

**RESOLUTION NO. 2011-****Adopted by the Sacramento City Council**

on date of

**700 BLOCK OF K STREET: FINDINGS REGARDING SALE OF REDEVELOPMENT AGENCY PROPERTY****BACKGROUND**

- A. The Redevelopment Agency of the City of Sacramento (Agency) has adopted the Merged Downtown Sacramento Redevelopment Plan (Redevelopment Plan) and an Implementation Plan for the Merged Downtown Sacramento Redevelopment Project Area (Project Area).
- B. The Agency owns certain real property ("Property") in the Project area acquired with tax increment funds, which Property is generally described as 700-730 K Street, the south half block of K Street between 7<sup>th</sup> and 8<sup>th</sup> Streets, and more particularly described in the legal description, attached as Exhibit A.
- C. The Agency and 700 Block, LLC, ("Developer") desire to enter into a Disposition and Development Agreement ("DDA"), attached as Exhibit C, which DDA would convey fee interest in the Property for \$470,120, as more specifically described in the DDA, and which would require the improvements within the Property, as further described in the DDA (collectively, "Project").
- D. In accordance with the California Environment Quality Act and its implementing regulations, an Environmental Impact Report has been prepared for the Project. The City Planning Commission certified the EIR and adopted Findings of Fact and Statement of Overriding Considerations on May 12, 2011. A notice of determination was filed on May 27, 2011. The City Council has reviewed and considered the EIR and the Findings of Fact and Statement of Overriding Considerations and finds that the proposed actions do not require further environmental review per CEQA Guidelines §§ 15162 or 15163.
- E. A report under Health and Safety Code 33433 has been prepared and duly made available for public review and is attached as Exhibit B, and, proper notice having been given, a public hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.
- F. The Agency's sale of the Property for the Project will assist in the elimination of blight as provided in the 33433 Report.

- G. The Agency's sale of the Property and the construction of the Project are consistent with the goals and objectives of the Merged Downtown Redevelopment Plan and Implementation Plan, as stated in the DDA.
- H. The consideration for the Agency's conveyance of the Property to Developer is not less than the fair reuse value of the Property at the use and with the covenants, conditions and restrictions required by the DDA and the related Regulatory Agreement and Grant Deed.

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

- Section 1. After holding a public hearing, pursuant to Sections 33421 and 33433 of the California Health and Safety Code, the facts and findings as presented in the Background above, are found to be true and correct.
- Section 2. The City Council has reviewed and considered the Environmental Impact Report prepared for the Project, which was certified by the City Planning Commission on May 12, 2011, and concurs with the Findings of Fact and Statement of Overriding Considerations approved by the Commission in accordance with CEQA Guidelines §§ 15091 and 15093, and the Commission's Record of Decision is attached as Exhibit D, the City Council finds that proposed actions do not require further environmental review for the Project per CEQA Guidelines §§ 15162 or 15163.
- Section 3. The statements and findings of the Redevelopment Agency's 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, which is attached as Exhibit B.
- Section 4. The Agency's sale of 700-730 K Street to the 700 Block, LLC pursuant to the DDA is approved. The DDA is attached as Exhibit C.
- Section 5. Exhibits A, B, C and D are attached and made part of this resolution.

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Exhibit A – Legal Description of Agency-Owned Properties

Exhibit B – 33433 Report

Exhibit C – Disposition and Development Agreement

Exhibit D – Planning Commission Record of Decision Findings of Fact and Statement of Overriding Considerations





Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 100 FEET OF THE WEST 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS, OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAPS OR PLAN THEREOF.

APN: 006-0096-002

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 120 FEET IN DEPTH OF LOT 1, IN THE BLOCK BOUNDED BY 7TH AND 8TH, "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF; EXCEPTING THEREFROM THE WEST 40 FEET IN WIDTH OF THE NORTH 100 FEET IN DEPTH OF SAID LOT 1; ALSO EXCEPTING THEREFROM SO MUCH THEREOF AS LIES WITHIN THE BOUNDARIES OF THE FOLLOWING DESCRIBED PARCEL; BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2, "K" AND "L", 7TH & 8TH STREETS BEARS SOUTH 19°31'30" WEST, 0.74 FEET OF A FOOT AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF 7TH STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19°31'30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET; AND THENCE NORTH 70°29'20" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING SOUTH 19°31'30" WEST 0.74 OF A FOOT TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19°31'30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70°28'40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19°3' EAST 0.02 OF A FOOT TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF WALL OF SAID BUILDING, FOLLOWING THE OFF-SETS THEREIN, THE FOLLOWING 17 COURSES: NORTH 19°3' EAST 19.24 FEET; THENCE NORTH 19°32' EAST 27.52 FEET; THENCE NORTH 19°8' EAST 6.21 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 19°4' EAST 1.20 FEET; THENCE SOUTH 70°28' EAST 0.37 OF A FOOT; THENCE NORTH 19°26' EAST 21.50 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 20°52' EAST 1.80 FEET; THENCE SOUTH 70°28' EAST 0.36 OF A FOOT; THENCE NORTH 20°10' EAST 9.11 FEET; THENCE NORTH 70°28' WEST 0.37 OF A FOOT; THENCE NORTH 19°32' EAST 14.40 FEET; THENCE NORTH 20°57'10" EAST 19.11 FEET; THENCE NORTH 19°30'35" EAST 39.56 FEET; THENCE SOUTH 70°31' EAST 0.57 OF A FOOT; THENCE NORTH 19°31'30" EAST 1.35 FEET TO THE NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70°29' EAST 0.69 OF A FOOT TO THE POINT OF BEGINNING, AND BEARINGS HEREIN SET FORTH, BEING REFERRED TO AN ASSUMED MERIDIAN BY WHICH THE CENTER LIEN OF 7TH STREET BETWEEN "K" AND "L" STREETS, AS ESTABLISHED BY SAID CITY ENGINEER BEARS NORTH 19°30' EAST AS DESCRIBED IN QUIT CLAIM DEED FROM SIMON, HORNSTEIN AND MABLE HORNSTEIN, HIS WIFE, TO R.W. STOVALL DATED SEPTEMBER 30, 1937, RECORDED DECEMBER 5, 1937, IN BOOK 659 OF OFFICIAL RECORDS, PAGE 309, SACRAMENTO COUNTY RECORDS.

APN: 006-0096-003

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ½ OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST HALF OF LOT 2 IN THE BLOCK BOUNDED BY "K" AND "L", SEVENTH AND EIGHTH STREETS, IN THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:  
COMMENCING ON THE SOUTH LINE OF K STREET OF SAID CITY OF SACRAMENTO AT A POINT LOCATED SOUTH 19°30' WEST 39.99 FEET AND SOUTH 70°29'20" EAST 161.23 FROM THE INTERSECTION OF THE CENTER LINE OF SEVENTH STREET OF SAID CITY OF SACRAMENTO WITH THE CENTER LINE OF SAID K STREET AND RUNNING THENCE FROM SAID POINT OF COMMENCEMENT SOUTH 70°29'20" EAST 40.41 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 2; THENCE SOUTH 19°33' WEST ALONG THE EASTERLY LINE OF SAID LOT 2 A DISTANCE OF 160.28 FEET TO THE NORTH LINE OF AN ALLEY; THENCE NORTH 70°28'40" WEST ALONG THE NORTH LINE OF SAID ALLEY A DISTANCE OF 40.38 FEET TO A POINT; THENCE NORTH 19°32'15" EAST A DISTANCE OF 160.27 FEET TO THE POINT OF COMMENCEMENT.

APN: 006-0096-005

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ONE-QUARTER OF LOT 3 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-006

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST HALF OF THE EAST HALF AND THE EAST HALF OF THE WEST HALF OF LOT 3, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-007

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL NO. 1

THE EAST ONE-QUARTER OF LOT 3 AND THE WEST ONE-QUARTER OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L" 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF.

PARCEL NO. 2

THE EAST THREE-QUARTERS OF THE SOUTH ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 4 (SAID POINT BEING THE POINT OF INTERSECTION OF THE NORTHERLY LINE OF A 20 FOOT ALLEY AND THE WESTERLY LINE OF 8TH STREET), AND RUNNING THENCE NORTHERLY ALONG THE EASTERLY LINE OF SAID LOT 4, (BEING THE WESTERLY LINE OF 8TH STREET) 80.145 FEET TO THE NORTHEAST CORNER OF THE SOUTH ONE-HALF OF SAID LOT 4; THENCE WESTERLY ALONG THE LINE DIVIDING THE NORTH ONE-HALF FROM THE SOUTH

ONE-HALF OF SAID LOT 4, 60.59 FEET TO THE POINT OF INTERSECTION WITH THE WEST LINE OF THE EAST, THREE-QUARTERS OF LOT 4; THENCE SOUTHERLY ALONG THE WEST LINE OF THE EAST THREE-QUARTERS OF SAID LOT 4; 80.135 FEET TO THE INTERSECTION OF SAID LINE WITH THE SOUTH LINE OF SAID LOT 4 (BEING THE NORTH LINE OF SAID 20 FOOT ALLEY); THENCE EASTERLY, ALONG THE SOUTH LINE OF SAID LOT 4 AND THE NORTH LINE OF SAID ALLEY, 60.56 FEET TO THE POINT OF BEGINNING.

APN: 006-0096-008

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH ONE-HALF OF THE WEST ONE-HALF OF THE EAST ONE-HALF AND THE NORTH ONE-HALF OF THE EAST ONE-HALF OF THE WEST ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-009

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST ONE-QUARTER (E  $\frac{1}{4}$ ) OF THE NORTH ONE-HALF (N  $\frac{1}{2}$ ) LOT NUMBER FOUR (NO. 4) IN THE BLOCK OR SQUARE BOUNDED BY "K" AND "L" STREETS AND SEVENTH (7TH) AND EIGHTH (8TH) STREETS OF SAID CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP OR PLAT THEREOF.

APN: 006-0096-010

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL, FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2 IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, BEARS SOUTH 19 DEG. 31. 30" WEST 0.74 FEET AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF "7TH" STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19 DEG. 31. 30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET AND THENCE NORTH 70 DEG. 29. 30" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING, SOUTH 19 DEG. 31. 30" WEST 0.74 FEET TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19 DEG. 31. 30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70 DEG. 28. 40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19 DEG. 03. EAST 0.02 FEET TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF THE WALL OF SAID BUILDING, FOLLOWING THE OFFSETS THEREIN, THE FOLLOWING SEVENTEEN COURSES: NORTH 19 DEG. 03. EAST 19.24 FEET; NORTH 19 DEG. 32. EAST 27.52 FEET; NORTH 19 DEG. 03. EAST 6.21 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 19 DEG. 04. EAST 1.20 FEET; SOUTH 70 DEG. 28. EAST 0.37 FEET; NORTH 19 DEG. 26. EAST 21.50 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 20 DEG. 52. EAST 1.80 FEET; SOUTH 70 DEG. 28. EAST 0.36 FEET; NORTH 20 DEG. 10. EAST 9.11 FEET; NORTH 70 DEG. 28. WEST 0.37 FEET; NORTH 19 DEG. 32. EAST 14.40 FEET; NORTH 20 DEG. 57. 10" EAST 19.11 FEET; NORTH 19 DEG. 30. 35" EAST 39.56 FEET; SOUTH 70 DEG. 31. EAST 0.57 FEET; NORTH 19 DEG. 31. 30" EAST 1.35 FEET TO A NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70 DEG. 29. EAST 0.69 FEET TO THE POINT OF BEGINNING. EXCEPTING THEREFROM THAT PORTION OF SAID REALTY LYING

WITHIN THE EXTERIOR BOUNDARIES OF THE SOUTH 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO.

APN: 006-0096-018

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE SOUTH 40 FEET OF LOT 1 IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-019



**SUMMARY REPORT PURSUANT TO SECTION 33433 OF  
THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW**

**IN CONNECTION WITH A DISPOSITION AND DEVELOPMENT AGREEMENT**

**BY AND BETWEEN**

**THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
AND  
700 BLOCK LLC**

**FOR PROPERTIES IN THE 700 BLOCK OF K STREET**

**July 21, 2011**

**SUMMARY REPORT PURSUANT TO SECTION 33433 OF THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW IN CONNECTION WITH A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AND 700 BLOCK INVESTORS LP**

**1. INTRODUCTION**

The California Health and Safety Code, Section 33433, requires that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must first secure approval of the proposed sale or lease agreement and a summary report that describes and contains specific financing elements of the proposed transaction shall be available for public inspection prior to the public hearing. As contained in the Code, the following information shall be included in the summary report:

1. The cost of the agreement to the redevelopment agency, including land acquisition costs, relocation costs, the costs of any improvements to be provided by the Agency, plus the expected interest on any loans or bonds to finance the agreement;
2. The estimated value of the interest to be conveyed;
3. The estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required under the proposed agreement with the Agency, i.e. the reuse value of the site;
4. An explanation of why the sale of the site will assist in the elimination of blight, as required by Section 33433; and
5. If the sale price is less than the fair market value of the interest to be conveyed, determined to be consistent with the redevelopment plan, then the agency will provide as part of the summary an explanation of the reasons for the difference.

This report outlines the significant parts of the proposed Disposition and Development Agreement ("Agreement") by and between the Redevelopment Agency of the City of Sacramento ("Agency") and 700 Block LLC a partnership between D&S Development, Inc. and CFY Development, Inc. ("Buyer"), whose principals, in connection with the disposition of the Agency's property located between 700 and 730 K Street in the City of Sacramento ("Site") to the Buyer, intend to renovate and re-tenant storefronts located on K Street between 700 and 730 K Street with retail, restaurant/lounge, and live music venues and develop 15 residential units above the commercial uses; and intend to remove the rear ± 60 feet of the buildings to construct and operate a new building along the alley to house 122 residential units over two levels of parking.

This report is based upon information in the proposed Agreement and is organized into the following six sections:

1. **Summary of the Proposed Agreement** – This section includes a description of the site, the proposed development and the major responsibilities of the Agency and the Buyer.
2. **Estimated Value of the Interest to be Conveyed** – This section summarizes the value of the interests to be conveyed to the Buyer.
3. **Summary of terms of Disposition and Estimated value of Interest** – This section contains the provisions of the disposition and development agreement and outlines the estimated value of the land under the proposed Project.
4. **Consideration Received and Reasons Therefore** – This section describes the consideration to be paid by the Buyer to the Agency. It also contains an analysis of the consideration and the fair market value at the highest and best use consistent with the redevelopment plan for the interests conveyed.
5. **Elimination of Blight** – This section includes an explanation of why the sale of the site will assist in the elimination of blight and the supporting facts and materials.
6. **Conformance with the Five-Year Implementation Plan** – This section describes how the Agreement is in conformance with the Agency's Five-Year Implementation Plan.

## 1. SUMMARY OF THE PROPOSED AGREEMENT

### a) *Description of the Site and Project*

#### *Site/Location*

The subject property includes 11 parcels on the south side of the 700 block of K Street in the City of Sacramento and the County of Sacramento. It is located in the Merged Downtown Redevelopment Project Area. It is currently occupied by 9 buildings and is comprised of 1.175± acres. The buildings are currently vacant with the exception of one tenant at 724 K Street.

The site is currently zoned C-3 SPD, Commercial Zone – Special Planning District. The C-3 zone applies to the Central Business District. This commercial zone allows for the most intense retail, commercial and office development in the City while allowing for urban residential uses.

APN	Address	Lot Sq Ft	Building Sq Ft
006-0096-018	1113 7 <sup>th</sup> Street	3,187	N/A
006-0096-019	1111 7 <sup>th</sup> Street	3,026	N/A
006-0096-002	700 K Street	4,000	8,000
006-0096-003	704 K Street	5,348	10,876
006-0096-004	708 K Street	6,400	6,400
006-0096-005	712 K Street	6,400	8,400
006-0096-006	716 K Street	3,200	3,200
006-0096-007	718 K Street	6,400	16,060
006-0096-008	724 K Street, 1114 8 <sup>th</sup> Street	11,200	17,600
006-0096-009	726 K Street	3,200	5,255
006-0096-010	730 K Street	1,600	3,200

In the 2030 General Plan, the site is designated Central Business District (CBD). The CBD classification supports a mixture of retail, office, government, entertainment and visitor service uses. It also supports increasing the residential population to add to the vitality of the Central Business District, support extending the hours of activities, and provide a built in market for retail, services and entertainment.

The site is more or less level and generally slopes gently to the north.

### b) *Background and Estimated Value of the Site*

The 700 and 800 blocks of K Street were identified in the Second Amendment to the Merged Downtown Sacramento Redevelopment Plan as having continuing blighted conditions characterized by vacant and deteriorating buildings, uneconomic land uses, and small and irregularly sized lots not suitable for modern use. The

properties on the 700/800 blocks of K Street are possibly one of the most deteriorated properties on K Street.

In 2002, a series of City Council and Sacramento Housing and Redevelopment Agency workshops about funding priorities resulted in the K Street corridor being identified as one of the top priorities for the City with a focus on developing “destination retail” that would invigorate street life and attract shoppers. Resources were to be focused on projects that met multiple redevelopment goals such as blight removal, retail revitalization and residential development to support downtown activities.

In October 2004, City Council in conjunction with the Economic Development Department conducted the JKL Workshop with the goal of developing a common vision for these streets. In 2005, the City Council approved a JKL Workshop Action Plan. The 700/800 blocks of K Street are identified as a focal catalyst node with the direction to provide mixed-use projects that would include retail and residential uses. As part of the Action Plan approval, the City Council approved the issuance of an RFP and Zeiden Properties was selected to develop the 700 block of K Street and the Evergreen Group/Mohanna for the 800 block. As a part of the ERN process, a real estate strategy was established to assemble properties on these blocks which included:

- A Land Exchange Agreement (signed April 2006) to provide for a “land swap” concept with properties in the 800 block. The amount of the land required for acquisition was determined based on a “Value for Value” concept in which Mohanna would exchange his holdings on the 700 block for equitable properties on the 800 block, allowing both development projects to proceed.
- Purchase of additional property to ensure reuse of small underutilized sites and to assure that sufficient square footage was available to embark on a catalytic retail development

In June 2006, Zieden Properties signed a Disposition and Development Agreement to provide property and funding for the rehabilitation of properties on the south side of the 700 Block of K Street.

By 2006-2007, the Agency was able to acquire three lots including 700 K Street, 704 K Street, 730 K Street. In addition, Zeiden Properties also purchased 708 K Street. The Acquisition cost is outlined below.

Address	Acquisition Date	Acquisition Price
700 K Street	6/30/2006	\$2,500,000
704 K Street	2/16/2007	\$3,100,000
730 K Street	6/30/2006	\$ 890,000
Total		\$6,490,000

In addition, tenants in the 700 block were relocated to prepare for the construction process. Relocation Costs included:

Address	Business	Relocation Costs
700 K Street	Men's Wearhouse	\$61,955
704 K Street	Joe Sun	\$2,800,000
710 K Street	Record Store	\$49,529
712 K Street	Serloff & Company	\$21,180
714 K Street	Sub Q	\$20,000
716 K Street	Morelia's Taqueria	\$43,486
718 K Street	James Rothery, Attorney	\$20,000
718 K Street	Junta Night Club	\$95,167
718 K Street	Big Brother Comics	\$20,000
718 K Street	Bonehead Tattoo	\$126,445
720 K Street	Frank's Watch Repair	\$20,000
722 K Street	Go Games & Bling Bling	\$20,000
730 K Street	K Mini Mart	\$101,275
1104 8th Street	BAM Potpourri	\$20,000
1110 8th Street	June's Hair Salon; Image Makers; Johnny in Hair; MB Juarez; Sunda Hanson	\$80,379
1114 8th Street	Texas Mexican Rest.	\$61,955
<b>TOTAL</b>		<b>\$3,547,504</b>

In November 2006, a fire broke out at 810 K Street, which resulted in subsequent demolitions of 810, 812, 802 and 804 K Street properties once the City's Dangerous Buildings Department deemed these properties structurally unsafe. After that the 800 Block team was unwilling to undertake the property exchange. In February 2007, the Agency filed a suit against the 800 Block team for Non Performance under the Land Exchange Agreement and Breach of Contract.

In December 2008, the Agency adopted a Resolution of Necessity to acquire nine parcels in the 700 and 800 blocks of K Street, five of which were in the 700 block. A final settlement was reached and the Agency received title to the properties at a settlement cost of \$19.1 million, the estimated settlement value for 712, 716, 718, 724 and 726 was \$14,149,118. This settlement value included all legal costs. These properties transferred in October 2008.

In 2008, in order to complete acquisition of the entire half-block the Agency negotiated a \$2,100,000 settlement price for 708 K and 1111 7<sup>th</sup> Street, both owned by Mr. Zeiden.

Approximately, \$470,000 of taxable bond funds were used to purchase properties within the 700 block of K Street. The remainder of the funds used to purchase properties were tax-exempt bond funds.

## 2. SUMMARY OF TERMS OF DISPOSITION

A copy of the Disposition and Development agreement (“Agreement”) disposing of an interest in Agency real property is attached to this report.

### ***Buyer***

The buyer is 700 Block LLC, which is a partnership between D&S Development, Inc. and CFY Development, Inc.

### ***Project***

The 700 Block LLC intend to restore the historic storefronts along K Street, rehabilitate these commercial spaces and bring new retail to the block and develop 15 residential units above the commercial uses. Demolition of the back 60 feet of some of the structures will allow for the construction of a new 6-story residential building over two levels of parking. Approximately 122 units will be developed in this new residential structure with 84 parking spaces. The parking spaces will only be available to residential tenants.

### **a) *Agency Responsibilities***

Subject to the specific terms and conditions stated in the Agreement, the Agency's responsibilities under the proposed Agreement are as follows:

1. Delivery of Site. Deliver the subject property in “as is” condition on an agreed upon date with an agreement that the Agency will fund costs related to hazardous materials abatement.
2. Approval of plans. Agency must approve the proposed improvement project submitted by Buyer.
3. Regulatory Agreement: Record a Regulatory Agreement requiring the regulated units in the residential development to remain affordable for a period of 55 years and that the commercial uses or similar uses to remain in operation for a period of 30 years.
4. Funding: The Agency will provide a loan of \$2.7M of commercial taxable bond commercial funds and a grant of at least \$11.3M of tax exempt bond funds in accordance with the provisions of the Disposition and Development Agreement and the provisions of the Letter of Commitment to provide funding for the Project.

5. Closing costs. Agency will pay the cost of drawing the grant deed, and will share in the cost of escrow fees and recording fees, its respective notary fees and any state, county, or city documentary transfer tax.

6. Certificate of Completion. At the completion of the Project and upon written request of the Buyer, the Agency shall furnish the Buyer with a Certificate of Completion for the Project.

**b) Buyer Responsibilities**

Subject to the specific terms and conditions stated in the Agreement, the Buyer's responsibilities under the proposed Agreement are as follows:

1. Plan Review: Submit plans and tenant uses for the improvement project to the Agency for approval.
2. Closing costs: Agency will pay the cost of drawing the grant deed, escrow fees and recording fees, its respective notary fees and any state, county, or city documentary transfer tax.
3. Entitlements: Obtain required land use and zoning approvals, and comply with the requirements of the California Environmental Quality Act (CEQA).
4. Funding: Secure New Market Tax Credit (NMTC) proceeds for at least \$11,900,000; provide developer equity of at least \$3,031,000, and a bank loan of \$18,250,000. Funding will not be released until developer has secured a building permit for the project and has evidenced that all funding sources are secured. A loan of \$2.7M taxable and a grant of at least \$11.3M from the Sacramento Downtown Revitalization Corporation shall be utilized to acquire the NMTC proceeds.
5. Land Loan: Secure a land loan with the agency of \$470,120. The land loan will not be released or property transferred until the building permits have been pulled and all funding secured.
6. Project: Within two years of the land transfer and distribution of funding, the Buyer must complete all required improvements including rehabilitation of the commercial spaces, demolition of the rear 60 feet of the building and the construction of a new 6-story residential building along the alley over two levels of parking.
7. Costs and Fees: Pay all development and construction costs and fees in a timely manner, including prevailing wages for construction of the Project.

### 3. EXPLANATION OF DISPOSITION FOR LESS THAN FULL VALUE

The Agency has estimated the value of the interest being conveyed to the Buyer if sold by the Agency at its highest and best use allowed under the Redevelopment Plan. The Site is an irregular, long, narrow parcel that is not desirable for commercial uses. This block of K Street has experienced one of the highest vacancy rates in the last decade.

Agency and Buyer have a sale through a Disposition and Development Agreement. In the Agreement, Buyer has agreed to an improvement program as well as other restrictions, which provide the Agency with considerable consideration that compensates for this difference. Below is a list of additional considerations and restrictions placed on the subject property. The fair reuse value is also a function of the use of the property given the property's covenants, conditions, and easements as well as restrictions placed on the property in the Agreement.

#### ***Improvement Project***

The Regulatory Agreement and Disposition and Development Agreement require the Developer to rehabilitate the commercial retail spaces along K Street to create 63,000 sq ft of retail, demolish the rear 60 feet of the building, and construct a new 6-story residential building over 2 levels of parking. The total cost of constructing this project is \$47,262,500.

#### ***Property and other Taxes***

The Buyer will be responsible for payment of property and other taxes and fees once the property transfers, which will benefit the various taxing entities.

#### ***Ten (30) Year Business Provision and Fifty-five (55)Year Restricted Units***

A commercial Regulatory Agreement that runs for a period of 30 years will restrict the ground floor retail space to retail, restaurant and live music venue uses. A similar residential Regulatory Agreement will run provisions that run with the land will restrict the affordable housing units for a period of 55 years. The regulatory agreement limits the amount of rents that can be collected for 60% of the 137 units to rents that are affordable. The restrictions are for 72 of the units to be affordable to those at 60% of area median income and 11 of the units affordable to those at 80% of the area median income.

#### ***Development of Vacant Property***

Buyer shall improve nine deteriorated buildings, which are currently unattractive nuisances and underutilized blighted properties. The developer will convert undesirable spaces (20x160 in some cases) and will create more marketable retail spaces by demolishing the rear 60 feet of the building.

#### ***CEQA and Zoning and Land Use Compliance***

Buyer shall obtain required land use and zoning approvals, and have complied with the requirements of the California Environmental Quality Act (CEQA).

***Prevailing Wages***

Buyer shall pay all development and construction costs in a timely manner, including prevailing wages for construction of the Project.

***Job Creation***

Buyer will be able to attract new businesses to downtown which will result in the creation of an estimated 500 new jobs

***Project Benefits***

The project will eliminate blight and the development of the project will result in the following benefits:

- Revitalizes and removes blight from an entire half block on K Street
- Preserves the historic character of the block
- Creates unique destination retail and housing in a transit-oriented, mixed-use pedestrian friendly development
- Attracts \$12 million in New Markets Tax Credit equity and \$21,262,500 (\$18,250,000 bank loan and \$3,031,500 in developer equity) of additional private investment for \$13.9 million of public investment (including the predevelopment funds)
- Allows for repayment of a portion of the loan to the DSRC to reinvest in Downtown projects
- Creates rental housing units with a mix of affordability including 60% affordable units (at 60% and 80% of AMI) and 40% market rate units
- Bolsters investments made in the downtown area including the Citizen Hotel, the Crest, the Cosmopolitan, the Sheraton, the three new venues on K Street among other businesses on J, K and L Streets and attracts additional investment to the Downtown area
- Creates 500 permanent jobs
- Generates approximately \$1.6 million in annual sales tax
- Brings an estimated additional 5,000-6,000 patron to K Street each week.

**4. CONSIDERATION RECEIVED AND REASONS THEREFORE**

The Agency has determined that the highest and best use of the subject property is for a commercial/residential use, such as that proposed by the Buyer. The consideration being given to the Agency is not less than the reuse value. Although the Agency will receive less than the purchase price for the subject property, it does not take into account the other considerations, described above, that the Agency receives in this transaction.

The consideration being paid to the Agency is also not less than the consideration that the Agency could receive under the highest and best use with the conditions that an investment be made to reuse the Site, more than 60% of the units are restricted as

affordable for 55 years, and commercial uses must remain in place for at least thirty years.

As outlined in the background section, the properties on the south side of the 700 block of K Street between 7<sup>th</sup> and 8<sup>th</sup> Street were acquired over a period of time from 2006 through 2008. The total acquisition costs to the Agency for land and relocation costs are listed below.

<b>AGENCY'S ESTIMATED COST OF ACQUIRING THE LAND</b>	
Purchase Price	\$22,739,118
All Relocation Costs	\$ 3,567,504
<b>Total</b>	<b>\$26,286,622</b>

One element to take into consideration in evaluating the reuse of these sites is the condition of the properties. The majority of properties have been vacant for a several years. Currently many of the properties are below standard and are not in a condition that they could be tenanted. Roof deterioration has led to water damage within the building. In addition, hazardous materials have been identified that require abatement. Additional shell and core and tenant improvements would be required to provide warm shells spaces for tenants. The anticipated work/construction required to provide rentable tenant spaces would cost approximately \$21,600,000.

In establishing the reuse or resale value of the subject site, a pro-forma analysis was completed on the proposed project. Assuming the development specifications as contained in the Development and Disposition Agreement, and assuming development in the near-term, the cost to complete construction of the project is estimated at \$47,200,00. The resale value upon completion, based upon the capitalized income approach and with consideration of the regulatory restrictions for affordable housing for 55 years and the limitations on commercial uses, is estimated at \$19,363,888 netting a negative potential resale value after the retirement of debt on the property at (22,344,111).

While there is a negative potential resale value, as a part of the deal, the Developer has agreed to secure a loan with the Agency of \$470,120, which will be paid back in full over a 40 year period.

<b>ESTIMATED REUSE VALUE OF INTEREST CONVEYED</b>	
Value of the property determined with consideration of the restrictions and development costs imposed by the Agreement	(22,344,111)

<b>VALUE RECEIVED ON DISPOSITION</b>	
The purchase price to the Agency under the Agreement	\$470,120

The Agency has determined that this Project as provided in the Agreement offers the best use for the Site.

## **5. ELIMINATION OF BLIGHT**

The site contains vacant deteriorated buildings that have suffered from the lack of maintenance over the years and this block has experienced high vacancy rates. Dilapidated systems and antiquated lot configurations add to its role as a major blighting influence in the area. The proposed project as detailed in the Agreement will eliminate blight within the Merged Downtown Redevelopment Area by:

- Reconfiguring the buildings that had limited reuse potential due to small lots, irregular shaped lots and long narrow lots to attract viable commercial uses that will job-generating businesses;
- Providing a mixed-use development will strengthen the commercial and retail uses in the downtown area and provides a project that bolsters current and future investment in downtown;
- Providing for viable transit-oriented uses improving the pedestrian environment in the downtown area;
- Rehabilitating unsafe buildings, damaged exteriors and interiors;
- Converting buildings that contained marginal uses with frequent tenant turnovers and high vacancy rates and converts these buildings into viable uses;
- Providing uses that will provide for additional lighting, security, and provides for residential uses that will provide more additional eyes on the street reducing crime within one of the highest crime rate area in downtown; and
- Eliminating both physical and economic blight to stimulate new commercial expansion and economic growth

## **6. CONFORMANCE WITH FIVE-YEAR IMPLEMENTATION PLAN**

The major goals of the Redevelopment Plan for the Merged Downtown Redevelopment Project Area are:

- Elimination of deficiencies including small and irregular lots, obsolete, aged and deteriorated building types;
- Assemble land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation;
- Re-plan, redesign and develop areas which are stagnant or improperly utilized; and
- Strengthen retail and other commercial functions in the downtown area.

The Redevelopment Plan proposed to achieve these goals by acquiring real property and disposing of properties in accordance with the Redevelopment Plan, rehabilitating structures and assembling adequate sites for development and construction of residential and commercial facilities. Subsequent amendments to the Redevelopment Plan affirmed these goals and identified the continuing presence of blight in the

downtown area. The Plan amendments identified the ongoing need for redevelopment. The analysis for the Third Amendment in 2005 specifically identified buildings on the 700 and 800 block of K Street with unsafe structural conditions, deterioration and commercial obsolescence as blight.

Implementation plans identifying specific strategies and projects to address blight have been adopted and updated every five years by the Agency. The most recently adopted Implementation Plan for the Merged Downtown Sacramento Redevelopment Project Area identifies specific projects and strategies which focuses from 2009-2014. K Street was noted in the 2009-2014 Implementation Plan as having some of the most significantly blighted properties in the Project Area and needing focused revitalization efforts. Specific projects included revitalizing the southern half of the 700 block to attract quality retailers while retaining its historic character, and introducing mixed-use projects with housing.

By soliciting RFQ, selecting the development team 700 Block LLC, and with the Agency approval of a mixed-use project to include a mix a retail and residential uses with parking, selling the Site for reuse, and develop the project accomplishes the following implement plan goals:

- Eliminates blight by providing for the reuse of obsolete aged and deteriorated buildings;
- Provides uses that will strengthen the downtown area and other retail uses in the immediate vicinity including Downtown Plaza through the attraction of new business and by providing housing units within the immediate vicinity as the retail uses;
- Creates a range of housing options including affordable and market rate units within the downtown area including affordable housing;
- Attracts additional private sector funding and new market tax credit funding by providing some public sector funding;
- Preserves the historic character of the 700 block buildings by restoring and rehabilitating the storefronts along K Street;
- Improves the visual and aesthetic appearance of downtown through qualify design; and
- Stimulates economic growth by providing for commercial expansion and employment

NO FEE DOCUMENT:  
Entitled to free recording  
per Government Code 27383.  
When recorded, return to:  
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
801 12th Street  
Sacramento, CA 95814  
Attn: Joel Riphagen

With copy to

Economic Development Department  
915 I Street, Third Floor  
Sacramento, CA 95814  
Attn: \_\_\_\_\_

**DISPOSITION AND DEVELOPMENT AGREEMENT**

700 K STREET, 704 K STREET, 712 K STREET, 716 K STREET, 718 K STREET,  
724 K STREET, 726 K STREET, AND 730 K STREET, 1111 AND 1113 7<sup>TH</sup> STREET,  
AND 1114 8<sup>TH</sup> STREET

MERGED DOWNTOWN SACRAMENTO **REDEVELOPMENT PROJECT AREA**

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

700 K STREET, 704 K STREET, 712 K STREET, 716 K STREET, 718 K STREET,  
724 K STREET, 726 K STREET, 730 K STREET, 1111 AND 1113 7<sup>TH</sup> STREET,  
AND 1114 8<sup>TH</sup> STREET

700 BLOCK, LLC

June \_\_\_\_, 2011

# DISPOSITION AND DEVELOPMENT AGREEMENT



## Merged Downtown Sacramento

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, and 700 BLOCK, LLC, a California limited liability company, also called Agency and Developer, respectively, enter into this Disposition and Development Agreement, also called DDA, as of \_\_\_\_\_, 2011. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 15.

### RECITALS

- A. Agency is the owner of real property located at 700, 704, 712, 716, 718, 724, 726, 730 K Street, 1111 and 1113 7<sup>th</sup> Street, and 1114 8<sup>th</sup> Street in the City of Sacramento, State of California, more particularly described in the Property.
- B. The Property is located in the Merged Downtown Sacramento 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: creating places and destinations-retail and entertainment, and new urban-style housing to the area’s core, and elimination of blight and the provision of affordable housing by revitalization of the 700 block of K Street with a mixed use project.
- C. The primary purpose of this DDA is the elimination of the following blighting influences: low values and impaired investment, low property values, deficient buildings and obsolete uses or parcels. 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: rehabilitation of nine commercial buildings on the south side of the 700 block of K Street (700-730 K Street) to re-tenant each retail space with a live music venue, restaurants and retail uses. Demolition of approximately sixty feet (60') of the building from the rear of the buildings (along the alley) to towards K Street to provide a five (5) story residential development over two levels of parking creating one hundred and thirty-seven (137) units and ninety-one (91) parking spaces.

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.

4. **PURCHASE PRICE.** The Property shall be conveyed subject to the Regulatory Agreements and at a purchase price of Four Hundred and Seventy Thousand, One Hundred Twenty Dollars, pursuant to the terms and conditions of this DDA.

4.1. **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.

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

4.2.1. Agency and Developer acknowledge and understand that New Markets Tax Credit ("NMTC") financing is a critical component of funding the development, construction and operation of this Project. Developer shall be an eligible Qualified Active Low Income Community Business ("QALICB") or "QB" as defined under Section 45D of the Internal Revenue Code of 1986 (as amended, the "Code") for the purpose of receiving one or more Qualified Low Income Community Investments ("QLICI") from a Community Development Entity (CDE) through a leveraged NMTC investment established for this Project as contemplated by this DDA.

4.2.2. Evidence of Project funding has been provided, including Developer Equity, funding from US Bank National Association or another financial institution (Leverage Lender), and the provision of NMTC allocation for financing the Project. All documents evidencing the actual structure of New Markets Tax Credit have been executed, including the funding agreements between the entities within that structure that provides the tax credits, the capital contributions and loans, as well as all appropriate security pledges in the Investment Fund; executed agreement(s) on commercially reasonable terms between the Downtown Sacramento Revitalization Corporation and Investment Fund within the NMTC structure established for this Project with appropriate security pledges; the funding agreements between the Investment Fund and the community development entity(ies) (CDE); the loan(s) from the CDE to the Qualified Active Low Income Business (QALICB) controlled by the CFY Development/D & S Development entity for this Project; and, a disbursement agreement entered into by Agency, CDE's, other lenders and funding entities with respect to the development and construction period disbursement of funds.

4.2.3. 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 insurance; and providing required construction contracts.

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

4.2.5. 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.

4.2.6. 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.

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

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

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

4.3.3. 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.

4.3.4. 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.

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

**4.4.1. 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 received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property are in violation of any applicable laws regarding Hazardous Substances, or informing Agency that the Property is subject to investigation or inquiry regarding Hazardous Substances on the Property.

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

c) 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.

d) 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.

**4.4.2. 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.

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

**4.4.3. 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 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.

**4.4.4. 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 hereby conveyed or any part thereof. Grantee covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land. (See Section 15.1, below).

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 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.

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

**4.4.5. 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.

**4.5. 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, 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.

**4.5.1.** 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; or

b) Agency shall pay to Developer through credit in Escrow against the cash portion of the Purchase Price for the cost of repairing or correcting such damage not covered by insurance, provided, however, that the amount of any payment of such credit against the Purchase Price pursuant to this clause shall not exceed thirty percent (30%) of the Purchase Price. If this DDA is to continue in full force and effect after such condemnation action, Agency shall pay any amounts received on account of, and assign to Developer all of Agency's rights regarding, any awards for such taking.

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

5. **AGENCY FUNDING.** The Agency shall provide funding for the Project as provided in the Commitment Letter, which has been authorized by the Agency's governing board at the same time as this DDA. The Commitment Letter for funding requires a grant and forgivable loan to the Downtown Sacramento Revitalization Corporation ("DSRC") for the specific purpose of the DSRC to fund, loan, grant or otherwise participate in a manner that commits one hundred percent of this funding to the New Markets Tax Credit structure created for the purpose of the implementing the Project as contemplated by this DDA. All terms regarding Agency funding are in the Funding Agreement (s), including without limitation, the source and use of funds. Agency funding of the purchase price shall be subject to a separate Funding Agreement in the form of an Permanent Loan.

6. **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.

6.1. **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.

**6.2. 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.

**6.3. 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.

**6.4. 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.

**6.5. 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 City of Sacramento Economic Development Department, which is staff to the Agency for Project Area at the address for notices and shall have clearly marked on its exterior "URGENT: Southern Portion of 700 Block of K PROJECT PLAN REVIEW" or the equivalent.

**6.5.1. 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.

**6.5.2. 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.

**6.6. 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.

**6.7. 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.

**6.7.1. 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.

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.

- e) Material changes in quality of project or landscaping materials.
- f) Any change in public amenities specified in the Final Plans.
- g) Any changes requiring approval of, or any change required by, any city, county or state board, body, commission or officer.
- h) Any change that would preclude or materially reduce the ability to use the Project as intended by this DDA.

**6.7.2. 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.

7. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 7, Developer shall construct and manage the Project according to the requirements established in this DDA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this 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.

7.1. **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.

7.2. **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 13.1, Developer shall assign all rights under the construction contracts to Agency.

7.3. **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.

7.4. **ART IN PUBLIC PLACES.** The Project is a private project subject to the Art in Public Places Program. Developer shall comply fully with the Art in Public Places Program, and pursuant to such policy, Developer shall expend, for the acquisition and installation of Aesthetic Improvements, not less than two percent (2%) of the construction contract price. Art in Public

Places applies only to the market rate residential portion of the Project and more specifically in the area designated for new construction. The low- and moderate income residential portion of 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 Aesthetic Improvement Policy requirements are not applicable.

**7.5. 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 6.7, without Agency approval of such changes as provided in Section 6.7.

**7.6. 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.

**7.7. PREVAILING WAGES.** Agency advises Developer that the Project is subject to the payment of prevailing wages under California law. Developer shall inform the Contractor and shall require the Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Agency's determination of the applicability of California prevailing wage requirements. 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.

**7.8. 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.

**7.9. 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.

**7.9.1. 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.

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

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

**7.10. 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.

**7.11. 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.

**7.12. 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 less than the size of letters used to name any of the other participants.

**7.13. 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.

7.13.1. 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.

7.13.2. If the Agency fails to provide a Certificate of Completion within fifteen (15) days after written request by Developer, the Agency shall, within an additional fifteen (15) days after a second written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Project in accordance with the provisions of the 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.

**7.14. 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 Fifty Dollars and No Cents (\$50.00) 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.

**7.15. 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.

**7.16. 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.

**7.17. 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.

**7.18. 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.

**7.19. HAZARDOUS SUBSTANCES.** Agency has obtained a Phase I and Phase II Hazardous Substances assessment, 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. If Hazardous Substances are known to be on the Property, Developer shall remediate such 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. 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. If Hazardous Substances are discovered on the Property after conveyance to Developer and have not been released on the Property after conveyance to Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed Twenty-Five Thousand Dollars (\$25,000), 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. Developer shall bear One Hundred percent of the costs related to such remediation.

**7.20. 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.

**8. RELOCATION.** Agency is required by law to provide relocation services and make relocation payments to eligible tenants, if any, 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 8 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 8 is an Event of Default, subject to Developer's opportunity to cure in accordance with applicable law.

**8.1. 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.

**8.2. 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.

**8.3. 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 follow the Agency's instruction and direction.

**9. 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.

**9.1. 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 9.3); (b) firm and binding loan commitments (as provided in Section 9.2) 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.

**9.2. COMMITMENT AND LOAN REQUIREMENTS.** As a material obligation under this DDA, Developer shall assure that the loan or funding documents for the Project are consistent with the Lenders' and NMTC commitments approved by the Agency and comply, in all respects, with this DDA. The Agency may reject a loan or funding 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 a material amendment of this DDA or that require the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party, (other than customary estoppel certificates or clarification of terms) except that the Agency will enter into Funding Agreements with the Downtown Sacramento Revitalization Corporation ("DSRC") for the purpose of providing funding towards the construction of this Project pursuant to the Commitment Letter and the Agency. The Agency will also enter into a disbursement agreement with the CDE(s) and other relevant funders or servicers of any Project financing regarding the disbursement of QLIC proceeds for Project; uses from the CDE to the Developer.

**9.3. EVIDENCE OF DEVELOPER EQUITY.** Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity ("Developer Equity") in the amount of Three Million Thirty One Thousand Four Hundred and Fifty Five Dollars No Cents (\$3,031,455.00) 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. Notwithstanding the foregoing, it is understood by the parties that the Developer Equity shall be part of the leverage loan proceeds that are loaned to the Investment Fund along with the proceeds of the DSRC investment, in order to leverage the NMTC and shall not be held or contributed at the Project Borrower level as required by the NMTC investor or CDE. 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.

**10. INDEMNIFICATION FOR HAZARDOUS SUBSTANCES.** Developer shall 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.

Agency shall indemnify, protect and defend Developer, its officers, directors, employees, and agents, and hold them harmless from any and all liability, costs, fees, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys' fees, witnesses' fees, and investigation fees) related to Hazardous Substances discharged on the Property during Agency's ownership of the Property or related to the removal or discharge of Hazardous Substances by Agency or its employees, agents or contractors.

**11. MUTUAL 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, its officers, directors, commission members, employees, advisory committee members, and agents.

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.

**12. 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, respectively, 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.

**12.1. LIABILITY INSURANCE POLICY LIMITS.** Developer shall obtain all insurance under this Section 12 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:

**12.2. 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.

**12.3. 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, all per location of the Project.

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

**12.5. 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.

**12.6. 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:

**12.6.1. 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.

**12.6.2. 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.

**12.6.3. 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."

**12.6.4. 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.

**12.6.5. 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,

but not the obligation, 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. Failure to maintain the insurance required by this Section 12 shall be a default under this DDA (see Section 13.3, below).

**12.6.6. 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 12 with respect to such insurance shall otherwise be satisfied by such blanket policy.

**13. 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. The parties agree that any of the CDE or Project lenders shall have such notice and cure rights with respect to any default under this DDA (and any related agreements) as is reasonably required.

**13.1. REVESTING TITLE IN AGENCY.** Agency shall not have the right to terminate this DDA and exercise any reverter or similar remedy at any time prior to the expiration of the New Markets Tax Credit compliance period, except for a default arising from the Developer's failure to complete construction within the time frames required under this DDA. The time frame for the completion of construction shall be consistent the completion date-requirements of the CDE and/or NMTC investor ("NMTC Agreements") pursuant to the applicable QLICI documentation but in no event later than \_\_\_\_\_. If Developer defaults in its obligations pursuant to the NMTC Agreements and the CDE have accelerated the obligations thereunder and commenced foreclosure, then the Agency shall have, for a period of ten years following the Effective Date, 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; provided that the Agency shall have to assume all of the obligations under the NMTC Agreements, including, without limitation provide for a replacement QALICB (which may be

controlled by the Agency) to acquire ownership of and title to the Project in order to not cause a recapture of any NMTC as reasonably determined by the CDE and NMTC investor. 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, by the Developer specified in this Section; and the failure to remedy, such default, 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; as provided in this Section 13.1. Such condition subsequent and any such revesting of title in the Agency shall always be subject to and limited by the lien or security interest authorized by the DDA, which shall include all of the NMTC Agreements, 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 have been completed in accordance with the DDA and for which a Certificate of Completion has been or is required to be issued as provided in the DDA. Such condition subsequent shall conform to the provisions of Civil Code Sections 885.010 through 885.070.

**13.1.1. RESALE OF REACQUIRED PROPERTY.** Subject to continued compliance with the NMTC requirements of the NMTC Agreements and the CDE during the NMTC compliance period, upon any revesting 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:

**13.1.2. 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.

**13.1.3. 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.

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

13.2. **LIQUIDATED DAMAGES.** IF DEVELOPER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS PROVIDED IN THIS AGREEMENT 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

13.3. **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.

**13.4. 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.

**13.5. 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.

**14. 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. To the extent that such approvals do not materially change the Project, any such approvals under this section may be made by the [Director/Administrator] of the Agency without the need for public comment or the approval of the Agency Governing Board.

**14.1. 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 CDE, Lender and other party to the NMTC Agreements (each a "Notice Party") 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 Notice Party shall not be effective or binding with regard to Notice Party or otherwise affect Notice Party, but failure to deliver such default notice to Notice Party shall not affect its validity with respect to Developer. Notice Party 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 a Notice Party as such term is defined in that certain Disposition and Development Agreement dated as of June \_\_, 2011, between the Redevelopment Agency of the City of Sacramento and 700 Block, LLC ("DDA"). Notice Party 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 Notice Party.

[Notice Party Name and Address for Notice]

**14.1.1 NOTICE PARTY NAME AND ADDRESS LIST.** Prior to the Close of Escrow the identities and contact information for each Notice Party shall be agreed to in by letter by the Agency, Notice Parties and Developer.

**14.2. ASSIGNMENTS AND TRANSFERS OF THE LOAN.** Agency shall not be bound to recognize any assignment of Lender's Loan of Notice Party's interest in the Project or related encumbrance of the Property unless and until the applicable Notice Party 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). Thereafter, such assignee shall be considered a Notice Party with respect to the Project.

**14.3. NOTICE PARTY NOT OBLIGATED TO CONSTRUCT.** Notwithstanding any of the provisions of the DDA, Notice Party 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 Notice Party 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.

**14.4. NOTICE PARTY 'S OPTION TO CURE DEFAULTS.** After any default of Developer's obligations under the DDA, each Notice Party 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 Notice Party 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, Notice Party shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or construction already made) unless Notice Party 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 Notice Party 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.

**14.5. 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 each Notice Party of such default, and Notice Party has failed to cure such default.

14.5.1. If such default cannot practicably be cured by the Notice Party 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) Notice Party 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 Notice Party 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 Notice Party 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) Notice Party 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 Notice Party or its designee promptly commences and diligently proceeds to obtain possession of the Property; (c) if Notice Party is prevented by court action or by any statutory stay from prosecuting foreclosure or other remedial proceedings, that Notice Party is diligently seeking relief from such action or stay; and (d) upon receiving possession of the Property, Notice Party or its designee promptly commences and diligently proceeds to cure such default in accordance with this DDA.

14.5.2. From and after the cure of such Developer default, Notice Party 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.

14.6. **FORECLOSURE.** Foreclosure of any encumbrance securing the loan of any Notice Party, 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 Notice Party 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 Notice Party 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 Notice Party or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, such Notice Party 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.

14.6.1 If Developer has defaulted under its obligations under the NMTC Agreements resulting in the acceleration of those obligations by the CDE, the Agency shall have the right, but not the obligation, to provide a replacement QALICB (which may be controlled by the Agency) to acquire ownership of and title to the Project. Agency has thirty (30) days from receipt of notice of such an acceleration to provide Notice Parties of Agency's intention to find a

replacement QALICB. Agency shall have one hundred and eighty (180) days to provide a replacement QALICB. The replacement QALICB and its acquisition of ownership and title to the Project shall in a manner that will not cause a recapture of any NMTC as reasonably determined by the CDE and NMTC investor.

**14.7. MODIFICATIONS.** No modification or amendment to the DDA which materially and adversely affects a Notice Party's interest in the Property shall be valid and effective unless the Notice Parties' written consent to such modification or amendment has first been obtained to the extent such consent is required under the applicable NMTC Agreements, which consent shall not be unreasonably withheld, conditioned or delayed.

**14.8. FURTHER ASSURANCES TO NOTICE PARTIES.** 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 Notice Party 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.

**14.9. ESTOPPEL CERTIFICATE.** Any party may, at any time, request in writing of any other party to certify in writing to and for the benefit of any Notice Party 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.

**14.10. 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.

**14.10.1.** 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 14.10 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, Developer and the parties signing the DDA on behalf of Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

**14.10.2.** Agency understands that Developer, may include, associate with or otherwise enter into a business relationship with an additional partner(s), which may result in the establishment of a business entity for the purpose of implementing this DDA. Such entity must be qualified to participate in the New Markets Tax Credit structure established for the

implementation of the Project as contemplated by this DDA. A transfer to such an entity, in which the 700 Block LLC (D&S Development and CFY Development as each exists at the execution of this DDA ), maintains the controlling and managing interest is permitted herein. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption, as approved by Agency Counsel, of all obligations of Developer, but shall not require the approval of the Agency Board of Directors or any public hearing. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by this DDA, from any of its obligations under this DDA.

14.10.3 Any other assignment or transfer without the advance written consent of the Agency shall be prohibited. 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. With respect to this provision, the Developer and the parties signing this 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.

15. **CONCURRENT AGREEMENTS.** The following agreements are to be executed and delivered to each party at Close of Escrow:

15.1. **REGULATORY AGREEMENT-PROJECT.** Two Regulatory Agreements shall be recorded against the Property: a commercial regulatory agreement and a residential regulatory agreement. The Regulatory Agreements are in the form of **Exhibit 5: Regulatory Agreements**. Each Regulatory Agreement sets out certain provisions of this DDA which shall survive the completion of the Improvements.

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

16.1. **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.

16.2. **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. It is the intent of the parties that to the extent the NMTC Agreements require or contemplate clarifications or revisions to this

DDA and any related agreements, provided that such clarifications or revisions do not materially change the Project or economics as contemplated by this DDA, that such clarifications or revisions shall to the greatest extent possible be implemented by separate implementation agreement approved by Agency Counsel and the Executive Director without the need for public hearing or approval by the Agency Governing Board.

**16.3. 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.

**16.4. 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.

**16.5. 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.

**16.6. 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.

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

**16.8. NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this DDA or in any other document executed in connection with this DDA shall be construed as creating a joint venture or partnership between Agency and Developer. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Agency and Developer other than that of a governmental entity regulating the development of private property, and the owner of such private property.

**16.9. NO THIRD PARTIES BENEFITED.** This DDA 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 any property, benefits or funds at any time on deposit in the Construction Account or the Impound Account, if established.

**16.10. 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.

16.11. **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.

16.12. **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:

16.12.1. Addresses for notices are as follows:

a) Agency: Redevelopment Agency of the City of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Portfolio Management.

b) Developer: 700 Block, LLC:

1) CFY Development Inc., 1006 4<sup>th</sup> Street, Suite 701, Sacramento, CA 95814  
Attn: Ali Youssefi.

2) D & S Development, 1329 H Street, Sacramento, CA 95814. Attn: Bay  
Miry

16.12.2. 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.

16.13. **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.

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

17.1. "Agency" is the Redevelopment Agency of the City of Sacramento. The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California. This DDA and the Agency's obligations hereunder are those of the Redevelopment Agency as defined herein and are not those of the City or any other public or private person or entity. The principal office of the Agency is located at 801 12th 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.

17.2. "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.

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

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

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

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

17.7. "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.

17.8. "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.

17.9. "Developer" is 700 Block, LCC, a limited liability corporation. The principal office of the Developer is located at 1006 4<sup>th</sup> Street, Suite 701, Sacramento, California 95814. The principals of Developer are Bay Miry and Ali Youssefi.

17.10. "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.

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

17.12. "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.

"Funding Agreement" is the document that states the terms of Agency Funding.

17.13. "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. The Grant Deed is attached hereto as **Exhibit 4: Grant Deed**.

17.14. "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.

17.15. "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.

17.16. "Plans" are the Project designs and elevations, prepared by the Project architect Kuchman Architects PC and dated May 3, 2011, 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.

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

17.18. "Project Area" is the Merged Downtown Sacramento Area, as defined in the Redevelopment Plan.

17.19. "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.

17.20. "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**.

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

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

17.23. "Regulatory Agreements" are the agreements, which set out the certain provisions of this DDA that shall survive the completion of the Project. The Regulatory Agreements, one for the residential units and one for the non r-residential space are attached as **Exhibit 5: Regulatory Agreements**.

17.24. "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**.

17.25. "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**.

17.26. "Title Company" is First American Title Insurance Company. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is 1610 Arden Way, Suite 101, Sacramento, California 95815.

17.27. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of 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 : 700 BLOCK, LLC, A**  
California limited liability company

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

By: \_\_\_\_\_  
Cyrus Youssefi, Member

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

By: \_\_\_\_\_  
Ali Youssefi, Member and Manager

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

By: \_\_\_\_\_  
David Miryabianeh, Member

Approved as to form:

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

By: \_\_\_\_\_  
Behroze Miryabianeh, Member and  
Manager

By: \_\_\_\_\_  
Steve Lebastchi, Member

Approved as to form:

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

**[NOTARIZED ACKNOWLEDGEMENTS]**

## EXHIBIT 1

### Legal Description

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 100 FEET OF THE WEST 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS, OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAPS OR PLAN THEREOF.

APN: 006-0096-002

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 120 FEET IN DEPTH OF LOT 1, IN THE BLOCK BOUNDED BY 7TH AND 8TH, "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF; EXCEPTING THEREFROM THE WEST 40 FEET IN WIDTH OF THE NORTH 100 FEET IN DEPTH OF SAID LOT 1; ALSO EXCEPTING THEREFROM SO MUCH THEREOF AS LIES WITHIN THE BOUNDARIES OF THE FOLLOWING DESCRIBED PARCEL; BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2, "K" AND "L", 7TH & 8TH STREETS BEARS SOUTH 19°31'30" WEST, 0.74 FEET OF A FOOT AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF 7TH STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19°31'30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET; AND THENCE NORTH 70°29'20" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING SOUTH 19°31'30" WEST 0.74 OF A FOOT TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19°31'30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70°28'40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19°3' EAST 0.02 OF A FOOT TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF WALL OF SAID BUILDING, FOLLOWING THE OFF-SETS THEREIN, THE FOLLOWING 17 COURSES: NORTH 19°3' EAST 19.24 FEET; THENCE NORTH 19°32' EAST 27.52 FEET; THENCE NORTH 19°8' EAST 6.21 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 19°4' EAST 1.20 FEET; THENCE SOUTH 70°28' EAST 0.37 OF A FOOT; THENCE NORTH 19°26' EAST 21.50 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 20°52' EAST 1.80 FEET; THENCE SOUTH 70°28' EAST 0.36 OF A FOOT; THENCE NORTH 20°10' EAST 9.11 FEET; THENCE NORTH 70°28' WEST 0.37 OF A FOOT; THENCE NORTH 19°32' EAST 14.40 FEET; THENCE NORTH 20°57'10" EAST 19.11 FEET; THENCE NORTH 19°30'35" EAST 39.56 FEET; THENCE SOUTH 70°31' EAST 0.57 OF A FOOT; THENCE NORTH 19°31'30" EAST 1.35 FEET TO THE NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70°29' EAST 0.69 OF A FOOT TO THE POINT OF BEGINNING, AND BEARINGS HEREIN SET FORTH, BEING REFERRED TO AN ASSUMED MERIDIAN BY WHICH THE CENTER LIEN OF 7TH STREET BETWEEN "K" AND "L" STREETS, AS ESTABLISHED BY SAID CITY ENGINEER BEARS NORTH 19°30' EAST AS DESCRIBED IN QUIT CLAIM DEED FROM SIMON, HORNSTEIN AND MABLE HORNSTEIN, HIS WIFE, TO R.W. STOVALL DATED SEPTEMBER 30, 1937, RECORDED DECEMBER 5, 1937, IN BOOK 659 OF OFFICIAL RECORDS, PAGE 309, SACRAMENTO COUNTY RECORDS.

APN: 006-0096-003

Real property in the City of Sacramento, County of Sacramento, State of California, described as

follows:

THE WEST ½ OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST HALF OF LOT 2 IN THE BLOCK BOUNDED BY "K" AND "L", SEVENTH AND EIGHTH STREETS, IN THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:  
COMMENCING ON THE SOUTH LINE OF K STREET OF SAID CITY OF SACRAMENTO AT A POINT LOCATED SOUTH 19°30' WEST 39.99 FEET AND SOUTH 70°29'20" EAST 161.23 FROM THE INTERSECTION OF THE CENTER LINE OF SEVENTH STREET OF SAID CITY OF SACRAMENTO WITH THE CENTER LINE OF SAID K STREET AND RUNNING THENCE FROM SAID POINT OF COMMENCEMENT SOUTH 70°29'20" EAST 40.41 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 2; THENCE SOUTH 19°33' WEST ALONG THE EASTERLY LINE OF SAID LOT 2 A DISTANCE OF 160.28 FEET TO THE NORTH LINE OF AN ALLEY; THENCE NORTH 70°28'40" WEST ALONG THE NORTH LINE OF SAID ALLEY A DISTANCE OF 40.38 FEET TO A POINT; THENCE NORTH 19°32'15" EAST A DISTANCE OF 160.27 FEET TO THE POINT OF COMMENCEMENT.

APN: 006-0096-005

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ONE-QUARTER OF LOT 3 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-006

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST HALF OF THE EAST HALF AND THE EAST HALF OF THE WEST HALF OF LOT 3, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-007

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL NO. 1

THE EAST ONE-QUARTER OF LOT 3 AND THE WEST ONE-QUARTER OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L" 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF.

PARCEL NO. 2

THE EAST THREE-QUARTERS OF THE SOUTH ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY

"K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 4 (SAID POINT BEING THE POINT OF INTERSECTION OF THE NORTHERLY LINE OF A 20 FOOT ALLEY AND THE WESTERLY LINE OF 8TH STREET), AND RUNNING THENCE NORTHERLY ALONG THE EASTERLY LINE OF SAID LOT 4, (BEING THE WESTERLY LINE OF 8TH STREET) 80.145 FEET TO THE NORTHEAST CORNER OF THE SOUTH ONE-HALF OF SAID LOT 4; THENCE WESTERLY ALONG THE LINE DIVIDING THE NORTH ONE-HALF FROM THE SOUTH ONE-HALF OF SAID LOT 4, 60.59 FEET TO THE POINT OF INTERSECTION WITH THE WEST LINE OF THE EAST, THREE-QUARTERS OF LOT 4; THENCE SOUTHERLY ALONG THE WEST LINE OF THE EAST THREE-QUARTERS OF SAID LOT 4; 80.135 FEET TO THE INTERSECTION OF SAID LINE WITH THE SOUTH LINE OF SAID LOT 4 (BEING THE NORTH LINE OF SAID 20 FOOT ALLEY); THENCE EASTERLY, ALONG THE SOUTH LINE OF SAID LOT 4 AND THE NORTH LINE OF SAID ALLEY, 60.56 FEET TO THE POINT OF BEGINNING.

APN: 006-0096-008

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH ONE-HALF OF THE WEST ONE-HALF OF THE EAST ONE-HALF AND THE NORTH ONE-HALF OF THE EAST ONE-HALF OF THE WEST ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-009

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST ONE-QUARTER (E  $\frac{1}{4}$ ) OF THE NORTH ONE-HALF (N  $\frac{1}{2}$ ) LOT NUMBER FOUR (NO. 4) IN THE BLOCK OR SQUARE BOUNDED BY "K" AND "L" STREETS AND SEVENTH (7TH) AND EIGHTH (8TH) STREETS OF SAID CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP OR PLAT THEREOF.

APN: 006-0096-010

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL, FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2 IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, BEARS SOUTH 19 DEG. 31. 30" WEST 0.74 FEET AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF "7TH" STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19 DEG. 31. 30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET AND THENCE NORTH 70 DEG. 29. 30" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING, SOUTH 19 DEG. 31. 30" WEST 0.74 FEET TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19 DEG. 31. 30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70 DEG. 28. 40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19 DEG. 03. EAST 0.02 FEET TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF THE WALL OF SAID BUILDING,

FOLLOWING THE OFFSETS THEREIN, THE FOLLOWING SEVENTEEN COURSES: NORTH 19 DEG. 03. EAST 19.24 FEET; NORTH 19 DEG. 32. EAST 27.52 FEET; NORTH 19 DEG. 03. EAST 6.21 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 19 DEG. 04. EAST 1.20 FEET; SOUTH 70 DEG. 28. EAST 0.37 FEET; NORTH 19 DEG. 26. EAST 21.50 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 20 DEG. 52. EAST 1.80 FEET; SOUTH 70 DEG. 28. EAST 0.36 FEET; NORTH 20 DEG. 10. EAST 9.11 FEET; NORTH 70 DEG. 28. WEST 0.37 FEET; NORTH 19 DEG. 32. EAST 14.40 FEET; NORTH 20 DEG. 57. 10" EAST 19.11 FEET; NORTH 19 DEG. 30. 35" EAST 39.56 FEET; SOUTH 70 DEG. 31. EAST 0.57 FEET; NORTH 19 DEG. 31. 30" EAST 1.35 FEET TO A NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70 DEG. 29. EAST 0.69 FEET TO THE POINT OF BEGINNING. EXCEPTING THEREFROM THAT PORTION OF SAID REALTY LYING WITHIN THE EXTERIOR BOUNDARIES OF THE SOUTH 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO.

APN: 006-0096-018

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE SOUTH 40 FEET OF LOT 1 IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-019

## EXHIBIT 2

### Schedule of Performances

Tentative Dates	Activity
June 2011	City Council, City Redevelopment Agency and Sacramento City Financing Authority approve Disposition and Development Agreement and Funding Commitment
December 2011	Secures funding for the project and Developer closes on construction financing
January 2012	Construction begins
December 2013	Construction completed
June 2014	Project units placed in service

In the event the funding for the project is not secured by December 2011, the following Schedule of Performances will apply:

Tentative Dates	Activity
June 2011	City Council, City Redevelopment Agency and Sacramento City Financing Authority approve Disposition and Development Agreement and Funding Commitment
December 2012	Secures funding for the project and Developer closes on construction financing
January 2013	Construction begins
December 2014	Construction completed
June 2015	Project units placed in service

## EXHIBIT 3

### Scope of Development

The project will be constructed in compliance with all Sacramento Housing and Redevelopment Agency Rental Property Minimum Construction Standards.

#### SCOPE OF WORK – NEW CONSTRUCTION

The new construction portion of the 700 Block of K Street Project is a mid-rise building which contains 122 residential units of the project's total 137 units. The residential units are over a two story parking structure and retail space. A concrete podium will separate the parking and retail structure from the five-level wood-framed apartment building.

The project site covers approximately 1.175 acres and is bordered by a 20-foot wide alley and the existing Greyhound bus depot to the south, 7th Street to the west, the existing 700 Block of K Street Mall to the north, and 8th Street to the east. The new mid-rise building will be constructed after the removal of a portion of the existing structures along the alley.

#### **Parking Structure:**

The base of the new building will be a 91-space, two-level parking garage with one parking level below grade and the other parking level above grade. The garage will also provide shelter for bicycle and motorcycle parking, spaces for booster pumps for domestic and fire water, utility meters, and a trash and recyclables area connected by refuse chutes from each of the apartment levels above. A retail space of about 3,350 sf is located on the south – east corner of the first floor (ground level).

#### **Apartments:**

The mid-rise building contains 122 of the project's 137 total apartments. Of these 122 units, 39 are studios, 76 are one-bedroom apartments and 7 are two-bedroom apartments. The apartments will all be designed with sustainable materials. The top level of the mid-rise building includes 19 apartment units that have mezzanine levels.

On the second level of the project adjacent to the interior of the new mid-rise building will be a 5,069 square-foot roof garden. Apartments on the interior of the new building will have views of this roof area. At the roof level on the east side of the mid-rise building will be an additional 1,733 square-foot roof garden. The new building also includes community facilities for the apartment residents.

#### **Construction Type:**

The parking structure is Type 1A cast-in-place concrete construction over concrete mat foundation. The top of this structure would be a concrete podium.

On the concrete podium will be the new residential units, five-level wood-framed apartment building of Type IIIA construction.

## **SCOPE OF WORK - REHAB CONSTRUCTION**

The rehab portion of the 700 Block of K Street Project consists of rehabilitation of the existing block of nine buildings. The scope of work includes rehabilitation of the commercial and residential area of the existing buildings as well as converting some of the existing basement area to storage or commercial use. Rehabilitation of the commercial spaces includes structural, mechanical, electrical, and code upgrade. There will be a total of 12 retail spaces and 15 residential units. Amenities in the rehab portion of the project include a community room, lobby entry, and laundry room.

### **Commercial:**

- Structural upgrade of the existing buildings.
- New / upgrade plumbing, mechanical/HVAC, and electrical.
- Fire Sprinkler system.
- Repair and repaint exterior and interior of the building.
- Repair and replacement of walls, doors, finishes as needed.
- Historic Preservation as required.

### **Residential:**

- New framing, drywall, doors, and rough work per architectural plans and narratives.
- New plumbing, mechanical / HVAC and electrical system.
- New fire sprinkler system.
- New elevator and/or restore existing elevator to provide entry, basement, and ground floor access.
- Remodel basement into laundry and access to garage parking.
- Repaint exterior and interior of the building.
- Replace the roof and repair downspouts.
- New hallway lighting, unit, and exterior lighting.
  
- Restore / replace all windows to operating condition with new sash and glazing as needed.
- New window coverings.
- Restore and replace doors & hardware as needed.
- Historic Preservation as required.
- Install site and common space security lighting and web based security cameras will be provided.
- New monument, building, ADA, and unit signage.
- New awnings.
- Repair and Replace siding, moisture barrier, and insulation as needed. Brick work and plaster shall be repaired and replaced as needed.
- Removal / abatement of Hazardous material.
- Repair and replacement of dry rot lumbers.
- Structural and seismic upgrade.

**EXHIBIT 4**

**Grant Deed**

**NO FEE DOCUMENT:**

Entitled to free recording

per Government Code 27383.

Recording Requested by the

**SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY**

801 12<sup>th</sup> Street Sacramento, California 95814

Attention: Joel Riphagen

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Mail Tax Statements to:

**DRAFT GRANT DEED**

(WITH REVESTMENT PROVISIONS, COVENANTS, RESTRICTIONS AND RESERVATIONS)

For valuable consideration, receipt of which is hereby acknowledged,

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, of the State of California (the "Grantor"), acting to carry out the Redevelopment Plan, (the "Redevelopment Plan"), for the Redevelopment Project known as the Merged Downtown Project Area, the ("Project"), under the Community Redevelopment Law of California, hereby grants to 700 BLOCK, LLC, (the "Grantee"), the real property, (the "Property"), described in Exhibit 1 which is attached to, and incorporated in this Deed by this reference, subject to the covenants, restrictions and reservations set forth below which covenants, restrictions and reservations shall inure to the benefit of, and bind, each and every successor, assign or successor in interest of the parties, including any heirs, executors, administrators, transferees or any other person or entity claiming through the parties.

The Property is conveyed in accordance with, and subject to, (i) the Merged Downtown Redevelopment Plan which was adopted by the City Council of the City and duly recorded in the Office of the County Recorder of Sacramento County, California; and (ii) the Disposition and Development Agreement (the "Disposition and Development Agreement") entered into by and between Grantor and Grantee on \*\*\*DDA Date\*\*\*, .

The Grantee covenants and agrees that the Property shall be devoted only to the uses specified in the applicable provisions of the Redevelopment Plan for the Project (including all Redevelopment Plan amendments, except amendments from which Grantee may be exempt by

the doctrine of vested rights), this Deed and any and all instruments recorded pursuant to the Disposition and Development Agreement, including such Agreement, duly recorded by Grantor and affecting the Property. The Property is conveyed to Grantee at a purchase price (the "Purchase Price") determined in accordance with the uses permitted. Therefore, Grantee hereby covenants and agrees that the Grantee, such successors and such assigns shall develop, use, and maintain the Property as follows: Street level retail, restaurant and entertainment and multifamily residential.

1. Grantee acknowledges and agrees that the Property shall be subject to two Regulatory Agreements between Grantor and Grantee, recorded on the Property promptly following recordation of this Grant Deed.

1.1. As provided in the Disposition and Development Agreement, Grantee shall promptly commence and complete development of the Property in accordance with plans and specifications approved by Grantor. Construction of improvements and development of the Property (the "Improvements") required by the Disposition and Development Agreement shall commence and be prosecuted diligently to completion at the time specified in, and subject to the terms of, the Disposition and Development Agreement.

1.2. Grantee shall maintain the Improvements and any other improvements on the Property in good condition and order, shall keep the Property free from accumulation of debris and waste materials and shall permit no action or inaction on the Property such that the Property detracts from the surrounding neighborhood in any substantial manner.

1.3. All obligations imposed upon Grantee herein shall bind any and all successors of Grantee; provided, however, that upon sale or conveyance of the Project, the party selling or conveying shall be relieved of any such obligation to the extent that such obligation arises after the date of sale or conveyance.

2. Grantee covenants and agrees that prior to recordation of any Certificate of Completion for the Property:

2.1. The Grantor shall have the additional right, at its option, to re-enter and take possession of the Property and all improvements on the Property and to terminate and revest the Property in the Grantor if the Grantee or its successors in interest shall, in accordance with and subject to the terms of the Disposition and Development Agreement:

2.1.1. Fail to commence or complete the construction of the Improvements when required by the Disposition and Development Agreement and after sixty days written notice from the Grantor of Grantee's failure to complete construction, provided that the Grantee shall not have obtained an extension or postponement to which Grantee may be entitled or that Grantee or Grantee's lender for the project have commenced and are diligently proceeding to cure such default; or

2.1.2. Transfer, or suffer any involuntary transfer, of all or any part of, or interest in, the Property, in violation of the Disposition and Development Agreement or this Grant Deed.

2.2. The right to re-enter, repossess, terminate and revest shall be subject to and be limited by and shall not defeat, render invalid, or limit:

2.2.1. Any mortgage or deed of trust permitted by the Disposition and Development Agreement or this Deed and duly approved by the Grantor; or

2.2.2. Any rights or interests provided for the protection of the holders of such mortgages or deed of trust.

2.3. The right to re-enter, repossess, terminate and revest with respect to the Property shall terminate when the Certificate of Completion has been recorded by the Grantor.

2.4. In the event title to all or any part of the Property is revested in the Grantor as provided in this Section 2, the Grantor shall, pursuant to its responsibilities under California Law, use its best efforts to resell the Property or part as soon and in such manner as the Grantor shall find feasible and consistent with the objectives of such law and of the Redevelopment Plan to a qualified and responsible party or parties (as determined by the Grantor) who will assume the obligation of making or completing the Improvements or such other improvements in their stead as shall be satisfactory to the Grantor and in accordance with the uses specified for such Property or part in the Redevelopment Plan. Upon such resale of the Property the proceeds thereof shall be applied as follows:

2.4.1. First, the Grantor shall be reimbursed, on its own behalf or on behalf of the City of Sacramento, California for all costs and expenses incurred by the Grantor, including but not limited to salaries of personnel incurred in connection with the recapture, management and resale of the Property or part (but less any income derived by the Grantor from the Property in connection with such management); all taxes, assessments, and water and sewer charges with respect to the Property or part (or, in the event the Property is exempt from taxation, assessment or such charges during the period of Grantor's ownership thereof, an amount equal to such taxes, assessments or charges as determined by the assessing official as would have been payable if the Property were not exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing on the Property or part at the time of revesting of title in the Grantor or to discharge or prevent such encumbrances or liens from attaching or being made by any subsequent successors or transferees; any expenditures made or obligations incurred with respect to the completion of the Improvements; and any amounts otherwise owed to the Grantor by the Grantee and its successors or transferee; and

2.4.2. Second, to the extent possible, the Grantee shall be reimbursed in an amount not to exceed the sum of (1) the Purchase Price paid to the Grantor by the Grantee for the Property (or allocable to the part thereof); (2) the costs incurred for the development of the Property and for the improvements existing on the Property at the time of the reentry and repossession, (3) less any gains or income withdrawn or made by the Grantee from the Property or the Improvements; and

2.4.3. Third, any balance remaining after such reimbursements shall be retained by the Grantor.

2.4.4. To the extent that this right of reverter involves a forfeiture, it must be strictly interpreted against the Grantor, the party for whose benefit it is created. This right of reverter shall, however, be interpreted in light of the fact that the Grantor is by this deed conveying the Property to the Grantee for development and not for speculation in undeveloped land and that such development is a material element of the consideration received by Grantor for the Property.

3. The Grantee covenants and agrees that:

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

All advertising (including signs) for sale and/or rental of the whole or any part of the Property shall include the legend "Equal Opportunity Houser" in type or lettering of easily legible size and design. The word "Project" or "Development" may be substituted for the word "Houser" where circumstances require such substitution.

4. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the lien or charge of any mortgage or deed of trust made in good faith and for value; provided, however, that any subsequent owner of the Property shall be bound by such remaining covenants, conditions, restrictions, limitations and provisions, whether such owner's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

5. All covenants contained in this Deed shall be covenants running with the land and equitable servitudes thereon. The covenants contained in Section 2 of this Deed shall terminate upon issuance of a Certificate of Completion for the Property. Every covenant contained in this Deed not previously terminated shall terminate thirty (30) years from the date of recordation in the official records of Sacramento County, except that the covenants against discrimination contained in Section 3 of this Grant Deed shall remain in perpetuity.

6. All covenants without regard to technical classification or designation shall be binding for the benefit of the Grantor, its successors and assigns, the City of Sacramento, California, any successor in interest to the Property, the owner of any other land (or of any interest in such land) in Project which is subject to the land use requirements and restrictions of the Redevelopment Plan, and the covenants against discrimination contained in Section 3 shall be binding for the

benefit of the Grantor, the City of Sacramento and the United States of America and such covenants shall run in favor of the Grantor, the City of Sacramento and the United States of America, for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor and the City of Sacramento, is or remains an owner of any land or interest therein to which such covenants relate. The Grantor, in the event of any breach of any such covenant, and the City of Sacramento (and the United States of America, in the event of any such breach of the covenants in Section 3), shall have the right to exercise all the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach against Grantee, its successors to and assigns of the Property or any part or interest in the Property, any subcontracting party or parties or other transferees under the Disposition and Development Agreement, and any party in possession or occupancy of all or any part of the Property.

7. Both before and after issuance of a Certificate of Completion, the Grantor and Grantee and their successors and assigns only shall have the right to mutually consent and agree to changes in, or to eliminate in whole or in part, any of the covenants, easements, or other restrictions contained in this Deed or to subject the Property to additional covenants, easements, or other restrictions, and Grantor and Grantee may do so without the consent of any tenant, lessee, easement holder, licensee, or any other such person or entity having any interest less than a fee in the Property. Amendments to the Redevelopment Plan applying to other property in the Project shall not require the consent of Grantee by virtue of this Deed.

8. The covenants contained in this Deed shall not be construed as conditions which might result in forfeiture of title, except for the covenants and conditions contained in Section 2 of this Grant Deed.

9. Promptly after the issuance of a Certificate of Occupancy from the City of Sacramento Building Department and completion of the Improvements in accordance with the provisions of the construction plans approved pursuant to the Disposition and Development Agreement and fulfillment of the related obligations of the Grantee under the Disposition and Development Agreement, the Grantor shall furnish the Grantee with an appropriate instrument (the "Certificate of Completion") certifying such completion and stating that the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the Disposition and Development Agreement and in this Deed obligating the Grantee with respect to the construction of the Improvements and the dates for beginning and completion thereof.

With respect to such individual parts or parcels of the Property which, if so provided in the Disposition and Development Agreement, the Grantee may convey or lease as the Improvements thereon are completed, the Grantor shall also, upon proper completion of the Improvements relating to any such part or parcel and prior to such conveyance or lease, issue a Certificate of Completion with regard to such part of parcel. Such certification shall mean and provide (1) that any party purchasing or leasing such individual part or parcel with required authorization shall not (because of such purchase or lease) incur any obligation with respect to the construction of the Improvements relating to such part or parcel or to any other part or parcel of the Property; and (2) that neither the Grantor nor any other party shall thereafter have or be entitled to exercise

with respect to any such individual part or parcel so sold (or, in the case of lease, with respect to the leasehold interest) any rights or remedies or controls that it may otherwise have or be entitled to exercise with respect to the Property as a result of a default in or breach of any provisions of the Disposition and Development Agreement or of this Deed by the Grantee or any successor in interest or assign, unless (i) such default or breach be by the purchaser or lessee, or any successor in interest to or assign of such individual part or parcel with any other of the covenants contained and referred to in this Deed and the Declaration of Restrictions and (ii) the right, remedy or control relates to such default or breach.

The Certificate of Completion shall be in a form acceptable for recordation in the proper office for the recordation of deeds and other instruments pertaining to the Property. If the Grantor shall refuse or fail to provide the Certificate of Completion, the Grantor shall, within thirty (30) days after written request by the Grantee provide the Grantee with a written statement, indicating in what respects the Grantee has failed to duly complete said Improvements and what measures or acts will be necessary, in the opinion of the Grantor, for the Grantee to take or perform in order to obtain such certification.

10. The Grantor certifies that Grantor has complied with all conditions precedent to the valid execution and delivery of this Deed required on its part and that all things necessary to constitute this Deed and its valid, binding and legal agreement on the terms and conditions and for the purposes set forth herein have been done and performed and have happened, and that the execution and delivery of this Deed on its part have been and are in all respects authorized in accordance with law. The Grantee similarly certifies with reference to its execution and delivery of this Deed.

IN WITNESS WHEREOF, the Grantor and the Grantee have caused this instrument to be executed on their behalf by their respective and duly authorized officers, on the following dates, effective as of \_\_\_\_\_, 201\_\_.

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

**D R A F T**

\_\_\_\_\_  
La Shelle Dozier, Executive Director

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

APPROVED: \_\_\_\_\_  
Agency Counsel

Grantee hereby accepts, concurs in and agrees to all the covenants, conditions, easements, reservations and restrictions set forth in this Grant Deed.

700 BLOCK, LLC

a limited liability company

**D R A F T**

\_\_\_\_\_  
By: \*\*\*Developer signatory\*\*\*  
Managing Member

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

**[NOTARIZED ACKNOWLEDGEMENTS]**

**EXHIBIT "1"**

That certain real property situated in the City of Sacramento, County of Sacramento, California,  
described as follows:

**EXHIBIT 5**

**Regulatory Agreements**

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.

When recorded, return to:

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Joel Riphagen

With copy to:

Economic Development Dept. of the City of Sacramento  
915 I Street, Third Floor  
Sacramento, CA 95814

**REGULATORY AGREEMENT  
FOR NON-RESIDENTIAL DEVELOPMENT  
INCLUDING COVENANTS, CONDITIONS AND RESTRICTIONS RUNNING WITH THE LAND**

<b>PROJECT NAME:</b>	700 Block of K Street
<b>PROJECT ADDRESS:</b>	700, 704, 708, 712, 716, 718, 724, 726, and 730 K Street, 1111 and 1113 7 <sup>th</sup> Street, 1114 8th Street, Sacramento, California
<b>EFFECTIVE DATE:</b>	
<b>APNS:</b>	006-0096-002, 006-0096-003, 0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 006-0096-009, 006-0096-010, 006-0096-018, and 006-0096-019

**NOTICE: THIS REGULATORY AGREEMENT IMPOSES COVENANTS, CONDITIONS AND RESTRICTION ON THE PROPERTY WHICH STAY WITH THE PROPERTY FOR MANY YEARS, INCLUDING RESTRICTIONS ON THE USE AND MAINTENANCE OF THE PROPERTY.**

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

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

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

TERM	DEFINITION
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“Effective Date”	This Regulatory Agreement shall be effective as of the following date:	
“Agency”	Redevelopment Agency of the City of Sacramento The Agency is a public body, corporate and politic.	
“Owner” and “Developer”	700 Block, L.L.C.	
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814	
“Owner Address”	Owner’s business address is as follows:	1006 4 <sup>th</sup> Street, Suite 701 Sacramento, California 95814
“Jurisdiction”	City of Sacramento	
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as <b>Exhibit 1 – Legal Description of the Property</b> .	
“Agency Funding”	Agency purchased the Property with Merged Downtown Project Area tax increment funding also called “Agency Funding.” Agency is conveying fee title to the Property to Developer, subject to the terms of the DDA. This Regulatory Agreement is in part consideration to the Agency for that DDA. Actual funding agreements shall be executed between Agency and a separate entity from Developer pursuant to the DDA and also in reliance of the execution of this Regulatory Agreement, among other things.	
“ <u>DDA</u> ”	The Disposition and Development Agreement executed by Agency and Developer as of	
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in <b>Exhibit 2 – Funding Requirements</b> . In partial consideration of the provision of the DDA, the Agency has purchased the covenants, conditions and restrictions contained in the Regulatory Agreement.	
“Term”	The Term of each of the respective covenants, conditions and restrictions contained in this Regulatory Agreement is the term stated in the Funding Agreement, this Regulatory Agreement and in the absence of such provision, the term of the Redevelopment Plan.	

<p>“Special Provisions”</p>	<p><u>Agency Right of Prior of Approval of Ground Floor Commercial Tenants:</u> For a ten year term, the Redevelopment Agency of the City of Sacramento, or its designee, shall retain approval rights to the ground floor tenants constituent with NMTC requirements and in a manner that will not cause recapture of any NMTC.</p> <p><u>Initial Approval:</u> Initially, the following uses are approved: 700 K Street: music venue with restaurant and bar; 704B K Street: restaurant/retail; 704C K Street: retail; 708A K Street: retail; 708B K Street: restaurant; 712A K Street: retail; 712B K Street: retail; 712C K Street: restaurant; 716 K Street: restaurant/retail; 718 K Street: restaurant/lounge; 724 K Street: restaurant/brewery; 726 K Street: retail; 730 K Street: restaurant; 1114 8th Street: restaurant/retail. Deviations from the approved leasing plan shall be approved by the Agency’s Executive Director or designee who is currently the Economic Development Director of the City of Sacramento within 10 business days of the receipt of a new proposed use from the Developer.</p> <p><u>Live Music Venue:</u> The minimum lease term with the operator is for the live music venue is 10 years. The venue should maximize the number of performances held annually and should have performances an average of four nights a week. If Owner learns or acquires knowledge that the music venue is not able to maintain its operations, Owner shall notify Agency of such knowledge.</p> <p>Following notice, Owner will seek other live entertainment users for the space in the following manner:</p> <ul style="list-style-type: none"> <li>○ Owner will aggressively pursue for a period of six months another live music venue first, a live entertainment use second and an entertainment use as a third option</li> <li>○ If after six months, Owner is not successful in securing a new entertainment use, the development may lease the space to other types of uses including retail.</li> <li>○ The live music venue use shall be open during the day during normal business hours, evenings, and on weekends.</li> </ul> <p><u>Type and Quality of Commercial Tenants:</u> As a goal, Owner shall retain and attract soft goods retail uses for 40% of the ground floor retail space, but shall maintain at least 30%. The retail space shall be filled with a mix of unique retail tenants and national tenants. The quality of retail uses should be comparable to boutique stores such as Swanberg’s and the Gifted Gardener in Sacramento and national retailers such as the Apple Store, Anthropologie, and Crate and Barrel. The quality of restaurant tenants or uses shall be comparable and similar to DeVere’s, Shady Lady, PF Chang’s or Lucca’s.</p> <p><u>Hours of Operation:</u> the commercial uses are to be open during normal business hours, evenings, and on weekends. Agency may approve the request to modify business hours. Normal business hours would at least be from noon to 10 p.m. for restaurants and 10 a.m. to 5 p.m. for retail stores.</p>
<p>“Approved Use”</p>	<p>Owner shall assure that the property is used only for the following Approved Uses: Street level retail, restaurant and entertainment. Residential uses on the Property, subject to a separate Regulatory Agreement, are also approved if used, operated and maintained pursuant to that separate Regulatory Agreement.</p>
<p>“Disapproved Uses”</p>	<p>Owner shall assure that the property is not used, in whole or in part, for any of the following Disapproved Uses:</p>

	<p>Adult store/film; Vet office/kennel; Funeral; Video rentals other than via an unstaffed kiosk; Manufacturing; Repair facility ; Vehicle related; Service stations; Hazardous materials; Massage Parlor, Hot tub facility; suntan facility; racetrack or other gambling facility; Storage or warehousing facilities other than incidental storage for the residents of the residential portion of the project; Tattoo and or piercing establishment; store sublet to multiple vendors; pawn shop; Check cashing or paycheck advance business; Passive activity (switching station); and Nuisances</p>
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3. **TERMINATION OF COVENANTS.** If the Agency is paid the Recapture, the covenants, conditions and restrictions contained in this Regulatory Agreement shall terminate, except as to covenants which provide otherwise, including without limitation, the covenant against discrimination, all of which continue in effect.

4. **REPRESENTATIONS.** Agency has provided good and valuable consideration in the form of contributions of property as set forth in the DDA. The funds used by Agency in connection with the Project are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. This Regulatory Agreement represents a portion of a larger transaction, and is an inextricable part of the larger transaction. Therefore, Agency has undertaken its obligations conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

Owner shall use and shall permit others to use the Property only for the Approved Uses, and with the Redevelopment Plan for the Project Area.

5.1. Owner shall not use and shall not permit others to use the Property for any of the Disapproved Uses.

5.2. Owner shall assure full compliance with the Special Provisions, if any.

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

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

5.5. Owner shall assure compliance with the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) prohibiting the Agency Funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in the act.

6. **RESTRICTION ON SALES AND LEASES.** Developer is prohibited from selling or leasing the Property unless and until the buyer or lessee has executed and the parties have recorded an acknowledgment and acceptance of this Regulatory Agreement. In any event, any and all successors in interest to the Property are subject to this Regulatory Agreement. Agency shall review and approve all leases within 10 business days of receipt.
7. **NATURE OF COVENANTS.** The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in the Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, the Agency, the Agency's successors and assigns, any other governmental entity acting within its authority and any successor in interest to Agency's interest under this Regulatory Agreement against the Owner, its successors and assigns and every successor in interest to all or any part of the Property.
8. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. In the absence of a term in the Funding Requirements, the term shall be thirty (30) years from the Effective Date.
9. **RECORDKEEPING AND REPORTING.** Upon written request of Agency, Owner shall promptly provide any additional information or documentation to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions regarding the income, assets, liabilities, contracts, operations, and condition of the property and their compliance with the Funding Agreement and this Regulatory Agreement.
10. **AUDIT AND INSPECTION.** The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related items shall at all times be maintained in reasonable condition for audit and shall be subject to examination by the Agency or its agents during reasonable hours solely for the purpose of reviewing Owner's compliance with this Regulatory Agreement. The books and accounts of the operations of the Property and of the Property shall be kept in accordance with generally accepted accounting principles.
11. **INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS.** Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement and its failure to comply with all other laws, rules, regulations and restrictions related to the use of any Agency funds, except to the extent caused by the negligence or willful misconduct of the Agency, its officers, directors, and employees. Without limitation, such indemnity shall include repayment to the Agency of the costs of funds and the value of lost opportunities resulting from the required repayment by Agency to the funding source of funds improperly used.
12. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner and its successors and assigns (subject to the reasonable approval of Owner's lender) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement. Such changes or termination shall not require the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Property; provided that any such changes shall not be binding on any pre-existing easement holder, licensee, other mortgagee, trustee or lessee without their consent.
13. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. To the extent reasonable under the circumstance, in the event of any breach, the Agency and Owner shall reasonably endeavor to identify a remedy for such breach by conference and conciliation. A correction or remedy of such breach by a Notice Party, referenced in Section 19, below, will be deemed as effective as if such correction or remedy was made by Owner. If such violation is not corrected to the satisfaction of Agency within ninety (90) days after the date such notice is mailed

or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate. The injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

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

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

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

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

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

17. **SEVERABILITY.** If any term or provision of this Regulatory Agreement shall, to any extent, be held invalid or unenforceable, the remainder of this Regulatory Agreement shall not be affected; provided that the intent of the Regulatory Agreement may then be reasonably fulfilled. In any event, the term or provisions shall be deemed to be invalid only as to the entity and circumstance for which it was held to be invalid.

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

19. **NOTICES.** Written notices and other written communications by and between the parties shall be addressed to the Owner at the Owner Address and to the Agency at the Agency Address or such other address as each respective party has designated by written notice to the other party. To the extent the DDA provides for notices to be provided to "Notice Parties", such Notice Parties shall also be entitled to notice under this Regulatory Agreement.

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

**OWNER : 700 BLOCK, L.L.C., A CALIFORNIA LIMITED LIABILITY COMPANY**

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

By: \_\_\_\_\_  
Cyrus Youssefi, Member

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

Approved as to form:

By: \_\_\_\_\_  
Ali Youssefi, Member and Manager

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

By: \_\_\_\_\_  
David Miryabianeh, Member

By: \_\_\_\_\_  
Behroze Miryabianeh, Member and Manager

By: \_\_\_\_\_  
Steve Lebastchi, Member

Approved as to form:

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

[NOTARIZED ACKNOWLEDGEMENTS]

## EXHIBIT 1 – LEGAL DESCRIPTION

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 100 FEET OF THE WEST 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS, OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAPS OR PLAN THEREOF.

APN: 006-0096-002

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 120 FEET IN DEPTH OF LOT 1, IN THE BLOCK BOUNDED BY 7TH AND 8TH, "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF; EXCEPTING THEREFROM THE WEST 40 FEET IN WIDTH OF THE NORTH 100 FEET IN DEPTH OF SAID LOT 1; ALSO EXCEPTING THEREFROM SO MUCH THEREOF AS LIES WITHIN THE BOUNDARIES OF THE FOLLOWING DESCRIBED PARCEL; BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2, "K" AND "L", 7TH & 8TH STREETS BEARS SOUTH 19°31'30" WEST, 0.74 FEET OF A FOOT AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF 7TH STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19°31'30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET; AND THENCE NORTH 70°29'20" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING SOUTH 19°31'30" WEST 0.74 OF A FOOT TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19°31'30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70°28'40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19°3' EAST 0.02 OF A FOOT TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF WALL OF SAID BUILDING, FOLLOWING THE OFF-SETS THEREIN, THE FOLLOWING 17 COURSES: NORTH 19°3' EAST 19.24 FEET; THENCE NORTH 19°32' EAST 27.52 FEET; THENCE NORTH 19°8' EAST 6.21 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 19°4' EAST 1.20 FEET; THENCE SOUTH 70°28' EAST 0.37 OF A FOOT; THENCE NORTH 19°26' EAST 21.50 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 20°52' EAST 1.80 FEET; THENCE SOUTH 70°28' EAST 0.36 OF A FOOT; THENCE NORTH 20°10' EAST 9.11 FEET; THENCE NORTH 70°28' WEST 0.37 OF A FOOT; THENCE NORTH 19°32' EAST 14.40 FEET; THENCE NORTH 20°57'10" EAST 19.11 FEET; THENCE NORTH 19°30'35" EAST 39.56 FEET; THENCE SOUTH 70°31' EAST 0.57 OF A FOOT; THENCE NORTH 19°31'30" EAST 1.35 FEET TO THE NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70°29' EAST 0.69 OF A FOOT TO THE POINT OF BEGINNING, AND BEARINGS HEREIN SET FORTH, BEING REFERRED TO AN ASSUMED MERIDIAN BY WHICH THE CENTER LIEN OF 7TH STREET BETWEEN "K" AND "L" STREETS, AS ESTABLISHED BY SAID CITY ENGINEER BEARS NORTH 19°30' EAST AS DESCRIBED IN QUIT CLAIM DEED FROM SIMON, HORNSTEIN AND MABLE HORNSTEIN, HIS WIFE, TO R.W. STOVALL DATED SEPTEMBER 30, 1937, RECORDED DECEMBER 5, 1937, IN BOOK 659 OF OFFICIAL RECORDS, PAGE 309, SACRAMENTO COUNTY RECORDS.

APN: 006-0096-003

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ½ OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST HALF OF LOT 2 IN THE BLOCK BOUNDED BY "K" AND "L", SEVENTH AND EIGHTH STREETS, IN THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:  
COMMENCING ON THE SOUTH LINE OF K STREET OF SAID CITY OF SACRAMENTO AT A POINT LOCATED SOUTH 19°30' WEST 39.99 FEET AND SOUTH 70°29'20" EAST 161.23 FROM THE INTERSECTION OF THE CENTER LINE OF SEVENTH STREET OF SAID CITY OF SACRAMENTO WITH THE CENTER LINE OF SAID K STREET AND RUNNING THENCE FROM SAID POINT OF COMMENCEMENT SOUTH 70°29'20" EAST 40.41 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 2; THENCE SOUTH 19°33' WEST ALONG THE EASTERLY LINE OF SAID LOT 2 A DISTANCE OF 160.28 FEET TO THE NORTH LINE OF AN ALLEY; THENCE NORTH 70°28'40" WEST ALONG THE NORTH LINE OF SAID ALLEY A DISTANCE OF 40.38 FEET TO A POINT; THENCE NORTH 19°32'15" EAST A DISTANCE OF 160.27 FEET TO THE POINT OF COMMENCEMENT.

APN: 006-0096-005

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ONE-QUARTER OF LOT 3 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-006

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST HALF OF THE EAST HALF AND THE EAST HALF OF THE WEST HALF OF LOT 3, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-007

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL NO. 1

THE EAST ONE-QUARTER OF LOT 3 AND THE WEST ONE-QUARTER OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L" 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF.

PARCEL NO. 2

THE EAST THREE-QUARTERS OF THE SOUTH ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 4 (SAID POINT BEING THE POINT OF INTERSECTION OF THE NORTHERLY LINE OF A 20 FOOT ALLEY AND THE WESTERLY LINE OF 8TH STREET), AND RUNNING THENCE NORTHERLY ALONG THE EASTERLY LINE OF SAID LOT 4, (BEING THE WESTERLY LINE OF 8TH STREET) 80.145 FEET TO THE NORTHEAST CORNER OF THE SOUTH ONE-HALF OF SAID LOT 4: THENCE WESTERLY ALONG THE LINE DIVIDING THE NORTH ONE-HALF FROM THE SOUTH

ONE-HALF OF SAID LOT 4, 60.59 FEET TO THE POINT OF INTERSECTION WITH THE WEST LINE OF THE EAST, THREE-QUARTERS OF LOT 4; THENCE SOUTHERLY ALONG THE WEST LINE OF THE EAST THREE-QUARTERS OF SAID LOT 4; 80.135 FEET TO THE INTERSECTION OF SAID LINE WITH THE SOUTH LINE OF SAID LOT 4 (BEING THE NORTH LINE OF SAID 20 FOOT ALLEY); THENCE EASTERLY, ALONG THE SOUTH LINE OF SAID LOT 4 AND THE NORTH LINE OF SAID ALLEY, 60.56 FEET TO THE POINT OF BEGINNING.

APN: 006-0096-008

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH ONE-HALF OF THE WEST ONE-HALF OF THE EAST ONE-HALF AND THE NORTH ONE-HALF OF THE EAST ONE-HALF OF THE WEST ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-009

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST ONE-QUARTER (E ¼) OF THE NORTH ONE-HALF (N ½) LOT NUMBER FOUR (NO. 4) IN THE BLOCK OR SQUARE BOUNDED BY "K" AND "L" STREETS AND SEVENTH (7TH) AND EIGHTH (8TH) STREETS OF SAID CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP OR PLAT THEREOF.

APN: 006-0096-010

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL, FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2 IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, BEARS SOUTH 19 DEG. 31. 30" WEST 0.74 FEET AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF "7TH" STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19 DEG. 31. 30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET AND THENCE NORTH 70 DEG. 29. 30" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING, SOUTH 19 DEG. 31. 30" WEST 0.74 FEET TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19 DEG. 31. 30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70 DEG. 28. 40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19 DEG. 03. EAST 0.02 FEET TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF THE WALL OF SAID BUILDING, FOLLOWING THE OFFSETS THEREIN, THE FOLLOWING SEVENTEEN COURSES: NORTH 19 DEG. 03. EAST 19.24 FEET; NORTH 19 DEG. 32. EAST 27.52 FEET; NORTH 19 DEG. 03. EAST 6.21 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 19 DEG. 04. EAST 1.20 FEET; SOUTH 70 DEG. 28. EAST 0.37 FEET; NORTH 19 DEG. 26. EAST 21.50 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 20 DEG. 52. EAST 1.80 FEET; SOUTH 70 DEG. 28. EAST 0.36 FEET; NORTH 20 DEG. 10. EAST 9.11 FEET; NORTH 70 DEG. 28. WEST 0.37 FEET; NORTH 19 DEG. 32. EAST 14.40 FEET; NORTH 20 DEG. 57. 10" EAST 19.11 FEET; NORTH 19 DEG. 30. 35" EAST 39.56 FEET; SOUTH 70 DEG. 31. EAST 0.57 FEET; NORTH 19 DEG. 31. 30" EAST 1.35 FEET TO A NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70 DEG. 29. EAST 0.69 FEET TO THE POINT OF BEGINNING. EXCEPTING THEREFROM THAT PORTION OF SAID REALTY LYING

WITHIN THE EXTERIOR BOUNDARIES OF THE SOUTH 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO.

APN: 006-0096-018

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE SOUTH 40 FEET OF LOT 1 IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-019

## EXHIBIT 2 – FUNDING REQUIREMENTS

### TAX INCREMENT FUNDING REQUIREMENTS FOR NON-HOUSING FUND PROJECTS

These “TI Funding Requirements” are incorporated in the “Regulatory Agreement” to which they are attached. In turn, the Regulatory Agreement is incorporated in the Disposition and Development Agreement (“DDA”) referenced in the Regulatory Agreement. Pursuant to the DDA, the Regulatory Agreement (with these TI Funding Requirements) is recorded against the properties assisted with the Agency “Funding” that was used to purchase the Property which is the subject of the DDA as well as Other Agency Development Assistance provided to the Project. . [The capitalized terms used in these TI Funding Requirements shall have the meanings stated below. Terms being defined are indicated by quotation marks. Capitalized terms that are not defined in these TI Funding Requirements are defined in the Regulatory Agreement.]

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Community Redevelopment Law (commencing at Health & Safety Code Section 33000).
  - a. Agency has provided the “Agency Funding” from redevelopment tax increment (as defined in the California Constitution Article XIII, Section 16, and further defined in Health & Safety Code Section 33670) for the “Project Arca” named in the Regulatory Agreement and Funding Agreement. The Agency Funding is subject to the provisions of the redevelopment plan for the Project Area and the California Community Redevelopment Law.
  - b. The Project is being developed on the Property which is in the Redevelopment Plan for the Project Area named in the Agency DDA. Agency has approved the DDA on condition that the “Property” named in the DDA is rehabilitated or developed as the Project, defined in the DDA and operated and maintained in accordance with the Redevelopment Plan, which regulation is accomplished by recordation of this Regulatory Agreement with these TI Funding Requirements as covenants running with the land.
2. **USE.** The Property shall be used solely for the Approved Uses and shall not be used for the Disapproved Uses.
3. **PLAN COMPLIANCE.** Owner shall comply, in all respects, with the Redevelopment Plan.

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.

When recorded, return to:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Joel Riphagen

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

<b>PROJECT NAME:</b>	700 Block of K Street
<b>PROJECT ADDRESS:</b>	700, 704, 708, 712, 716, 718, 724, 726, and 730 K Street, 1111 and 1113 7 <sup>th</sup> Street, 1114 8th Street, Sacramento, California
<b>APNs:</b>	006-0096-002, 006-0096-003, 0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 006-0096-009, 006-0096-010, 006-0096-018, and 006-0096-019

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

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

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

<b>TERM</b>	<b>DEFINITION</b>	
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:	
"Agency"	Redevelopment Agency of the City of Sacramento The Agency is a public body, corporate and politic.	
"Owner"	700 Block, L.L.C.	
"Agency Address"	Agency's business address is 801 12th Street, Sacramento, California 95814	
"Owner Address"	Owner's business address is as follows:	1006 4 <sup>th</sup> Street, Suite 701 Sacramento, California 95814
"Jurisdiction"	City of Sacramento	
"Property"	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as <b>Exhibit 1 – Legal Description of the Property</b> and incorporated in this Regulatory Agreement by this reference	
"Agency Funding"	Agency purchased the Property with Merged Downtown Project Area tax increment funding also	

	called "Agency Funding." The Agency is conveying fee title to the Property to Developer, subject to the terms of the DDA. This Regulatory Agreement is substantial consideration to the Agency for that DDA. Actual funding agreements will be executed between Agency and a separate entity from Developer pursuant to the DDA and also in reliance of the execution of this Regulatory Agreement, among other things.	
"Other Agency Development Assistance "	The amount of the Other Agency Development Assistance is from the Merged Downtown Redevelopment Project Area "low-mod" fund, as follows:	\$10,100,000.00
"Proportionate Agency Assistance"	The percentage of Other Agency Development Assistance in the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Other Agency Development Assistance. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	Twenty-One (21%)
"Funding Requirements"	The legal restrictions on the use of the Property that Agency has purchased using tax increment funds and which the Agency is conveying pursuant to the DDA requiring the covenants in this Regulatory Agreement , as applicable to and restricting the Property. The Funding Requirements are set out in <b>Exhibit 2 – Funding Requirements.</b>	
"Approved Use"	Permitted uses of the Property include non-residential use (subject to a separate Regulatory Agreement) and residential space available for rent by the general public and containing not less than the following number of units:	137

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

Agency Funding Source:	Other Funding Source:	Affordability Level:	Number of Units:	Restricted Units:	Initial Rent per Unit per Month:
Downtown Low-Mod Tax Increment		60% AMI	21	Studio	\$695
Downtown Low-Mod Tax Increment		60% AMI	47	1 Bedroom	\$820
Downtown Low-Mod Tax Increment		60% AMI	4	2 Bedroom	\$980
Downtown Low-Mod Tax Increment		80% AMI	4	Studio	\$925-\$975
Downtown Low-Mod Tax Increment		80% AMI	6	1 Bedroom	\$950-\$1,150
Downtown Low-Mod Tax Increment		80% AMI	1	2 Bedroom	\$1,300

**4. MANAGEMENT AGREEMENT.** Borrower shall obtain and maintain a property management agreement with a duly accredited real estate property management company for the management of the Property. Owner shall not change

management company without the prior written approval of the Agency. If Agency has approved an initial property manager for the Project, the company shall be listed immediately below. The term of such agreement shall be the longer of the term of the Funding Agreement or the longest term of the Funding Restrictions

Approved Management Company
CFY Development, Inc.

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

Provision	Term
1. <u>Annual Administration Fee.</u> Owner shall pay an Annual Administration Fee equal to the lesser of \$15,150 or 15 basis points (0.15%) of the amount of Other Agency Development Assistance to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loan. The fee is to be prorated and payable on December 1 of the first year of project operation and in equal semi-annual installments thereafter.	Fifty-five (55) years
2. <u>Expiration of affordability period.</u> Owner agrees the rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.	
3. <u>Smoke-free environment.</u> At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.	
4. <u>Resident services.</u> Owner shall provide approved resident services totaling no less than 15 hours per week (inclusive of administrative programming and compliance activities associated with the provision of resident services).	
5. <u>Regulatory Agreement Violations.</u> Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions ( <b>Exhibit 3 - Compliance Violations and Actions</b> ) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.	
6. <u>"Excess" utility charges.</u> Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent.	
7. <u>Renters' insurance.</u> Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.	

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

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

a. Owner shall use and permit others to use the Property only for the Approved Use.

b. Owner shall assure full compliance with the Funding Requirements.

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

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

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

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

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

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

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

**10. REVIVAL OF COVENANTS AFTER FORECLOSURE.** The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this

provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

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

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

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

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

**15. CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Property; provided that any such changes shall not be binding on any pre-existing easement holder, licensee, other mortgagee, trustee or lessee without their consent.

**16. DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within ninety (90) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain. Correction of the breach made by any Notice Party, as referred to in Section 23, below, will deemed as effective as if the correction were made by Owner.

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

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

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

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

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

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

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

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

**23. NOTICES.** Written notices and other written communications by and between the parties shall be addressed to the Owner at the Owner Address and to the Agency at the Agency Address or such other address as each respective party has designated by written notice to the other party. To the extent the DDA provides for notices to be provided to "Notice Parties", such Notice Parties shall also be entitled to notice under this Regulatory Agreement.

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

**OWNER : 700 BLOCK, L.L.C. , A CALIFORNIA  
LIMITED LIABILITY COMPANY**

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

By: \_\_\_\_\_  
Cyrus Youssefi, Member

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

By: \_\_\_\_\_  
Ali Youssefi, Member and Manager

Approved as to form: \_\_\_\_\_  
Agency Counsel

By: \_\_\_\_\_  
David Miryabianeh, Member

By: \_\_\_\_\_  
Behroze Miryabianeh, Member and Manager

By: \_\_\_\_\_  
Steve Lebastchi, Member

Approved as to form: \_\_\_\_\_  
Developer Counsel

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***[NOTARIZED ACKNOWLEDGEMENTS]***

**EXHIBIT 1 – LEGAL DESCRIPTION**

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 100 FEET OF THE WEST 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS, OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAPS OR PLAN THEREOF.

APN: 006-0096-002

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 120 FEET IN DEPTH OF LOT 1, IN THE BLOCK BOUNDED BY 7TH AND 8TH, "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF; EXCEPTING THEREFROM THE WEST 40 FEET IN WIDTH OF THE NORTH 100 FEET IN DEPTH OF SAID LOT 1; ALSO EXCEPTING THEREFROM SO MUCH THEREOF AS LIES WITHIN THE BOUNDARIES OF THE FOLLOWING DESCRIBED PARCEL; BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2, "K" AND "L", 7TH & 8TH STREETS BEARS SOUTH 19°31'30" WEST, 0.74 FEET OF A FOOT AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF 7TH STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19°31'30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET; AND THENCE NORTH 70°29'20" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING SOUTH 19°31'30" WEST 0.74 OF A FOOT TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19°31'30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70°28'40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19°3' EAST 0.02 OF A FOOT TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF WALL OF SAID BUILDING, FOLLOWING THE OFF-SETS THEREIN, THE FOLLOWING 17 COURSES: NORTH 19°3' EAST 19.24 FEET; THENCE NORTH 19°32' EAST 27.52 FEET; THENCE NORTH 19°8' EAST 6.21 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 19°4' EAST 1.20 FEET; THENCE SOUTH 70°28' EAST 0.37 OF A FOOT; THENCE NORTH 19°26' EAST 21.50 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 20°52' EAST 1.80 FEET; THENCE SOUTH 70°28' EAST 0.36 OF A FOOT; THENCE NORTH 20°10' EAST 9.11 FEET; THENCE NORTH 70°28' WEST 0.37 OF A FOOT; THENCE NORTH 19°32' EAST 14.40 FEET; THENCE NORTH 20°57'10" EAST 19.11 FEET; THENCE NORTH 19°30'35" EAST 39.56 FEET; THENCE SOUTH 70°31' EAST 0.57 OF A FOOT; THENCE NORTH 19°31'30" EAST 1.35 FEET TO THE NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70°29' EAST 0.69 OF A FOOT TO THE POINT OF BEGINNING, AND BEARINGS HEREIN SET FORTH, BEING REFERRED TO AN ASSUMED MERIDIAN BY WHICH THE CENTER LIEN OF 7TH STREET BETWEEN "K" AND "L" STREETS, AS ESTABLISHED BY SAID CITY ENGINEER BEARS NORTH 19°30' EAST AS DESCRIBED IN QUIT CLAIM DEED FROM SIMON, HORNSTEIN AND MABLE HORNSTEIN, HIS WIFE, TO R.W. STOVALL DATED SEPTEMBER 30, 1937, RECORDED DECEMBER 5, 1937, IN BOOK 659 OF OFFICIAL RECORDS, PAGE 309, SACRAMENTO COUNTY RECORDS.

APN: 006-0096-003

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ½ OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST HALF OF LOT 2 IN THE BLOCK BOUNDED BY "K" AND "L", SEVENTH AND EIGHTH STREETS, IN THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:  
COMMENCING ON THE SOUTH LINE OF K STREET OF SAID CITY OF SACRAMENTO AT A POINT LOCATED SOUTH 19°30' WEST 39.99 FEET AND SOUTH 70°29'20" EAST 161.23 FROM THE INTERSECTION OF THE CENTER LINE OF SEVENTH STREET OF SAID CITY OF SACRAMENTO WITH THE CENTER LINE OF SAID K STREET AND RUNNING THENCE FROM SAID POINT OF COMMENCEMENT SOUTH 70°29'20" EAST 40.41 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 2; THENCE SOUTH 19°33' WEST ALONG THE EASTERLY LINE OF SAID LOT 2 A DISTANCE OF 160.28 FEET TO THE NORTH LINE OF AN ALLEY; THENCE NORTH 70°28'40" WEST ALONG THE NORTH LINE OF SAID ALLEY A DISTANCE OF 40.38 FEET TO A POINT; THENCE NORTH 19°32'15" EAST A DISTANCE OF 160.27 FEET TO THE POINT OF COMMENCEMENT.

APN: 006-0096-005

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ONE-QUARTER OF LOT 3 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-006

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST HALF OF THE EAST HALF AND THE EAST HALF OF THE WEST HALF OF LOT 3, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-007

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL NO. 1

THE EAST ONE-QUARTER OF LOT 3 AND THE WEST ONE-QUARTER OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L" 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF.

PARCEL NO. 2

THE EAST THREE-QUARTERS OF THE SOUTH ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 4 (SAID POINT BEING THE POINT OF INTERSECTION OF THE NORTHERLY LINE OF A 20 FOOT ALLEY AND THE WESTERLY LINE OF 8TH STREET), AND RUNNING THENCE NORTHERLY ALONG THE EASTERLY LINE OF SAID LOT 4, (BEING THE WESTERLY LINE OF 8TH STREET) 80.145 FEET TO THE NORTHEAST CORNER OF THE SOUTH ONE-HALF OF SAID LOT 4: THENCE WESTERLY ALONG THE LINE DIVIDING THE NORTH ONE-HALF FROM THE SOUTH

ONE-HALF OF SAID LOT 4, 60.59 FEET TO THE POINT OF INTERSECTION WITH THE WEST LINE OF THE EAST, THREE-QUARTERS OF LOT 4; THENCE SOUTHERLY ALONG THE WEST LINE OF THE EAST THREE-QUARTERS OF SAID LOT 4; 80.135 FEET TO THE INTERSECTION OF SAID LINE WITH THE SOUTH LINE OF SAID LOT 4 (BEING THE NORTH LINE OF SAID 20 FOOT ALLEY); THENCE EASTERLY, ALONG THE SOUTH LINE OF SAID LOT 4 AND THE NORTH LINE OF SAID ALLEY, 60.56 FEET TO THE POINT OF BEGINNING.

APN: 006-0096-008

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH ONE-HALF OF THE WEST ONE-HALF OF THE EAST ONE-HALF AND THE NORTH ONE-HALF OF THE EAST ONE-HALF OF THE WEST ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-009

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST ONE-QUARTER (E ¼) OF THE NORTH ONE-HALF (N ½) LOT NUMBER FOUR (NO. 4) IN THE BLOCK OR SQUARE BOUNDED BY "K" AND "L" STREETS AND SEVENTH (7TH) AND EIGHTH (8TH) STREETS OF SAID CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP OR PLAT THEREOF.

APN: 006-0096-010

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL, FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2 IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, BEARS SOUTH 19 DEG. 31. 30" WEST 0.74 FEET AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF "7TH" STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19 DEG. 31. 30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET AND THENCE NORTH 70 DEG. 29. 30" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING, SOUTH 19 DEG. 31. 30" WEST 0.74 FEET TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19 DEG. 31. 30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70 DEG. 28. 40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19 DEG. 03. EAST 0.02 FEET TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF THE WALL OF SAID BUILDING, FOLLOWING THE OFFSETS THEREIN, THE FOLLOWING SEVENTEEN COURSES: NORTH 19 DEG. 03. EAST 19.24 FEET; NORTH 19 DEG. 32. EAST 27.52 FEET; NORTH 19 DEG. 03. EAST 6.21 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 19 DEG. 04. EAST 1.20 FEET; SOUTH 70 DEG. 28. EAST 0.37 FEET; NORTH 19 DEG. 26. EAST 21.50 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 20 DEG. 52. EAST 1.80 FEET; SOUTH 70 DEG. 28. EAST 0.36 FEET; NORTH 20 DEG. 10. EAST 9.11 FEET; NORTH 70 DEG. 28. WEST 0.37 FEET; NORTH 19 DEG. 32. EAST 14.40 FEET; NORTH 20 DEG. 57. 10" EAST 19.11 FEET; NORTH 19 DEG. 30. 35" EAST 39.56 FEET; SOUTH 70 DEG. 31. EAST 0.57 FEET; NORTH 19 DEG. 31. 30" EAST 1.35 FEET TO A NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70 DEG. 29. EAST 0.69 FEET TO THE POINT OF BEGINNING. EXCEPTING THEREFROM THAT PORTION OF SAID REALTY LYING

WITHIN THE EXTERIOR BOUNDARIES OF THE SOUTH 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO.

APN: 006-0096-018

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE SOUTH 40 FEET OF LOT 1 IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-019

## EXHIBIT 2 – FUNDING REQUIREMENTS

### TI FUNDING REQUIREMENTS FOR RENTAL HOUSING LOW AND MODERATE INCOME HOUSING FUND

These “TI Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Disposition and Development Agreement document that is described in the Regulatory Agreement. Agency Funding is tax increment funds used for the purchase of the Property and other development assistance. [The capitalized terms used shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these TI Funding Requirements that are not defined below are defined in the Regulatory Agreement and in such DDA.]

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Low and Moderate Income Housing Fund (as defined in Health & Safety Code Section 33334.3) and made in accordance with the Aggregation of Agency Funding that occurred pursuant to Resolution 2009-57 adopted by the Redevelopment of the City of Sacramento or Resolution 0896 adopted by the County of Sacramento Redevelopment Area in accordance with Health and Safety Code Sections 33334.2(g) and 33413, the provisions of the redevelopment plans for the Agency’s Project Areas (“Redevelopment Plans”), and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with Health & Safety Code Section 33487 (“TI Restricted Units”) by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(f). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Areas because the Project will provide housing for persons who work within the Project Areas.
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:
  - a. Moderate-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
  - b. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
  - c. Very Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
  - d. Owner shall be responsible to determine the affordable amounts for the TI Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.
3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of fifty-five (55) years, unless a longer term is specified in the body of the document to which this attached.

**EXHIBIT 3 – COMPLIANCE VIOLATIONS AND ACTIONS**

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

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

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

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

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

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



## **Findings Of Fact**

### **A&B. Environmental Impact Report and Mitigation Monitoring Program:**

1. The Planning Commission finds that the Environmental Impact Report for 700 Block of K Street (herein EIR) which consists of the Draft EIR and the Final EIR (Response to Comments) (collectively the "EIR") has been completed in accordance with the requirements of the California Environmental Quality Act (CEQA), the State CEQA Guidelines and the Sacramento Local Environmental Procedures.
2. The Planning Commission certifies that the EIR was prepared, published, circulated and reviewed in accordance with the requirements of CEQA, the State CEQA Guidelines and the Sacramento Local Environmental Procedures, and constitutes an adequate, accurate, objective and complete Final Environmental Impact Report in full compliance with the requirements of CEQA, the State CEQA Guidelines and the Sacramento Local Environmental Procedures.
3. The Planning Commission certifies that the EIR has been presented to it, that the Planning Commission has reviewed the EIR and has considered the information contained in the EIR prior to acting on the proposed Project, and that the EIR reflects the Planning Commission's independent judgment and analysis.
4. Pursuant to CEQA Guidelines sections 15091 and 15093, and in support of its approval of the Project, the Planning Commission adopts the attached Findings of Fact and Statement of Overriding Considerations in support of approval of the Project as set forth in Exhibit A of this Record of Decision.
5. Pursuant to CEQA section 21081.6 and CEQA Guidelines section 15091, and in support of its approval of the Project, the Planning Commission adopts the Mitigation Monitoring Program to require all reasonably feasible mitigation measures be implemented by means of Project conditions, agreements, or other measures, as set forth in the Mitigation Monitoring Program as set forth in Exhibit B of this Record of Decision.
6. Upon approval of the Project, the City's Environmental Planning Services shall file a notice of determination with the County Clerk of Sacramento County and, if the Project requires a discretionary approval from any state agency, with the State Office of Planning and Research, pursuant to the provisions of CEQA section 21152.
7. Pursuant to Guidelines section 15091(e), the administrative record of these proceedings is located, and may be obtained from, the City of Sacramento Community Development Department, Environmental Planning Services, 300 Richards Boulevard, Sacramento, CA 95811-0218. The custodian of these documents and other materials is the Community Development Department, Environmental Planning Services.