rate	amort	2013	2014	2015	2016	2017	2027	2037	2047	2052	2057	2062	2067
Bank Loan	\$2,256,400	7.50%	30	189,325	189,325	189,325	189,325	189,325	189,325	189,325	189,325	0	0	0	0
Debt Service Subtotal				\$189,325	\$189,325	\$189,325	\$189,325	\$189,325	\$189,325	\$189,325	\$189,325	\$0	\$0	\$0	\$0
DCR on Senior Bonds				1.23	1.24	1.34	1.36	1.38	1.57	1.70					

Modified NOI for DCR Calculation \$232,103 \$235,521 \$254,045 \$257,790 \$261,514 \$296,332 \$321,729 \$367,412 \$362,884 \$347,038 \$316,351 \$266,453

	rate	2013	2014	2015	2016	2017	2027	2037	2047	2052	2057	2062	2067
Asset Management Fee (GP)	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	0	0	0	0	0	0
Partnership Management Fee (LP)	0.00%	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Priority Distributions Subtotal		\$32,500	\$32,500	\$32,500	\$32,500	\$32,500	\$32,500	\$32,500	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

Net Cash after Priority Distributions \$10,278 \$13,696 \$32,220 \$35,965 \$39,689 \$74,507 \$107,404 \$342,412 \$337,884 \$322,038 \$291,351 \$266,453

	Principal Balance	Interest for Period	Accumulated Interest	Payment	Balance	2013	2014	2015	2016	2017	2027	2037	2047	2052	2057	2062	2067
Principal Balance	\$379,000	4.00%	379,000	383,882	385,541	368,743	347,527	10,103	0	0	0	0	0	0	0	0	0
Interest for Period			15,160	15,355	15,422	14,750	13,901	404	0	0	0	0	0	0	0	0	0
Accumulated Interest			15,160	15,355	15,422	14,750	13,901	404	0	0	0	0	0	0	0	0	0
Payment			10,278	13,696	32,220	35,965	39,689	10,507	0	0	0	0	0	0	0	0	0
Balance			\$383,882	\$385,541	\$368,743	\$347,527	\$321,740	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Net Cash after Deferred Developer Fee \$0 \$0 \$0 \$0 \$0 \$64,001 \$107,404 \$342,412 \$337,884 \$322,038 \$291,351 \$266,453

	Principal Balance	Accumulated Interest	Payment	Balance	2013	2014	2015	2016	2017	2027	2037	2047	2052	2057	2062	2067
Principal Balance	\$7,035,000	4.00%	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000	7,035,000
Accumulated Interest			281,400	562,800	844,200	1,125,600	1,407,000	4,221,000	6,411,697	7,515,421	7,395,820	7,312,900	7,319,436	7,484,237		
Payment			0	0	0	0	0	0	78,782	306,177	302,404	289,198	263,625	14,800,637		
Balance			\$7,316,400	\$7,597,800	\$7,879,200	\$8,160,600	\$8,442,000	\$11,256,000	\$13,367,915	\$14,244,244	\$14,128,417	\$14,058,702	\$14,090,811	\$0		

	Principal Balance	Accumulated Interest	Payment	Balance	2013	2014	2015	2016	2017	2027	2037	2047	2052	2057	2062	2067
Principal Balance	\$1,610,000	0.00%	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
Accumulated Interest			0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment			0	0	0	0	0	0	0	0	0	0	0	0	0	1,610,000
Balance			\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$1,610,000	\$0

Combined Debt Coverage Ratio 1.23 1.24 1.34 1.36 1.38 1.57 1.20 1.20 1.20 1.20 1.20

Net Cash After Loan Repayment \$0 \$0 \$0 \$0 \$0 \$64,001 \$28,621 \$36,235 \$35,481 \$32,840 \$27,725

**MAXIMUM RENT AND INCOME LEVELS 2010**  
*(Rents @ 30%, 50%, and 60% of AMI where applicable)*

Maximum Income Limits:			
Family Size	Max Income 30% AMI	Max Income 50% AMI	Max Income 60% AMI
1 person	\$15,300	\$25,500	\$30,600
2 person	\$17,500	\$29,100	\$34,920
3 person	\$19,650	\$32,750	\$39,300
4 person	\$21,850	\$36,400	\$43,680
Maximum Rent Limits: Alkali Flat Project Area Tax Increment Funds			
Unit Size	Gross Rent 30% AMI	Gross Rent 50% AMI	Gross Rent 60% AMI
Studio	\$382.00	\$637.50	\$765.00
1 Bedroom	\$437.50	\$727.50	\$873.00
2 Bedroom	\$491.25	\$818.75	\$982.50
3 Bedroom	\$546.25	\$910.00	\$1,092.00
Maximum Rent Limits: 9% Low-Income Housing Tax Credit Program			
Unit Size	Gross Rent 30% AMI	Gross Rent 50% AMI	Gross Rent 60% AMI
Studio	\$382.00	\$637.00	\$765.00
1 Bedroom	\$409.00	\$682.00	\$819.00
2 Bedroom	\$491.00	\$818.00	\$982.00
3 Bedroom	\$567.00	\$946.00	\$1,135.00
Maximum Rent Limits: HOME Program			
Unit Size		Gross Rent @ 50% AMI	Gross Rent @ 60% AMI
Studio		\$637.00	\$737.00
1 Bedroom		\$682.00	\$838.00
2 Bedroom		\$818.00	\$1,022.00
3 Bedroom		\$946.00	\$1,196.00

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

**RESOLUTION NO. 2010 –**

**Adopted by the Sacramento City Council**

on date of

**7<sup>TH</sup> AND H SINGLE ROOM OCCUPANCY (SRO) PROJECT: AUTHORIZING THE DEFUNDING OF \$1,200,000 OF CITY OF SACRAMENTO HOME INVESTMENT PARTNERSHIP FUNDS (HOME) FROM THE 7<sup>TH</sup> AND H PROJECT AND THE REALLOCATION OF \$1,000,000 OF STATE HOUSING TRUST FUNDS AND \$200,000 OF CITY HOUSING TRUST FUNDS (HTF) TO 7<sup>TH</sup> AND H**

**BACKGROUND**

- A. On June 10, 2010, Mercy Housing California 47, L.P., received an allocation of \$3,200,000 in City Home Investment Partnership Program funds (HOME), \$3,000,000 in City Housing Trust Funds (HTF) and \$2,000,000 in State HTF to be combined with \$455,000 of HOME funds previously allocated to the Project and \$10,609,695 of Tax Increment (TI) funds for a total allocation of \$19,264,695 for predevelopment, construction and permanent financing for the 150-unit 7th and H Streets Project (Project).
- B. The Sacramento Housing and Redevelopment Agency (Agency) desires to defund \$1,200,000 of City HOME Funds from the 7<sup>th</sup> and H Single Room Occupancy (SRO) Project and reallocate the funds to the La Valentina Project.
- C. The Agency desires to reallocate \$1,000,000 of State Housing Trust Funds and \$200,000 of City Housing Trust Funds from the La Valentina Project to the 7<sup>th</sup> and H Single Room Occupancy (SRO) Project.

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

- Section 1. The Agency is authorized to defund \$1,200,000 of City HOME funds from the 7th and H Single Room Occupancy (SRO) Project and is authorized to amend the Agency budget to reallocate the funds to the La Valentina Project.
- Section 2. The Agency is authorized to defund \$1,000,000 of State Housing Trust Funds and \$200,000 of City Housing Trust Funds from the La Valentina Project and the Agency is authorized to amend the Agency budget to reallocate the funds to the 7th and H SRO Project.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

**RESOLUTION NO. 2010 –**

**Adopted by the Sacramento City Council**

on date of

**LA VALENTINA : AUTHORIZING THE DEFUNDING OF \$1,000,000 OF STATE HOUSING TRUST FUNDS AND \$200,000 OF CITY HOUSING TRUST FUNDS FROM LA VALENTINA, THE DEFUNDING OF \$1,200,000 OF CITY OF SACRAMENTO HOME INVESTMENT PARTNERSHIP FUNDS (HOME) FROM 7<sup>TH</sup> AND H, REALLOCATION OF \$1,000,000 OF STATE HOUSING TRUST FUNDS AND \$200,000 OF CITY HOUSING TRUST FUNDS TO 7<sup>TH</sup> AND H AND \$1,200,000 OF CITY OF SACRAMENTO HOME FUNDS TO LA VALENTINA; AN AMENDED LOAN COMMITMENT LETTER FOR CONSTRUCTION AND PERMANENT FINANCING WITH 12<sup>TH</sup> STREET PARTNERS, L.P. FOR THE DEVELOPMENT OF THE LA VALENTINA PROJECT**

**BACKGROUND**

- A. On August 11, 2009, the Redevelopment Agency of the City of Sacramento and City Council approved a Seven Million Thirty Five Thousand Dollar (\$7,035,000) loan comprised of Two Million Seven Hundred Thirty-Five Thousand Dollars (\$2,735,000) in City Housing Trust Fund (City HTF), Two Million Dollars (\$2,000,000) in State Housing Trust Fun (State HTF), One Million Six Hundred Thousand Dollars (\$1,600,000) in Alkali Flat Tax Increment Funds (Alkali Flat TI) and Seven Hundred Thousand Dollars (\$700,000) in City HOME Funds, and associated budget amendments to assist in funding the costs of construction and permanent financing of the La Valentina Project (Project) and authorized the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit a loan commitment to 12<sup>th</sup> Street Partners (Developer).
- B. On March 02, 2010, the La Valentina Project obtained City Council approval to decrease the State HTF by One Million Dollars (\$1,000,000), and to increase the allocation of City HTF by One Million Dollars (\$1,000,000).
- C. The Agency is requesting to exchange One Million Dollars (\$1,000,000) of State HTF and Two Hundred Thousand Dollars (\$200,000) of City HTF from La Valentina for One Million Two Hundred Thousand Dollars (\$1,200,000) of City HOME Funds which is to be defunded from the 7<sup>th</sup> and H Project. This action will result in a total allocation for La Valentina of One Million Nine Hundred Thousand Dollars (\$1,900,000) of City HOME Funds, Three Million Five Hundred Thirty Five Thousand Dollars (\$3,535,000) of City HTF, and One Million Six Hundred Thousand Dollars (\$1,600,000) of Alkali Flat Low Moderate Housing Funds.

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

- D. The La Valentina Project qualifies for City HTF and HOME Funds under Agency guidelines and would be an appropriate use of these funds.
- E. A report under Health and Safety Code 33433 has been prepared, filed with the Agency Clerk and duly made available for public review, a copy of which report ("33433 Report") is attached as Exhibit A and incorporated in this resolution by this reference. Proper notice has been given and a hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.
- F. Pursuant to California Health and Safety Code § 33433, the City Council finds that the sale of the property for the Residential Project at fair market value will be beneficial to project areas within the City's jurisdiction.
- G. The proposed action consists of the reallocation of state and local funds from one project, which required individual review under CEQA, to another program which also required individual review under CEQA. The "La Valentina Station: Rezone, Plan Review, Special Permit, and Variances," which includes the negative declaration and mitigation measures for this project, was adopted by the City of Sacramento on March 24, 2009. The action of reallocating funding does not constitute a separate project under CEQA and no further environmental review is required pursuant to CEQA Guidelines §§ 15162 or 15163.
- H. These specific actions are exempt under National Environmental Policy Act(NEPA) regulations at 24 CFR Section 58.34(a) (2) and (3), which exempt information and financial services and administrative and management activities respectively. Environmental review for the La Valentina project pursuant to NEPA is currently underway. The availability of federal funds for use in the Project is contingent upon the Federal Department of Housing and Urban Development's consent to the Agency's request for release of funds

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

- Section 1. The above recitals are found to be true and correct.
- Section 2. The statements and findings of the 33433 Report are true and correct and are hereby adopted. The Project will assist in the elimination of blight as provided in the 33433 Report.
- Section 3. The Project is consistent with the goals and objectives of the Redevelopment Plan and the Implementation Plan, as stated in the DDA.
- Section 4. The Property is to be granted to the Developer, conditionally on satisfactory completion of the Project. The consideration given for the interest conveyed under the DDA is One Million Six Hundred Ten Thousand Dollars (\$1,610,000).
- Section 5. The sale of this Property, as described above, is approved.

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

- Section 6. The Agency is authorized to defund One Million Two Hundred Thousand Dollars (\$1,200,000) in City HOME Funds from the 7<sup>th</sup> and H Project.
- Section 7. The Agency is authorized to amend the budget to transfer of up to an additional One Million Two Hundred Thousand Dollars (\$1,200,000) in City HOME Funds to the La Valentina Project, for a total of One Million Nine Hundred Thousand Dollars (\$1,900,000) in HOME Funds.
- Section 8. The Agency is authorized to defund One Million Dollars (\$1,000,000) in State HTF and Two Hundred Thousand Dollars (\$200,000) in City HTF from the La Valentina Project.
- Section 9. The Agency is authorized to amend the budget to transfer up to an additional One Million Dollars (\$1,000,000) in State HTF and Two Hundred Thousand (\$200,000) of City HTF to the 7<sup>th</sup> and H Project.
- Section 10. The amended Loan Commitment Letter, attached as Exhibit B and incorporated in this resolution by this reference, for financing the Project with Three Million Five Hundred Thirty Five Dollars (\$3,535,000) in City HTF (for a total of up to Seven Million Thirty Five Thousand Dollars [\$7,035,000], including One Million Six Hundred Thousand Dollars [\$1,600,000] in Alkali Flat Tax Increment Funds, and One Million Nine Hundred Thousand Dollars [\$1,900,000] in City Home Investment Partnership Program), is approved, and the Agency is authorized to execute and transmit the Amended Loan Commitment to the Developer.
- Section 11. 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.
- Section 12. The Agency is authorized to make technical amendments to said documents with approval of Agency Counsel, which amendments are in accordance with the amended Loan Commitment, with Agency policy, with this resolution and with good legal practices for making of such a loan.

**Table of Contents**

Exhibit A – Report under Health and Safety Code Section 33433

Exhibit B – Loan Commitment Letter

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

Exhibit A

**Report Regarding the Disposition of Property Acquired Directly or Indirectly with Tax Increment Funds (Health & Safety Code Section 33433)**

**I. Agreement(s)**

A copy of the Disposition and Development Agreement (DDA) disposing of interest in Agency real property follow as Attachment 8A.

**II. Summary of Terms of Disposition**

<b>AGENCY'S COST OF ACQUIRING THE LAND</b>	
Purchase Price (or Lease Payments Payable During Agreement)	771,858
Commissions	0
Closing Costs	--
Relocation Costs	0
Land Clearance Costs	0
Financing Costs	--
Improvement Costs (e.g. utilities or foundations added)	--
Other Costs	--
<b>TOTAL</b>	<b>\$771,858</b>

<b>ESTIMATED VALUE OF INTEREST CONVEYED</b>	
Value of the property determined at its highest and best use under the redevelopment plan	\$1,610,000

<b>ESTIMATED REUSE VALUE OF INTEREST CONVEYED</b>	
Value of property determined with consideration of the restrictions and development costs imposed by the Agreement	\$1,610,000
<b>VALUE RECEIVED ON DISPOSITION</b>	
The purchase price or the total of the lease payments due to the Agency under the Agreement	\$1,610,000

Approval of Disposition and Development Agreement and Loan for La Valentina

**III. Elimination of Blight**

The subject site is located within the boundaries of the Alkali Flat Redevelopment Area. The proposed project is consistent with the Alkali Flat Implementation Plan goal to develop a mixed-use/transit oriented development which will eliminate factors hindering economically viable use and eliminate an underutilized blighted parcel. It also meets the following goals in the Alkali Flat Redevelopment Plan: provide safe, decent, adequate and sanitary housing through the development of a mixture of housing types for all income groups; and maximize private participation and investment in the redevelopment effort. On March 31, 2009, the City Council and the Redevelopment Agency of the City of Sacramento approved the use of tax increment revenues from the Alkali Flat Tax Increment Fund for the purpose of developing this mixed-use, transit-oriented development, which would contribute to the elimination of blighting influences and the lack of affordable housing in the area.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

Exhibit B

September 01, 2010

Meea Kang  
12<sup>th</sup> Street Partners, LP  
594 Howard Street, Suite 204  
San Francisco, CA 94105

RE: Conditional Funding Commitment, La Valentina

Dear Ms. Kang,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (collectively "Agency"), we are pleased to advise you of its commitment of construction and permanent loan funds ("Loan") from \$3,535,000 in the City Housing Trust Fund ("City HTF"), \$1,600,000 in Alkali Flat Project Area Tax Increment Funds ("TI"), and \$1,900,000 in City Home Investment Partnership Program ("HOME") for the purpose of financing the development of that certain real property located on the east side of 12<sup>th</sup> Street between the C Street Alley and E Street in Sacramento, California ("Property"). Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

This Loan Commitment shall supersede and replace the prior Loan Commitment dated March 15, 2010. The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

This commitment will expire on December 31, 2010.

1. PROJECT DESCRIPTION: The project is the new construction of mixed-use, transit-oriented development. The property is located on two sites along the east side of 12<sup>th</sup> Street between the C Street Alley and E Street, at assessor's parcel numbers 002-0082-016, 002-0082-024, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038. The south site, located between D Street and E Street, will contain a community room and at least 5,000 square feet of commercial space on the ground floor and 63 units of affordable rental housing on the second, third, and fourth floors. The north site, located between the C Street Alley and D Street, will contain 18 units of townhome-style rental units. Between the two sites, at least sixty-four (64) units will be affordable to families earning less than 50 percent of the area median income or less, and all of the remaining units, with the exception of the unrestricted manager's unit, will be affordable to families earning less than 60 percent of the area median income.
2. BORROWER: The name of the Borrower for the Loan is 12<sup>th</sup> Street Partners, LP.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of construction and permanent financing, or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Seven Million Thirty Five Thousand Dollars (\$7,035,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed ninety percent of the appraised value.
5. TERM OF LOAN: The Loan shall mature 55 years from the date of the first disbursement.
6. INTEREST RATE: The Loan shall bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: Loan shall amortize as permitted by monthly payments.
8. MONTHLY PAYMENT: Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 204 months. Beginning in month 205, monthly installments shall be made according to the following schedule:

Months 205-216	\$ 5,017 monthly
Months 217-228	\$ 5,225 monthly
Months 229-240	\$ 5,426 monthly

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

Months 241-252	\$ 5,619 monthly
Months 253-264	\$ 5,803 monthly
Months 265-276	\$ 5,978 monthly
Months 277-288	\$ 6,142 monthly
Months 289-300	\$ 6,295 monthly
Months 301-312	\$ 6,436 monthly
Months 313-324	\$ 6,565 monthly
Months 325-336	\$ 6,680 monthly
Months 337-348	\$ 6,781 monthly
Months 349-360	\$ 6,866 monthly
Months 361-372	\$ 6,935 monthly
Months 373-384	\$ 6,986 monthly
Months 385-396	\$ 25,334 monthly
Months 397-408	\$ 25,410 monthly
Months 409-420	\$ 25,466 monthly
Months 421-432	\$ 25,501 monthly
Months 433-444	\$ 25,515 monthly
Months 445-456	\$ 25,505 monthly
Months 457-468	\$ 25,470 monthly
Months 469-480	\$ 25,408 monthly
Months 481-492	\$ 25,319 monthly
Months 493-504	\$ 25,200 monthly
Months 505-516	\$ 25,050 monthly
Months 517-528	\$ 24,867 monthly
Months 529-540	\$ 24,649 monthly
Months 541-552	\$ 24,394 monthly
Months 553-564	\$ 24,100 monthly
Months 565-576	\$ 23,765 monthly
Months 577-588	\$ 23,387 monthly
Months 589-600	\$ 22,963 monthly
Months 601-612	\$ 22,491 monthly
Months 613-624	\$ 21,969 monthly
Months 625-636	\$ 21,393 monthly
Months 637-648	\$ 20,762 monthly
Months 649-660	\$ 20,072 monthly
Months 661-672	\$ 19,320 monthly
Months 673-683	\$ 18,504 monthly
Month 684	All outstanding principal and interest due and payable

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: \$3,535,000 in City HTF, \$1,600,000 in TI, and \$1,900,000 in HOME. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

requirements for covenants, conditions and restrictions upon the Property; and insurance  
and indemnity requirements.

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

\_\_\_\_\_ (Borrower Initial)

**Borrower acknowledges that every contract for new construction or rehabilitation  
construction of housing that includes 12 or more units assisted with HOME funds  
will contain a provision requiring the payment of not less than the wages prevailing  
in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-  
Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the  
development of any part of the housing. Such contracts must also be subject to the  
overtime provisions, as applicable, of the Contract Work Hours and Safety  
standards Act (40 U.S.C. 327-332). (24 C.F.R. 92.354). Borrower also acknowledges  
that any project containing a "subsidy" may be subject to state prevailing wages,  
which are the responsibility of the Borrower and Borrower's contractor.**

\_\_\_\_\_ (Borrower Initial)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in  
the event of a default under any Loan Document or upon sale, transfer or alienation of the  
Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of  
trust with assignment of rents against the fee and/or leasehold interest in the Property and  
Improvements, which shall be a first lien upon the Property and Improvements subject  
only to other items as the Agency may approve in writing. The Loan shall also be secured  
by security agreements. The Agency may subordinate said deeds of trust in order to  
accommodate completion of construction of the Property.
13. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall  
be subject to Agency's approval prior to execution. Borrower shall not deviate from the  
rental schedule presented in Borrower's application for the Loan without Agency's prior  
written approval.
14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and  
Improvements in the amount of no less than \$11,853,328 in Low Income Housing Tax  
Credit Equity and no less than \$379,000 in deferred developer fee.
15. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and  
deliver to Agency evidence satisfactory to Agency that Borrower has obtained the

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

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

(b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

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

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

16. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its reasonable discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.

20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement for construction related expenses, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

23. ENVIRONMENTAL REVIEW: HOME funds shall not be disbursed prior to the completion of environmental review pursuant to the National Environmental Policy Act.
24. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

certification, the projected final sources of funding, and the original approved budget for the project.

25. 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 November 15, 2010.
26. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2012.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: Bodily injury liability of \$1,000,000 each occurrence and \$5,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$5,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$5,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
35. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include security patrol if necessary.
36. SOCIAL SERVICES PLAN: Borrower shall provide Agency with a detailed social services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 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) a proforma social services budget.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

37. 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.
38. 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.
39. 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.
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.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

Dated:

BORROWER:

12<sup>th</sup> Street Partners, LP

By: \_\_\_\_\_  
Meea Kang

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

## RESOLUTION NO. 2010 –

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

### LA VALENTINA: APPROVAL OF AN AMENDED LOAN COMMITMENT FOR CONSTRUCTION AND PERMANENT FINANCING, APPROVAL OF AN AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT AND APPROVAL OF A SELLER CARRY BACK ACQUISITION LOAN WITH 12<sup>TH</sup> STREET PARTNERS, L.P. FOR THE DEVELOPMENT OF THE LA VALENTINA PROJECT

#### BACKGROUND

- A. On August 11, 2009, the Redevelopment Agency and City Council approved a Seven Million Thirty Five Thousand Dollar (\$7,035,000) loan comprised of Two Million Seven Hundred Thirty Five Thousand Dollars (\$2,735,000) in City Housing Trust Fund (City HTF), Two Million Dollars (\$2,000,000) in State Housing Trust Fund (State HTF), One Million Six Hundred Thousand Dollars (\$1,600,000) in Alkali Flat TI and Seven Hundred Thousand Dollars (\$700,000) in HOME Funds, and associated budget amendments to assist in funding the costs of construction and permanent financing of the Project and the City Council authorized the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit a loan commitment to 12<sup>th</sup> Street Partners (Developer).
- B. On March 02, 2010, the Redevelopment Agency of the City of Sacramento approved an amended Loan Commitment of Seven Million Thirty Five Thousand Dollars (\$7,035,000), including Three Million Seven Hundred Thirty Five Thousand Dollars (\$3,735,000) in City HTF, One Million Dollars (\$1,000,000) in State HTF, One Million Six Hundred Thousand Dollars (\$1,600,000) in Alkali Flat Tax Increment Funds and Seven Hundred Thousand (\$700,000) in City Home Investment Partnership Program.
- C. The Agency is requesting to exchange One Million Dollars (\$1,000,000) of State HTF and Two Hundred Thousand Dollars (\$200,000) of City HTF from the La Valentina Project for One Million Two Hundred Thousand Dollars (\$1,200,000) of City HOME Funds from the 7<sup>th</sup> and H Project.
- D. The Developer has requested to restructure the land donation into a seller carry back note of up to One Million Six Hundred Ten Thousand Dollars (\$1,610,000) that will require an amendment to the Disposition and Development Agreement (DDA), a copy of which is accompanies this resolution.

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

- E. The proposed action consists of the reallocation of state and local funds from one project, which required individual review under CEQA, to another program which also required individual review under CEQA. The "La Valentina Station: Rezone, Plan Review, Special Permit, and Variances," which includes the negative declaration and mitigation measures for this project, was adopted by the City of Sacramento on March 24, 2009. The action of reallocating funding does not constitute a separate project under CEQA and no further environmental review is required pursuant to CEQA Guidelines §§ 15162 or 15163.

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

Section 1. The above recitals are found to be true and correct and the Agency hereby approves and adopts the environmental determination in Recital E.

Section 2. The statements and findings of the 33433 Report, a copy of which is attached as Exhibit A are true and correct and are hereby adopted. The Project will assist in the elimination of blight as stated in the 33433 Report. The Project is consistent with the goals and objectives of the Redevelopment Plan and the Implementation Plan. Goals of the Redevelopment Plan, as stated in the Implementation Plan, are (1) the provision of safe, decent, adequate and sanitary housing through the development and rehabilitation of a mixture of housing types for all income groups; (2) the creation of additional employment opportunities for Project Area residents, particularly by area businesses and industry by assisting in the creation of an economically viable commercial and industrial area; and (3) the maximization of private participation and investment in the redevelopment effort. The DDA shall be deemed an implementing document approved in furtherance of the Redevelopment Plan, the Implementation Plan for the Project Area and all applicable land use plan, studies, and strategies.

Section 3. Having held a public hearing after the proper notice of this action was given in accordance with the California Health and Safety Code Section 33431 and obtained approval of the 33433 report, the Executive Director, or designee, is authorized to dispose of the property to the developer through the negotiated terms and conditions reflected in the Amended and Restated Disposition and Development Agreement (DDA) described in the public hearing and attached hereto as Exhibit B.

Section 4. The Executive Director, or designee, is authorized to enter into the DDA to sell the property described in the attached DDA (Property) for the amount of One Million Six Hundred Ten Thousand Dollars (\$1,610,000) to the Developer and to execute all associated documents related to the DDA.

Section 5. The amended Loan Commitment Letter, a copy of which accompanies this resolution as Exhibit C attached to and incorporated in this resolution, for financing the Project with \$7,035,000, (including \$3,535,000 in City HTF,

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

\$1,600,000 in Alkali Flat Tax Increment Funds, and \$1,900,000 in City Home Investment Partnership Program), is approved, and the Executive Director, or designee, is authorized to execute and transmit the Loan Commitment to the Developer.

Section 6. The Executive Director, or designee, is authorized to execute standard Agency loan documents for the Loan in a form approved by Agency Counsel and in accordance with the Commitment Letter and in accordance with all applicable laws, regulations and Agency policies regarding the making of the Loan and the use of the allocated funds for the Project.

Section 7. The Executive Director, or designee, is authorized to execute a seller carry back loan agreement attached hereto as Exhibit D, in the amount of One Million Six Hundred Ten Thousand Dollars (\$1,610,000).

Section 8. The Executive Director, or designee, is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of this Resolution, the Loan Commitment, and the Seller Carry Back Loan Agreement that accompanies this resolution, in accordance with their respective terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions and restructuring of such loans.

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

**Table of Contents**

Exhibit A - Report under Health and Safety Code Section 33433

Exhibit B - Amended and Restated Disposition and Development Agreement

Exhibit C - Loan Commitment Letter

Exhibit D - Seller Carry Back Loan Agreement

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

Exhibit A

**Report Regarding the Disposition of Property Acquired Directly or Indirectly with Tax Increment Funds (Health & Safety Code Section 33433)**

**I. Agreement(s)**

A copy of the Disposition and Development Agreement (DDA) disposing of interest in Agency real property follow as Attachment 8A.

**II. Summary of Terms of Disposition**

<b>AGENCY'S COST OF ACQUIRING THE LAND</b>	
Purchase Price (or Lease Payments Payable During Agreement)	771,858
Commissions	0
Closing Costs	--
Relocation Costs	0
Land Clearance Costs	0
Financing Costs	--
Improvement Costs (e.g. utilities or foundations added)	--
Other Costs	--
<b>TOTAL</b>	<b>\$771,858</b>

<b>ESTIMATED VALUE OF INTEREST CONVEYED</b>	
Value of the property determined at its highest and best use under the redevelopment plan	\$1,610,000

<b>ESTIMATED REUSE VALUE OF INTEREST CONVEYED</b>	
Value of property determined with consideration of the restrictions and development costs imposed by the Agreement	\$1,610,000
<b>VALUE RECEIVED ON DISPOSITION</b>	
The purchase price or the total of the lease payments due to the Agency under the Agreement	\$1,610,000

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

**III. Elimination of Blight**

The subject site is located within the boundaries of the Alkali Flat Redevelopment Area. The proposed project is consistent with the Alkali Flat Implementation Plan goal to develop a mixed-use/transit oriented development which will eliminate factors hindering economically viable use and eliminate an underutilized blighted parcel. It also meets the following goals in the Alkali Flat Redevelopment Plan: provide safe, decent, adequate and sanitary housing through the development of a mixture of housing types for all income groups; and maximize private participation and investment in the redevelopment effort. On March 31, 2009, the City Council and the Redevelopment Agency of the City of Sacramento approved the use of tax increment revenues from the Alkali Flat Tax Increment Fund for the purpose of developing this mixed-use, transit-oriented development, which would contribute to the elimination of blighting influences and the lack of affordable housing in the area.

NO FEE DOCUMENT:

Entitled to free recording  
per Government Code 6103.

When recorded, return to:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
801 12th Street  
Sacramento, CA 95814

**DISPOSITION AND DEVELOPMENT AGREEMENT**

317 12TH STREET, 331 12TH STREET, 1210 D STREET, 1209 E STREET, 417 12TH STREET,  
429 12TH STREET, 415 12TH STREET  
ALKALI FLAT NEIGHBORHOOD REDEVELOPMENT PROJECT AREA

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

12<sup>TH</sup> STREET PARTNERS, L.P.

July \_\_, 2009

**AMENDED AND RESTATED  
DISPOSITION AND DEVELOPMENT AGREEMENT**

317 12th Street, 331 12th Street, 1210 D Street, 1209 E Street, 417 12th Street, 429 12th Street,  
415 12th Street  
Alkali Flat Neighborhood

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, and 12TH STREET PARTNERS, L.P., also called Agency and Developer, respectively, entered into a Disposition and Development Agreement as of June 5, 2009. That Disposition and Development Agreement is hereby amended and restated as of August \_\_, 2010 (referred to herein as either "Amended and Restated DDA" or "this DDA"). For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 14.

**RECITALS**

- A. Agency is the owner of real property located at 317 12th Street, 331 12th Street, 1210 D Street, 1209 E Street, 417 12th Street, 429 12th Street, and 415 12th Street in the City of Sacramento, State of California, more particularly described in the Property Description.
- B. The Property is located in the Alkali Flat Neighborhood Redevelopment Project Area and is subject to the redevelopment plan for the Project Area. Further, Developer acknowledges that Developer is purchasing the Property from Agency which is a Redevelopment Agency formed and acting under the Community Redevelopment Law (California Health & Safety Code Sections 33000 *et seq.*) and that this document is governed by the Community Redevelopment Law. This DDA is consistent with, and furthers, the Redevelopment Plan and the "Implementation Plan" adopted for the Project Area in that it meets the following implementation plan goals: (1) the provision of safe, decent, adequate and sanitary housing through the development and rehabilitation of a mixture of housing types for all income groups; (2) the creation of additional employment opportunities for Project Area residents, particularly by area businesses and industry by assisting in the creation of an economically viable commercial and industrial area; and (3) the maximization of private participation and investment in the redevelopment effort.
- C. The primary purpose of this DDA is the elimination of the following blighting influences: low values and impaired investment, high vacancy rates and vacant parcels, low property values, low lease rates, improper parcelization and hazardous materials. In order to accomplish such purpose, the DDA provides that the Agency will transfer the Agency's interests in the Property to Developer upon the express condition that Developer will redevelop the Property for the uses described in this DDA. This DDA is intended to assure that the Developer will redevelop the Property and that the Developer is not merely speculating in land.

D. Developer desires to purchase and develop the Property, and Agency desires to sell the Property for development, on the terms and conditions in this DDA.

#### AGREEMENT

**NOW THEREFORE**, the parties acknowledge that the foregoing Recitals are true and correct, and based upon such Recitals and 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. **PERFORMANCE.** The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of Performances; provided, however that such times shall be extended for periods of Unavoidable Delay.

2. **PROJECT DESCRIPTION.** Agency is entering into this DDA and conveying the Property to Developer solely for the purposes of developing the Project. The Project shall be the following: New construction of a mixed-use, transit oriented development on 12th Street in the Alkali Flat Redevelopment Project Area.

3. **PURCHASE AND SALE.** Agency agrees to sell and Developer agrees to purchase the Property subject to the terms and conditions in this DDA. This DDA, if executed by Developer only, constitutes Developer's offer to purchase the Property on the terms and conditions contained in this DDA and subject to the covenants, conditions and restrictions contained in the Regulatory Agreement to be executed by the Agency and Developer and recorded on the Property upon conveyance of the Property to Developer.

3.1. **PURCHASE PRICE.** The Purchase Price for the Property shall be One Million Six Hundred Ten Thousand Dollars and No Cents (\$1,610,000.00 ) and shall be payable as follows: The unpaid portion of the Purchase Price shall be payable prior to the conveyance of the Property to Developer as a condition precedent to its conveyance.

3.2. **ESCROW.** Developer and Agency have opened, or within ten (10) days after the Effective Date, shall open, the Escrow account subject to the provisions of the Escrow Instructions. Agency and Developer shall execute and deliver the Escrow Instructions to Title Company within ten (10) days after the Effective Date.

3.3. **CONDITIONS TO AGENCY'S PERFORMANCE.** Agency's obligation to perform under this DDA is subject to all of the following conditions:

3.3.1. Developer has performed all of the obligations that it is required to perform pursuant to this DDA, including without limitation, obtaining all required approvals of the Plans; obtaining building permits sufficient to commence Project construction; providing all required

budgets, reports and evidence of funding and insurance; and providing required construction contracts.

3.3.2. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

3.3.3. Developer's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

3.3.4. The DDA is in full force and effect, no default on the part of Developer having occurred under the DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Developer under the DDA.

**3.4. CONDITIONS TO DEVELOPER'S PERFORMANCE.** Developer's obligation to perform under this DDA is subject to satisfaction of all of the following conditions:

3.4.1. Agency has performed all of the obligations that it is required to perform pursuant to this DDA.

3.4.2. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

3.4.3. Agency's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

3.4.4. The DDA is in full force and effect, no default on the part of Agency having occurred under the DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Agency under the DDA.

**3.5. GENERAL COVENANTS, REPRESENTATIONS AND WARRANTIES.** The parties make the following covenants, representations and warranties regarding the Property and the Project.

**3.5.1. AGENCY'S REPRESENTATIONS AND WARRANTIES.** Agency represents and warrants to Developer that as of the date of this DDA and as of the Close of Escrow, the date for which is set forth on the Schedule of Performances, to the knowledge of Agency's legal department, its Executive Director, and its staff with responsibility for development of the Property:

a) Agency has caused two Phase II environmental studies to be performed for the Property. Agency has provided Developer with a copy of said studies and Developer agrees that as to these studies, Developer acquires no rights against either the Agency or those individuals or firms who prepared the studies. To the extent, if any, that Developer relies on the studies, Developer does so at Developer's own risk

b) To the best of Agency's knowledge, there is no pending or threatened litigation, administrative proceeding, or other legal or governmental action with respect to the Property or with respect to Agency that would affect the Property.

c) This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Agency; are binding obligations of Agency; and do not violate the provisions of any agreements to which Agency is a party.

d) Except as described in the Phase II Environmental Site Assessment prepared by Nichols Consulting Engineers on August 4th, 2008, the Phase I Environmental Site Assessment performed by Secor International, Inc. on September 1, 2005, the Phase II Environmental Site Assessment performed by Secor International, Inc. on November 14, 2005 and the Level I Environmental Site Assessment prepared by Lush Geosciences, Inc. on September 6, 2000, to the best of Agency's knowledge, no Hazardous Substances are present in, on or under the Property, and there is no present release or threatened release of any Hazardous Substances in, on or under the Property.

**3.5.2. AGENCY'S COVENANTS.** Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Agency shall promptly notify Developer of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

b) Agency shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the approved exceptions named as acceptable in the Escrow Instructions or as identified and approved in this DDA.

c) Agency shall not, without Developer's written consent, enter into any agreement regarding the sale, rental, management, repair, improvement, or any other matter affecting the Property that would be binding on Developer or the Property after the Close of Escrow without the prior written consent of Developer, except as otherwise agreed in this DDA.

d) Agency shall not permit any act of waste or act that would tend to diminish the value of the Property for any reason, other than ordinary wear and tear.

e) Agency shall convey the Property to Developer pursuant to the terms and conditions contained in this DDA.

**3.5.3. DEVELOPER'S REPRESENTATIONS AND WARRANTIES.** Developer, for itself and its principals, represents and warrants to Agency that as of the date of this DDA and as of the Close of Escrow:

a) Developer has reviewed the condition of the Property, including without limitation, the physical condition of the Property (above and below the surface) and issues regarding land use and development of the Property, and if Developer closes Escrow for the acquisition of the

Property, Developer shall be deemed to be satisfied that the Property is suitable in all respects for its intended development and uses.

b) Developer's agreement to close the Escrow for the acquisition of the Property serves as Developer's representation that Developer has obtained all additional information regarding the Property that Developer considers necessary for its due diligence in acquiring the Property.

c) To the best of Developer's knowledge, there is no pending or threatened litigation, administrative proceeding or other legal or governmental action with respect to Developer which would affect its ability to fulfill its obligations under this DDA and acquire the Property or which may constitute a lien against Developer's equity or Developer's interests in the Property, now or in the future.

d) Any information that Developer has delivered to Agency, either directly or through Developer's agents, is, to the best of Developer's knowledge, accurate, and Developer has disclosed all material facts concerning the proposed operation, development, or condition of the Property.

e) Developer has the financial capacity, the equity and the financing necessary to fulfill its obligations under this DDA and acquire the Property. Developer represents that any equity and funding commitments represented by Developer to Agency as available to the Project are unencumbered and that Developer has not represented to any other party that it will use such funds for any purpose other than the Project (and covenants that it will not use them for any other purpose) without prior written Agency consent.

f) This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Developer; are binding obligations of Developer; and do not violate the provisions of any agreements to which Developer is a party.

**3.5.4. DEVELOPER'S COVENANTS.** Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate 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 and the Project.

b) Developer shall promptly notify Agency of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

c) Developer shall not cause any liens, encumbrances, or easements to be placed on the Property prior to Close of Escrow, except as otherwise permitted by this DDA or approved in writing by Agency.

d) Developer shall not cause any act of waste or act that would tend to diminish the value of the Property for any reason, except that caused by ordinary wear and tear.

e) Developer shall be solely responsible for the cost and acquisition of the remaining parcels of the Project Site.

f) Developer shall complete the development of the Project at Developer's cost and without requesting or receiving additional Agency or City contributions to the Project other than as provided in this DDA.

g) Developer shall comply with all provisions of the Regulatory Agreement, and cause any subsequent purchaser of the Property to so comply.

**3.8.5. CLOSE OF ESCROW.** The Escrow shall not close, and the Property shall not be conveyed to Developer unless the preceding conditions have been satisfied together with all other conditions stated in the Escrow Instructions for Close of Escrow. The Escrow shall close on or about the date shown on the Schedule of Performances, as may be extended by the mutual agreement of the parties.

**3.6. DAMAGE, DESTRUCTION AND CONDEMNATION BEFORE CLOSE OF ESCROW.** If, prior to the Close of Escrow: (a) damage occurs to any portion of the Property by earthquake, mudslide, fire, release of or exposure to any Hazardous Substances not otherwise disclosed in the existing environmental reports, or any other casualty (other than any damage caused by Developer or its employees, agents, Contractor or subcontractors) resulting in repairs or remediation costs that will exceed twenty percent (20%) of the Purchase Price; or (b) any portion of the Property is taken by eminent domain or otherwise, or is the subject of a threatened or pending taking action resulting in a twenty percent (20%) or more decrease in the after-taking value of the Property, Agency shall notify Developer in writing of the damage, destruction or condemnation. Developer may, within fifteen (15) days after such notice, elect to terminate this DDA by written notice to Agency.

3.6.1. If this DDA is to continue in full force and effect after any such damage or destruction, Agency shall do one of the following:

a) Agency shall pay or assign to Developer any amount due from or paid by any insurance company or any other party as a result of the damage; and the amount of any deductible under Agency's insurance policy.

**3.7. COMMISSIONS.** Agency is not responsible, by this DDA or otherwise, to pay commissions on this transaction or any related transaction

4. **AGENCY FUNDING.** The Agency shall provide funding for the Project as provided in the Funding Agreements. All terms regarding Agency funding are in the Funding Agreements, including without limitation, the source and use of funds.

5. **PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS.** The Agency shall have the right, but not the obligation, to review Plans to assure their conformity with the provisions of this DDA. Based upon such review the Agency shall have the right to approve or reject the Plans for reasonable cause and if rejected shall provide the Developer with the reasons for rejection.

5.1. **EXTENT AND CHARACTER OF PLAN REVIEW.** 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 neither a representation of nor 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 Plans; and (c) to assure that Agency's purposes are fulfilled and any Agency funds which may be obligated under this DDA are used as intended by the Agency. This DDA is a financing document and not a land use or planning document. Approval of the Project and Plans under this DDA is only an approval by Agency of the Project design "concept" as presented in this DDA. Such approval by Agency is not and shall not be considered an approval of land use entitlements, structural design of the Project, or the aesthetic design of the Project. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each governmental agency acting in proper exercise of its respective jurisdiction, including without limitation, departments, staff, boards and commissions of the City.

5.2. **CONCURRENT REVIEW.** Agency agrees that its review of the Final Plans shall occur before or concurrently with City's review of such plans, so as not to delay the commencement and progress of Project development.

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

5.4. **PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS.** Developer shall prepare the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Developer shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall conform in all material respects to this DDA, including without limitation, Plans and the Scope of Development. To the extent that the DDA has insufficient detail or is unclear, the DDA shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable laws, regulations, zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this DDA. The Final Plans shall incorporate all related mitigation measures required for compliance with approvals

under CEQA and any conditions of City approval of the project, unless otherwise fulfilled. Developer agrees that it will comply with the requirements of the City of Sacramento Design Review/Preservation Board to the extent of its jurisdiction.

**5.5. DELIVERY.** Developer shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the Agency Clerk at the address for notices and shall have clearly marked on its exterior "URGENT: LA VALENTINA PROJECT PLAN REVIEW" or the equivalent.

**5.5.1. DEEMED APPROVAL.** If duly marked and delivered, the Final Plans or changes to the Final Plans shall be deemed approved unless disapproved in whole or in part, in writing, within thirty (30) days after their proper delivery to Agency.

**5.5.2. 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 that the Agency requests to be made. Agency's reasons for disapproval and such Agency-requested changes shall be consistent with this DDA, including without limitation, the Plans, the Final Plans, the Scope of Development and with any items previously approved in accordance with this DDA. If the Agency rejects the proposed Final Plans, Developer shall obtain no rights to develop the Property under this DDA and Agency shall have no obligations regarding the Project until such time as Developer has modified the proposed Final Plans and received the Agency's approval of the Final Plans as modified.

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

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

**5.7.1. 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:

- a) Material changes in the layout, elevation design, functional utility or square footage.
- b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.
- c) Any change that reduces the effectiveness of any mitigation measure required for CEQA approval of the Project.
- d) Material changes in site development items for the Property that are specified in the Final Plans.
- e) Material changes in the type, location, visibility, accessibility, size, design or artist for any artwork shown in the Final Plans or otherwise accepted by the Agency under the Art in Public Places Program.
- f) Material changes in quality of project or landscaping materials.
- g) Any change in public amenities specified in the Final Plans.
- h) Any changes requiring approval of, or any change required by, any city, county or state board, body, commission or officer.
- i) Any change that would preclude or materially reduce the ability to use the Project as intended by this DDA.

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

6. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 6, Developer shall construct and manage the Project according to the requirements established in this DDA, which include, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this DDA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the California Redevelopment Law (commencing at Health and Safety Code Section 33000) shall control.

6.1. **NOTICE TO PROCEED.** Developer shall not enter the Property or begin work on the Project until the Agency has issued to Developer a written notice to proceed with the work. Agency will issue a notice to proceed after Agency approval of the Final Plans, City's issuance of a building permit for substantially more than the Project foundations, Developer's compliance

with all governmental requirements for start of construction, Developer's provision of required policies of insurance, and Developer's provision of proof of construction financing in an amount adequate to begin the Project work.

**6.2. CONSTRUCTION CONTRACTS.** Developer shall submit to Agency the construction contract or contracts for the Project. Agency's review of the construction contract shall be only for determining its compliance with this DDA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer's cost, the construction of the Project in accordance with this DDA. If the property is revested in the Agency pursuant to Section 11.1, Developer shall assign all rights under the construction contracts to Agency.

**6.3. GOVERNMENTAL REVIEW PROCESS.** Notwithstanding any other provision of this DDA, Developer is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento. To assure proper review by the City, Developer shall, within thirty (30) days of the date of this DDA, make an initial deposit toward "plan check fees" with the City's Planning Department. In addition, Developer shall, as applicable, take designs before the City's 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 Developer under this DDA. If a dispute with City staff arises regarding such City conditions, Developer 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.

**6.4. ART IN PUBLIC PLACES WAIVER.** The Project improves and increases the stock of affordable housing in the community. Imposition of the Art in Public Places Program would increase the cost of the Project substantially and reduce either the number of affordable units available in the Project or the affordability of those units. Therefore, the Agency waives its Aesthetic Improvement Policy requirements.

**6.5. PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, the Developer shall provide the Agency a copy of a performance bond obtained by Developer or Contractor in favor of the Developer as a named obligee, in form and amount as approved by the Agency insuring the faithful completion of Developer's obligations to develop the Project under the DDA, and a copy of a payment bond obtained by Developer or Contractor in favor of the Developer as a named obligee, in form and amount as approved by the Agency securing payment of all labor and material suppliers and subcontractors for the work as stated in the construction contract for the Project. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. Developer shall assure compliance with all requirements of the surety. Developer shall permit no changes in the work to be performed by the Contractor and shall make no advance payments to the Contractor without prior written notice to the surety and the Agency, if such change or payment could release the surety of its obligations under the bonds.

**6.6. SUBSTANTIAL CHANGES.** Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 5.7, without Agency approval of such changes as provided in Section 5.7.

**6.7. LOCAL, STATE AND FEDERAL LAWS.** The Developer shall assure that the construction of the Project is carried out in conformity with all applicable laws and regulations, including all applicable federal and state labor standards. Before commencement of construction or development of any buildings, structures or other work of improvement upon the Property, Developer shall at its own expense secure any and all certifications and permits which may be required by any governmental agency having jurisdiction over such construction, development or work. Agency shall cooperate in securing certifications and permits which require consent of the owner of the property. Developer shall permit only persons or entities which are duly licensed in the State of California, County of Sacramento and City of Sacramento, as applicable, to perform work on or for the Project.

**6.8. PREVAILING WAGES.** Developer and Contractor have had the opportunity to meet with their respective legal counsel and to request a determination of the matter before the California Department of Industrial Relations and any other appropriate governmental bodies. Developer and Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

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

**6.10. NO DISCRIMINATION DURING CONSTRUCTION.** Developer for itself, the general contractor and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

**6.10.1. EMPLOYMENT.** Developer shall not discriminate against any employee or applicant for employment because of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation. The Developer will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Developer agrees to post in conspicuous places,

available to employees and applicants for employment, notices to be provided by the Agency setting forth the provisions of this nondiscrimination clause.

6.10.2. **ADVERTISING.** Developer will, in all solicitations or advertisements for employees placed by or on behalf of the Developer, state that all qualified applicants will receive consideration for employment without regard to sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation.

6.10.3. **MONITORING PROVISIONS.** Developer, Contractor and subcontractors shall comply with the requirements of the Agency for monitoring the anti-discrimination and all applicable labor requirements.

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

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

6.13. **PROJECT SIGN.** If Developer 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 smaller than the size of letters used to name any of the other participants.

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

6.14.1. The Certificate of Completion shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any provision of this DDA that is not related to construction of the Project.

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

**6.15. CONSTRUCTION PERIOD EXTENSION FEE.** If Developer does not complete the construction of the Project on or before the completion date set forth in the Schedule of Performances, Developer shall pay to Agency, monthly, in advance, on the first day of each month beginning the calendar month following said completion date, a construction period extension fee of Twenty-Five Dollars and No Cents (\$25.00) for each day by which the completion of construction is delayed beyond said completion date. Such construction period extension fee due for days of delay occurring prior to the first payment date shall be paid in arrears at the time of the first payment under this Section. The number of days used in computation of the construction period extension fee shall be reduced by the number of days of Unavoidable Delay. Failure to pay such construction period extension fee when due is a material default of this DDA. Any unearned portion of an advance payment of any such extension fee shall be refunded by the Agency within thirty (30) days of completion of construction, or of termination of the DDA. Agency shall have the option to terminate, upon ten (10) days prior written notice, Developer's rights to such unpaid construction extension fee and to declare Developer in material default of this DDA. In any event, such construction extension fees shall not be accepted for a time period greater than six (6) months excluding any period of Unavoidable Delay, at which time Developer shall be deemed in material default of this DDA.

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

**6.17. NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS.** Developer shall assure notification of the Project contractors, architects and engineers for the Project of the requirements of this DDA. Developer shall include, where applicable, the provisions of this DDA in construction contracts, subcontracts, materials and supplies contracts and services and consulting contracts for the Project, and Developer shall undertake the enforcement of such provisions.

**6.18. PROPERTY CONDITION.** Developer, at Developer's expense, shall conduct any Property investigation beyond those provided by Agency under this DDA and which Developer may consider necessary to determine the condition of the Property for the development of the Project. As between the Agency and Developer, Developer shall be solely responsible for the adequacy of such investigations. Except as provided in this DDA, if the condition of the Property is not in all respects entirely suitable for the use or uses to which the Property will be put, it is the sole responsibility and obligation of the Developer to take such reasonable actions as may be necessary to place the condition of the Property in a condition which is entirely suitable for its

development in accordance with the construction plans and drawings approved by Agency. Agency shall not be responsible for removing any surface or subsurface obstructions, or structures of any kind on or under the Property.

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

**6.20. HAZARDOUS SUBSTANCES.**

6.20.1. Agency has obtained Phase II Hazardous Substances assessments, as described in Section 3.5.1(d), and has delivered them to Developer. In any event, Developer shall obtain such Hazardous Substances assessments as Developer deems reasonably necessary to assure the development of the Project in accordance with all applicable laws, rules and regulations; provided, however that such assessments are prepared by a qualified environmental specialist in accordance with nationally recognized standards to determine the existence of and to quantify the extent of Hazardous Substances on the Property. As between the Agency and Developer, Developer shall be solely responsible for the adequacy of any Hazardous Substances investigations obtained by Developer.

6.20.2. Agency shall remediate all Hazardous Substances known to be on the Property, identified by the Hazardous Substance assessments gathered by Agency and provided to the developer as and to the extent required by any federal, state or local agency having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered on the Property after conveyance to Developer and have not been released on the Property after conveyance to Developer, Developer shall remediate all Hazardous Substances on the Property as and to the extent required by any federal, state or local agency having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation.

6.20.3. Developer shall bear One Hundred percent of the costs related to remediation of Hazardous Substances on the Property discovered on the Property after conveyance to Developer. If the cost to remediate Hazardous Substances on the Property is reasonably estimated to exceed Five Hundred Fifty Thousand Dollars (\$550,000), Developer may elect to terminate this DDA, upon reconveyance of the Property to Agency and return of all monies and properties delivered pursuant to or in furtherance of this DDA.

**6.21. DEVELOPER ACCESS TO PROPERTY.** Prior to the conveyance of the Property by Agency to Developer, the Agency shall permit representatives of Developer to have access, without charge, to the Property, at all reasonable times for the purpose of obtaining data and making various tests necessary to carry out Developer's obligations under the DDA; provided, however, that Developer shall not enter the Property except (a) after execution by Developer and

Agency of Agency's standard "Permit for Entry" and (b) after Developer has obtained insurance coverage then required by Agency. No work shall be performed on the Property until a "Notice of Nonresponsibility" has been recorded and posted in accordance with applicable laws, assuring that Agency interest in the Property shall not be subject to mechanic's liens related to such work. Developer shall not commence any work on the Property without Agency's written approval of the work to be done, and in any event, Developer shall not commence any work which might be construed as commencement of the work of the Project for establishment of mechanic's lien rights.

7. **RELOCATION.** Agency is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Developer shall comply fully with all relocation laws that are the obligation of Agency or are otherwise applicable to the Project. Developer's compliance with the relocation requirements as stated in this Section 7 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Developer's opportunity to cure in accordance with applicable law.

7.1. **RELOCATION COSTS.** Unless otherwise stated in this Agreement, any amounts paid by Agency for relocation costs and services shall be considered advances under the Agency funding.

7.2. **COOPERATION AND ACCESS.** Developer shall cooperate fully with Agency in complying with such relocation laws, including without limitation, providing Agency access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Developer shall meet with Agency to establish reasonable protections for tenants and related reporting requirements for Developer.

7.3. **DEVELOPER AS RELOCATION AGENT.** With the approval of Agency, Developer may act as Agency's agent in accomplishing such relocation. Agency and Developer by memorandum in writing shall establish their respective duties related to such relocation. If Agency and Developer agree that Developer will act as Agency's agent for purposes of this DDA, Developer may enter into agreements for the provision of relocation services, or Developer may perform such services directly. Developer shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) complies with all applicable laws; (b) fully informs Agency of all relocation activities; (c) makes all requests for direction or clarification to Agency; and (d) responds to and follows the Agency's instruction and direction.

8. **DEVELOPMENT FINANCING.** Except as specifically provided in this DDA, Developer shall be responsible for and shall pay all costs of developing the Project in accordance with this DDA. As a condition precedent to Agency's conveyance of the site to Developer, Developer shall provide the Agency with a complete and firm Project budget including all proposed sources and uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this DDA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Agency, of the additional

required construction and permanent financing. Except as expressly provided in this DDA, no party shall have the right of reimbursement for any funds expended by them for the Project, whether prior to execution of this DDA or otherwise. Agency is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.

**8.1. EVIDENCE OF AVAILABLE FUNDS.** Unless otherwise approved by the Agency, Developer's evidence of available funds, as required in the preceding section, must include only the following: (a) Developer equity (as provided in Section 8.3); (b) firm and binding loan commitments (as provided in Section 8.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this DDA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

**8.2. COMMITMENT AND LOAN REQUIREMENTS.** As a material obligation under this DDA, Developer shall assure that the loan documents for the Project are consistent with the Lender's commitment approved by the Agency and comply, in all respects, with this DDA. The Agency may reject a loan commitment unless such commitment: (a) is subject only to Lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have been previously provided to and approved by the Agency); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for a construction loan 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 DDA, that require amendment of this DDA or that require the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party.

**8.3. EVIDENCE OF DEVELOPER EQUITY.** Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity in the amount of Eleven Million Eight Hundred Fifty Three Thousand Three Hundred Twenty Eight Dollars and No Cents (\$11,853,328) by any one of the following actions: (a) deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Developer's provision of financial statements prepared by a certified public accountant which 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 ; (d) delivery to the Agency of a tax credit reservation letter for the project in the amount of required equity and an executed Partnership Agreement at close of Escrow. Developer shall not provide

evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Developer profit or fees or Developer contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

**9. RELEASE AND INDEMNIFICATION FOR HAZARDOUS SUBSTANCES.** Developer shall release, indemnify, protect and defend Agency, its officers, directors, council members and supervisors, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees, fines, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys' fees, witnesses' fees, and investigation fees) related to the existence of Hazardous Substances on the Property that were not on the Property prior to Agency's transfer of possession of the Property to Developer or that were related to the removal or discharge of Hazardous Substances by Developer, or its employees, agents or contractors, during Developer's remediation of the Property pursuant to this Section.

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

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

This indemnification provision shall survive the termination of this Agreement.

**10. LIABILITY INSURANCE.** With regard to this DDA, the Developer shall obtain and maintain for the life of the Regulatory Agreements, and require the Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them from the following claims which may result from the operations of the Developer, Contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person, claims for damages, other than to the construction itself, because of injury to or

destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations under this DDA.

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

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

**10.3. COMMERCIAL GENERAL LIABILITY.** Developer shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have 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.

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

**10.5. PROPERTY INSURANCE.** For the duration of the Regulatory Agreements, Developer shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Agency may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

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

10.6.1. **ADDITIONAL INSURED.** Developer shall obtain a policy in ISO form CG 20 33 or better, naming Agency as additional insured under the Commercial General Liability Policy.

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

10.6.3. **CERTIFIED POLICY COPY.** Developer shall provide Agency with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Developer shall provide Agency with a Certificate of Insurance for each policy on the applicable ACORD form. The ACORD form shall not substitute for the policy. ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance deleting the sentence in the top right-hand block immediately below the title (commencing "This certificate is issued as a matter of information . . .) and in the bottom right-hand box above the authorized representative signature, deleting the words "endeavor to" and "but failure to do so shall impose not obligation or liability of any kind upon the insurer, its agents or representatives."

10.6.4. **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.

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

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

11. **DEFAULTS AND REMEDIES.** Except as otherwise provided in the DDA, if either party defaults in its obligations under this DDA, 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 DDA, a failure or delay by a party to perform any term or provision of this DDA constitutes a default of this DDA. As a condition precedent to termination of the DDA 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 DDA, neither Agency nor Developer shall have any further rights against or liability to the other under the DDA except as expressly set forth in this DDA to the contrary.

**11.1. REVESTING TITLE IN AGENCY.** Notwithstanding any other provisions of this DDA and in addition to any other rights and remedies of the Agency, after conveyance of any part of the Property to Developer and prior to issuance of Certificate of Completion, if Developer defaults in its obligations related to the Project development, abandons or unreasonably suspends Project construction work, permits any unauthorized encumbrance or lien (including tax liens) and fails to discharge any such unauthorized lien or encumbrance, or permits any transfer of all or any part of the Property, then the Agency shall have the right to re-enter and take possession of the Property, or any part of the Property conveyed to Developer, and to terminate and re-vest in the Agency the estate so conveyed. It is the intent of this DDA that the conveyance of the Property to Developer shall be made upon, and that the Grant Deed shall contain, a condition subsequent to the effect that in the event of any default, failure, violation, or other action or inaction by the Developer specified in this Section, failure on the part of Developer to remedy, end, or abrogate such default, failure, violation, or other action or inaction, within the period and in the manner stated in the DDA, the Agency at its option may declare a termination in favor of the Agency of the title, and of all the rights and interest in the Property conveyed by the Grant Deed to Developer, and that such title and all rights and interests of Developer, and any assigns or successors in interest to and in the Property, shall revert to the Agency. Such condition subsequent and any such re-vesting of title in the Agency shall always be subject to and limited by the lien or security interest authorized by the DDA, and any rights or interests provided in the DDA for the protection of the Lenders; and shall not apply to individual parts or parcels of the Property on which the Project has been completed in accordance with the DDA and for which a Certificate of Completion issued as provided in the DDA. Such condition subsequent shall conform to the provisions of Civil Code Sections 885.010 through 885.070.

**11.1.1. RESALE OF REACQUIRED PROPERTY.** Upon the re-vesting of title of the Property in the Agency, Agency shall use its best efforts to resell the Property, as soon and in such manner as the Agency shall find feasible and consistent with the objectives of the Redevelopment Plan and the Community Redevelopment Law, to a qualified and responsible party, as determined by the Agency, who will assume the obligation of completing the Project or such other improvements in their stead as shall be satisfactory to the Agency. Upon such resale of the

Property, the resale proceeds (after repayment of any liens and encumbrances which have previously been approved by Agency in writing) shall be applied as follows:

11.1.2. **AGENCY REIMBURSEMENT.** Said proceeds shall be paid first to Agency to reimburse Agency for all costs and expenses incurred by the Agency, including legal costs, attorney's fees and salaries of personnel, in connection with the recapture, management, and resale of the Property (but less any net income derived by Agency from the Property after such revesting); all taxes, assessments, and water and sewer charges with respect to the Property (or, in the event the Property is exempt from such taxation or assessment during Agency's ownership, an amount equal to such taxes, assessment, or charges (as determined by local assessing authorities) as would have been payable if the Property were not so exempt); any payments necessary to discharge any encumbrances or liens existing on the Property at the time of such revesting or to discharge or prevent any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer; any expenditures made or obligations incurred with respect to completion of the Project; and any amounts otherwise owing the Agency by the Developer.

11.1.3. **DEVELOPER REIMBURSEMENT.** After payment to Agency of the sum specified herein, said proceeds shall be paid to Developer to reimburse Developer in an amount not to exceed: (1) the sum of the purchase price paid by Developer for the Property and the cash actually expended by it in actual construction of any of the Project (including without limitation fees and expenses paid to any governmental agency on account of the Project, mitigation or development fees, the costs and expenses of all third-party architects, engineers, or similar design professionals, hard and soft costs of construction expended in construction of the Project, and Lender's interest, loan fees and other fees and charges on account of the Loan); less (2) any gains or income withdrawn or made by it from the DDA or the Property and any amounts, including interest on loans, then due from Developer to Agency.

11.1.4. **BALANCE TO AGENCY.** Any balance remaining after such reimbursements shall be retained by the Agency as its property.

11.2. **LIQUIDATED DAMAGES.** IF DEVELOPER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS PROVIDED IN THIS DDA BY REASON OF ANY DEFAULT OF DEVELOPER, AGENCY SHALL BE RELEASED FROM AGENCY'S OBLIGATION TO SELL THE PROPERTY TO DEVELOPER, AND AGENCY MAY ALSO PROCEED AGAINST DEVELOPER UPON ANY CLAIM OR REMEDY THAT AGENCY MAY HAVE IN LAW. IF THE PROPERTY HAS BEEN CONVEYED TO DEVELOPER, DEVELOPER HAS COMMITTED A DEFAULT SUFFICIENT FOR REVESTMENT OF THE PROPERTY UNDER SECTION 11.1, AND DEVELOPER HAS NOT VOLUNTARILY RECONVEYED THE PROPERTY TO AGENCY, AGENCY MAY REVEST THE PROPERTY OR TAKE ANY AVAILABLE ACTION TO RECONVEY THE PROPERTY TO THE AGENCY. IN SUCH EVENT, AGENCY MAY ALSO PROCEED AGAINST DEVELOPER UPON ANY CLAIM OR REMEDY THAT AGENCY MAY HAVE IN LAW OR EQUITY; PROVIDED, HOWEVER, THAT, BY INITIALING THIS SECTION, DEVELOPER AND AGENCY AGREE THAT IN THE EVENT THAT DEVELOPER FAILS TO PURCHASE THE PROPERTY: (A) IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL DAMAGES RELATED TO THE FAILURE TO PURCHASE THE PROPERTY; COSTS TO OBTAIN RECONVEYANCE OF THE PROPERTY TO AGENCY; (B) AN AMOUNT EQUAL TO THE DEPOSIT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO AGENCY ON ACCOUNT OF THE FAILURE TO

PURCHASE THE PROPERTY AND FOR AGENCY COSTS TO OBTAIN RECONVEYANCE OF THE PROPERTY (WITHOUT LIMITING AGENCY'S RIGHTS TO RECOVERY DAMAGES OR SEEK ANY OTHER REMEDY FOR ANY OTHER DEFAULT UNDER THIS DDA OR ITS CONSTITUENT DOCUMENTS); (C) THE PAYMENT OF THE LIQUIDATED DAMAGES TO AGENCY SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF AGENCY FOR THE FAILURE OF DEVELOPER TO PURCHASE THE PROPERTY; (D) AGENCY MAY RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES; AND (E) PAYMENT OF THOSE SUMS TO AGENCY AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO AGENCY PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE.

\_\_\_\_\_ Developer's Initials  
\_\_\_\_\_ Agency's Initials

**11.3. OTHER RIGHTS AND REMEDIES.** Upon the occurrence of any default not subject to the preceding liquidated damages provision, 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 DDA as allowed under this DDA, at law or in equity.

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

**11.5. FEES AND COSTS ARISING FROM DISPUTE.** If an action is commenced between the parties, the Prevailing Party in that action shall be entitled to recover from the nonprevailing party all reasonable attorney fees and costs, witness fees, arbitrator's fees, and court and arbitration costs. "Prevailing Party" shall include without limitation a party who dismisses an action in exchange for sums allegedly due; 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.

**12. ENCUMBRANCE OF PROPERTY AND LENDER PROTECTIONS.** Before issuance of a Certificate of Completion, if Developer has obtained Agency's prior written approval, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this DDA, the Developer may 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. 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. After issuance of a Certificate of Completion, the Agency shall have no rights of approval regarding financing secured by the Property. As a

condition to Agency's approval of a Loan, Developer shall provide the Agency with a conformed copy of all documents related to the Loan. Agency acknowledges that a Lender will rely upon this DDA in making the Loan and that Agency's obligations under this DDA are inducements to Lender's making of the Loan.

12.1. **NOTICES.** If the Agency gives any notice of default to Developer under this DDA, 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 such request for notice. Any such default notice that is not so delivered to Lender shall not be effective or binding with regard to Lender or otherwise affect Lender, but failure to deliver such default notice to Lender shall not affect its validity with respect to Developer. Lender shall use the following form for requesting notice:

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Disposition and Development Agreement dated \_\_\_\_\_ between the Redevelopment Agency of the City of Sacramento and 12<sup>TH</sup> Street Partners, L.P. ("DDA"). Lender requests, in accordance with the DDA, that if any default notice shall be given to Developer under the DDA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

12.2. **ASSIGNMENTS AND TRANSFERS OF THE LOAN.** Agency shall not be bound to recognize any assignment of Lender's 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 DDA. Thereafter, such assignee shall be considered a Lender with respect to the Loan and the related encumbrance on the Property.

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

12.4. **LENDER'S OPTION TO CURE DEFAULTS.** After any default of Developer's obligations under the DDA, each Lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the Property. The Agency shall accept such performance as if it had been performed by Developer; provided, however, that such Lender shall not be subrogated to the rights of the Agency by undertaking such performance. If the breach or default relates to construction of the Project, however, Lender shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or construction already made) unless Lender assumes, in writing satisfactory to the Agency, Developer's obligations to complete the Project on the Property in the manner provided in the DDA. Any Lender who properly completes the Project as provided in the DDA shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency in a manner provided in the

DDA. Such certification shall mean that any remedies or rights with respect to the Property that the Agency may have because of Developer's failure to cure any default with respect to the construction of the Project on other parts of the Property, or because of any other default of the DDA by the Developer shall not apply to the part of the Property to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Agency may have against the Developer for such default.

**12.5. DEFAULT BY DEVELOPER.** In the event of a default by Developer, Agency shall not terminate this DDA unless and until the Agency has given notice to Lender of such default, and Lender has failed to cure such default.

12.5.1. 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 DDA) shall be tolled if and so long as, all of the following are true: (a) Lender has delivered to the Agency, prior to the date on which Agency is entitled to give notice of termination of this DDA, a written instrument satisfactory to Agency in which Lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon Lender or its designee taking possession of the Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the Lender nor its designee shall be obligated to pay damages to the Agency on account of such default, except to the extent of any monies due and unpaid from Developer; (b) 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; (c) 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 (d) upon receiving possession of the Property, Lender or its designee promptly commences and diligently proceeds to cure such default in accordance with this DDA.

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

**12.6. FORECLOSURE.** Foreclosure of any encumbrance securing the loan of Lender, 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 Developer to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, shall not require the consent of the Agency. Upon such foreclosure, sale or conveyance, the Agency shall recognize the resulting purchaser or other transferee as the Developer under this DDA, provided that such purchaser or transferee expressly assumes each and every obligation of the Developer under this DDA (except for the obligation to pay damages except to the extent of any monies due and unpaid from Developer under this DDA) by assumption agreement satisfactory to the Agency. If any Lender or its designee acquires Developer's right, title and interest under this DDA as a result of a judicial or nonjudicial

foreclosure under any power contained in such encumbrance, or any conveyance of the Property from the Developer to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, such Lender or its designee shall have the right to assign or transfer Developer's right, title and interest under this DDA to an assignee; provided, however, that the assignee or transferee shall thereafter be subject to all of the terms and conditions of this DDA.

**12.7. MODIFICATIONS.** No modification or amendment to the DDA 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.

**12.8. FURTHER ASSURANCES TO LENDERS.** Agency and Developer shall in good faith consider making such reasonable modifications to this DDA 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 DDA and provided such modifications, instruments, and agreements serve a material economic purpose.

**12.9. 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 DDA is in full force and effect and a binding obligation of the parties; (ii) this DDA has not been amended or modified, or, if so amended, identifying the amendments; and (iii) the requesting party is not in default in the performance of its obligations under this DDA, 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 Agency's designee shall be authorized to execute any such certificate requested by Developer from the Agency.

**12.10. PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER.** In reliance on the financial capability and experience of Developer, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of the Property possible. Developer shall not, prior to issuance of a Certificate of Completion, assign Developer's interests or obligations under this DDA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by the DDA, from any of its obligations under the DDA. With respect to this provision, the Developer and the parties signing the DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

**13. DOCUMENT INTERPRETATION.** This DDA shall be interpreted in accordance with the following rules.

13.1. **ENTIRE DDA; SEVERABILITY.** This DDA 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 DDA shall, to any extent, be held invalid or unenforceable, the remainder of this DDA shall not be affected; provided that the intent of the DDA may then be reasonably fulfilled.

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

13.3. **CAPTIONS, GENDER AND NUMBER.** The section headings, captions and arrangement of this DDA are for the convenience of the parties to this DDA. 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 DDA. The singular form shall include plural, and vice versa, and gender references shall be construed to include all genders.

13.4. **DRAFTER.** This DDA 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 DDA. All exhibits referred to in this DDA are attached to it and incorporated in it by this reference.

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

13.6. **TIME FOR PERFORMANCE.** In determining time for performance, it shall be construed that Agency and Developer shall each do the actions required of them, promptly and when specified in this DDA, 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.

13.7. **GOVERNING LAW.** This DDA shall be governed and construed in accordance with California law.

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

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

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

13.10.1. Addresses for notices are as follows:

a) Agency: Redevelopment Agency of the City of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Housing Finance Department

b) Developer: 12<sup>th</sup> Street Partners, L.P., 9 Cushing, Suite 200, Irvine, CA 92618, Attention: Meea Kang.

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

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

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

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

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

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

14. **DEFINITIONS.** The following definitions shall apply for the purposes of this DDA:

14.1. "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 12<sup>th</sup> Street, Sacramento, California 95814. Agency as used in this DDA 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.

14.2. "Art in Public Places Program" is the commonly used name for the program implementing Agency's Aesthetic Improvement Policy. Aesthetic Improvement Policy is Agency's policy for the creation and display of artwork in public areas. The policy was adopted by Agency Resolution Number 2865, October 16, 1979. The policy as implemented is known as the Art in Public Places Program.

14.3. "Certificate of Completion" is the certificate issued by the Agency certifying Developer's completion of the Project and termination of the revestment provisions.

14.4. "City" is the City of Sacramento in the State of California.

14.5. "Close of Escrow" is the time for the close of the Escrow as provided in the Escrow Instructions.

14.6. "Contractor" is the contractor or contractors with whom Developer has contracted for the construction of the Project.

14.7. "Completion Date" is the date for completion of construction of the Project to the satisfaction of the Agency, which date shall be not sooner than the issuance of a certificate of occupancy for the entire Project. The Completion Date is stated in the Schedule of Performances.

14.8. "DDA" is this Disposition and Development Agreement including the attachments to this DDA consisting of the exhibits named in and attached to this DDA, the Preliminary Plans the Final Plans and any other item expressly incorporated in this DDA, all of which are incorporated in this DDA as if included in full as provisions in the body of this DDA. A default of any of the items incorporated in the DDA by reference is a default of this DDA.

14.9. "Developer" is 12th Street Partners, L.P. The principal office of the Developer is located at 9 Cushing, Suite 200, Irvine, CA 92618. The principals of Developer are Meea Kang, Jong Limb, Monique Hastings.

14.10. "Escrow" is the escrow for the transfer of the Property and for all requirements related to the transfer. The Title Company is the holder of the Escrow.

14.11. "Escrow Instructions" are the escrow instructions for the close of the Escrow for this DDA.

14.12. "Final Plans" are the full and final plans, drawings and specifications for the Project as described in, and approved by the Agency under this DDA. The Final Plans 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 DDA. The Final Plans shall incorporate all applicable mitigation measures which may be required for compliance with approvals under the California Environmental Quality Act (commencing at Public Resources Code Section 21000) and the rules and regulations promulgated under such act. The Final Plans shall specifically include changes or corrections of the Final Plans approved as provided in this DDA. 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 DDA.

14.13. "Funding Agreements" are the documents that state the terms of Agency Funding.

14.14. "Grant Deed" is the grant deed for the transfer of the Property to Developer under this DDA. The Grant Deed contains covenants that run with the land, easements and a reverter provision.

14.15. "Hazardous Substances" as used in this DDA 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 rules and regulations promulgated pursuant to said laws.

14.16. "Lender" shall mean all holders of any lien or encumbrance as security for a loan on all or any part of the Property which loan is made in accordance with this DDA or otherwise approved by Agency in writing.

14.17. "Plans" are the Project designs and elevations, prepared by the Project architect YHLA Architects (North Site) and David Baker and Partners (South Site) and dated February 11, 2009 (North Site) and January 21, 2009 (South Site), a portion of which (consisting of various elevations) is attached to the staff report for approval of this DDA. Agency has approved the Plans concurrently with the approval of this DDA.

14.18. "Project" is the development of the Property as described in this DDA for the uses stated in this DDA. The Project includes all improvements constructed on the Property in accordance with this DDA.

14.19. "Project Area" is the Alkali Flat Neighborhood Area, as defined in the Redevelopment Plan.

14.20. "Property" is the real property to be developed under this DDA by Developer, as more particularly described in the Property Description. The Property includes all improvements contained within the Property.

14.21. "Property Description" is the legal description of the various parcels of real property affected by this DDA. The Property Description is attached as **Exhibit 1: Property Description**.

14.22. "Purchase Price" is the purchase price for the Property as set out in Section 3.

14.23. "Redevelopment Plan" is the redevelopment plan for the Project Area (as it may be amended from time to time)

14.24. "Regulatory Agreement" is the agreement, which sets out the certain provisions of this DDA that shall survive the completion of the Project.

14.25. "Schedule of Performances" is the schedule that establishes the dates by which obligations of the parties under this DDA must be performed and on which conditions must be satisfied. The Schedule of Performances is attached as **Exhibit 2: Schedule of Performances**.

14.26. "Scope of Development" is the detailed description of the construction parameters for the Project. The Scope of Development is attached as **Exhibit 3: Scope of Development**.

14.27. "Title Company" is Old Republic Title Company. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is 555 12<sup>th</sup> Street, Suite 150, Oakland, CA 94607.

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

**THE PARTIES HAVE EXECUTED THIS DDA** in Sacramento, California, on the following dates, effective as of the date first written above.

**DEVELOPER : 12<sup>TH</sup> STREET PARTNERS, L.P.**

**BY: DOMUS DEVELOPMENT, LLC,  
GENERAL PARTNER**

By: MNJ Development, LLC, a  
California limited liability company,  
Member

By: Newport Partners, LLC, a  
California limited liability  
company, its member

By: \_\_\_\_\_  
Monique Hastings, its  
member/manager

**AGENCY: THE REDEVELOPMENT AGENCY  
OF THE CITY OF SACRAMENTO**

By: \_\_\_\_\_  
LaShelle Dozier  
Executive Director

Date: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Agency Counsel

Date: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Developer Counsel

**[NOTARIZED ACKNOWLEDGEMENTS]**

**EXHIBIT 1**

**Property 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:

**PARCEL ONE:**

The North 27 feet of Lot 10, in the Block bounded by 12th and 13th and "C" and "D" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0082-016-0000

**PARCEL TWO:**

**Parcel A:**

The West 32 feet of Lot 9, in the Block bounded by 12th and 13th and "C" and "D" Streets of the City of Sacramento, according to the Official Plat thereof.

**Parcel B:**

Lot 10, in the Block bounded by 12th and 13th and "C" and "D" Streets of the City of Sacramento, according to the Official Plat thereof.

Excepting therefrom the North 27 feet of said Lot 10.

Also excepting therefrom all that portion of said Lot 10, as conveyed to the Sacramento Regional Transit District by Deed recorded March 24, 1994 in Book 940324, Page 84, Official Records.

APN: 002-0082-024-0000

**PARCEL THREE:**

The West 1/2 of Lot 2, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0121-002-0000

**PARCEL FOUR:**

The East 72 feet of the South 80 feet of Lot 10 and the West 40 feet of the South 80 feet of Lot 9, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0121-027-0000 and 002-0121-034-0000

**PARCEL FIVE:**

The North 1/2 of Lot 10 and the North 1/2 of the West 1/2 of Lot 9, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

Excepting therefrom the West 8 feet of the North 80.00 feet of said Lot 10, as conveyed to the Sacramento Regional Transit District by Deed recorded March 24, 1994 in Book 940324, Page 84, Official Records.

APN: 002-0121-032-0000

**PARCEL SIX:**

Lot 1, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

Excepting therefrom the North 93.00 feet of the West 20.00 feet of said Lot 1, as conveyed to Sacramento Regional Transit District by Deed recorded May 6, 1987 in Book 8705-6, Page 1977, Official Records.

Also excepting therefrom the West 8 feet of the South 67.00 feet of said Lot 1, as conveyed to Sacramento Regional Transit District by Deed recorded March 24, 1994 in Book 940324, Page 84, Official Records.

APN: 002-0121-036-0000

**PARCEL SEVEN:**

The East 12 feet of the West 20 feet of the North 93 feet of Lot 1, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0121-038-0000

**EXHIBIT 2****Schedule of Performances**

<u>Tentative Dates</u>	<u>Activity</u>
June 2009	Board of Supervisors and County Redevelopment Agency approve Agency Loan and corresponding Loan Commitment and Disposition and Development Agreement
June 2009	Developer submits application for 9% Low Income Housing Tax Credits (LIHTCs) to the California Tax Credit Allocation Committee (TCAC)
September 2009	Developer unsuccessful in attempt to receive LIHTC allocation
March 2010	Developer resubmits application for 9% LIHTCs
June 2010	TCAC reserves 9% LIHTCs for the Project
October 2010	Developer closes on construction financing
November 2010	Construction begins
June 2012	Completion of the Project
September 2012	Project units placed in service

## EXHIBIT 3

### Scope of Development

#### **La Valentina North**

##### Environmental Mitigation

The top layer of soil has tested positive for containments, soil will to be removed and disposed. New soil will be imported fill.

##### New Construction

This new construction project consists of 18 units on approximately 0.4 acres. The project features twelve townhouses each three-bedroom and six three bedroom flat apartments.

Parking consists of 22 tuck under covered parking from a central courtyard that runs the length of the site. Community and leasing office will be shared at the La Valentina Station apartment complex just south in the adjacent lot.

The project consists of four- three story buildings of four different types. The residential buildings will be wood framed type V construction with stucco exteriors and composite asphalt shingles. Architectural elements articulation of the facade, variation in roof pitch, and ornamental iron embellishments are incorporated in to the design of the buildings.

The exteriors include varying fenestration accented with extensive trim and two multi color painting scheme. Each apartment will contain wall-to-wall carpeting, Energy Star central heating and air, and energy efficient appliances.

There will be a minimum of 3 units made accessible for the physically impaired. There will be a minimum of 3 additional units which will be adaptable for the sensory impaired. There will be a minimum of 2 parking spaces for the physically impaired. All public facilities, public spaces, and common areas will be accessible in accordance with the Americans with Disabilities Act (ADA).

#### **La Valentina Station**

##### Environmental Mitigation

The top layer of soil has tested positive for containments, soil will to be removed and disposed. New soil will be imported fill.

##### New Construction

This is a new construction mixed-used residential with retail project consisting of 63 residential units and approximately 4,888 sq ft of retail on the ground floor. Project site is on 0.83 acres.

The project will have 12- studio units, 24- one bedroom units, 21- two bedroom units and 6- three bedroom units. The complex will incorporate a 1,889 sq ft Community room and Property manager's office which will be shared with La Valentina North Townhouse complex.

The project will consist of two four story building that linked via a bridge at each residential floor. The bridge will span an abandoned alleyway. The buildings will be modified steel and wood framed type V construction with stucco exteriors. On the South facing 12th Street side there will be a rain/sun screen façade made of painted concrete composite material. The rain screen will provide shading and protection from the elements. The roof will have a combination of built-up roof.

The building height of 52'-6" will creates a marker along the 12<sup>th</sup> Street corridor. As one of the main arteries into the city, the building's bold design acts as a gateway into the downtown area. The use of brightly colored stucco and durably Hardi-Panel on the exterior provides a presence along busy 12<sup>th</sup> Street, while still respecting the residential scale of the neighborhood located behind the development. The building mitigates the effects of traffic and noise for the residents by recessing all windows and doors away from the street and onto private balconies for each unit. On the North block the building height of 49' feet fits into the neighborhood scale complementing the historical buildings nearby. Shared amenities will be offered to residents living in both the North and South buildings.

Each apartment will contain wall to wall carpeting, centralized high efficient heating and cooling air system, and energy efficient appliances. The project is a low-energy building with a goal of 10% over Title 24 standards.

There will be a minimum of 4 units which will be accessible for the physically impaired. There will be a minimum of 2 additional units which will be adaptable for the sensory impaired. There will be a minimum of 2 parking spaces for the physically impaired. All public facilities, public spaces, and common areas will be accessible in accordance with the Americans with Disabilities Act (ADA).

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

Exhibit C

September 01, 2010

Meea Kang  
12<sup>th</sup> Street Partners, LP  
594 Howard Street, Suite 204  
San Francisco, CA 94105

RE: Conditional Funding Commitment, La Valentina

Dear Ms. Kang,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (collectively "Agency"), we are pleased to advise you of its commitment of construction and permanent loan funds ("Loan") from \$3,535,000 in the City Housing Trust Fund ("City HTF"), \$1,600,000 in Alkali Flat Project Area Tax Increment Funds ("TI"), and \$1,900,000 in City Home Investment Partnership Program ("HOME") for the purpose of financing the development of that certain real property located on the east side of 12<sup>th</sup> Street between the C Street Alley and E Street in Sacramento, California ("Property"). Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

This Loan Commitment shall supersede and replace the prior Loan Commitment dated March 15, 2010. The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

This commitment will expire on December 31, 2010.

1. PROJECT DESCRIPTION: The project is the new construction of mixed-use, transit-oriented development. The property is located on two sites along the east side of 12<sup>th</sup> Street between the C Street Alley and E Street, at assessor's parcel numbers 002-0082-016, 002-0082-024, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038. The south site, located between D Street and E Street, will contain a community room and at least 5,000 square feet of commercial space on the ground floor and 63 units of affordable rental housing on the second, third, and fourth floors. The north site, located between the C Street Alley and D Street, will contain 18 units of townhome-style rental units. Between the two sites, at least sixty-four (64) units will be affordable to families earning less than 50 percent of the area median income or less, and all of the remaining units, with the exception of the unrestricted manager's unit, will be affordable to families earning less than 60 percent of the area median income.
2. BORROWER: The name of the Borrower for the Loan is 12<sup>th</sup> Street Partners, LP.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of construction and permanent financing, or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Seven Million Thirty Five Thousand Dollars (\$7,035,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed ninety percent of the appraised value.
5. TERM OF LOAN: The Loan shall mature 55 years from the date of the first disbursement.
6. INTEREST RATE: The Loan shall bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: Loan shall amortize as permitted by monthly payments.
8. MONTHLY PAYMENT: Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 204 months. Beginning in month 205, monthly installments shall be made according to the following schedule:

Months 205-216	\$ 5,017 monthly
Months 217-228	\$ 5,225 monthly
Months 229-240	\$ 5,426 monthly

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

Months 241-252	\$ 5,619 monthly
Months 253-264	\$ 5,803 monthly
Months 265-276	\$ 5,978 monthly
Months 277-288	\$ 6,142 monthly
Months 289-300	\$ 6,295 monthly
Months 301-312	\$ 6,436 monthly
Months 313-324	\$ 6,565 monthly
Months 325-336	\$ 6,680 monthly
Months 337-348	\$ 6,781 monthly
Months 349-360	\$ 6,866 monthly
Months 361-372	\$ 6,935 monthly
Months 373-384	\$ 6,986 monthly
Months 385-396	\$ 25,334 monthly
Months 397-408	\$ 25,410 monthly
Months 409-420	\$ 25,466 monthly
Months 421-432	\$ 25,501 monthly
Months 433-444	\$ 25,515 monthly
Months 445-456	\$ 25,505 monthly
Months 457-468	\$ 25,470 monthly
Months 469-480	\$ 25,408 monthly
Months 481-492	\$ 25,319 monthly
Months 493-504	\$ 25,200 monthly
Months 505-516	\$ 25,050 monthly
Months 517-528	\$ 24,867 monthly
Months 529-540	\$ 24,649 monthly
Months 541-552	\$ 24,394 monthly
Months 553-564	\$ 24,100 monthly
Months 565-576	\$ 23,765 monthly
Months 577-588	\$ 23,387 monthly
Months 589-600	\$ 22,963 monthly
Months 601-612	\$ 22,491 monthly
Months 613-624	\$ 21,969 monthly
Months 625-636	\$ 21,393 monthly
Months 637-648	\$ 20,762 monthly
Months 649-660	\$ 20,072 monthly
Months 661-672	\$ 19,320 monthly
Months 673-683	\$ 18,504 monthly
Month 684	All outstanding principal and interest due and payable

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: \$3,535,000 in City HTF, \$1,600,000 in TI, and \$1,900,000 in HOME. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

requirements for covenants, conditions and restrictions upon the Property; and insurance  
and indemnity requirements.

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

\_\_\_\_\_ (Borrower Initial)

**Borrower acknowledges that every contract for new construction or rehabilitation  
construction of housing that includes 12 or more units assisted with HOME funds  
will contain a provision requiring the payment of not less than the wages prevailing  
in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-  
Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the  
development of any part of the housing. Such contracts must also be subject to the  
overtime provisions, as applicable, of the Contract Work Hours and Safety  
standards Act (40 U.S.C. 327-332). (24 C.F.R. 92.354). Borrower also acknowledges  
that any project containing a "subsidy" may be subject to state prevailing wages,  
which are the responsibility of the Borrower and Borrower's contractor.**

\_\_\_\_\_ (Borrower Initial)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a first lien upon the Property and Improvements subject only to other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
13. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$11,853,328 in Low Income Housing Tax Credit Equity and no less than \$379,000 in deferred developer fee.
15. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

- (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
  - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
  - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.
  - (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.
16. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its reasonable discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.

20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement for construction related expenses, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

23. ENVIRONMENTAL REVIEW: HOME funds shall not be disbursed prior to the completion of environmental review pursuant to the National Environmental Policy Act.
24. COST SAVINGS: At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

certification, the projected final sources of funding, and the original approved budget for the project.

25. 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 November 15, 2010.
26. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2012.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: Bodily injury liability of \$1,000,000 each occurrence and \$5,000,000 Aggregate, Products and Completed Operations; Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$5,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$5,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La Valentina Project and the 7<sup>th</sup> and H Project

30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
35. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include security patrol if necessary.
36. SOCIAL SERVICES PLAN: Borrower shall provide Agency with a detailed social services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 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) a proforma social services budget.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

37. 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.
38. 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.
39. 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.
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.

August 24, 2010

Approval of Amended and Restated DDA and Substitution of Loan Funds for the La  
Valentina Project and the 7<sup>th</sup> and H Project

Dated:

BORROWER:

12<sup>th</sup> Street Partners, LP

By: \_\_\_\_\_  
Meea Kang

**ACQUISITION LOAN AGREEMENT  
LA VALENTINA**

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

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

“EFFECTIVE DATE”	Being the date as of which this Loan Agreement shall be effective.	
“LENDER”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Redevelopment Agency of the City of Sacramento	
Legal Status	A public body, corporate and politic	
Principal Address	801 12 <sup>th</sup> Street, Sacramento CA 95814	
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:	
Name	12 <sup>th</sup> Street Partners L.P.	
Legal Status	limited partnership	
Principal Address	9 Cushing, Suite 200, Irvine, CA 92618	
“LOAN”	The Loan made by this Loan Agreement.	
“LOAN COMMITMENT”	Lender’s loan commitment, made by letter dated as of	August 24, 2010
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as	Alkali Flat Project Area Tax Increment,
“LOAN AMOUNT”	One Million Six Hundred Ten Thousand Dollars and No Cents (\$1,610,000.00)	
“INTEREST RATE”	The interest rate is 0% per year, simple interest.	
“MATURITY DATE”	The first day of the 684th calendar month following the Effective Date.	
“PAYMENT SCHEDULE”	The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	
“BORROWER EQUITY”	Eleven Million Eight Hundred Fifty Three Thousand Three Hundred Twenty Eight Dollars (\$11,853,328.00)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
	Three Hundred Seventy-Nine Thousand Dollars and No Cents (\$379,000.00)	Which is Borrower’s non-cash contribution to the Project (such as deferred Developer fees).
“SPECIAL TERMS”	NA	
“PROJECT”	Which is the Project to be developed on the Property with the Loan funds, described as:	New construction of a mixed-use, transit oriented development on 12th Street in the Alkali Flat Redevelopment Project Area.

**B. “COLLATERAL.”** The Collateral securing repayment of the Loan, which Collateral consists of the following:

“PROPERTY”	The following described real property, which is security for the Loan and the site of the Project:	
Address	317 12th Street, 331 12th Street, 1210 D Street, 1209 E Street, 417 12th Street, 429 12th Street, and 415 12th Street	
Assessor’s Parcel Number	002-0082-016, 002-0082-024, 002-0121-002, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038	
“Legal Description”	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> attached and incorporated by reference.	
Borrower’s Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	

“ADDITIONAL COLLATERAL”	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
“PERSONAL PROPERTY”	Borrower’s interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:	Materials and supplies for the Project
OTHER ADDITIONAL COLLATERAL	Borrower’s interest in the following property:	None

**C. “ESCROW INFORMATION”:**

“Title Company” and “Escrow Agent”	Old Republic Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
“Escrow”	The escrow with Escrow Agent	
“Closing Date”	Closing Date	Which is the date for close of the Escrow, as it may be extended.

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

EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	“Legal Description”
<u>Exhibit 2: Scope of Development</u>	“Scope of Development”
<u>Exhibit 3: Note Form</u>	“Note”
<u>Exhibit 4: Trust Deed Form</u>	“Trust Deed”
<u>Exhibit 5: Escrow Instructions</u>	“Escrow Instructions”

**E. “APPROVAL DOCUMENTS” Borrower shall submit the following documents for Lender approval:**

Construction Agreements for the Project
Architectural Agreement for the Project
Borrower’s organizational documents, such as partnership agreements or corporate articles and by-laws
“Budget” for the Project
Evidence of financing as described in this Loan Agreement
Plans and Specifications as defined in this Loan Agreement

**F. “ASSIGNED DOCUMENTS” Borrower shall assign the following documents to Lender:**

Construction Contract
Architectural Contract

**G. “CONSTRUCTION INFORMATION”:**

“Completion Date”	January 01, 2013	Which is the date on or before which the Completion of the Project must occur.
“General Contractor”	Brown Construction	Which is the general contractor for construction of the Project.
“Project Architect”	YHLA Architects and David Baker and Partners	Which is the architect for design of the Project

**H. “SPECIAL PROVISIONS” The following special provisions shall be in addition to the provisions of this Loan Agreement:**

1. This Loan is made pursuant to the Disposition and Development Agreement between the Parties, made concurrently with this Loan Agreement (“DDA”). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan proceeds.
2. This loan is a seller carry back loan. Loan funds shall be used solely for Property acquisition costs.
3. Domus Management Company is approved by the Lender as “Property Manager” for the Property and Project.

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

3.1. "Business Day" means regularly scheduled business day of the Sacramento Housing and Redevelopment Agency. Whenever any payment to be made under this Loan Agreement is due on a day other than a Business Day, it may be made on the next succeeding Business Day, and the resulting extension of time will be included in the computation of payment of interest.

3.2. "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

3.3. "Default Rate" is the maximum legal interest rate.

3.4. "Escrow" is the escrow with Title Company for the closing of the Loan.

3.5. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

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

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

3.8. "Fixtures" means all fixtures located on or within the Property or now or later installed in or used in connection with any of the Property, including, as applicable and without limitation, all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, built-in refrigerators, and gas and electric machinery, appurtenances, and equipment, whether or not permanently affixed to the Project.

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

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

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

3.12. "Loan Agreement" means this Loan Agreement, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

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

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

3.15. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership or operation of the Property, and all furniture, furnishings, equipment, machinery, materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or

later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

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

3.17. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.

3.18. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.

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

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

4.2. **BINDING OBLIGATION.** This Loan Agreement, the DDA, the Note, the Trust Deed, and each of the other Loan Documents each constitutes a legal and binding obligation of, and are valid and enforceable against, each party other than Lender, in accordance with the terms of each.

4.3. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

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

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

4.6. **TITLE TO PROPERTY.** Borrower is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

4.7. **NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the use and operation of the Property, or the permanent financing of the Property except as has been fully disclosed to and approved by Lender in writing.

4.8. **TITLE OF PERSONALTY.** Until the construction loan closing, all Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a first lien.

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

4.10. **CONSTRUCTION QUALITY.** There are no structural defects in the Property that are known to or reasonably should be known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

4.11. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents

are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

5. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, the Loan Amount, to finance the acquisition of the Property and subject to the terms, conditions, representations, warranties, and covenants, all as stated in this Loan Agreement.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the Loan Amount.

5.2. **USE OF LOAN FUNDS.** Loan funds shall be used only for acquisition financing and for other purposes specified in the Loan Agreement.

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

5.4. **NOTE AND SECURITY DOCUMENTS.** The Loan is evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property. Borrower shall execute, as Trustor, the Trust Deed in favor of the Title Company in trust for the benefit of Lender and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

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

6.1. **CONDITION OF TITLE.** Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

6.2. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (c) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (d) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow, (e) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement.

6.3. **CONDITIONS TO BORROWER'S PERFORMANCE.** Unless waived by Lender, Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) Lender has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Lender has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (d) Lender's representations and warranties in this Loan Agreement are correct as of the date of this Loan Agreement and as of the Close of Escrow; and (e) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

6.4. **ESCROW.** The parties shall open the Escrow promptly after the Effective Date. Escrow shall close as provided in the Escrow Instructions on or before the Closing Date.

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

7. **ADDITIONAL SECURITY INSTRUMENTS.** Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Property and all other property

of any kind owned by Borrower and used primarily in connection with the Property. Lender may require such instrument at any time, and from time to time may require additions of new contracts and other property. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

**8. CONDITIONS PRECEDENT TO LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent (subject only to the rights of the Permanent Lender):

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

8.2. If requested by Lender, Borrower has furnished to Lender an endorsement to the Title Policy showing no intervening liens or encumbrances on the Property and insuring the full disbursement, together with a satisfactory report under the California Uniform Commercial Code showing no liens or interests in Personalty other than those of Lender.

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

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

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

8.6. There is no legal action threatened or pending against Borrower or affecting the Property or any Additional Collateral.

8.7. All conditions to Close of Escrow have been satisfied in accordance with the Loan Agreement

8.7.1. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents.

8.7.2. Lender has provided proof of all insurance required by this Loan Agreement.

## **9. DEFAULTS**

**9.1. EVENTS OF DEFAULT.** At the option of Lender, each of the following events will constitute a default subject to applicable cure rights, if any (each an "Event of Default"):

9.1.1. The occurrence of an Event of Default under the Trust Deed or DDA.

9.1.2. Borrower's failure to comply with any Governmental Requirements; provided, however that Borrower's right to challenge the Governmental Requirements is not abridged.

9.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the occupancy or use of the Property, unless Borrower has renewed the same or otherwise cured the lapse prior to Lender's issuance of a notice of the default.

9.1.4. The filing of any lien against the Property, if the claim of lien continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

9.1.5. The attachment, levy, execution, or other judicial seizure of any portion of the Property, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within thirty (30) days after the attachment, levy, execution, or seizure.

## **10. REMEDIES**

10.1. **OPTION TO ACT.** On the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

10.1.1. Terminate its obligation to make disbursements.

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

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

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

10.1.5. Make any unauthorized payment from Loan Proceeds or other funds of Lender.

10.1.6. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the Default Rate from the date the funds were spent until repaid which amounts will be deemed secured by the Trust Deed.

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

10.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the failure to protect the Property; the payment of any expense incurred in connection with the exercise of any remedy available to Lender; or the performance or nonperformance of any obligation of Borrower.

11. **FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** For the duration of Loan Agreement, Borrower 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 Property. In the event of damage to the Property and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Property and the public improvements.

11.1. **INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A-V or better, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. 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.

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

## 12. MISCELLANEOUS.

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

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

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

12.4. **FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements to Lender, as and when reasonably requested to assure the good status of the Loan and the Property.

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

12.6. **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.

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

Alliant Asset Management Company, LLC  
21600 Oxnard Street  
Suite 1200  
Woodland Hills, California 91367  
Attention: Brian Goldberg

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

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

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

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

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

**12.9. ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender or as otherwise permitted under the DDA. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having construction lending experience, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

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

**12.11. BORROWER, LENDER RELATIONSHIP.** The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower.

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

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

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

**12.15. RECORDING AND FILING.** Borrower, at its expense, will cause the Security Documents and all supplements to be recorded and filed and re-recorded and re-filed in any manner and in any places as Lender will reasonably request, and will pay all recording, filing, re-recording, and re-filing taxes, fees, and other charges.

**12.16. LOAN EXPENSES.** Borrower shall pay all expenses specifically incurred in connection with the Loan or the preparation, execution, and delivery of the Loan Documents, including, but not limited to, recording costs and expenses, transfer and other taxes (if any), surveys, appraisal fees, title and hazard insurance premiums, recording, notary, and escrow charges, and all other similar, usual, or customary loan closing charges and expenses; and any other budgeted expenses that have been approved by Lender in writing ("Loan Expenses"). Borrower shall hold Lender free from any cost, liability, or obligation of any nature in connection with it, including reasonable attorney fees incurred by Lender. Borrower further agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any Loan Party, and all title insurance policies and

endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. Provided, however, that in making the first disbursement of a subsequent predevelopment loan or construction and permanent loan for the Project, Lender shall deduct from the proceeds of that disbursement a sum equal to the Loan Expenses. All Loan Expenses, together with interest at Loan rate, will form a part of the indebtedness and will be secured by the Security Documents.

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

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

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

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

**12.21. SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

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

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

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

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

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

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

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

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

**BORROWER :**  
**12<sup>TH</sup> STREET PARTNERS, L.P.**

By: Domus GP LLC, a California limited liability company, co-general partner

By: Domus Development, LLC, sole member

By: MNJ Development, LLC, A California Limited Liability Company, Member

By: Newport Partners, LLC, A California Limited Liability Company Member

By: \_\_\_\_\_  
Monique Hastings  
Member/Manager

By: Housing Corporation of America, managing general partner

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: \_\_\_\_\_

**LENDER:**  
**REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

By: \_\_\_\_\_  
LaShelle Dozier, Executive Director

Date: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Lender 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:

**PARCEL ONE:**

The North 27 feet of Lot 10, in the Block bounded by 12th and 13th and "C" and "D" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0082-016-0000

**PARCEL TWO:**

**Parcel A:**

The West 32 feet of Lot 9, in the Block bounded by 12th and 13th and "C" and "D" Streets of the City of Sacramento, according to the Official Plat thereof.

**Parcel B:**

Lot 10, in the Block bounded by 12th and 13th and "C" and "D" Streets of the City of Sacramento, according to the Official Plat thereof.

Excepting therefrom the North 27 feet of said Lot 10.

Also excepting therefrom all that portion of said Lot 10, as conveyed to the Sacramento Regional Transit District by Deed recorded March 24, 1994 in Book 940324, Page 84, Official Records.

APN: 002-0082-024-0000

**PARCEL THREE:**

The West 1/2 of Lot 2, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0121-002-0000

**PARCEL FOUR:**

The East 72 feet of the South 80 feet of Lot 10 and the West 40 feet of the South 80 feet of Lot 9, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0121-027-0000 and 002-0121-034-0000

**PARCEL FIVE:**

The North 1/2 of Lot 10 and the North 1/2 of the West 1/2 of Lot 9, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

Excepting therefrom the West 8 feet of the North 80.00 feet of said Lot 10, as conveyed to the Sacramento Regional Transit District by Deed recorded March 24, 1994 in Book 940324, Page 84, Official Records.

APN: 002-0121-032-0000

**PARCEL SIX:**

Lot 1, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

Excepting therefrom the North 93.00 feet of the West 20.00 feet of said Lot 1, as conveyed to Sacramento Regional Transit District by Deed recorded May 6, 1987 in Book 8705-6, Page 1977, Official Records.

Also excepting therefrom the West 8 feet of the South 67.00 feet of said Lot 1, as conveyed to Sacramento Regional Transit District by Deed recorded March 24, 1994 in Book 940324, Page 84, Official Records.

APN: 002-0121-036-0000

**PARCEL SEVEN:**

The East 12 feet of the West 20 feet of the North 93 feet of Lot 1, in the Block bounded by 12th and 13th and "D" and "E" Streets of the City of Sacramento, according to the Official Plat thereof.

APN: 002-0121-038-0000

Exhibit 2: Scope of Development

**La Valentina North**

Environmental Mitigation

The top layer of soil has tested positive for containments, soil will to be removed and disposed. New soil will be imported fill.

New Construction

This new construction project consists of 18 units on approximately 0.4 acres. The project features twelve townhouses each three-bedroom and six three bedroom flat apartments.

Parking consists of 22 tuck under covered parking from a central courtyard that runs the length of the site. Community and leasing office will be shared at the La Valentina Station apartment complex just south in the adjacent lot.

The project consists of four- three story buildings of four different types. The residential buildings will be wood framed type V construction with stucco exteriors and composite asphalt shingles. Architectural elements articulation of the facade, variation in roof pitch, and ornamental iron embellishments are incorporated in to the design of the buildings.

The exteriors include varying fenestration accented with extensive trim and two multi color painting scheme. Each apartment will contain wall-to-wall carpeting, Energy Star central heating and air, and energy efficient appliances.

There will be a minimum of 3 units made accessible for the physically impaired. There will be a minimum of 3 additional units which will be adaptable for the sensory impaired. There will be a minimum of 2 parking spaces for the physically impaired. All public facilities, public spaces, and common areas will be accessible in accordance with the Americans with Disabilities Act (ADA).

**La Valentina Station**

Environmental Mitigation

The top layer of soil has tested positive for containments, soil will to be removed and disposed. New soil will be imported fill.

New Construction

This is a new construction mixed-used residential with retail project consisting of 63 residential units and approximately 4,888 sq ft of retail on the ground floor. Project site is on 0.83 acres. The project will have 12- studio units, 24- one bedroom units, 21- two bedroom units and 6- three bedroom units. The complex will incorporate a 1,889 sq ft Community room and Property manager's office which will be shared with La Valentina North Townhouse complex.

The project will consist of two four story building that linked via a bridge at each residential floor. The bridge will span an abandoned alleyway. The buildings will be modified steel and wood framed type V construction with stucco exteriors. On the South facing 12th Street side there will be a rain/sun screen façade made of painted concrete composite material. The rain screen will provide shading and protection from the elements. The roof will have a combination of built-up roof.

The building height of 52'-6" will creates a marker along the 12<sup>th</sup> Street corridor. As one of the main arteries into the city, the building's bold design acts as a gateway into the downtown area. The use of brightly colored stucco and durably Hardi-Panel on the exterior provides a presence along busy 12<sup>th</sup> Street, while still respecting the residential scale of the neighborhood located behind the development. The building mitigates the effects of traffic and noise for the residents by recessing all windows and doors away from the street and onto private balconies for each unit. On the North block the building height of 49' feet fits into the neighborhood scale complementing the historical buildings nearby. Shared amenities will be offered to residents living in both the North and South buildings.

Each apartment will contain wall to wall carpeting, centralized high efficient heating and cooling air system, and energy efficient appliances. The project is a low-energy building with a goal of 10% over Title 24 standards.

There will be a minimum of 4 units which will be accessible for the physically impaired. There will be a minimum of 2 additional units which will be adaptable for the sensory impaired. There will be a minimum of 2 parking spaces for the physically impaired. All public facilities, public spaces, and common areas will be accessible in accordance with the Americans with Disabilities Act (ADA).

Exhibit 3: Note Form

**PROMISSORY NOTE  
FOR LA VALENTINA  
ACQUISITION LOAN AGREEMENT**

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

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

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>	
“Effective Date”		
“Lender”	Redevelopment Agency of the City of Sacramento	
“Borrower”	12 <sup>th</sup> Street Partners, L.P.	
“Borrower Legal Status”	limited partnership	
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.	
“Principal Amount”	One Million Six Hundred Ten Thousand Dollars and No Cents (\$1,610,000.00)	
“Interest Rate”	The interest rate is 0% per year, simple interest.	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	The 12 <sup>th</sup> month after the Effective Date
“Special Terms”	N/A	
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684th calendar month following the Effective Date.	
“Payment Start Date”	The payment shall be due in a lump sum on the Maturity Date.	
“Payment Amount(s)”	The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date.	

////

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

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

On the Maturity Date, the unpaid balance of said principal sum, together with all unpaid interest, fees and charges due, if any, shall become due and payable. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

2. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

3. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the DDA Agreement and fails to come into compliance with the DDA within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

4. Lender and Borrower shall comply with and fulfill the Special Terms.

5. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:

a. Borrower defaults in the payment of any principal or interest when due.

b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.

c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, or in the event the default cannot reasonably be cured within 30 days, Borrower fails to commence the cure within 30 days and diligently pursue the cure to completion. The limited partner of Borrower is entitled to cure any defaults on behalf of the Borrower within the same specified time periods, said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure.

e. Borrower fails to perform, after the expiration of applicable cure periods, any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.

f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.

g. The occurrence of any of the following:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower which are not stayed within 90 days.

6. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.

7. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

8. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

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

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

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

**BORROWER :**  
**12<sup>TH</sup> STREET PARTNERS, L.P.**

By: Domus GP LLC, a California limited liability company, co-general partner

By: Domus Development, LLC, it sole member

By: MNJ Development, LLC, A California Limited Liability Company, Member

By: Newport Partners, LLC, A California Limited Liability Company  
Member

By: \_\_\_\_\_  
Monique Hastings  
Member/Manager

By: Housing Corporation of America, managing general partner

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: \_\_\_\_\_

Exhibit 4: Trust Deed Form

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

When recorded, return to:  
SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY  
801 12th Street  
Sacramento, CA 95814  
Attention: Legal Department

**DEED OF TRUST AND ASSIGNMENT OF RENTS**  
La Valentina

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

TERM	DEFINITION	
“Effective Date”		
“Trustor” and “Borrower”	12 <sup>th</sup> Street Partners, L.P.	
“Borrower Address”	9 Cushing, Suite 200, Irvine, CA 92618	
“Trustee”	Old Republic Title Company	
“Beneficiary” and “Lender”	Redevelopment Agency of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12 <sup>th</sup> Street, Sacramento, California 95814	
“Limited Partner”	Alliant Tax Credit Fund IV, Ltd. and Alliant Tax Credit IV, LLC and their successors and assigns.	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	317 12th Street, 331 12th Street, 1210 D Street, 1209 E Street, 417 12th Street, 429 12th Street, and 415 12th Street
	Assessor’s Parcel Number	002-0082-016, 002-0082-024, 002-0121-002, 002-0121-027, 002-0121-032, 002-0121-034, 002-0121-036, 002-0121-038
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b>Exhibit 1 Legal Description</b> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	

"DDA"	Which is the Disposition and Development Agreement between Lender and Borrower stating the term and conditions of the transfer and development of the Property.	
	Which is dated:	
"Additional Notices"	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	<u>Alliant Asset Management Company, LLC</u> <u>21600 Oxnard Street</u> <u>Suite 1200</u> <u>Woodland Hills, California 91367</u> <u>Attention: Brian Goldberg</u>	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	One Million Six Hundred Ten Thousand Dollars and No Cents (\$1,610,000.00)

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

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

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

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the DDA, the Note, or the Loan Agreement.

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.

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

right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.

3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

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

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

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

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

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

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

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

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.
10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.
11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.
12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.
13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.
14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.
15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner of the transferor is the general partner of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender.

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

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

Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust

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

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

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

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

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

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

BORROWER (Trustor):  
**12<sup>TH</sup> STREET PARTNERS, L.P.**

By: Domus GP LLC, a California limited liability company, co-general partner

By: Domus Development, LLC, its sole member

By: MNJ Development, LLC, A California Limited Liability Company, Member  
Member

By: Newport Partners, LLC, A California Limited Liability Company  
Member

By: \_\_\_\_\_  
Monique Hastings  
Member/Manager

By: Housing Corporation of America, managing general partner

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: \_\_\_\_\_