



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

41

**Public Hearing
June 21, 2011**

**Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Board**

**Title: Broadway Triangles Mixed-use Development Project Disposition and
Development Agreement and Related Loan Agreements**

Location/Council District: Oak Park Redevelopment Project Area (Council District 5)

Recommendation: Conduct a public hearing pursuant to Health and Safety Code §33431 and §33433 and upon conclusion, A) adopt a **City Resolution** approving sale of Agency-owned property; and B) adopt a **Redevelopment Agency Resolution** 1) accepting City findings under the California Environmental Quality Act (CEQA); 2) authorizing the Executive Director or her designee to amend Agency budget to appropriate up to \$8,000,000 to implement the Project, comprised of i) \$2,034,194 of 2005 Oak Park Taxable Bond funds; ii) \$1,244,786 of 2005 Oak Park Tax-Exempt Bond funds; iii) \$117,350 of 1999 Oak Park Tax-Exempt Bond funds, and iv) \$4,603,670 of Oak Park Tax Increment funds; 3) approving a pre-development loan, conditional grant, construction and permanent loan agreements (Agency Funding) to the Developer; and 4) authorizing execution of a Disposition and Development Agreement (DDA), Agency Funding and related documents to transfer the Agency property in the vicinity of Broadway, 34th and 35th streets to the Broadway Triangle, LLC, (Developer) for development of Broadway Triangles Mixed-use Development (Project); and 5) waiving Art in Public Places Program requirements of the Project upon written concurrence of the Sacramento Metropolitan Arts Commission.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353
Bern Wikhammer, Program Manager, Development Finance, 440-1368

Presenter: Gregory Ptucha, Management Analyst, Development Finance

Broadway Triangles Mixed-use Development Project

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In 2005 and 2007, the Redevelopment Agency of the City of Sacramento (Agency) assembled 0.8 acres of land to stimulate private development in the Oak Park Redevelopment Project Area (Oak Park RDA). The partially improved land is comprised of five parcels on the block bounded by Broadway, 2nd Avenue, 34th and 35th Streets (Agency Property). The Agency released a Request for Qualifications (RFQ) in September 2006 to attract private sector interest in development of the Agency Property, leading to a June 2007 Exclusive Right to Negotiate (ERN) Agreement with a development partnership in which local architect/developer Ron Vrilakas was a principal. The proposed office complex for the site was determined to be financially infeasible by the time the ERN expired in March 2008, the same time the regional and national economies were clearly in decline.

Subsequently, Mr. Vrilakas (Developer) proposed a project that includes additional property he acquired (Developer Property) that, on a combined basis, effectively doubles the total project site size. The Developer Property (0.7 acres) is located directly east (across 35th Street) of the Agency Property.

The current proposal is a mixed-use project consisting of for-sale residential units, mixed-use buildings with apartments above retail/commercial space, and rehabilitation of two historic structures (Project), summarized further below and in additional background information found in Attachment 1. A Location map and Project Site Plan are shown in Attachment 2. The site layout is based on the Tentative Map approved in March 2011 by the City of Sacramento Planning Commission shown in Attachment 3.

Funding constraints require that the Project be constructed in two phases. The first phase includes the Agency Property and about one-third of the Developer Property. Eight for-sale, zero-lot-line residential units (seven row houses and one live-work unit), as well as four mixed-use buildings fronting Broadway would be constructed on the Agency Property - all which would have retail/commercial ground level space with a total of ten two-story apartment units on floors two and three. Included are two common lots containing 10 garages, 11 parking stalls, green space, and outdoor passive recreation areas. All for-sale units and all apartments would have two bedrooms and two bathrooms.

Phase 1 construction on the Developer Property includes four for-sale units (three row houses, one live-work unit and four garages) and rehabilitation of the vacant historic commercial structure at the northeast corner of 35th Street and 3rd Avenue for use as a restaurant.

Broadway Triangles Mixed-use Development Project

Attachment 4 shows the site plan in the context of Phase 1 and Phase 2 implementation. Phase 2 would be implemented solely on Developer Property and would be privately financed upon completion, sale, and lease-up of Phase 1. Phase 2 includes construction of six additional for-sale residential units (two live-work, two cottage-style, and two bungalow-style), six garages, common lot landscaping and recreation areas. Phase 2 also includes exterior improvements to an existing historic single-family bungalow-style home at 3519 3rd Avenue.

The two historic structures mentioned above are "contributing" structures within the boundaries of the Oak Park Historic District and each would be rehabilitated in accordance with the federal Secretary of the Interior Rehabilitation Standards. Homeowner association(s) (HOAs) would be created to oversee the legal covenants, conditions and restrictions (CC&Rs) established for the Project.

Representative façade designs proposed for the new construction are shown in Attachment 5. Façade designs include abundant use of brick. The intent is to replicate the traditional use of brick and the location of commercial building frontages in the historic district.

The Agency Property would be conveyed to the Developer for one dollar and up to \$8 million of Oak Park RDA funds would leverage approximately \$2.5 million of private loan funds to finance Phase 1 of the Project. Agency funding is structured as pre-development, construction and permanent loans and a conditional grant. Portions of the loans will be forgivable. The private loan proceeds will supplement Agency funds to build the for-sale units. A summary of the Sources and Uses of Agency financing, private financing and Developer equity for Phase 1 implementation are summarized in Attachment 6 (For-sale homes) and Attachment 7 (Mixed-use and Historic Commercial). The costs and funding requirements for both phases are described in the Project Summary, Attachment 8, and a 25-year operational pro forma for the mixed-use buildings and historic commercial building appears in Attachment 9.

Policy Considerations: The recommended actions are consistent with the Oak Park Redevelopment Project Area Plan, as amended, and the 2009-2014 Implementation Plan for the Project Area, which calls for blight removal and improvements in housing, social infrastructure, and in environmental and economic conditions. On March 2, 2011, the City of Sacramento Preservation Commission formally approved the Project design. On March 10, 2011, the City of Sacramento Planning Commission approved the necessary Project entitlements. The Project is consistent with design, land use, and development controls affecting the site, including overlay zoning, historic district protections, "special planning," and "design review" district status. Project implementation will stimulate private investment in Oak Park and provide neighborhood-serving shopping opportunities. It will revitalize Oak Park's historic downtown and attract new homeowners to an urban infill housing product not readily available in the community.

Broadway Triangles Mixed-use Development Project

Environmental Considerations:

California Environmental Quality Act (CEQA): At a public hearing conducted on March 2, 2011, the City of Sacramento's Preservation Commission adopted staff report recommendations regarding the environmental determination for the Project as being exempt from the California Environmental Quality Act ("CEQA") as an "In-fill Development Project" under the CEQA Section 15332. Because there is neither any new information of substantial importance nor any substantial changes with respect to the circumstances under which the project will be undertaken that would require preparation of supplemental environmental documentation, the recommended actions do not require further environmental review per CEQA Guidelines.

Sustainability Considerations: The City of Sacramento's adopted Sustainability Master Plan complements the General Plan to set a standard for City sustainability practices as well as becoming a model for private construction projects. The Project objectives are for an urban infill development of a total of 28 new housing units, new commercial space, and rehabilitation of two historic structures. The project would achieve the following City Sustainability Master Plan goals:

- Replace or renovate obsolete energy or resource inefficient infrastructure (buildings, facilities, systems, etc.) (*Plan Goal # 1*);
- Reduce long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy city (*Plan Goal # 6*).

Other: There is no federal funding or other federal process associated with these actions; therefore, the National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: *Oak Park Redevelopment Advisory Committee ("RAC"):* The RAC has been briefed by the Developer on the Project numerous times. At its meeting on June 8, 2011, the RAC voted to support the Project and approve Staff's financing recommendation. The votes were as follows:

AYES: Shephard, Lee, Allen, Barnes, Lazo, Smith

NOES: None

ABSTAIN: Littrell, Mason (Both Recused)

ABSENT: Johnson, Rentz, Shrewsbury

Broadway Triangles Mixed-use Development Project

Sacramento Housing and Redevelopment Commission ("Commission"): At its meeting on June 15, 2011, it is anticipated that the Commission will approve the attached recommendation. Staff will notify the Council in the event this does not occur.

Rationale for Recommendation: The Project will eliminate blight, achieve redevelopment objectives and increase tax increment revenues. The total proposed Agency funding of up to \$8 million reflects the Project size, scope and use mix and private financing commitment. The Project is expected to be an economic stimulus in the surrounding area by demonstrating demand for this type and quality of for-sale housing, apartments, and commercial/retail space.

Public Hearing: This project is subject to Health and Safety Code §33431 and §33433 as a sale of property without public bidding and the disposition of property acquired with tax increment funds. This report provides the support and justification for the Agency's proposed disposition. The property will be sold to the Developer at below-market value as established by underwriting analysis of the development budget, projected revenues, and expenses of operation, as well as regulatory agreement restrictions imposed on the rental apartments.

Financial Considerations: Approval of the proposed DDA will obligate the Agency to transfer title to the real estate for one dollar. In addition, the DDA obligates the Agency to \$8 million in loans and a conditional grant to fund Phase 1. Agency financing will be appropriated from Oak Park taxable and tax-exempt funds. Predevelopment funding will be disbursed for Agency-approved third-party costs needed to complete permit-ready plans, allowing the real estate transfer and construction loans to close. Developer equity and conventional private financing sufficient to complete Phase 1 construction are a closing requirement.

The Agency retained consultant Solution Mountain, Inc., to prepare an economic impact analysis for the Project based on historical market and industry data. The analysis estimates the direct investment of \$11.6 million will produce an additional \$6.2 million in indirect impacts, resulting in combined impact of approximately \$19 million. Additionally, the analysis estimates generation of 195 one-time and ongoing jobs.

June 21, 2011

Broadway Triangles Mixed-use Development Project

M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Recommendation Approved:


for WILLIAM H. EDGAR
Interim City Manager

Approved as to form:


Agency Counsel

APPROVED AS TO FORM:

CITY ATTORNEY

Table of Contents
Report

pg 1

Attachments

1.	Background Summary	pg 7
2.	Location Map and Site Plan	pg 12
3.	Tentative Map	pg 13
4.	Project Phasing Site Plan	pg 14
5.	Façade Designs	pg 15
6.	Phase 1 Sources and Uses (For-sale)	pg 16
7.	Phase 1 Sources and Uses (Mixed-use)	pg 17
8.	Project Summary – Phases 1 and 2	pg 18
9.	Mixed-use Operational Pro forma	pg 19
10.	City Resolution	pg 20
	Exhibit A – 33433 Report	pg 22
11.	Redevelopment Agency Resolution	pg 25
	Exhibit A: Disposition and Development Agreement	pg 29
	Exhibit B: Financing Plan	pg 69
	Exhibit C: Predevelopment Loan	pg 70
	Exhibit D: Conditional Grant	pg 84
	Exhibit E: Construction and Permanent Loan (Mixed-use)	pg 88
	Exhibit F: Construction Loan (For-sale Residential)	pg 128

Background Summary

Broadway Triangles Mixed-use Development

Historical Context

As a historic “streetcar suburb” that developed in the late 19th century, Oak Park’s historic business district developed along Broadway. Oak Park’s small downtown catered to the needs of area residents for goods, services, and entertainment. The post-World War II decline of Oak Park and exodus of many businesses was followed by the 1973 establishment by the City of Sacramento of the 1,305-acre Oak Park Redevelopment Project Area (Project Area). The Agency adopted the Implementation Plan for the Project Area (since revised) and the City of Sacramento established special land use, historic district, and development controls for Oak Park, including “special planning district” zoning and an urban design district to guide new development along the Broadway and Stockton Boulevard corridors.

A Request for Qualifications (“RFQ”) was released in September 2006 for property the Agency owned, or was in process of acquiring, on the block bounded by Broadway, 2nd Avenue, 34th and 35th streets (Agency Property). In June 2007, the Agency entered into a nine-month Exclusive Right to Negotiate (ERN) Agreement with the Broadway and Second Avenue Development Partnership, in which local architect Ron Vrilakas was a principal.

When the 2007 office building proposal proved to be infeasible, the ERN expired and the partnership dissolved, but Mr. Vrilakas continued to work informally on a new development concept, which was presented to the Agency in mid-2010. It required a range of environmental, design, and entitlement approvals from the City of Sacramento. Application materials for this purpose were submitted in November 2010 by Broadway Triangle, LLC, (Developer).

Developer

Since 1992, Mr. Vrilakas has been principal of the firm Vrilakas Architects, based in Midtown Sacramento. His practice emphasizes infill housing and mixed-use projects. He was primary or co-architect on the East End Lofts historic adaptive re-use project and on 1801 L Street apartments.

In addition to design services for-fee, Mr. Vrilakas has been involved in the development entities for a number of urban infill, residential and adaptive re-use projects. Local examples include 4th Avenue Lofts, LLC, which built 10 for-sale infill residential units in 2005-06 on nearby Agency property and using Agency financing. The 4th Avenue Lofts project is comprised of eight single-family homes and two live/work units. Currently, nine of the 10 units have been sold. Other projects designed and developed by Mr.

Broadway Triangles Mixed-use Development Project

Vrilakas as a principal include the E Street Townhouses; the Q Street Lofts; and, 1801 Capitol Avenue.

Project Site

The Project site is located in the General Commercial, Stockton Broadway Special Planning District ("C-2-SPD" zone) and is comprised of Agency Property and Developer-owned real property. The Agency Property (five tax parcels) was acquired during 2005 – 2007. It is 60% vacant, including one parcel at 3425 Broadway previously occupied by a gasoline station, requiring environmental remediation when underground storage tanks were removed. The Agency Property also includes three parcels that are improved with three vacant retail/storage buildings, each more than fifty-years old. Demolition of these structures is necessary and will be permitted, as none of the three structures were identified via surveys as being eligible for listing in the California or Sacramento Registers of Historic Resources. One Agency parcel and two Developer parcels are located within the boundaries of the City-adopted Oak Park Historic District.

The Project site includes 0.7-acres of Developer-owned property directly across 35th Street from the Agency Property. The Developer property is vacant except for two historic structures—a single-story commercial building and a single-story bungalow-style home. Combined, the Agency Property and Developer property total more than 1.3 acres.

Project Scope and Phasing

Building Type	Size	Phase 1	Phase 2	Total
Row houses (for-sale)	1,287 sq. ft. 2 Bed & 2 Bath	10	0	10 homes
Live/work units (for-sale)	1,650 sq.ft. 2 Bed & 2 Bath	2	2	4 homes
Mixed-use buildings (rental)	21,842 sq. ft. 6,308 sq. ft. retail space	10 apartments (2 Bed & 2 Bath)	0	4 buildings 10 apartments 5 – 7 retail spaces (approx.)
Commercial rehabilitation (2753 35 th Street)	2,500 sq. ft.	1	0	1 historic building
Residential rehabilitation (3519 Third Ave)	2,055 sq. ft. historic bungalow	0	1	1 home (currently rental)
Bungalows (for-sale)	1,200 sq. ft.	0	2	2 homes
Cottages (for-sale)	960 sq.ft.	0	2	2 homes

Broadway Triangles Mixed-use Development Project

For-sale Units

The Phase 1 scope of work includes 12 new for-sale units (ten row houses and two live/work—all two-bedroom/two-bath units) that a third-party market study indicates will sell at market-rate prices of \$280,000 to \$300,000 each. Each for-sale unit will offer “fee-simple” ownership, with each unit occupying its own lot with modest air space (“zero lot line”) between the homes. Each will also have a garage located on one of the three common lots.

The for-sale units built in Phase 1 will front Second Avenue and 35th Street. Construction of eight for-sale units will be completed on Agency Property, followed by four units on Developer property. The market study predicts sales at a rate of one unit per month. The financing sources for construction of the for-sale units will be a combination of Developer equity and approximately \$2.5 million of private lender funding, \$2.15 million in Agency construction loan funds and a conditional grant of \$454,236. The grant funds will be used for demolition of existing improvements and for on- and off-site improvements. Upon each sale, the private lender loan will be partially repaid, and the developer would be paid a fee based on net proceeds after other costs are paid, estimated to total about \$600,000 after all units are sold. The Agency construction loan is anticipated to be partially forgiven upon closing of each unit sale since estimated sale prices won't support its repayment.

In Phase 2, six new for-sale units (two bungalows, two cottages, two live/work units) fronting Third Avenue or the alley will be constructed on the remainder of the Developer property at an estimated cost of approximately \$2.3 million. In addition, the exterior of the existing historic single-family bungalow on the Developer property will be rehabilitated to a level matching interior upgrades that have recently been implemented by the Developer using his own capital. Improvements to the common lot on the Developer property would be completed during phase 2, which will be funded completely with Developer equity and private financing.

Mixed-use Buildings and Commercial Rehabilitation

Four new mixed-use buildings will be constructed on Agency property to face Broadway. They will contain almost 22,000 square feet of space—6300 square feet of which will be commercial, ground floor space that will be demised for tenants to reflect their business needs. It is likely that five to seven tenant spaces will result in the new buildings.

The vacant, historic retail building is approximately 2,500 square feet in size. It will be comprehensively rehabilitated to comply with federal Secretary of the Interior standards and is hoped to attract a single, quality sit-down restaurant. It will have private outdoor patio seating on the north side of the building.

Costs to construct the new mixed-use structures and to rehabilitate the historic retail building are approximately \$6 million. Sources include Developer equity, a conditional Agency grant of \$907,900 for demolition work, on- and off-site improvements, and for costs to rehabilitate the historic commercial building. Due to the inability to secure

Broadway Triangles Mixed-use Development Project

conventional financing in an amount sufficient to complete the mixed-use portion of the project, an Agency construction loan of about \$4.5 million completes the financing requirements. Upon completion, one-half of the construction loan will be repaid over a 25-year loan term, with the remainder being forgivable based on compliance with the Regulatory Agreement to be recorded against the mixed-use parcels. To assist with Project feasibility, the Developer is deferring his developer fee for this portion of the project. 1. Due to the forgivable nature of one-half of the Agency's construction loan for the mixed-use portion, the DDA contains a provision for profit-sharing between the Agency and the Developer if the mixed-use buildings or historic commercial structure are sold during the first forty years.

Marketing of the new commercial space will target businesses offering goods and services not currently available in Oak Park, which is underserved in a variety of retail categories. The Agency underwriting analysis for the retail/commercial space utilized a third-party market study that estimated rents, lease-up periods and suggests incentives (tenant improvement allowances and/or free-rent periods during start-up) that the Developer could offer to attract desirable tenants.

To enhance to range of goods and services available to the community, the Developer intends to market the new commercial space to independent "mom-and-pop" tenants. A professional leasing agent will assist with marketing the space to appropriate tenant prospects. Currently, the Developer is targeting a range of tenants, including sit-down restaurants, artisan retail, ice cream/yogurt shop, salon, used books/ records, garden/flower shop, yoga studio, and, an art gallery. After 18 months of operation, if 50% of the new commercial space is not leased, the Agency will have the option of requiring the Developer to relocate his architectural practice to vacant new commercial space.

A total of ten market-rate apartments, all which are two-bedroom/two-bath units, will comprise the second and third floors of those buildings. Each unit will have a private entry and each will have two levels of space, with living space below and bedrooms above. Unit sizes are ample, at approximately 1,300 square feet. Secure on-site parking (garage or surface parking) will be provided for each unit. The third-party market study estimates market-rate rents for the apartments at approximately \$1,325 per month. The mixed-use buildings will receive professional property management services.

Phase 2

This phase will provide seven new lots upon successful sale and lease-up of the Phase 1 improvements. Phase 2 is planned to be privately financed and will include six new for-sale units in three distinct building types (bungalow, cottage, live/work), as well as rehabilitation of the historic residential bungalow that is currently being rented as a single-family residence.

Broadway Triangles Mixed-use Development Project

City Reviews

The design features, massing, height, and exterior finish materials of the Project are summarized in the following table. They were reviewed on January 5, 2011 and approved by the City of Sacramento's Preservation Commission on March 2, 2011. After a March 10, 2011 public hearing, the City of Sacramento Planning Commission approved the entitlements requested for the project.

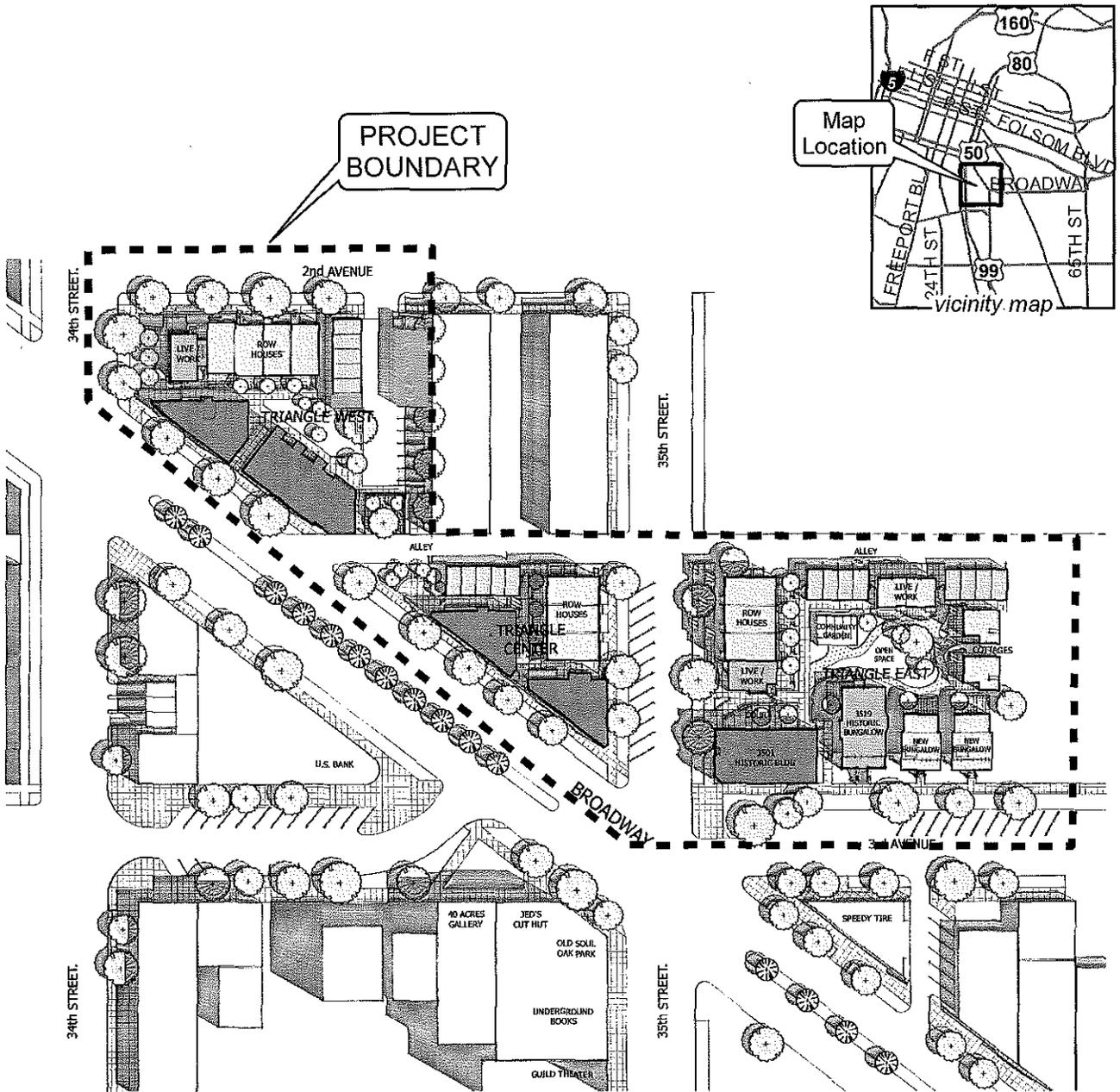
<i>New construction Design Information</i>	
Building heights:	Mixed use (3-stories) 35 – 37 feet in height Live/work (3-stories) 35 – 37.5 feet in height Row houses (2-stories) 22 – 24 feet in height Bungalows & Cottages (2-stories) 18 – 25 feet in height
Exterior materials:	Brick, cement plaster, board/batten and horizontal wood siding, corrugated metal siding, metal clad wood windows, wood windows, wood and metal storefront systems, steel awnings, metal and composite roofing



Broadway Triangles Mixed-use Development



Location Map and Project Site Plan



Project Boundary



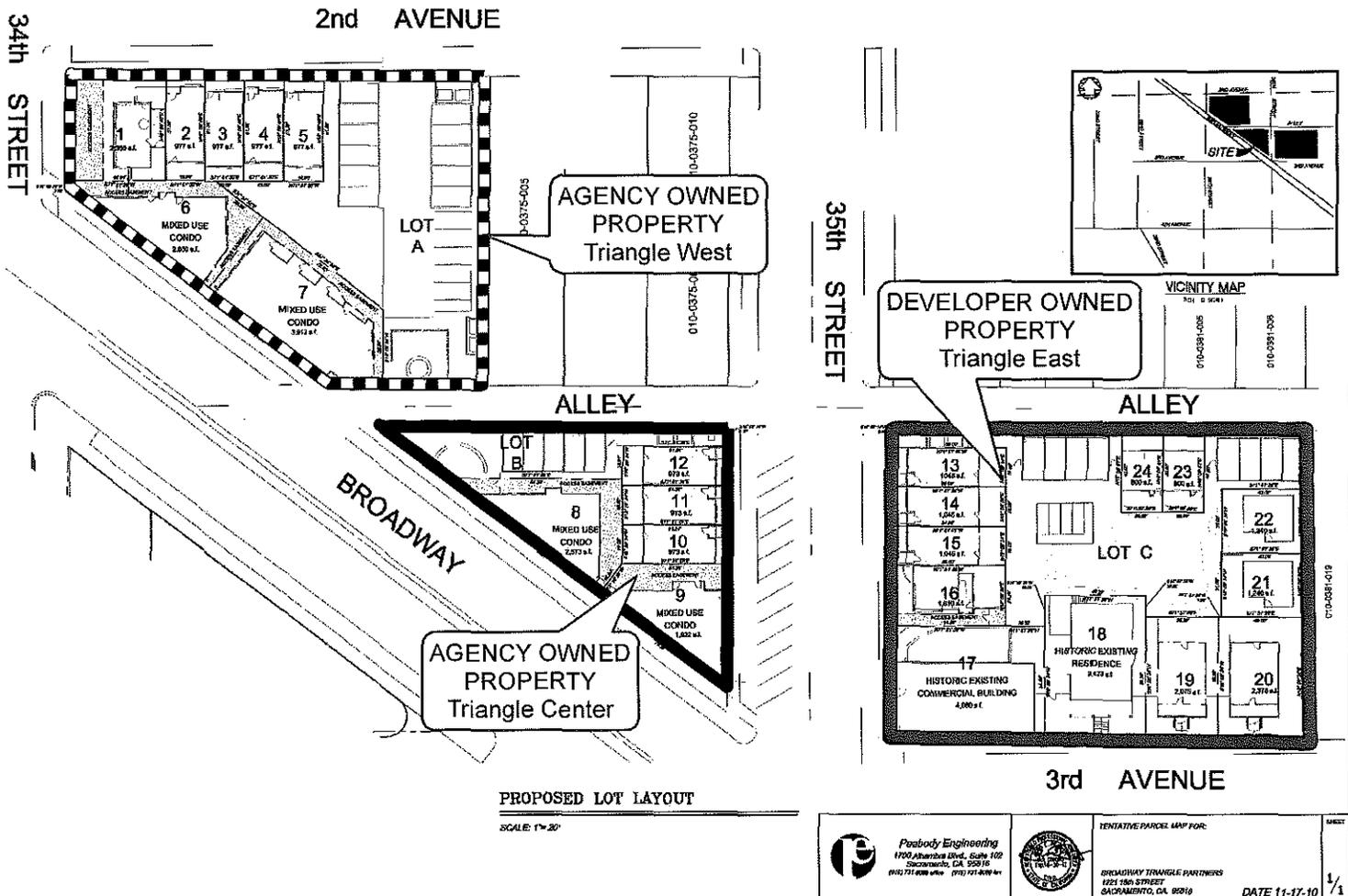
SHRA GIS
June 2, 2011



Broadway Triangles Mixed-use Development



Tentative Map - Lot Layout



Triangle West - Agency Owned Property
 Triangle Center - Agency Owned Property

Triangle East - Developer Owned Property



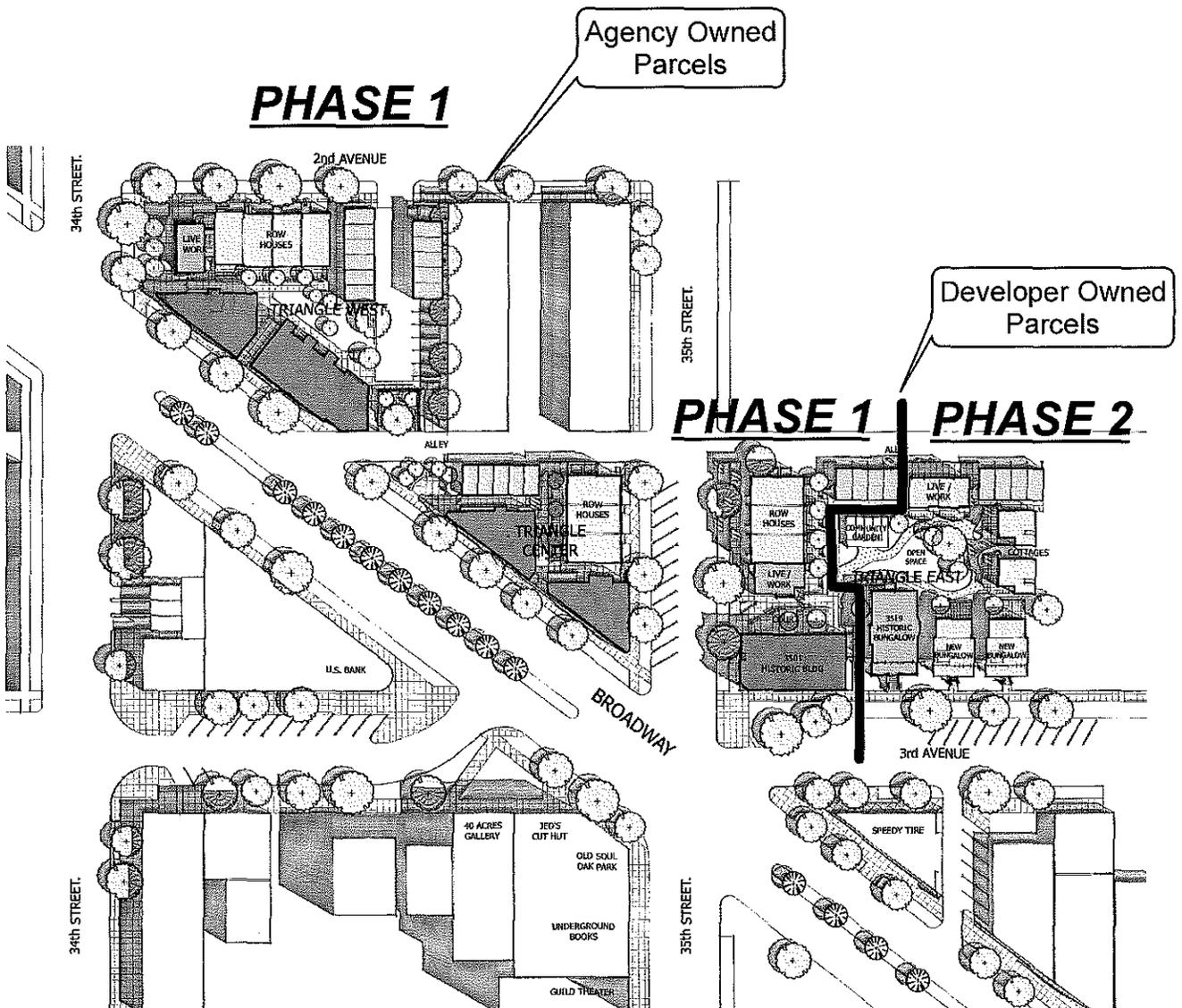
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 June 2, 2011



Broadway Triangles Mixed-use Development



Phase 1 and Phase 2





Broadway Triangles Mixed-use Development





Sources and Uses Summary

Broadway Triangles Phase 1 - For-sale Homes <i>Scenario A: 12 DU; Arch fees paid as soft cost</i>			
Number of Homes	12 New Construction		
Construction Sources	<u>Total</u>		<u>Per Unit</u>
Sewer Credits	22,500	5%	1,875
SHRA Land	1	0%	0
Developer Equity	90,000	2%	7,500
Conventional Construction Loan	2,540,400	48%	212,000
SHRA Grant	454,236	9%	38,000
SHRA Construction Loan	<u>2,149,000</u>	41%	<u>179,000</u>
TOTAL SOURCES	\$ 5,256,137	100%	\$ 438,000
Construction Uses	<u>Total</u>		<u>Per Unit</u>
Land and Improvements	90,001	2%	7,500
Demolition	26,000	0%	2,200
Construction - Single family	2,838,636	54%	236,600
Construction Costs - Garages	317,100	6%	26,400
Construction - On-site Improvements	207,900	4%	17,300
Construction -Off-sites	227,000	4%	18,900
Payment & Performance Bond	69,000	1%	5,800
Architecture and Engineering	388,000	7%	32,300
Permit and Development Fees	327,500	6%	27,300
Legal and Accounting Fees	112,000	2%	9,300
RE Taxes, Insurance	72,000	1%	6,000
Construction Loan Interest	109,000	2%	9,100
Marketing	25,000	0%	2,100
Financing and Carrying Costs	327,000	6%	27,300
Reserve/Contingency	<u>120,000</u>	2%	<u>10,000</u>
TOTAL USES	\$ 5,256,137	100%	\$ 438,000
Permanent Sources			<u>Per Unit</u>
Estimated Sales Proceeds	\$ 3,420,000		\$ 285,000
Permanent Uses	<u>Total</u>		<u>Per Unit</u>
Costs of Sale	273,600		22,800
Conventional Loan Repaid	2,540,400		211,700
Developer Fee	606,000		50,500
SHRA Loan Repayment	-		-
Total Uses	\$ 3,420,000		\$ 285,000
Developer	Broadway Triangle, LLC		

Sources and Uses Summary

Broadway Triangles Phase 1 - Mixed Use			
Square Footage Total	21,842		
New Commercial Square Footage	6,308		
New Apartments	Ten (all 2 Bed / 2 Bath)		
Historic Commercial Space	2,500		
Construction/Permanent Sources	<u>Total</u>	<u>Per Sq Ft, Buildings</u>	
Sewer Credits	-	0%	-
SHRA Land	1	0%	-
Developer Equity	294,000	5%	10.00
SHRA Forgivable Loan	2,244,500	37%	100.00
SHRA Permanent Loan	2,244,500	37%	100.00
SHRA Grant	907,900	15%	40.00
Deferred Developer Fee	450,000	7%	20.00
TOTAL SOURCES	\$ 6,141,001	100%	\$ 280.00
Construction Uses	<u>Total</u>	<u>Per Sq Ft</u>	
Land and Improvements	144,001	2%	\$ 10.00
Demolition	69,000	1%	3.00
Construction - New Mixed-use	3,026,100	49%	140.00
Construction - Brick Building Rehab	367,500	6%	20.00
Construction Costs - Garages	52,500	1%	2.00
Construction - On-site Improvements	207,900	3%	10.00
Construction -Off-sites	227,000	4%	10.00
Tenant Improvement Allowance	170,000	3%	10.00
Payment & Performance Bond	81,000	1%	4.00
Architecture and Engineering	432,000	7%	20.00
Permit and Development Fees	442,000	7%	20.00
Legal and Accounting Fees	112,000	2%	5.00
RE Taxes, Insurance	87,500	1%	4.00
Marketing and Leasing Fees	53,500	1%	2.00
Financing and Carrying Costs	61,000	1%	3.00
Reserve/Contingency	158,000	3%	7.00
Deferred Developer Fee	450,000	7%	21.00
TOTAL USES	\$ 6,141,001	100%	\$ 280.00
Developer	Broadway Triangle, LLC		

**Broadway Triangles
Mixed-Use, Historic Rehabilitation and Residential For-Sale
Project Summary**

Project Description	<p>Phase 1 involves Agency and conventional financing for construction of 4 mixed-use buildings (ground floor retail with 10 apartments above), 12 for-sale rowhouses, 10 detached garages, secure surface parking and common areas. In addition one existing historic commercial building will be rehabilitated.</p> <p>Phase 2 does not involve Agency financing. It is located on abutting developer-owned parcels and includes construction of 6 new for-sale housing units and 4 detached garages, common area improvements, and rehab of an existing historic residential bungalow. This phase will not begin until completion of Phase 1.</p>					
Property Type	Phase 1		Phase 2		TOTAL	
	<u># of Units</u>	<u>Sq Ft</u>	<u># of Units</u>	<u>Sq Ft</u>	<u># of Units</u>	<u>Sq Ft</u>
New For-Sale Residential Units	12	16,170	6	6,662	18	22,832
Rehab Historic Residential Bungalow	-	-	1	2,055	1	2,055
New Residential Rental Apartments	10	13,034	-	-	10	13,034
New Commercial Retail Buildings	4	6,308	-	-	4	6,308
Rehabilitated Historic Commercial Building	1	2,500	-	-	1	2,500
Total Project	27	38,012	7	8,717	34	46,729
Residential Rental Units	Phase 1		Phase 2		TOTAL	
	<u># of Units</u>	<u>Sq Ft</u>	<u># of Units</u>	<u>Sq Ft</u>	<u># of Units</u>	<u>Sq Ft</u>
2 Bedroom - 2 Bath Units	10	13,034	0	-	10	13,034
Average SqFt/Unit		1,303		-		1,303
Residential For-Sale Units	Phase 1		Phase 2		TOTAL	
	<u># of Units</u>	<u>Sq Ft</u>	<u># of Units</u>	<u>Sq Ft</u>	<u># of Units</u>	<u>Sq Ft</u>
2 Bedroom / 2 Bath Row Houses	10	12,870	-	-	10	12,870
2 Bedroom / 2 Bath Live/Work Units	2	3,300	2	2,300	4	5,600
2 Bedroom / 2 Bath Bungalow Houses	-	-	2	2,434	2	2,434
2 Bed / 2 Bath Historic Bungalow House	-	-	1	2,055	1	2,055
2 Bedroom / 2 Bath Cottage Houses	-	-	2	1,928	2	1,928
Total	12	16,170	7	8,717	19	24,887
Permanent Sources	Phase 1		Phase 2		TOTAL	
					<u>Dollars</u>	<u>Percentage</u>
Agency Land	\$	2	-	-	\$	1 0%
Agency Grant		1,362,136	-	-		1,362,136 10%
Agency Forgivable Loan - Mixed Use		2,244,500	-	-		2,244,500 16%
Agency Loan - Mixed Use		2,244,500	-	-		2,244,500 16%
Agency Forgivable Loan - For-Sale Residential		2,149,000	-	-		2,149,000 16%
Conventional Construction Loan - For Sale Res		2,540,400	1,776,039	-		4,316,439 31%
Sewer Credits		22,500	-	-		22,500 0%
Developer Equity		384,000	557,741	-		941,741 7%
Deferred Developer Fee		450,000	-	-		450,000 3%
TOTAL SOURCES		\$11,397,038		\$2,333,780		\$13,730,817 100%
		83%		17%		100%
Permanent Uses						
Agency Land	\$	2	-	-	\$	2 0%
Developer Land		234,000	141,000	-		375,000 3%
New For-Sale Residential Units		2,838,636	1,172,512	-		4,011,148 29%
New Detached Garages		369,600	105,600	-		475,200 3%
New Mixed Use Development		3,026,100	-	-		3,026,100 22%
Historic Commercial Rehabilitation		367,500	-	-		367,500 3%
Tenant Improvement Allowance		170,000	-	-		170,000 1%
Historic Residential Rehabilitation		-	80,000	-		80,000 1%
Onsite/Offsite Improvements		869,700	198,388	-		1,068,088 8%
Architecture & Engineering		820,000	130,000	-		950,000 7%
Legal & Accounting		224,000	50,000	-		274,000 2%
Fees & Permits		919,500	108,000	-		1,027,500 7%
Taxes & Insurance		159,500	95,000	-		254,500 2%
Marketing & Carrying Costs		466,500	50,000	-		516,500 4%
Contingency & Reserves		278,000	150,000	-		428,000 3%
Construction Loan Interest		109,000	53,280	-		162,280 1%
Demolition		95,000	-	-		95,000 1%
Deferred Developer Fee		450,000	-	-		450,000 3%
TOTAL USES		\$11,397,038		\$2,333,780		\$13,730,818 100%
		83%		17%		100%
Management/Operations	<p>Developer Broadway Triangle, LLC</p> <p>Property Management Professional property management firm approved by Agency to be retained prior to completion of construction.</p>					

Broadway Triangles Project Proforma - Mixed Use and Historic Commercial Buildings

Commercial Retail Rental 1% Revenue Inflation
3% Expense Inflation

			Year 1 (2013)	Year 2 (2014)	Year 3 (2015)	Year 4 (2016)	Year 5 (2017)	Year 10 (2022)	Year 15 (2027)	Year 20 (2032)	Year 25 (2037)
	Gross										
	Sq Ft	(PSF)									
	6,308	\$1.40	\$ 105,974	\$ 107,034	\$ 108,104	\$ 109,186	\$ 110,277	\$ 115,903	\$ 121,815	\$ 128,029	\$ 134,559
	2,500	\$1.60	48,000	48,480	48,965	49,454	49,949	52,497	55,175	57,989	60,947
	8,808										
		Gross Potential Rent	\$ 153,974	\$ 155,514	\$ 157,069	\$ 158,640	\$ 160,226	\$ 168,400	\$ 176,990	\$ 186,018	\$ 195,507
		Vacancy	80%	40%	25%	25%	25%	25%	25%	25%	25%
		Vacancy Loss	\$ 123,180	\$ 62,206	\$ 39,267	\$ 39,660	\$ 40,057	\$ 42,100	\$ 44,247	\$ 46,504	\$ 48,877
Expenses:		Net Rent	\$ 30,795	\$ 93,308	\$ 117,802	\$ 118,980	\$ 120,170	\$ 126,300	\$ 132,742	\$ 139,513	\$ 146,630
Property Mgt	5%		1,540	4,665	5,890	5,949	6,008	6,315	6,637	6,976	7,331
Taxes & Insurances			23,000	23,690	24,401	25,133	25,887	30,010	34,790	40,331	46,754
Utilities			2,500	2,575	2,652	2,732	2,814	3,262	3,781	4,384	5,082
Water/Sewer/Garbage			8,500	8,755	9,018	9,288	9,567	11,091	12,857	14,905	17,279
Repairs & Maintenance			12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	24,394
Legal/Accounting/Office			5,000	5,150	5,305	5,464	5,628	6,524	7,563	8,768	10,164
Reserves			-	20,000	20,600	21,218	21,855	25,335	29,371	34,049	39,472
		Total Expenses	\$ 52,540	\$ 77,195	\$ 80,596	\$ 82,896	\$ 85,264	\$ 98,194	\$ 113,150	\$ 130,453	\$ 150,476
		Net Operating Income	\$ (21,745)	\$ 16,113	\$ 37,206	\$ 36,084	\$ 34,906	\$ 28,106	\$ 19,592	\$ 9,060	\$ (3,846)

Residential Rental 2% Revenue Inflation
3% Expense Inflation

4 - 2 Bdrm @ \$1,425 each			\$ 68,400	\$ 69,768	\$ 71,163	\$ 72,587	\$ 74,038	\$ 81,744	\$ 90,252	\$ 99,646	\$ 110,017
4 - 2 Bdrm @ \$1,325 each			63,600	64,872	66,169	67,493	68,843	76,008	83,919	92,653	102,297
2 - 2 Bdrm @ \$1,315 each			31,560	32,191	32,835	33,492	34,162	37,717	41,643	45,977	50,762
		Gross Potential Rent	\$ 163,560	\$ 166,831	\$ 170,168	\$ 173,571	\$ 177,043	\$ 195,469	\$ 215,814	\$ 238,276	\$ 263,076
		Vacancy	40%	20%	10%	10%	10%	10%	10%	10%	10%
		Vacancy Loss	65,424	33,366	17,017	17,357	17,704	19,547	21,581	23,828	26,308
Expenses:		Net Rent	\$ 98,136	\$ 133,465	\$ 153,151	\$ 156,214	\$ 159,338	\$ 175,922	\$ 194,233	\$ 214,448	\$ 236,768
Property Mgt	\$50/unit/month		6,000	6,180	6,365	6,556	6,753	7,829	9,076	10,521	12,197
Taxes & Insurances			16,375	16,866	17,372	17,893	18,430	21,366	24,769	28,714	33,287
Utilities			4,000	4,120	4,244	4,371	4,502	5,219	6,050	7,014	8,131
Water/Sewer/Garbage			8,000	8,240	8,487	8,742	9,004	10,438	12,101	14,028	16,262
Repairs & Maintenance			12,500	12,875	13,261	13,659	14,069	16,310	18,907	21,919	25,410
Legal/Accounting/Office			3,000	3,090	3,183	3,278	3,377	3,914	4,538	5,261	6,098
Reserves			-	5,000	5,150	5,305	5,464	6,334	7,343	8,512	9,868
		Total Expenses	49,875	56,371	58,062	59,804	61,598	71,409	82,783	95,968	111,254
		Net Operating Income	\$ 48,261	\$ 77,094	\$ 95,089	\$ 96,410	\$ 97,740	\$ 104,513	\$ 111,449	\$ 118,480	\$ 125,515
		Combined Net Operating Income	\$ 26,516	\$ 93,207	\$ 132,295	\$ 132,494	\$ 132,646	\$ 132,619	\$ 131,042	\$ 127,540	\$ 121,669
Less: Developer Fee (\$450,000 @ 4% Interest)			26,516	93,207	132,295	132,494	112,655	-	-	-	-
		Combined NOI after Developer Fee	\$ -	\$ -	\$ -	\$ -	\$ 19,991	\$ 132,619	\$ 131,042	\$ 127,540	\$ 121,669

SHRA Repayable Loan:

\$2,244,500	0.00%	Principal Balance	2,244,500	2,244,500	2,244,500	2,244,500	2,244,500	1,803,642	1,275,137	755,890	254,285
		Payment	-	-	-	-	15,993	106,095	104,833	102,032	97,335
		Balance	\$ 2,244,500	\$ 2,244,500	\$ 2,244,500	\$ 2,244,500	\$ 2,228,507	\$ 1,697,546	\$ 1,170,304	\$ 653,858	\$ 156,949
		NOI after Developer Fee and Loan Payment	\$ -	\$ -	\$ -	\$ -	\$ 3,998	\$ 26,524	\$ 26,208	\$ 25,508	\$ 24,334
		DSCR:					1.25	1.25	1.25	1.25	1.25

SHRA Forgivable Loan:

\$2,244,500		Forgiveness/Year:	\$ 89,780	\$ 89,780	\$ 89,780	\$ 89,780	\$ 89,780	\$ 89,780	\$ 89,780	\$ 89,780	\$ 89,780
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RESOLUTION NO. 2011 -

Adopted by the Sacramento City Council

on date of

APPROVE SALE OF AGENCY PROPERTY AT 3409, 3413 AND 3425 BROADWAY AND SALE OF PROPERTY AT 3434 AND 3436 SECOND AVENUE TO VRILAKAS FAMILY TRUST OR RELATED ENTITY FOR DEVELOPMENT OF HOUSING AND MIXED-USE STRUCTURES

BACKGROUND

- A. The Sacramento City Council passed Ordinance 2011-006 on January 25, 2011 approving the Ninth Amendment to the Redevelopment Plan ("Redevelopment Plan") for the Oak Park Redevelopment Project Area ("Project Area").
- B. The Redevelopment Agency of the City of Sacramento ("Agency") owns certain real property generally located on Broadway between 34th and 34th streets in the Project Area (APNs 010-0375-001, -002, -003, -004 and -008, or, the "Agency Property").
- C. Vrilakas Family Trust or a related entity ("Developer") proposes two phases of new construction of a project on Agency Property and on Developer Property that will include eighteen for-sale single-family residential units; four mixed-use structures containing retail space and ten apartments; rehabilitation of two historic structures; common lot amenities and ancillary facilities; and, related on- and off-site improvements ("Project"), as more specifically described in the DDA.
- D. Agency and Developer desire to enter into Disposition and Development Agreement ("DDA") to convey the Agency Property to Developer for construction of the first phase of the Project, to be comprised of twelve for-sale housing units, four mixed-use commercial buildings, rehabilitation of one historic structure, related on- and off-site and common area improvements, as more specifically described in the DDA.
- E. A copy of the DDA is on file with the Agency Clerk.
- F. In accordance with the California Environmental Quality Act ("CEQA") and its implementing regulations, the City of Sacramento filed a Notice of Exemption on March 11, 2011 for the Project in accordance with CEQA Guidelines Section 15332 ("City CEQA Action").

- G. A report under Health and Safety Code Section 33433 ("Section 33343 Report") has been prepared and is attached hereto as Exhibit A, and is filed with the Agency Clerk and made available for public review pursuant to Section 33433.
- H. Proper notice of this action has been given and a public hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.

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

- Section 1. The foregoing recitals, including the statements regarding the CEQA findings and the City CEQA Action are true and correct.
- Section 2. The Agency's sale of the Property for construction of the Project on the Agency Property and on Developer Property is consistent with the goals and objectives of the Redevelopment Plan to increase the supply of housing, and to increase economic activity, and is consistent with the Implementation Plan adopted for the Redevelopment Plan. The sale of the Agency Property will assist in the elimination of blight as stated in the 33433 Report.
- Section 3. The consideration for the Agency's conveyance of the Agency Property to Developer is the Developer obligations under the DDA, and the fair reuse value of the Property with the covenants, conditions, restrictions required by the DDA and Grant Deed, is One Dollar (\$1.00), as established in the 33433 Report.
- Section 4. The public improvements required for the Project which are the subject of the DDA are of benefit to the Project Area. There are no reasonable means of financing available for the Project's public improvements. The payment of funds for the Project's public improvements will assist in the elimination of the following blighting conditions: inadequate sidewalks, curbs, gutters, alley paving, sewer connections, water service and drainage facilities.
- Section 5. The City Council approves the sale of the Agency Property to the Developer for the Project pursuant to the terms of the DDA.

Table of Contents:

Exhibit A Section 33433 Report



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

I. Agreement

A copy of the Purchase and Sale or Lease Agreement ("Agreement") disposing of an interest in Agency real property is attached as Exhibit A to the Redevelopment Agency Resolution.

II. Summary of Terms of Disposition

AGENCY'S COST OF ACQUIRING THE LAND	
Purchase Price (or Lease Payments Payable During Agreement)	
Commissions	
Closing Costs	
Relocation Costs	
Land Clearance Costs	
Financing Costs	
Improvement Costs (e.g. utilities or foundations added)	
Other Costs	
TOTAL	\$2,412,000.00

ESTIMATED VALUE OF INTEREST CONVEYED	
Value of the property determined at its highest and best use under the redevelopment plan	\$ 376,000.00

ESTIMATED REUSE VALUE OF INTEREST CONVEYED	
Value of property determined with consideration of the restrictions and development costs imposed by the Agreement	\$ 1.00

VALUE RECEIVED ON DISPOSITION	
The purchase price or the total of the lease payments due to the Agency under the Agreement	\$ 1.00

33433 Report

III. Explanation of Disposition for Less than Full Value

[If the Value Received on Disposition is less than the Estimated Value of the Interest conveyed, you must explain the reasons for the difference.]

The primary purpose of disposition of the Land (Agency Property) is elimination of the blighting influences described in § IV below. To accomplish this, the purchase-and-sale Agreement provides that the Agency will transfer interests in the Agency Property to the Developer upon the express condition that Developer will redevelop the Property for the uses described in the Agreement. The Agreement is intended to assure that the Developer will redevelop the Property and that the Developer is not merely speculating in land.

Less than full value disposition at \$1.00 results from Developer obligations to clear the site of three existing, outmoded retail/warehouse structures, followed by construction on the Agency Property of four “mixed-use” commercial/apartment rental structures (rental) and eight “for-sale” single-family homes (seven row house and one “live/work” unit). In addition, the Agreement requires the Developer to construct three new row house units and one live/work unit (all for-sale), and to rehabilitate an existing, vacant historic commercial structure (rental), on Developer-owned property. Additional ongoing maintenance obligations and use restrictions for the mixed-use and commercial portion of the property include a number of prohibited commercial uses over-and-above what would otherwise be permitted under the City of Sacramento Zoning Code. Finally, the DDA includes a profit-sharing provision for the Agency to receive a portion of the net proceeds of future sale of the mixed-use property from Years 1 through Year 40 of operation of the mixed-use and rental portions of the project.

IV. Elimination of Blight

[Explain how and why the disposition of the real property under the Agreement will eliminate blight. Refer to all supporting facts and material relied upon in making the explanation. Refer to, and show consistency with, the adopted Implementation Plan(Health & Safety Code 33490 et seq.)]

The Agency Property to be conveyed is located in the Oak Park Neighborhood Redevelopment Project Area and is subject to the redevelopment plan for the Project Area. The Developer is purchasing the Property from the Redevelopment Agency of the City of Sacramento (Agency)—a Redevelopment Agency formed and acting under the Community Redevelopment Law (California Health & Safety Code Sections 33000 et seq.). The Agreement between Developer the Agency is governed by the Community Redevelopment Law. The Agreement is consistent with, and furthers, the Redevelopment Plan and the 2009-2014 amended “Implementation Plan” adopted for the Project Area in that it meets the following Implementation Plan goals: eliminate blighting conditions including factors hindering economically viable use by developing vacant lots and improving unsafe and unhealthy buildings; providing all appropriate amenities to support the basic residential character of the area; providing standard housing for all families presently residing in the Oak Park area and, at the same time, increasing housing supply by any housing construction; and increasing and developing economic activity in the area by attracting new business. Specifically, the Developer’s project will record in a new parcel map with 27 lots intended to accommodate the

33433 Report

improvements described in Section III above in the first phase of a two-phase project. The planned improvements will provide an urban infill, for-sale housing product that is generally not available in the Project Area. The planned mixed-use buildings will provide 6,300 square feet of new retail/commercial space designed to attract retail and restaurant tenants to the under-served community, along with ten new 2-bed/2-bath apartment units.

The phase one new construction is an example of urban infill on a site that is largely vacant and partially occupied by outmoded warehouse structures. The project also builds on a site formerly occupied by an automobile service station that required environmental remediation due to leaking underground storage tanks. The phase 1 construction on the Developer property will place long-vacant land into service to provide for-sale housing, and, rehabilitate a long-vacant commercial structure that has historic significance to Oak Park. Phase 2 of the project will build six additional for-sale housing units on the remaining Developer property.

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RESOLUTION NO. 2011 -

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

OAK PARK REDEVELOPMENT PROJECT AREA; APPROVAL OF DISPOSITION AND DEVELOPMENT AGREEMENT, APPROVAL OF AGENCY LOANS TO VRILAKAS FAMILY TRUST OR RELATED ENTITY FOR DEVELOPMENT OF BROADWAY TRIANGLES MIXED-USE DEVELOPMENT IN THE VICINITY OF BROADWAY, 34TH AND 35TH STREETS; RELATED BUDGET AMENDMENTS

BACKGROUND

- A. The Sacramento City Council passed Ordinance 2011-006 on January 25, 2011 approving the Ninth Amendment to the Redevelopment Plan ("Redevelopment Plan") for the Oak Park Redevelopment Project Area ("Project Area").
- B. The Redevelopment Agency of the City of Sacramento ("Agency") owns certain real property in the Project Area that was acquired with tax increment funds, generally described as 3409, 3413 and 3425 Broadway, and 3434 and 3436 Second Avenue ("Agency Property").
- C. The Agency issued a Request for Qualifications in September 2006, resulting in approval of an Exclusive Right to Negotiate agreement ("2007 ERN") with a development entity that examined multiple concepts for redevelopment of the Agency Property.
- D. The 2007 ERN process expired after failing to achieve mutual agreement on a redevelopment project for implementation on the Agency property.
- E. The 2009-2014 Implementation Plan adopted by the Agency for the Project Area identified the Agency Property as a priority site for redevelopment "Triangle and Former Goodwill Building Development" for implementation as a mixed-use project.
- F. Mr. Ronald Vrilakas was a principal of the 2007 ERN development entity and is Trustee of the Vrilakas Family Trust ("Developer"), which has proposed a mixed-use redevelopment project for the Agency Property and for Developer-owned real property generally described as 2741, 2751 and 2753 – 35th Street, as well as 3519 and 3535 Third Avenue ("Developer Property").
- G. Developer proposes two phases of new construction of a project on Agency Property and on Developer Property that will include eighteen for-sale single-family residential units; four mixed-use structures containing retail space and ten

apartments; rehabilitation of two historic structures; common lot amenities and ancillary facilities; and, related on- and off-site improvements ("Project").

- H. The City of Sacramento Planning Commission approved requisite entitlements for the Project (Project Number P10-085) and approved a Tentative Map for the proposed Broadway Triangle Subdivision on which the Project will be constructed.
- I. Agency and Developer desire to enter into a Disposition and Development Agreement ("DDA") to convey the Agency Property to Developer for construction of the first phase of the Project, to be comprised of twelve for-sale housing units, four mixed-use commercial buildings, rehabilitation of one historic structure, and related on- and off-site and common area improvements, as more specifically described in the DDA.
- J. A copy of the DDA is on file with the Agency Clerk.
- K. In accordance with the California Environmental Quality Act ("CEQA") and its implementing regulations, the sale of the Property and the Project are exempt under Section 15332 of the CEQA Guidelines as an "In-fill Development Project."
- L. The report required by Health and Safety Code Section 33433 ("Section 33343 Report") has been prepared, filed with the Agency Clerk, and made available for public review pursuant to Section 33433.
- M. Proper public notice of this action has been given and a public hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.

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

- Section 1. The above recitals are found to be true and correct and the Agency hereby approves and adopts the environmental determination set forth above.
- Section 2. The sale of the Agency Property and construction of the Project on Agency Property and Developer Property are consistent with the goals and objectives of the Redevelopment Plan to eliminate blighting conditions, promote homeownership and encourage new construction of housing and commercial improvements on vacant lots and is consistent with the Project Area 2009-2014 Implementation Plan. The Project will assist in the elimination of blight as stated in the 33433 Report. The DDA shall be deemed an implementing document approved in furtherance of the Redevelopment Plan and Implementation Plan for the Project Area, and all applicable land use plan, studies and strategies.

- Section 3. The Report required under Health and Safety Code Section 33433 is hereby approved.
- Section 4. The consideration for the Agency's conveyance of the Property to the Developer is \$1.00, which is less than the fair reuse value of the Property, due to Developer use restrictions and the covenants, conditions, restrictions required by the DDA and the related Regulatory Agreement and Grant Deed.
- Section 5. The DDA, attached as Exhibit A, is approved and the Executive Director is authorized to execute the DDA, Grant Deed, Regulatory Agreement, Escrow Instructions and related conveyance documents, and to perform other actions as necessary to implement the terms of the DDA. In accordance with Health and Safety Code Section 33334.14, the Regulatory Agreement containing covenants imposed by the DDA may be subordinated to the lien or encumbrance of the Developer's lender.
- Section 6. A financing plan for the construction of the mixed use and residential structures in the form attached as Exhibit B is hereby adopted.
- Section 7. The Executive Director, or her designee, is authorized to amend the Agency Budget to transfer a total of up to \$8,000,000 of Agency funding to the Project, comprised of i) \$2,034,194 of 2005 Oak Park Taxable Bond funds; ii) \$1,244,786 of 2005_Oak Park Tax-exempt bond funds; iii) \$117,350 of 1999 Oak Park Tax-exempt Bond funds, and iv) \$4,603,670 of Oak Park 80% Tax Increment funds.
- Section 8. The Executive Director, or her designee, is authorized to execute the following loan documents for residential construction, substantially in the form attached to this resolution ("Loan Documents"): (1) a predevelopment loan in the amount of \$275,000, attached as Exhibit C; (2) a conditional grant in the amount of \$1,362,136, attached as Exhibit D; (3) a construction and permanent loan for the mixed use portion of the Project in the amount of \$4,489,000, attached as Exhibit E; and a construction loan for the for-sale residential portion of the Project in the amount of \$2,149,000, attached as Exhibit F.
- Section 9. The Executive Director, or her designee is authorized to enter into other agreements, execute other documents, and perform other actions necessary in relation to the Loan Documents to provide the funding assistance to the Project, consistent with the DDA, this resolution and as may be necessary to ensure proper repayment of Agency funds in accordance with the Loan Documents, all as approved by Agency Counsel.
- Section 10. The Executive Director is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which

amendments are in accordance with the DDA and the Loan Documents, with Agency policy, with this resolution, and with good legal practices for making of such a loan.

Section 11. The Agency shall waive the Art in Public Places Program requirements applicable to the Project upon the written concurrence of the Sacramento Metropolitan Arts Commission.

Section 12. The Executive Director, or her designee, is authorized to consent to the recording of the Final Map of the Broadway Triangle Subdivision (Project Number P10-085) and to execute any related documents required to record the Final Map for the subdivision.

Table of Contents:

Exhibit A:	Disposition and Development Agreement
Exhibit B:	Financing Plan
Exhibit C:	Predevelopment Loan Agreement
Exhibit D:	Conditional Grant Agreement
Exhibit E:	Construction and Permanent Loan Agreement (Mixed-use)
Exhibit F:	Construction Loan Agreement (For-Sale Residential)

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

DISPOSITION AND DEVELOPMENT AGREEMENT
Broadway Triangles Mixed-Use Development
OAK PARK NEIGHBORHOOD REDEVELOPMENT PROJECT AREA

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

THE BROADWAY TRIANGLE, LLC

Effective Date

DISPOSITION AND DEVELOPMENT AGREEMENT

3409 Broadway, 3413 Broadway, 3434 2nd Avenue, 3436 2nd Avenue, 3425 Broadway
Oak Park Neighborhood

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, and The Broadway Triangle, 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 3409 Broadway, 3413 Broadway, 3434 2nd Avenue, 3436 2nd Avenue, 3425 Broadway in the City of Sacramento, State of California, more particularly described as the Agency Property in the Property Description.
- B. Developer is the owner of real property located at 35th Street and 3rd Avenue in the City of Sacramento, State of California, more particularly described as the Developer Project Property and the Developer Non-Project Property in the Property Description.
- C. The Agency Property is located in the Oak Park Neighborhood Redevelopment Project Area and is subject to the redevelopment plan for the Project Area. Further, Developer acknowledges that Developer is purchasing the Agency 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: Eliminate blighting conditions including factors hindering economically viable use, by developing vacant lots and improving unsafe and unhealthy buildings; providing all appropriate amenities to support the basic residential character of the area; providing standard housing for all families presently residing in the Oak Park area and, at the same time increasing housing supply by any housing construction; and increasing and developing economic activity in the area by attracting new business.
- D. The primary purpose of this DDA is the elimination of the following blighting influences: low values and impaired investment, high vacancy rates and vacant parcels, low property values, 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 Agency Property to Developer upon the express condition that Developer will redevelop the Agency Property and the Developer Project Property for the uses described in this DDA. This DDA is intended to assure that the Developer will redevelop the Agency Property and the Developer Project Property (collectively the "Project Property" as defined in Section 15.24 below) and that the Developer is not merely speculating in land.

E. Developer desires to purchase and develop the Agency Property, and Agency desires to sell the Agency 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 Agency Property to Developer solely for the purposes of developing a portion of the Project. The Project shall be the following: The construction of four mixed-use buildings (6,390 square foot retail with ten (10) apartments above); ten (10) for-sale rowhouse units and two (2) live/work units, fourteen (14) ancillary structures (garages), secured surface parking and common areas; and rehabilitation of one (1) historic commercial building at the northeast corner of 35th Street and 3rd Avenue. A portion of the Project described above, which includes the construction of four for-sale units (three row houses, one live-work unit, four garages) and rehabilitation of the vacant historic commercial structure shall be located on the Developer Project Property.

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

4. **PURCHASE PRICE.** The Purchase Price for the Agency Property shall be One Dollar and No Cents (\$ 1.00) and shall be payable as follows: The unpaid portion of the Purchase Price shall be payable prior to the conveyance of the Agency Property to Developer as a condition precedent to its conveyance.

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

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

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

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

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 Project 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 Project 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 Agency Property are in violation of any applicable laws regarding Hazardous Substances, or

Disposition and Development Agreement

informing Agency that the Agency Property is subject to investigation or inquiry regarding Hazardous Substances on the Agency Property.

b) Agency has caused a Phase I environmental study to be performed for Agency 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 Agency Property or with respect to Agency that would affect the Agency 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 Agency 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 Agency Property that would be binding on Developer or the Agency 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 Agency Property for any reason, other than ordinary wear and tear.

e) Agency shall convey the Agency 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 Agency Property, including without limitation, the physical condition of the Agency Property (above and below the surface) and issues regarding land use and development of the Agency Property, and if Developer closes

Escrow for the acquisition of the Agency Property, Developer shall be deemed to be satisfied that the Agency 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 Agency Property serves as Developer's representation that Developer has obtained all additional information regarding the Agency Property that Developer considers necessary for its due diligence in acquiring the Agency 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 Agency Property or which may constitute a lien against Developer's equity or Developer's interests in the Agency 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 Agency Property.

e) Developer has the financial capacity, the equity and the financing necessary to fulfill its obligations under this DDA and acquire the Agency 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 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 Project Property. Developer 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 in the sale, lease or rental or in the use or occupancy of the Project Property and the Project.

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

c) Developer shall not cause any liens, encumbrances, or easements to be placed on the Project 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 Agency Property for any reason, except that caused by ordinary wear and tear.

e) Developer shall be solely responsible for the cost and acquisition of the Project Property.

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

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

3.8.5. CLOSE OF ESCROW. The Escrow shall not close, and the Agency 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 Agency 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 Agency 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 Agency 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.

If this DDA is to continue in full force and effect after any such damage or destruction, 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. 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.

4.6 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 Funding Agreements. All terms regarding Agency funding are in the Funding Agreements, including without limitation, the source and use of funds.

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 Agency Clerk at the address for notices and shall have clearly marked on its exterior "URGENT: Broadway Triangles Development 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 Agency 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 Project Property that are specified in the Final Plans.

e) Material changes in the type, location, visibility, accessibility, size, design or artist for any artwork shown in the Final Plans or otherwise accepted by the Agency under the Art in Public Places Program.

f) Material changes in quality of project or landscaping materials.

g) Any change in public amenities specified in the Final Plans.

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

i) Any change that would preclude or materially reduce the ability to use the Project as intended by this DDA.

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 Agency 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 Agency Property is reverted in the Agency pursuant to Section 11.1, 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. 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. A portion of the Project is subject to the Art in Public Places Program. The Agency shall waive the Art in Public Places Program requirements upon the written concurrence of the Sacramento Metropolitan Arts Commission. In the event that the requirements are not waived, Developer shall expend not less than two percent (2%) of the construction contract price for the new construction of the four mixed use buildings in the Project for the acquisition and installation of Aesthetic Improvements.

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 Project 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 Project Property or Developer's activities in connection with the Project 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 sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation.

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 Project Property.

7.11. AGENCY ACCESS TO THE PROJECT PROPERTY. Developer shall permit Agency representatives access, without charge, to the entire Project 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 Project 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 each building or unit in the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Agency will furnish the Developer with a partial Certificate of Completion certifying such completion, provided however, that one Certificate of Completion shall be issued for the four mixed-use buildings (6,390 square foot retail with ten (10) apartments above) upon completion of all of the buildings in accordance with the Final Plans and Developer's obligations under this DDA. 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, or portion thereof, 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 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 the completion date, a construction period extension fee of Twenty-Five Dollars and No Cents (\$ 25.00) for each day by which the completion of construction is delayed beyond the 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. **PROJECT PROPERTY CONDITION.** Developer, at Developer's expense, shall conduct any Project Property investigation beyond those provided by Agency under this DDA and which Developer may consider necessary to determine the condition of the Project 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 Project Property is not in all respects entirely suitable for the use or uses to which the Project 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 Project 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 Project Property.

7.18. **ZONING OF THE PROJECT PROPERTY.** Agency exercises no authority with regard to zoning of the Project Property. Developer shall assure that zoning of the Project 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 assessment, and has delivered it 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 Project 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 Project Property that were released by Developer, Developer shall remediate all Hazardous Substances 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 Agency Property that were not released by Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed One Hundred Thousand Dollars (\$100,000), Developer may elect to terminate this DDA, upon reconveyance of the Agency Property to Agency and return of all monies and properties delivered pursuant to or in furtherance of this DDA. Unless Developer elects to terminate this DDA, Developer shall bear One Hundred percent (100%) of the costs related to such remediation.

7.20. DEVELOPER ACCESS TO AGENCY PROPERTY. Prior to the conveyance of the Agency Property by Agency to Developer, the Agency shall permit representatives of Developer to have access, without charge, to the Agency 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 Agency 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 Agency Property until a "Notice of Nonresponsibility" has been recorded and posted in accordance with applicable laws, assuring that Agency interest in the Agency Property shall not be subject to mechanic's liens related to such work. Developer shall not commence any work on the Agency 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 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 6 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 6 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 Project Property, to all books and records related to the tenants of the Project 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 documents for the Project are consistent with the Lender's commitment approved by the Agency and comply, in all respects, with this DDA. The Agency may reject a loan commitment unless such commitment: (a) is subject only to Lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have provided to and approved by the Agency); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for a construction loan term not less than that specified in the Schedule of Performances for completion of construction and any additional time necessary to fulfill all conditions precedent to funding of permanent financing. The Agency may also reject any commitment if it is based

upon sources and uses of Project funds that are different from those approved by Agency for the Project. The Agency may also reject any commitment that requires changes to the Project which conflict with this DDA, that require amendment of this DDA or that require the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party.

9.3. EVIDENCE OF DEVELOPER EQUITY. Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity in the amount of Three Hundred Ninety Thousand Dollars (\$390,000.00) by any one or more 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; (c) Developer's provision of financial statements which show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity; (d) provision of evidence satisfactory to Agency that some architectural services will be provided in furtherance of the Project on a deferred fee basis; or (e) provision of land to the Project. 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 Agency Property that were not on the Agency Property prior to Agency's transfer of possession of the Agency 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 Agency 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 Agency Property during Agency's ownership of the Agency Property or related to the removal or discharge of Hazardous Substances by Agency or its employees, agents or contractors.

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

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

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

This indemnification provision shall survive the termination of this DDA.

10. LIABILITY INSURANCE. With regard to this DDA, the Developer shall obtain and maintain for the life of the Regulatory Agreements, and require the Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, 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.

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

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

10.3. COMMERCIAL GENERAL LIABILITY. Developer shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the

Project. Agency, in the exercise of its sole discretion, may determine that a lower limit of Commercial General Liability insurance for the Project is appropriate and waive a higher amount. Nevertheless, Agency may at any time require that the insurance coverage be provided at the maximum limits required by this DDA.

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

10.5. PROPERTY INSURANCE. For the duration of the Regulatory Agreements, Developer shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Project 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 Project Property. In the event of damage to the Project and subject to the requirements of Lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

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

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

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

10.6.3. CERTIFIED POLICY COPY. Developer shall provide Agency with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Developer shall provide Agency with a Certificate of Insurance for each policy on the applicable ACORD form. The ACORD form shall not substitute for the policy. ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance deleting the sentence in the top right-hand block immediately below the title (commencing "This certificate is issued as a matter of information . .

) and in the bottom right-hand box above the authorized representative signature, deleting the words “endeavor to” and “but failure to do so shall impose not obligation or liability of any kind upon the insurer, its agents or representatives.”

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

10.6.5. **FAILURE TO MAINTAIN.** If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this DDA, the Agency shall have the right, 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 10 shall be a default under this DDA (see Section 11.3, below).

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

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

11.1. **REVESTING TITLE IN AGENCY.** Notwithstanding any other provisions of this DDA and in addition to any other rights and remedies of the Agency, after conveyance of the Agency Property to Developer and prior to issuance of Certificate of Completion, if Developer defaults in its obligations related to the Project development, abandons or unreasonably suspends Project construction work, permits any unauthorized encumbrance or lien (including tax liens) and fails

to discharge any such unauthorized lien or encumbrance, or permits any transfer of all or any part of the Agency Property, 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 Agency Property, or any part of the Agency Property conveyed to Developer, and to terminate and revest in the Agency the estate so conveyed. It is the intent of this DDA that the conveyance of the Agency Property to Developer shall be made upon, and that the Grant Deed shall contain, a condition subsequent to the effect that in the event of any default, failure, violation, or other action or inaction by the Developer specified in this Section, failure on the part of Developer to remedy, end, or abrogate such default, failure, violation, or other action or inaction, within the period and in the manner stated in the DDA, the Agency at its option may declare a termination in favor of the Agency of the title, and of all the rights and interest in the Agency 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 Agency Property, shall revert to the Agency. Such condition subsequent and any such reversion of title in the Agency shall always be subject to and limited by the lien or security interest authorized by the DDA, and any rights or interests provided in the DDA for the protection of the Lenders; and shall not apply to individual parts or parcels of the Agency Property on which the Project have been completed in accordance with the DDA and for which a Certificate of Completion issued as provided in the DDA. Such condition subsequent shall conform to the provisions of Civil Code Sections 885.010 through 885.070.

11.1.1. RESALE OF REACQUIRED PROPERTY. Upon the reversion of title of the Agency Property in the Agency, Agency shall use its best efforts to resell the Agency 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 Agency Property, the resale proceeds (after repayment of any liens and encumbrances which have previously been approved by Agency in writing) shall be applied as follows:

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

11.1.3. DEVELOPER REIMBURSEMENT. After payment to Agency of the sum specified herein, said proceeds shall be paid to Developer to reimburse Developer in an amount not to exceed: (1) the sum of the purchase price paid by Developer for the Agency 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 Agency Property and any amounts, including interest on loans, then due from Developer to Agency.

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

11.2. TERMINATION. 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, Agency may terminate this DDA, 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.

11.3. OTHER RIGHTS AND REMEDIES. Upon the occurrence of any default not subject to the preceding liquidated damages provision, and the expiration of any applicable notice and cure period without a cure having occurred within the specified cure period, the non-defaulting party shall have the right to institute such actions as it may deem desirable to remedy a default of this DDA as allowed under this DDA, at law or in equity.

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

11.5. FEES AND COSTS ARISING FROM DISPUTE. If an action is commenced between the parties, the Prevailing Party in that action shall be entitled to recover from the nonprevailing party all reasonable attorney fees and costs, witness fees, arbitrator's fees, and court and arbitration costs. "Prevailing Party" shall include without limitation a party who dismisses an action in exchange for sums allegedly due; the party who receives performance from the other party for an alleged breach of contract or a desired remedy where the performance is substantially equal to the relief sought in an action; the party who receives any award for relief through arbitration; or the party determined to be the prevailing party by a court of law.

12. ENCUMBRANCE OF PROPERTY AND LENDER PROTECTIONS. Before issuance of a Certificate of Completion, if Developer has obtained Agency's prior written approval, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this DDA, the Developer may obtain a

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

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

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Disposition and Development Agreement dated _____ between the Redevelopment Agency of the City of Sacramento and The Broadway Triangle, LLC ("DDA"). Lender requests, in accordance with the DDA, that if any default notice shall be given to Developer under the DDA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

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

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

12.4. LENDER'S OPTION TO CURE DEFAULTS. After any default of Developer's obligations under the DDA, each Lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the Agency Property. The Agency shall accept such performance as if it had

been performed by Developer; provided, however, that such Lender shall not be subrogated to the rights of the Agency by undertaking such performance. If the breach or default relates to construction of the Project, however, Lender shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or construction already made) unless Lender assumes, in writing satisfactory to the Agency, Developer's obligations to complete the Project on the Agency Property in the manner provided in the DDA. Any Lender who properly completes the Project as provided in the DDA shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency in a manner provided in the DDA. Such certification shall mean that any remedies or rights with respect to the Agency 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 Agency Property, or because of any other default of the DDA by the Developer shall not apply to the part of the Agency Property to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Agency may have against the Developer for such default.

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

12.5.1. If such default cannot practicably be cured by the Lender without taking possession of the Agency Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this DDA) shall be tolled if and so long as, all of the following are true: (a) Lender has delivered to the Agency, prior to the date on which Agency is entitled to give notice of termination of this DDA, a written instrument satisfactory to Agency in which Lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon Lender or its designee taking possession of the Agency Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the Lender nor its designee shall be obligated to pay damages to the Agency on account of such default, except to the extent of any monies due and unpaid from Developer; (b) Lender or its designee has rights to obtain possession of the Agency Property (including possession by receiver) through foreclosure, deed in lieu of foreclosure or otherwise, and Lender or its designee promptly commences and diligently proceeds to obtain possession of the Agency Property; (c) if Lender is prevented by court action or by any statutory stay from prosecuting foreclosure proceedings, that Lender is diligently seeking relief from such action or stay; and (d) upon receiving possession of the Agency Property, Lender or its designee promptly commences and diligently proceeds to cure such default in accordance with this DDA.

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

12.6. FORECLOSURE. Foreclosure of any encumbrance securing the loan of Lender, or any sale under such encumbrance, whether by judicial proceedings or by virtue of any power contained in such encumbrance, or any conveyance of the Agency Property from the Developer

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

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

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

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

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

permitted in this Section shall not relieve Developer, or any other party bound in any way by the DDA, from any of its obligations under the DDA. With respect to this provision, the Developer and the parties signing the DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

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

13.1. REGULATORY AGREEMENT-PROJECT. The Regulatory Agreement sets out certain provisions of this DDA which shall survive the completion of the Improvements.

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

14.1. 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.

14.2. 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.

14.3. 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.

14.4. 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.

14.5. 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.

14.6. 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.

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

14.8. 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.

14.9. 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.

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

14.11. 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 Agency Property. Agency shall have full ownership and rights to use such data.

14.12. 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:

14.12.1. Addresses for notices are as follows:

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

b) Developer: The Broadway Triangle, LLC, 1221 18th Street, Sacramento, CA 95811-4112 Attention: Ronald Vrillakas.

14.12.2. 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.

14.13. **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.

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

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

15.2. "Agency Property" is the real property described as the Agency Property in the Property Description.

15.3. "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.

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

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

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

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

Disposition and Development Agreement

15.8. "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.

15.9. "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.

15.10. "Deposit" is the deposit described in Section 4.

15.11. "Developer" is The Broadway Triangle, LLC. The principal office of the Developer is located at 1221 18th Street, Sacramento, CA 95814. The principal of Developer is Ronald Vrillakas.

15.12. "Developer Non-Project Property" is the real property described as the Developer Non-Project Property in the Property Description.

15.13. "Developer Project Property" is the real property described as the Developer Project Property in the Property Description.

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

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

15.16. "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.

15.17. "Funding Agreements" are the documents that state the terms of Agency Funding for the Project.

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

15.19. "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.

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

15.21. "Plans" are the Project designs and elevations, prepared by the Project architect Ronald Vrilakas and dated November 19, 2010, 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.

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

15.23. "Project Area" is the Oak Park Neighborhood Area, as defined in the Redevelopment Plan.

15.24. "Project Property" is the Agency Property and the Developer Project Property. The Project Property includes all improvements contained within the Project Property.

15.25. "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: Legal Description**.

15.26. "Purchase Price" is the purchase price for the Agency Property as set out in Section 4.

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

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

Disposition and Development Agreement

15.29. "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**.

15.30. "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**.

15.31. "Title Company" is Stewart Title of Sacramento. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is 1425 River Park Drive, Suite 110, Sacramento, CA 95815.

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

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

**DEVELOPER : THE BROADWAY TRIANGLE,
LLC , A CALIFORNIA LIMITED LIABILITY
COMPANY**

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

By:

By:

Ron Vrillakas
Member

LaShelle Dozier, Executive Director

Date: _____

Date: _____

Approved as to form:

Approved as to form:

Developer Counsel

Agency Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

EXHIBIT 1

Legal Description

Agency Property description

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

PARCEL ONE

LOTS 1, 2 AND 3 IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, JUNE 18, 1889 IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-001

PARCEL TWO

THE SOUTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-002

PARCEL THREE

THE NORTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-003

PARCEL FOUR

LOT 5, BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-004

PARCEL FIVE

LOTS 9, 10 AND 11, IN BLOCK 31 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO" AS RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY
APN: 010-0375-008

Developer Project Property description

Disposition and Development Agreement

The Developer Project Property includes the following lots approved in the Tentative Map for Broadway Triangle Subdivision approved by the City of Sacramento Planning Commission on March 10, 2011 (attached as Exhibit 1.A): Lots 13, 14, 15, 16 and 17 in their entirety, and, the northwestern-most portion of Common Lot C, adequate in size to allow construction of four automobile garages that are included in the Project Phase 1 Scope of Development.

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Project Property includes the westernmost portions of Parcel One, all of Parcel Two and the northern twenty-five (approximately) of Parcels Four and Five, all as described as follows.

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

PARCEL ONE

THE NORTH ONE HALF OR LOTS 15 AND 16 IN BLOCK 32 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 25, RECORDS OF SAID COUNTY.
A.P.N. 010-0381-017 AND 010-0381-018

PARCEL TWO

THE SOUTH 37 1/2 FEET OF LOT 15 AND 16 IN BLOCK 32, AND THE NORTH 1/2 OF THE SOUTH 1/2 OF LOTS 15 AND 16, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY.
A.P.N. 010-0381-015 AND 010-0381-016

PARCEL THREE

As described below is, in its entirety, Developer Non-Project Property.

PARCEL FOUR

LOT 13, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-013

PARCEL FIVE

LOT 14, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-014

Developer Non-Project Property description

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Non-Project Property includes the easternmost portions of

Disposition and Development Agreement

Parcel One, Parcel Three (legal description follows) and all of Parcels Four and Five except for the northernmost twenty-five (approximately) of said Parcels Four and Five.

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

PARCEL THREE

LOT 12, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY.

A.P.N. 010-0381-012

EXHIBIT 2**Schedule of Performances**

Task #	Task Description	Responsible Party	Completion ⁽¹⁾ No Later Than
1	CEQA determination; Design Review; Entitlements	Developer & City of Sacramento	Completed March 2011
2	Anticipated DDA Approval	Redevelopment Agency of the City of Sacramento	June 21, 2011
3	Anticipated full execution of DDA	Agency	June 30, 2011 ("Effective Date")
4	Escrow Opened	Agency, Developer, Title Company	July 10, 2011 (per DDA § 4.1)
5	Permit for Entry to Agency Property fully executed	Agency & Developer	July 15, 2011
6	Limited Liability Developer Legal Entity Created	Developer	July 16, 2011
7	Project Phase 1 Final Plans refined sufficient to Permit Application	Developer	November 30, 2011
8	Phase 1 Pre-development Funding Agreement Draw Requests Submitted & Processed	Developer & Agency	Monthly prior to Construction Start
9	Submit Application & Plan Check for Building Permits	Developer & City of Sacramento	December 15, 2011
10	Submit Application for Asbestos Abatement & Demolition of Existing Improvements on Agency Property	Developer	December 15, 2011
11	Bidders informed of Prevailing Wage requirements/ Construction Bids complete	Developer	February 15, 2012
12	Project Phase 1 Construction Contracts submitted to/approved by Agency	Developer	February 28, 2012
13	Permit(s) ready to issue for Phase 1 grading, foundation work and above-grade framing	Developer & City	February 28, 2012
14	Evidence of Available Funds and evidence of Developer Equity provided to Agency	Developer	February 28, 2012
15	Evidence of insurance required per DDA § 10 provided	Developer	February 28, 2012
16	Escrow Closes / Title Transfers	Developer, Agency, Title Company	March 1, 2012
17	Project Phase 1 Demolition & Construction Commencement on Mixed-use buildings, Triangle Center For-sale homes and historic brick building rehabilitation after Agency issues Notice to Proceed per DDA § 7.1	Developer	April, 2012
18	Periodic status reports on construction progress	Developer	Monthly during Construction Period
19	Construction Commencement on Triangle West For-sale homes, garages & related improvements	Developer	TBD – mutual agreement of Developer, Lender, Senior Lender

Disposition and Development Agreement

Task #	Task Description	Responsible Party	Completion ⁽¹⁾ No Later Than
20	Substantial Completion, Triangle Center For-sale homes, Mixed-use buildings; and, historic brick building rehabilitation; pertinent Certificates of Occupancy issued by City	Developer and City of Sacramento	June 30, 2013
21	Commence leasing of mixed-use space and marketing & open For-sale home model	Developer	June 30, 2013
22	Construction Commencement on Triangle East For-sale homes, garages & related improvements	Developer	TBD – mutual agreement of Developer, Lender, Senior Lender
23	Substantial Completion, Triangle West For-sale homes & garages; pertinent Certificates of Occupancy issued	Developer and City	September 30, 2013 ⁽¹⁾
24	Substantial Completion, Triangle East For-sale homes & garages; pertinent Certificates of Occupancy issued	Developer and City	TBD
25	Agency Certificate(s) of Completion Issued and Recorded for Mixed-use buildings, historic rehabilitation and Triangle Center and Triangle West For-sale homes.	Agency	September 30, 2013 ⁽¹⁾
26	Agency Certificate(s) of Completion Issued and Recorded for Triangle East For-sale homes.	Agency	TBD

⁽¹⁾ Task completion dates are subject to reasonable change upon mutual agreement by Developer, SHRA, and, to extent applicable, Senior Lender.

EXHIBIT 3

Scope of Development

Agency is entering into this DDA and conveying the Agency Property to Developer solely for the purposes of developing a portion of the Project (also known as Phase 1). The Project's mapping, site layout, building designs, material specifications and other features shall be in compliance with the Report to Preservation Commission of the City of Sacramento, as approved on March 2, 2011, as well as in compliance with the City of Sacramento Planning Commission Conditions of Approval described in the Commission's "Record of Decision" dated March 10, 2011 for Project Number P10-085 (relying on Developer plans generally dated November 19, 2010). Finalization of plans and requisite building permits and other regulatory approvals are required prior to Project implementation. The Phase 1 scope of improvements includes the following on Agency Property and on Developer Project Property.

Agency Property (also known as Triangle West and Triangle Center)

Site clearance

- Remove three existing structures

New Construction (all square footages are approximate)

- Seven (7) single-family row houses, all two-story, all 1,287 square feet in size.
- One (1) single-family "live/work" unit, three-stories, 1,650 square feet in size.
- Four (4) mixed-use structures, all three-stories in height

Mixed-use Building # 1 (Triangle West)

Ground floor retail/commercial space: 1,467 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

Mixed-use Building # 2 (Triangle West)

Ground floor retail/commercial space: 2,301 square feet.

Four (4) two-bed/two-bath apartments (floors 2 and 3): 5,126 square feet total.

Mixed-use Building # 3 (Triangle Center)

Ground floor retail/commercial space: 1,287 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

Mixed-use Building # 4 (Triangle Center)

Ground floor retail/commercial space: 1,253 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

- Ten (10) automobile garages, surface parking with ten parking stalls, common area walkways, green space, fencing, exterior lighting and ancillary facilities.
- "Off-site" improvements described as City Conditions of Approval for the Project

Developer Project Property (also known as Triangle East Tentative Map Lots 13 – 17 and portions, Lot C)

- Three (3) single-family row houses, all two-story, all 1,287 square feet in size.
- One (1) single-family “live/work” unit, three-stories, 1,650 square feet in size.
- Rehabilitation of the existing historic one-story commercial structure located at 2753-35th St (Tentative Map lot 17) for new retail/restaurant use. Rehabilitation shall be in compliance with federal Secretary of the Interior Standards for Rehabilitation.
- Four (4) automobile garages, surface parking with ten parking stalls, common area walkways, green space, fencing, exterior lighting and ancillary facilities (sufficient to complete Phase 1 on Developer Property).
- “Off-site” improvements described as City Conditions of Approval for Phase 1 on the Developer Project Property.

Building Envelope and Interior Construction

The Phase 1 Project will be designed and constructed in conformance with the Agency’s “Rental Property Minimum Construction Standards,” as described in Exhibit 5 to the “Sacramento Housing and Redevelopment Agency Multifamily Lending and Mortgage Revenue Bond Policies for Projects of 12 or More Units” as formally adopted in March 2009. In addition, each for-sale and rental residential units shall include automatic dishwashers and laundry washer/dryer “hook-ups.”

Building heights

Three-story Mixed-use: 35’ to top plate; 37’ to top of parapet.

Three-story Live/work: 35’ to top plate; 37’-6” to top of parapet.

Two-story row house: 22’ to top plate; 24’ to top of parapet.

Exterior building materials

Brick, smooth finished cement plaster, board and batten siding, horizontal wood siding, corrugated metal siding, metal clad wood windows, wood windows, wood storefront systems, metal storefront systems and doors with clear glazing, steel awnings, metal roofing, and composite roofing.

Substantial Changes to Plans and Documents

If Developer desires to make any Substantial Changes (as described in DDA § 6.7.1) in the Final Plans, Developer shall submit such proposed changes, in writing, to the Agency for its approval in accordance with DDA § 6.7.

Final Bid Documents, Specifications, Materials, Finishes

Disposition and Development Agreement

In addition to preparation and Agency approval of Final Plans in accordance with DDA § 6.4 and § 6.7, Developer shall submit final documents for construction bids and related specifications for Agency approval prior to submission to Agency of the Construction Contracts, per DDA § 7.2 and prerequisite to Agency issuance of a Notice to Proceed as required under DDA § 7.1

Broadway Triangles Mixed Use Development

FINANCING PLAN

Permanent Sources	Phase 1	Phase 2	TOTAL	
			Dollars	SqFt
Agency Land	\$ 2	-	\$ 1	
Agency Grant	1,362,136	-	1,362,136	\$ 29.15
Agency Forgivable Loan - Mixed Use	2,244,500	-	2,244,500	\$ 48.03
Agency Loan - Mixed Use	2,244,500	-	2,244,500	\$ 48.03
Agency Forgivable Loan - For-Sale Residential	2,149,000	-	2,149,000	\$ 45.99
Conventional Construction Loan - For Sale Res	2,540,400	1,776,039	4,316,439	\$ 92.37
Sewer Credits	22,500	-	22,500	\$ 0.48
Developer Equity	384,000	557,741	941,741	\$ 20.15
Deferred Developer Fee	450,000	-	450,000	\$ 9.63
TOTAL SOURCES	\$ 11,397,038	\$ 2,333,780	\$ 13,730,817	\$ 293.84
	83%	17%	100%	
Permanent Uses				
Agency Land	\$ 2	-	\$ 2	\$ 0.00
Developer Land	234,000	141,000	375,000	\$ 8.02
New For-Sale Residential Units	2,838,636	1,172,512	4,011,148	\$ 85.84
New Detached Garages	369,600	105,600	475,200	\$ 10.17
New Mixed Use Development	3,026,100	-	3,026,100	\$ 64.76
Historic Commercial Rehabilitation	367,500	-	367,500	\$ 7.86
Tenant Improvement Allowance	170,000	-	170,000	\$ 3.64
Historic Residential Rehabilitation	-	80,000	80,000	\$ 1.71
Onsite/Offsite Improvements	869,700	198,388	1,068,088	\$ 22.86
Architecture & Engineering	820,000	130,000	950,000	\$ 20.33
Legal & Accounting	224,000	50,000	274,000	\$ 5.86
Fees & Permits	919,500	108,000	1,027,500	\$ 21.99
Taxes & Insurance	159,500	95,000	254,500	\$ 5.45
Marketing & Carrying Costs	466,500	50,000	516,500	\$ 11.05
Contingency & Reserves	278,000	150,000	428,000	\$ 9.16
Construction Loan Interest	109,000	53,280	162,280	\$ 3.47
Demolition	95,000	-	95,000	\$ 2.03
Deferred Developer Fee	450,000	-	450,000	\$ 9.63
TOTAL USES	\$ 11,397,038	\$ 2,333,780	\$ 13,730,818	\$ 293.84
	83%	17%	100%	
Agency Funds: Oak Park Tax Increment				
Tax Exempt	\$1.362 million			
Non Tax Exempt	\$6.638 million			
Total:	\$8.000 million			



PREDEVELOPMENT LOAN AGREEMENT BROADWAY TRIANGLES

RESIDENTIAL FOR-SALE DEVELOPMENT, MIXED USE DEVELOPMENT AND HISTORIC BUILDING REHABILITATION PROJECTS

“EFFECTIVE DATE”

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes the Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in the General Terms and as defined in the Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this General Terms table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan, as the context may indicate.) The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

A. “General Terms” The general loan provisions of the Loan		
“LENDER”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Redevelopment Agency of the City of Sacramento	
Legal Status	A public body, corporate and politic	
Principal Address	801 12 th Street, City of Sacramento, Sacramento County, California 95814	
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:	
Name	The Broadway Triangle, LLC	
Legal Status	California limited liability company	
Principal Address	1221 18 th Street, Sacramento, CA 95811	
“LOAN”	The Loan made by this Loan Agreement.	
“DDA”	That Disposition and Development Agreement entered into between the Lender and the Borrower on [DATE].	
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Tax Increment</td></tr></table>	Tax Increment
Tax Increment		
“LOAN AMOUNT”	Three Hundred Fifty Thousand Dollars and No Cents (\$350,000.00)	
“INTEREST RATE”	The interest rate is 0% per year simple interest.	
“DISBURSEMENT TERMS”	Lender shall make the loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 6 have been met: Borrower has presented invoices or similar documentation from third party contractors for actual costs of the Project as stated in the Budget.	
“MATURITY DATE”	The maturity date for the Loan shall be the close of a construction and permanent loan from Lender to Borrower (“Construction Loan”). Upon Borrower’s satisfaction of all conditions precedent to the funding of that Construction Loan of Lender for the Property, all funds advanced by Lender pursuant to the Loan Agreement and this Note not yet repaid to Lender shall become part of the outstanding principal amount of such Construction Loan and secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loan. Subject to the funding of the Construction Loan, this Note will be cancelled and all instruments securing this Loan will be reconveyed to Borrower.	
“PAYMENT START DATE”	The payment shall be in lump sum on the Maturity Date.	
“PAYMENT SCHEDULE”	The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	

"BORROWER EQUITY"	None required as a condition of this Loan.	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
"SPECIAL TERMS"	1. The Loan shall be unsecured.	
	2. The Loan is a predevelopment loan and the loan proceeds shall be used solely for the following:	Predevelopment activities including, but not limited to costs required to achieve building permit-ready plans
	3. This Predevelopment Loan is being made in conjunction with the DDA. In the event that the DDA expires or otherwise terminates without conveyance of the Property to Developer from the Redevelopment Agency, the work product, including but not limited to reports, drawings and plans as paid for with the proceeds of this Predevelopment Loan shall be provided to and then owned by the Agency. In this event, upon assignment and delivery of the work product to the Agency, the Borrower's obligations under this Loan Agreement shall be satisfied, the Loan shall be deemed paid in full and this Loan Agreement shall be terminated.	
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	The construction of four mixed-use buildings consisting of 6,390 square feet of retail space with ten apartments above, rehabilitation of one historic commercial building ("Mixed Use Phase"), construction of ten (10) for-sale rowhouse units and two (2) live/work units, fourteen (14) ancillary structures (garages), secured surface parking and common areas ("For-Sale Residential Phase").

B. "PROPERTY" The following described real property, which is the site of the Project:

The Loan is unsecured, there is no collateral for repayment of the Loan, and the Property is not collateral for the Loan	
Address	3409 Broadway, 3413 Broadway, 3434 2nd Avenue, 3436 2nd Avenue, 3425 Broadway Sacramento, CA
Assessor's Parcel Numbers	010-0375-001, 010-0375-002, 010-0375-003, 010-0375-004, 010-0375-008, 010-0381-012, 010-0381-013, 010-0381-014, 010-0381-015, 010-0381-016, 010-0381-017, 010-0381-018
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.
Borrower's Title Interest	None

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

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

D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval

Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws.
Budget for use of the Loan proceeds.

F. "ASSIGNED DOCUMENTS" Borrower assigns the following documents to Lender

Subject to the interests of any senior lender, all lease and rental agreements for the Property, or any part of it.

H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. The capitalized terms in this Loan Agreement shall have the meanings assigned in General Terms and as defined in Section 1 of this Loan Agreement. (Terms being defined are indicated by quotation marks.) The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

Now, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

1. **DEFINITIONS.** As used in this Loan Agreement, the following terms shall have the following meanings:

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

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

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

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

1.5. "Governmental Requirement" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority, which affects the Project.

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

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

1.8. "Loan Documents" means the Note, this Loan Agreement, and all other documents evidencing, securing, or relating to the Loan.

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

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

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

1.12. "Project" means the Property as developed for the use stated in Loan Information, including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

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

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

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

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

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

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

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

2.7. NO UNAPPROVED LOANS. Borrower has not received financing for the Project except as has been specifically disclosed to and approved by Lender in writing.

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

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

3. LOAN. Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, the Loan Amount, to finance the purposes and uses and subject to the terms, conditions, representations, warranties, and covenants, all as stated in this Loan Agreement.

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

3.2. USE OF LOAN FUNDS. Loan funds shall be used only for purposes specified in the Loan Agreement.

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

3.4. NOTE. The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow.

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

4.1. CONDITIONS TO LENDER'S PERFORMANCE. Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower's representations and warranties in this Loan Agreement are true and (c) no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (d) Lender has approved the Approval Documents.

4.2. CONDITIONS TO BORROWER'S PERFORMANCE. Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) Lender has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Lender's representations and warranties in this Loan Agreement are correct as of the date of this Loan Agreement and as of the Close of Escrow; and (e) no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

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

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

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

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

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

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

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

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

6.6. If Borrower has obtained a loan commitment from a financial institution (or other lender approved by Lender in its sole discretion) to make a permanent loan for the Project, Lender has approved the loan commitment. For Lender to approve such commitment it must provide (a) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults, and (b) it does not require any change in the Loan or Loan Documents.

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

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

7. MAKING DISBURSEMENT. Lender shall make disbursement as provided in the Disbursement Terms.

8. DEFAULTS. At the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

8.1. Failure to comply with the terms of the Loan Documents, including without limitation, the failure to make any payment under the Loan when due.

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

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

9. REMEDIES

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

9.1.1. Terminate its obligation to make disbursements.

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

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

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

9.1.5. Make any unauthorized payment from Loan Proceeds or other funds of Lender that may be reasonably necessary to protect Lender's rights under the Loan Agreement.

9.1.6. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the Default Rate from the date the funds were spent until repaid.

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

10.1. DISCLAIMER. Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the continuation or protection of the Project; the payment of any expense incurred in connection with the exercise of any remedy available to Lender or the Project; or the performance or nonperformance of any other obligation of Borrower.

11. LIABILITY INSURANCE. With regard to this Loan Agreement, the Borrower shall obtain and maintain, and require the contractor and subcontractors for the Project to obtain and maintain such insurance as will protect them, respectively, from the following claims which may result from the operations of the Borrower, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of his employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than his 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 Borrower, 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 Borrower's obligations under this Loan Agreement.

11.1. LIABILITY INSURANCE POLICY LIMITS. Borrower shall assure that the insurance required by this Section shall be written with a deductible of not more than \$50,000.

11.2. WORKER'S COMPENSATION. Worker's compensation coverage shall be written for the statutory limits as required by the California Labor Code (commencing with Section 3700, as it may, from time to time, be amended).

11.3. COMPREHENSIVE GENERAL LIABILITY. Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as may approved by Agency Counsel). Such insurance shall have limits of liability which are not less than \$1,000,000, each occurrence, for bodily injury coverage; \$1,000,000 aggregate, for products and completed operations coverage; \$1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

11.4. **COMPREHENSIVE AUTOMOBILE LIABILITY.** Comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having not less than the statutory limits of liability.

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

11.6. **INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Agency has been given written notice of such intended action at least thirty (30) days prior to its effective date.

11.7. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Agency shall have the right to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Agency. If Borrower 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.

12. MISCELLANEOUS

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

12.2. **FEDERAL REQUIREMENTS.** If any Loan Program is federally funded, Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of such funds. Lender shall fully cooperate with, and assist, Borrower in fulfillment of such obligations. If Lender, as a result of actions of the Borrower, shall be obligated to repay the Loan Program any amount of the Loan Proceeds, Borrower shall make such repayment on account of Lender and failure to do so shall be an Event of Default.

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

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

12.5. **NO THIRD PARTIES BENEFITED.** This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other person will have any right of action or any rights to funds of the Lender or held by the Lender on account of this Loan.

12.6. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices shall be given in accordance with law. Notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above by one or more of the following methods, unless otherwise required by law.

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

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

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

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

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

12.8. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due without the prior written consent of Lender, in Lender's sole discretion. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications. Lender may at any time assign the Loan Documents and its interest in the Construction Account and the Impound Account to any political subdivisions or successor in interest to Lender, provided that the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents.

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

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

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

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

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

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

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

12.14. **LOAN EXPENSES.** Borrower will pay directly any expenses related to the Loan, and will hold Lender free from any cost, liability, or obligation of any nature in connection with it, including reasonable attorney fees incurred by Lender. Borrower further agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, and all amendments to the Loan Documents requested by Borrower, and (ii) the enforcement of any rights or remedies under the Loan Documents. All costs and expenses, together with interest at Loan rate, will be added to the principal balance of the Loan.

12.15. **NO REPRESENTATIONS BY LENDER.** By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

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

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

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

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

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

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

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

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

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

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

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

BORROWER : THE BROADWAY TRIANGLE, LLC , A CALIFORNIA LIMITED LIABILITY COMPANY

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
Ronald Vrillakas, Member

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

Approved as to form:

Borrower Counsel

Agency Counsel

Exhibit 1

Legal Description

Agency Property description

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

PARCEL ONE

LOTS 1, 2 AND 3 IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, JUNE 18, 1889 IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-001

PARCEL TWO

THE SOUTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-002

PARCEL THREE

THE NORTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-003

PARCEL FOUR

LOT 5, BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-004

PARCEL FIVE

LOTS 9, 10 AND 11, IN BLOCK 31 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO" AS RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY
APN: 010-0375-008

Developer Project Property description

The Developer Project Property includes the following lots approved in the Tentative Map for Broadway Triangle Subdivision approved by the City of Sacramento Planning Commission on March 10, 2011 (attached as Exhibit 1.A): Lots 13, 14, 15, 16 and 17 in their entirety, and, the northwestern-most portion of Common Lot C, adequate in size to allow construction of four automobile garages that are included in the Project Phase 1 Scope of Development.

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Project Property includes the westernmost portions of Parcel One, all of Parcel Two and the northern twenty-five (approximately) of Parcels Four and Five, all as described as follows.

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

PARCEL ONE

THE NORTH ONE HALF OR LOTS 15 AND 16 IN BLOCK 32 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 25, RECORDS OF SAID COUNTY.
A.P.N. 010-0381-017 AND 010-0381-018

PARCEL TWO

THE SOUTH 37 1/2 FEET OF LOT 15 AND 16 IN BLOCK 32, AND THE NORTH 1/2 OF THE SOUTH 1/2 OF LOTS 15 AND 16, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY.
A.P.N. 010-0381-015 AND 010-0381-016

PARCEL THREE

As described below is, in its entirety, Developer Non-Project Property.

PARCEL FOUR

LOT 13, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-013

PARCEL FIVE

LOT 14, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-014

Developer Non-Project Property description

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Non-Project Property includes the easternmost portions of Parcel One, Parcel Three (legal description follows) and all of Parcels Four and Five except for the northernmost twenty-five (approximately) of said Parcels Four and Five.

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

PARCEL THREE

LOT 12, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY.
A.P.N. 010-0381-012

Exhibit 2

Note Form

**PROMISSORY NOTE
FOR PREDEVELOPMENT LOAN AGREEMENT
BROADWAY TRIANGLES RESIDENTIAL FOR-SALE DEVELOPMENT, MIXED USE DEVELOPMENT AND HISTORIC BUILDING
REHABILITATION PROJECTS**

"EFFECTIVE DATE"

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

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

DEFINED TERM:	DEFINITION:
"Loan Date"	The Effective Date
"Lender"	Redevelopment Agency of the City of Sacramento
"Borrower"	The Broadway Triangle, LLC
"Borrower Legal Status"	California limited liability company
"Loan Agreement"	The Predevelopment Loan Agreement between the Borrower and Lender as of the Loan Date for making of the loan ("Loan") evidenced by this Note
"Project"	The construction of four mixed-use buildings consisting of 6,390 square feet of retail space with ten (10) apartments above, rehabilitation of one (1) historic commercial building ("Mixed Use Phase"), construction of ten (10) for-sale rowhouse units, two (2) live/work units and fourteen (14) ancillary structures (garages), secured surface parking and common areas ("For-Sale Residential Phase").
"Principal Amount"	Three Hundred Fifty Thousand Dollars and No Cents (\$350,000.00)
"Interest Rate"	The interest rate is 0% per year simple interest.
"Special Terms"	1. This Predevelopment Loan is being made in conjunction with that Disposition and Development Agreement entered into between the Lender and the Borrower on _____, 2011. In the event that the DDA expires or otherwise terminates without conveyance of the Property to Developer from the Redevelopment Agency, the work product, including but not limited to reports, drawings and plans as paid for with the proceeds of this Predevelopment Loan shall be provided to and then owned by the Agency. In this event, upon assignment and delivery of the work product to the Agency, the Borrower's obligations under this Loan Agreement shall be satisfied, the Loan shall be deemed paid in full and this Loan Agreement shall be terminated.

PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:

"Maturity Date"	The maturity date for the Loan shall be the close of two construction loans from Lender to Borrower ("Construction Loans"). Upon Borrower's satisfaction of all conditions precedent to the funding of that Construction Loans of Lender for the Project Property, all funds advanced by Lender pursuant to the Loan Agreement and this Note not yet repaid to Lender shall become part of the outstanding principal amount of such Construction Loans (to be allocated as mutually agreed upon by Lender and any senior lender for the Project) and secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loans. Subject to the funding of the Construction Loans, this Note will be cancelled and all instruments securing this Loan will be reconveyed to Borrower.
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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the date of each advance by Lender to Borrower at Interest Rate.

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

2. Borrower shall comply with and fulfill the Special Terms.

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

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

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

c. Lender discovers that Borrower had made any misrepresentations or failed to disclose any fact in the Loan Agreement or this Note that would affect the interests of Lender.

d. Borrower defaults or breaches any of the terms of Loan Agreement or this Note.

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

f. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.

3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

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

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

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

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

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

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

BORROWER:

THE BROADWAY TRIANGLE, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____

Ronald Vrilakas, Member



CONDITIONAL GRANT AGREEMENT
[Secured by Deed of Trust]

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, ("Grantor" or "Agency"), whose address is 801 12th Street, Sacramento, California 95814, hereby grants to The Broadway Triangle, LLC, a California limited liability company, ("Grantee"), with its principal office at 1221 18th Street, Sacramento, CA 95811, the principal amount ("Conditional Grant") of One Million Three Hundred Sixty-Two Thousand One Hundred Thirty Six Dollars (\$1,362,136), or so much as may be actually advanced under this Agreement ("Conditional Grant Agreement") and the Disposition and Development Agreement between Grantor and Grantee, dated _____. Grantor and Grantee enter this Grant Agreement as of _____, 2011 ("Effective Date").

The Conditional Grant is secured by a deed of trust ("Deed of Trust") on the real property ("Site") described in the attached "**Exhibit 1: Legal Description**" incorporated in this Grant Agreement by this reference. This Conditional Grant Agreement is subject to the terms and conditions of the DDA and to the terms and conditions stated below.

The Conditional Grant shall become unconditional upon the issuance of a certificate of occupancy for all buildings to be constructed and rehabilitated pursuant to the Project, as defined in Section 1 and the DDA, provided that all conditions have then been met and Grantee is not then in default of the DDA or this Grant Agreement. Grantee's obligations regarding repayment of the amount of the Conditional Grant shall cease when the Conditional Grant becomes unconditional. Grantee shall repay the Conditional Grant if Grantee is in default of any of the following covenants and conditions and has not, following receipt from Grantor of notice of any such default, cured such default within 60 days after receipt of notice.

1. GRANT PURPOSE AND USE OF FUNDS. The Agency is making this Conditional Grant for the public benefits derived from the use of the proceeds in the following project ("Project"): the construction of four mixed-use buildings consisting of approximately 6,390 square feet of retail space with ten apartments above; the rehabilitation of one historic commercial building; the construction of ten for-sale rowhouse units and 14 ancillary structures (garages), secured surface parking and common areas; and the construction of two live/work units. The proceeds of the Conditional Grant shall be used solely for the Project. Further, the proceeds of the Conditional Grant shall be used for the following Project activities: (1) demolition of the buildings on the Site existing as of the Effective Date of this Grant Agreement; and (2) costs relating to site preparation and on-site and off-site public improvements for the Project required by the City of Sacramento and other governmental entities having jurisdiction over the Project.

2. DISBURSEMENT. The proceeds of the Conditional Grant shall be paid to Grantee or its designee upon execution by each party and delivery to the other party of this Grant Agreement and subject to the conditions and procedures set forth in this Grant Agreement.

3. CONDITIONS TO DISBURSEMENT. Grantor shall not be obligated to disburse any of the Conditional Grant proceeds unless and until all of the following conditions are met with respect to each such disbursement

- a. The proceeds of the Conditional Grant are used solely for the purposes described in Section 1, above.
- b. Grantee is not and shall not be in default of the DDA, subject to the rights of Grantee to cure such default as provided in the DDA.
- c. Grantee is not in default of any provision of this Conditional Grant Agreement, subject to the rights of Grantee to cure such default.
- d. Grantee has fully complied with the disbursement procedures set forth in Section 4, below.

4. DISBURSEMENT PROCEDURES. Agency shall disburse the Conditional Grant proceeds according to the following procedures:

- b. Grantee has provided receipts or invoices for expenditures that qualify for use of the Conditional Grant proceeds.
- c. Grantee has provided evidence of approved construction plans, drawings and specifications that comply with this Grant Agreement and of necessary building permits from governmental entities having jurisdiction over the Project.
- d. Agency has determined that the work, for which disbursement is requested, has been satisfactorily completed.
- e. No mechanics liens have been filed or recorded on the Site.

5. PREVAILING WAGES. Unless stated otherwise above, Agency advises Grantee that the Project is subject to the payment of prevailing wages under California law. Grantee shall inform the General Contractor and shall require the General 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. Grantee and General 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. Grantee and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Grantee 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 Grantee or General Contractor or both of them.

6. DEFAULT OF DDA. Grantee shall not default in any material provision of the DDA, subject to the rights of Grantee to cure such default as provided in the DDA.

7. NO SALE OR EXCESS REFINANCING. Grantee shall not, without Agency's written consent: (a) sell or transfer all or any portion of the Site; or (b) refinance the Site for an amount greater than One Hundred Percent (100%) of the independently appraised, fair market value of the Site reduced by the amount of this Conditional Grant remaining unpaid. Agency shall not withhold consent to sell to an otherwise financially qualified buyer who assumes Grantee's obligations under this Conditional Grant and accepts the terms of this Conditional Grant.

8. SECTION 8. Grantee shall not permit discrimination against tenants because of their status as low-income tenants or as tenants receiving Housing Choice Voucher ("HCV" formerly "Section 8") rental assistance or any other assistance from the U.S. Department of Housing and Urban Development or from any other federal, state or local program of housing or income assistance.

9. MAINTAIN LOANS. Grantee shall comply with the provisions of all loans secured by the Site, including, but not limited to, requirements for insurance coverage, and shall promptly and timely cure any default in said loans.

10. ADEQUATE RESERVES. Grantee shall maintain, or cause to be maintained, adequate capital, operational and regular and deferred maintenance reserves for the Project in accordance with ordinary and usual business practices of a prudent property owner. Funds in said reserve accounts shall be used solely for the designated purposes unless such use has first been approved in writing by Agency.

11. NO NUISANCE. Grantee shall permit no activity on the Site that may be construed to be a nuisance to any tenant on the Site, to any adjacent tenants or property owners or to the general public. In the event that such a nuisance is occurring on the Site, Grantee shall take immediate action to stop such nuisance and to prevent future occurrences of such nuisance.

12. OCCUPANCY. Grantee shall not permit the occupancy of any rental residential unit on the Site to exceed the occupancy limits established by the U.S. Department of Housing and Urban Development for subsidized housing units.

13. PROJECT MAINTENANCE. Grantee shall assure that the following maintenance and use provisions for the Site shall be enforced:

- a. **BUILDING UPKEEP.** Grantee shall keep the exterior appearance of all buildings and structures in a clean and attractive condition. Grantee shall perform refinishing of surfaces immediately when observed to be needed due to damage or deterioration.
- b. **GROUNDS UPKEEP.** Grantee shall maintain all grounds and landscaped areas within the Site and those adjacent to the Site, which the Grantee may control or otherwise maintain, in a condition consistent with first-quality landscape care. Grantee shall assure that shrubs and trees are to be properly and consistently pruned and that all landscaped areas are kept free of weeds, undesirable plants and trash.
- c. **TRASH STORAGE.** Grantee shall assure that all trash, including lawn, shrub and tree cuttings are placed in a screened enclosure when stored for pickup and that collected trash of any kind is not allowed to stand outside of an enclosure for more than eight (8) hours.
- d. **STORAGE AND REPAIRS.** Grantee shall assure that no painting, repairing or storage of personal property is permitted in any open parking area, balcony area, or common area or any other area visible to the public.
- e. **SIGNS.** Grantee shall not install or permit the installation or use of any sign on the Site which creates a hazard by protruding, overhanging, blinking, flashing, exhibiting animation or other dangerous conditions. Grantee shall not install or permit the installation or use of any billboards, pennants, bunting or similar devices for advertising or commercial display which are not in accordance with all applicable ordinances, regulations and codes. All nonconforming signs shall be removed within the time specified by the organization have jurisdiction over the sign or by the Agency.

14. INDEMNITY. Grantee indemnifies, and will hold harmless and defend, the Agency, its officers, directors, commissioners, employees and agents against all claims, demands, penalties, judgments, awards, orders, expenses and liabilities related to the Site, Grantee's activities on the Site or arising from Grantees rights and obligations under this Grant Agreement. Such liabilities include without limitation, strict liability in tort or liability resulting from a finding that Agency or Grantee are engaged in a joint venture or partnership. Such expenses include without limitation, court costs, arbitration or mediation fees, witness fees, investigator fees and attorney's fees, whether or not litigation is commenced. The indemnity provisions of this Section 15 shall survive the termination of this Grant Agreement, whatever the reason for such termination.

15. ATTORNEY'S FEES AND COSTS. If a party institutes any action (including without limitation, arbitration, mediation, motions, hearings, suits and appeals) to enforce a provision of this Grant Agreement, the prevailing party shall be entitled to recover from the non-prevailing party its fees, costs and expenses in connection with such action, including without limitation, the prevailing party's expert witness fees, investigator fees and attorney's fees. Payment of such fees shall include payment for such services whether provided by employees of the prevailing party or independent providers. Prevailing party shall mean the party who obtains a more favorable result than that offered by it in settlement of the issues, or in the absence of such settlement offer, the party obtaining a favorable result.

16. NOT ASSIGNABLE. Grantee shall have no right to, and shall not, assign this Conditional Grant, whether directly, by operation of law, or otherwise.

17. BOOKS AND RECORDS. Grantee shall maintain such books and records related to the operation of the Project as are considered reasonable and necessary under generally accepted accounting principals and shall permit Agency to view the books and records at any time during regular business hours.

18. INTERPRETATION. This Grant Agreement incorporates the Deed of Trust and the DDA in this document by this reference. This Grant Agreement 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. As the context may indicate, the singular and plural forms each include the other and gender references include all other genders. If any provision of this Grant Agreement is held invalid for any reason, the other provisions shall be given full force and effect to the extent that the purpose and intent of this Conditional Grant can then be met.

19. WAIVERS AND AMENDMENTS. All waivers of the provisions of this Grant Agreement must be in writing and duly executed by the waiving party. All amendments to this Grant Agreement must be in writing and duly executed by the Agency and the Developer.

20. CUMULATIVE RIGHTS AND REMEDIES. No right, power or remedy given to Agency by the terms of this Grant Agreement or the DDA is intended to be exclusive of any other right, power or remedy, and each such right, power or remedy will be cumulative and in addition to every other right, power or remedy given to the Agency by the terms of any instrument, by any statute or otherwise.

21. NONLIABILITY OF AGENCY OFFICIALS AND EMPLOYEES. No member, official or employee of the Agency shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Agency or for any obligations under the terms of this Grant Agreement.

22. NOTICES AND DEMANDS. A notice, demand or other communication under this Grant Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail postage or prepaid, return receipt requested, or delivered personally or by national courier service, delivery charges prepaid, to the address set out above, or at such other address for the receiving party as has been duly noticed under this Section 23 .

23. GOVERNING LAW. This Grant Agreement shall be interpreted under and be governed by the laws of the State of California.

EXECUTED AT SACRAMENTO, CALIFORNIA, as of the date first written above.

GRANTEE:
THE BROADWAY TRIANGLE, LLC , A CALIFORNIA
LIMITED LIABILITY COMPANY

Grantor:
REDEVELOPMENT AGENCY OF THE CITY OF
SACRAMENTO

By: _____
Ronald Vrilakas, Member

By: _____
LaShelle Dozier
Executive Director

Agency Counsel approval as to form

Conditional Grant Agreement

**CONSTRUCTION AND PERMANENT LOAN AGREEMENT
BROADWAY TRIANGLES
MIXED USE DEVELOPMENT AND HISTORIC BUILDING REHABILITATION PROJECT**

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

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

"EFFECTIVE DATE"	Being the date as of which this Loan Agreement shall be effective.	
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Redevelopment Agency of the City of Sacramento	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	The Broadway Triangle, LLC	
Legal Status	California limited liability company	
Principal Address	1221 - 18th Street, Sacramento, CA 95811	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	Oak Park Project Area Tax Increment
"LOAN AMOUNT"	Four Million Four Hundred Eighty Nine Thousand Dollars and No Cents (\$4,489,000.00)	
"INTEREST RATE"	The interest rate is 0% per year, simple interest.	
"PAYMENT START DATE"	The first day of the 59 th month following the earlier of: (1) the month in which a certificate of occupancy is issued for the last Project building; or (2) October 1, 2014; and monthly thereafter as indicated in the Note.	
"MATURITY DATE"	The last day of the 240 th month following the Payment Start Date	
"PAYMENT SCHEDULE"	Payable monthly, in monthly installments as indicated in the Note, commencing on the Payment Start Date and continuing on the first day of each calendar month thereafter, through and including the Maturity Date. At completion of construction, Borrower shall submit to Lender a cost certification acceptable to Lender indicating the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the loan balance and the retention amount held by the Lender shall each be reduced by half of the aggregate cost savings. The Lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.	
"BORROWER EQUITY"	Two Hundred Ninety Four Thousand Dollars and No Cents (\$294,000.00)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project, but including cash paid for land contributed to the Project) that Borrower is investing in the Project.
	Four Hundred Fifty Thousand Dollars and No Cents (\$450,000.00)	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).

"SPECIAL TERMS"	1. Lender and Borrower intend that Borrower repay one-half of the Loan Amount and that one-half of the Loan Amount be forgiven by Lender. To accomplish this forgiveness, beginning with the earlier of the first day of the month following in which a certificate of occupancy is issued for the last Project building or October 1, 2014, Lender shall forgive \$89,780.00 per year in equal annual installments over the term of the Loan within sixty (60) days of each calendar year end provided that all conditions have then been met and Borrower is not then in default of the DDA, the Regulatory Agreement or this Loan Agreement.	
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	Construction of four buildings containing ground floor Lender-approved commercial or retail use consistent with the Special Land Use Regulations of the Broadway/Stockton Special Planning District (Sacramento City Code Section 17.94.030). Second floor residential units available for rent or purchase by the general public and containing not less than the following number of units: ten (10). Rehabilitation of historic commercial building.

B. "COLLATERAL" The Collateral securing repayment of the Loan, which Collateral consists of the following:		
"PROPERTY"	The following described real property, which is security for the Loan and the site of the Project:	
Assessor's Parcel Numbers	The following Assessor's Parcel Numbers are descriptive of the original configuration of the Property and shall be revised for consistency with Exhibit 1: Legal Description upon the recordation of a final map for the property: 010-0375-001, 010-0375-002, 010-0375-003, 010-0375-004, 010-0375-008, 010-0381-012, 010-0381-013, 010-0381-014, 010-0381-015, 010-0381-016, 010-0381-017, 010-0381-018	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.	
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:	Materials and supplies for the Project
OTHER ADDITIONAL COLLATERAL	Borrower's interest in the following property:	N/A

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Stewart Title	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	Which is the date for close of the Escrow, as it may be extended.	

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3: Note Form</u>	"Note"
<u>Exhibit 4: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 5: Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"

E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval:
Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as trust agreement, partnership agreements or corporate articles and by-laws
Construction Budget for the Project
Evidence of financing as described in Section 9 of this Loan Agreement
Plans and Specifications as defined in Section 3.20 of this Loan Agreement

F. "ASSIGNED DOCUMENTS" Borrower shall assign the following documents to Lender:
Construction Contract
Architectural Contract

G. "CONSTRUCTION INFORMATION":			
"Completion Date"	September 30, 2013	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	To be Determined	The general contractor for construction of the Project is subject to prior approval by Lender pursuant to Section 3.10 below.	
"Project Architect"	Vrilakas Architects	Which is the architect for design of the Project	
"Retention"	The following percentage of each disbursement made for construction work, in aggregate not to exceed the following percentage of the Loan Amount, which shall be retained by Lender for disbursement:	Percentage of disbursement:	TEN Percent (10%)
		Percentage of Loan:	TEN Percent (10%)

H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement:
1. This Loan is made pursuant to the Disposition and Development Agreement between the Parties, made concurrently with this Loan Agreement ("DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan proceeds.
2. Loan funds shall be used solely for Project costs. Unless otherwise noted in the budget, predevelopment costs are not subject to withholding as Retention.
3. "Property Manager" for the Property and Project is subject to the prior approval by Lender in writing.
4. Within Eighteen (18) Months after the Completion Date, Borrower shall demonstrate that at least fifty percent (50%) of the ground floor area of the four mixed use buildings is leased out to tenants pursuant to a market rate lease. In the event that Borrower has not leased at least fifty percent (50%) of the ground floor area, Lender may require Borrower to relocate Vrilakas Architects to the Property within Twenty-four (24) Months of the Completion Date. Borrower's obligation to relocate would be void if Vrilakas Architects is, at that point, no longer a "going business concern" and Lender may release Borrower from the obligation to relocate if Borrower can reasonably demonstrate that the available un-leased contiguous space is not commensurate in size to that occupied at the time for operation of the practice. Upon relocation, rent paid by Vrilakas Architects shall be no less than the pro forma rent for the space.
5. Buyer shall obtain written Lender consent prior to the sale of the Property or any part of the Property or interest in the Property ("Sale") pursuant to Section 15 of the Deed of Trust. If Lender approves of the Sale in writing, Lender shall also forgive the outstanding prorated portion of the Forgivable Loan Amount upon the sale of the Property. All sales proceeds from the Sale of the Property in whole or part shall first be applied to the Loan (or portion thereof) used to construct the Property, then to usual and customary costs of sale, with the remainder ("Net Sales Proceeds") divided between and paid to Lender and Borrower as follows: Years 1 – 10 after the Completion Date: 30% of Net Sales Proceeds to Lender and 70% to Borrower Years 11 – 20: 20% of Net Sales Proceeds to Lender and 80% to Borrower Years 21 – 30: 10% of Net Sales Proceeds to Lender and 90% to Borrower Years 31 – 40: 5% of Net Sales Proceeds to Lender and 95% to Borrower.
6.

3. **DEFINITIONS.** Terms not defined in this Loan Agreement shall have the definitions assigned in the Trust Deed. As used in this Loan Agreement, the following terms shall have the following meanings:

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

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

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

3.4. "Completion of the Project" means that, in Lender's sole judgment the Project has been constructed, rehabilitated, completed, equipped, and furnished in a good and proper manner in accordance with the Plans and Specifications, the Scope of Development and the Budget as approved by Lender; all notices of completion with respect to the Project have been filed and all statutory lien periods have expired; all costs of constructing the Project have been paid, including, without limitation, interest on the Note which may be due prior to the Completion Date; all necessary certificates of occupancy have been issued; and all of the conditions to final disbursement of the Loan have been satisfied.

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

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

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

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

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

3.10. "General Contractor" means the general contractor named by Borrower in his application or supporting documents as the general contractor to do the Project, or any other general contractor so designated by Borrower. Borrower shall obtain approval of the General Contractor in writing in advance by Lender.

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

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

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

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

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

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

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

3.18. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.

3.19. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

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

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

3.22. "Project" means the development of the Property in accordance with the Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

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

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

3.25. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, a general moratorium on financing for projects of the same type, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the Lender, 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.

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

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

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

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

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

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

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

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

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

4.9. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a first lien.

4.10. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project in accordance with the Plans and Specifications and for other purposes specified in the Loan.

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

4.12. **PLANS AND SPECIFICATIONS.** The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

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

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

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

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

5.3. **LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on

the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.

5.4. **CLOSING IN ADVANCE OF SENIOR LOAN.** Lender will subordinate this Loan to the senior loan, provided that the senior loan does not require modification of this Loan Agreement or Lender's entry into any agreements containing new or modified Loan terms.

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

5.6. **REGULATORY AGREEMENT.** The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation.

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

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

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

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

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

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

6.4. **RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Lender and Borrower acknowledge and agree that no further actions are required to comply with any and all relocation laws which are the obligation of Lender or are otherwise applicable to the Project.

7. **CONSTRUCTION.** As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date, subject to Unavoidable Delay.

7.1. CHANGES. In order to assure sufficient funding for the Project, Borrower shall not authorize any Change without the prior written consent of Lender. If in the judgment of Lender, a Change, together with all other Changes contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent, provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such Changes. Borrower will submit any such Change to Lender for approval on a form acceptable to Lender, together with approvals by the Project Architect, if any, and the General Contractor. Borrower shall maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

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

7.3. NO DISCRIMINATION DURING CONSTRUCTION. Borrower 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.

7.3.1. EMPLOYMENT. Borrower 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. Borrower 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. Borrower 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.

7.3.2. ADVERTISING. Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, 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.

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

7.4. INSPECTION. Lender may, at any time and without notice to Borrower, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Lender and its Lender's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Borrower shall bear the cost of reasonable inspections, except that Lender shall bear its costs of inspection. If however, Lender's inspection discovers issues of a nature that require further third-party review or investigation, Borrower shall bear the costs of such third party review.

7.5. PROTECTION AGAINST LIEN CLAIMS. Borrower shall promptly and fully discharge all claims for labor, materials and services in connection with the Project. Borrower shall promptly file a valid Notice of Completion on completion of the Project. Borrower shall promptly file a Notice of Cessation in the event of a cessation of labor on the Project for a continuous Period of (30) days or more. Borrower shall take all other reasonable steps to protect against the assertion of lien claims against the Property. Within ten (10) days after the filing of any claim of lien against the Property, Borrower shall record a surety bond in the office of the Recorder of the County where the Property is located in an amount sufficient to release the claim of lien or deliver to Lender any other assurance as may be acceptable to Lender as evidenced by Lender's written acceptance of such assurance.

7.5.1. Lender, at any time, may require Borrower to obtain a lien waiver with respect to each payment to the General Contractor and each payment by the General Contractor or Borrower to each of the various subcontractors and

material suppliers. Lender, at any time, may require Borrower to make any payments for the Project by joint check made payable to the General Contractor and subcontractor for whose account the payment is to be made, as joint payees.

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

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

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

7.8. **OTHER LENDER DRAW.** Borrower shall provide Lender with true, accurate and correct copies of each Other Lender Draw, if any, including without limitation all supporting information, documents, and other required submittals. Lender shall have the right to reject an Other Lender Draw, for failing to comply with the Loan, for changing the Project in any material way, or for impairing the ability of Lender to enjoy the practical realization of its rights under the Loan and its related instruments. If Lender rejects an Other Lender Draw, Borrower shall withdraw the Other Lender Draw and shall not accept and shall return any disbursement on account of such Other Lender Draw.

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

7.10. **PREVAILING WAGES.** Unless stated otherwise above, Lender advises Borrower that the Project is subject to the payment of prevailing wages under California law. Borrower shall inform the General Contractor and shall require the General Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Lender's determination of the applicability of California prevailing wage requirements. Borrower and General 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. Borrower and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Borrower indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them.

8. **LOAN DISBURSEMENT PROCEDURES.**

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

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

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

8.1.3. Lender is satisfied that all completed work has been done using sound, new materials and fixtures, in a good and proper manner, and all materials, fixtures, and furnishings installed on or acquired for the Property will be owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest.

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

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

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

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

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

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

8.2.3. Borrower has provided proof of all insurance required by the Loan Documents.

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

8.3. CONDITIONS PRECEDENT TO FINAL DISBURSEMENT. Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 8.1 have been met:

8.3.1. As applicable, the Project Architect and the Lender's designated agent will have certified to Lender, on AIA Form G704 and in a manner satisfactory to Lender:

- a. That the Project has been duly completed in a good and proper manner using sound, new materials;
- b. That the Project complies with the Plans and Specifications, the requirements of all Governmental Authorities and any other party having enforceable rights regarding the construction of the Project; and
- c. That the Project is structurally sound.

8.3.2. Borrower has provided to Lender a true, accurate and complete copy of the final draw request to all other lenders for the Project.

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

8.3.4. Title policy endorsements in form and amount satisfactory to Lender (including an endorsement insuring lien-free completion of the Project) have been furnished to Lender.

8.3.5. Borrower has furnished evidence, in form and substance satisfactory to Lender, that:

- a. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full;

- b. Borrower has obtained final certificates of occupancy for all of the Project;
- c. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and
- d. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

8.3.6. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property of a value in excess of \$1,000 and used in the management, maintenance, and operation of the Project, that are included in the collateral for the Loan.

8.3.7. Borrower has filed a notice of completion of the Project necessary to establish the commencement of the shortest statutory period for filing of mechanics' and materialmen's liens.

8.3.8. Lender has received written approval from the surety on any bond required by Lender.

8.3.9. Borrower has submitted to Lender a final cost certification acceptable to Lender.

8.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 8.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

8.5. **COMPLIANCE.** To the best of Borrower's knowledge, the construction, use, and occupancy of the Property and Project comply in full with, or if built according to the Plans and Specifications, will comply in full with, all Governmental requirements. No right to construct or use the Project is to any extent dependent on any real property other than the Property. All approvals, licenses, permits, certifications, filings, and other actions normally accepted as proof of compliance with all Governmental requirements by prudent lending institutions that make investments secured by real property in the general area of the Property, to the extent available as of the date of this Loan Agreement, have been given or taken, or Borrower is entitled to have them given or taken as the ministerial act of the applicable Governmental Authority.

9. **RESIDENTIAL OPERATIONS.**

9.1. **PROPERTY MANAGEMENT COMPANY.** For the life of the Loan, Borrower shall obtain and maintain a property management agreement with a top quality and duly accredited real estate property management company for the management of the Property, and shall assure the compliance of the property management with such agreement. Lender shall not disburse any funds under this Loan Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Lender shall have the right to review and approve any proposed changes to scope of said agreement and to changes in the real estate property management company, prior to Borrower's making such changes. Any such changes made without Lender approval shall be a default of the loan. The Lender has approved the Property Manager as a qualified property management company for the Project.

9.2. **REPLACEMENT RESERVES.** Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than Two Hundred Fifty Dollars (\$250) for each residential unit in the Project.

9.3. **VERIFICATION OF NET INCOME.** When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Project net income, including without limitation copies of certified rent rolls, bank statements, billing statements and invoices..

10. **DEFAULT.**

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

10.1.1. The occurrence of an Event of Default under the Trust Deed.

10.1.2. Subject to Borrower's legal rights to contest a governmental requirement, Borrower's failure to comply with any governmental requirements, unless within ten (10) days after notice of such failure by Lender or the respective governmental entity or after any action has been commenced to enforce such requirement, Borrower has cured such failure.

10.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the construction, occupancy, or use of the Project, unless within ten (10) days after notice by the issuing entity or Lender of such failure, Borrower has promptly cured such failure.

10.1.4. Any material deviation from the Plans and Specifications in the construction of the Project, or the appearance or use of defective workmanship or materials in the construction of the Project, if Borrower fails to remedy them or to diligently proceed to remedy them to Lender's satisfaction within ten (10) days after Lender's written demand to do so.

10.1.5. Borrower's failure to complete the construction of the Project by the Completion Date.

10.1.6. The filing of any lien against the Property or Project or the service on Lender of any bonded stop notice related to the Loan, if the claim of lien or bonded stop notice continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

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

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

11. REMEDIES.

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

11.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

11.4. GRANT OF POWER. Subject to the prior rights of lenders whose loans are secured by the Property and senior to the rights of Lender, Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of an Event of Default, to act for Borrower in its name, place, and stead as provided in this Loan Agreement, to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, to complete or attempt to complete the work of construction, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property or Personalty, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

12. LIABILITY INSURANCE. With regard to this Loan Agreement, the Borrower shall obtain and maintain for the life of the Regulatory Agreements, and require the General 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 Borrower, General 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 his employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than his 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 Borrower, 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 Borrower's obligations under this Loan Agreement.

12.1. LIABILITY INSURANCE POLICY LIMITS. Borrower shall obtain all insurance under this Section 13 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

12.2. WORKER'S COMPENSATION. Borrower 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.

12.3. COMMERCIAL GENERAL LIABILITY. Borrower shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project.

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

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

12.6.1. ADDITIONAL INSURED. Borrower shall obtain a policy in ISO form CG 20 33 or better, naming Lender 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. Borrower shall not provide insurance coverages that are considered in aggregate with other Projects which Borrower or its General Contractor might have concurrently under construction. The Lender may at its discretion permit an aggregate policy if and only if Borrower or the respective General Contractor or subcontractor has fully disclosed to Lender other projects which will or may be considered in aggregate with the Project, and thereafter, Borrower shall immediately inform Lender of the change in or addition to any such projects. Nevertheless, Lender may, at any time require that the insurance coverage be provided solely for the Project.

12.6.3. CERTIFIED POLICY COPY. Borrower shall provide Lender with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Borrower shall provide Lender with a Certificate of Insurance 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."

a) **CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date. In the alternative to such endorsement, Borrower will provide the Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Contractor's responsibility to notify the Lender of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Contractor shall notify the Lender within forty eight (48) hours of such cancellation or non-renewal.

_____**Borrower's Initials**

12.7. FAILURE TO MAINTAIN. If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender shall have the right, upon five (5) days written notice and opportunity to cure, to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Lender. If Borrower fails to reimburse the Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

12.8. BLANKET COVERAGE. Borrower's obligation to carry insurance as required under this Section 16 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 12 with respect to such insurance shall otherwise be satisfied by such blanket policy.

13. MISCELLANEOUS.

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

13.2. CURE BY PARTY OTHER THAN BORROWER. Any lender whose loan is secured by the property and any principal of Borrower may cure a default of the Loan, provided that such cure rights shall be the same as Borrower's cure rights. Such other curing party must cure by the date on which Borrower was obligated to cure, except if Lender is obligated by this Loan Agreement to give separate notice to such other curing party, in which instance, the cure period shall begin when Lender makes such notice to such other curing party.

13.3. CONDEMNATION. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a taking of all of the Property, the proceeds shall be applied to the sums provided by this Loan, subject to any claims of prior lienholder, with the excess, if any, paid to junior lienholders and Borrower, as they may determine. In the event of the partial taking of the Property, unless Borrower and Lender otherwise agree in writing, and subject to any claims of prior lienholders, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior lienholders and Borrower, as they may determine.

If the condemnor offers to make an award or settle a claim for damages to the Property and: (1) the Property is abandoned by Borrower; or (2) after notice by Lender to Borrower of the condemnor's offer, Borrower fails to respond to Lender within 30 days after the date such notice is mailed; Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

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

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

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

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

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

13.8. NO THIRD PARTIES BENEFITED. This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds at any time on deposit in the Construction Account or the Impound Account, if established.

13.9. **NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture or partnership between Lender and 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 Lender and Developer other than that of a lender and a borrower.

13.10. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents.

13.10.1. **METHOD.** All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more 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, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Borrower or Lender may respectively designate by written notice to the other.

13.10.2. **SHORT TERM NOTICES.** Notices, including requests for approval, requiring action in less than thirty (30) days may only be given by the foregoing overnight courier or hand delivery method, and shall include the following language on its face: "URGENT – TIME SENSITIVE – IMMEDIATE ACTION REQUIRED" and marked for delivery to Portfolio Management. Such notice shall include the time allowed under this Loan Agreement for action.

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

13.12. **SIGNS.** Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided construction financing for the Project, which sign shall remain for the duration of construction. If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

13.13. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without

limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

13.14. ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

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

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

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

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

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

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

BORROWER :
THE BROADWAY TRIANGLE, LLC , A
CALIFORNIA LIMITED LIABILITY COMPANY

LENDER:
REDEVELOPMENT AGENCY OF THE CITY OF
SACRAMENTO

By: _____
Ronald Vrilakas
Member

By: _____
LaShelle Dozier, Executive Director

Date: _____

Date: _____

Approved as to form:

Approved as to form:

Borrower Counsel

Lender Counsel

Exhibit 1: Legal Description

Agency Property description

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

PARCEL ONE

LOTS 1, 2 AND 3 IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, JUNE 18, 1889 IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-001

PARCEL TWO

THE SOUTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-002

PARCEL THREE

THE NORTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-003

PARCEL FOUR

LOT 5, BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-004

PARCEL FIVE

LOTS 9, 10 AND 11, IN BLOCK 31 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO" AS RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY
APN: 010-0375-008

Developer Project Property description

The Developer Project Property includes the following lots approved in the Tentative Map for Broadway Triangle Subdivision approved by the City of Sacramento Planning Commission on March 10, 2011 (attached as Exhibit 1.A): Lots 13, 14, 15, 16 and 17 in their entirety, and, the northwestern-most portion of Common Lot C, adequate in size to allow construction of four automobile garages that are included in the Project Phase 1 Scope of Development.

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Project Property includes the westernmost portions of Parcel One, all of Parcel Two and the northern twenty-five (approximately) of Parcels Four and Five, all as described as follows.

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

PARCEL ONE

THE NORTH ONE HALF OR LOTS 15 AND 16 IN BLOCK 32 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 25, RECORDS OF SAID COUNTY.

A.P.N. 010-0381-017 AND 010-0381-018

PARCEL TWO

THE SOUTH 37 1/2 FEET OF LOT 15 AND 16 IN BLOCK 32, AND THE NORTH 1/2 OF THE SOUTH 1/2 OF LOTS 15 AND 16, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY.

A.P.N. 010-0381-015 AND 010-0381-016

PARCEL THREE

As described below is, in its entirety, Developer Non-Project Property.

PARCEL FOUR

LOT 13, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-013

PARCEL FIVE

LOT 14, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-014

Developer Non-Project Property description

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Non-Project Property includes the easternmost portions of Parcel One, Parcel Three (legal description follows) and all of Parcels Four and Five except for the northernmost twenty-five (approximately) of said Parcels Four and Five.

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

PARCEL THREE

LOT 12, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-012

Exhibit 2: Scope of Development

Agency is entering into this DDA and conveying the Agency Property to Developer solely for the purposes of developing a portion of the Project (also known as Phase 1). The Project's mapping, site layout, building designs, material specifications and other features shall be in compliance with the Report to Preservation Commission of the City of Sacramento, as approved on March 2, 2011, as well as in compliance with the City of Sacramento Planning Commission Conditions of Approval described in the Commission's "Record of Decision" dated March 10, 2011 for Project Number P10-085 (relying on Developer plans generally dated November 19, 2010). Finalization of plans and requisite building permits and other regulatory approvals are required prior to Project implementation. The Phase 1 scope of improvements includes the following on Agency Property and on Developer Project Property.

Agency Property (also known as Triangle West and Triangle Center)

Site clearance

- Remove three existing structures

New Construction (all square footages are approximate)

- Seven (7) single-family row houses, all two-story, all 1,287 square feet in size.
- One (1) single-family "live/work" unit, three-stories, 1,650 square feet in size.
- Four (4) mixed-use structures, all three-stories in height

Mixed-use Building # 1 (Triangle West)

Ground floor retail/commercial space: 1,467 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

Mixed-use Building # 2 (Triangle West)

Ground floor retail/commercial space: 2,301 square feet.

Four (4) two-bed/two-bath apartments (floors 2 and 3): 5,126 square feet total.

Mixed-use Building # 3 (Triangle Center)

Ground floor retail/commercial space: 1,287 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

Mixed-use Building # 4 (Triangle Center)

Ground floor retail/commercial space: 1,253 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

- Ten (10) automobile garages, surface parking with ten parking stalls, common area walkways, green space, fencing, exterior lighting and ancillary facilities.
- "Off-site" improvements described as City Conditions of Approval for the Project

Developer Project Property (also known as Triangle East Tentative Map Lots 13 – 17 and portions, Lot C)

- Three (3) single-family row houses, all two-story, all 1,287 square feet in size.

- One (1) single-family “live/work” unit, three-stories, 1,650 square feet in size.
- Rehabilitation of the existing historic one-story commercial structure located at 2753-35th St (Tentative Map lot 17) for new retail/restaurant use. Rehabilitation shall be in compliance with federal Secretary of the Interior Standards for Rehabilitation.
- Four (4) automobile garages, surface parking with ten parking stalls, common area walkways, green space, fencing, exterior lighting and ancillary facilities (sufficient to complete Phase 1 on Developer Property).
- “Off-site” improvements described as City Conditions of Approval for Phase 1 on the Developer Project Property.

Building Envelope and Interior Construction

The Phase 1 Project will be designed and constructed in conformance with the Agency’s “Rental Property Minimum Construction Standards,” as described in Exhibit 5 to the “Sacramento Housing and Redevelopment Agency Multifamily Lending and Mortgage Revenue Bond Policies for Projects of 12 or More Units” as formally adopted in March 2009. In addition, each for-sale and rental residential units shall include automatic dishwashers and laundry washer/dryer “hook-ups.”

Building heights

Three-story Mixed-use: 35’ to top plate; 37’ to top of parapet.

Three-story Live/work: 35’ to top plate; 37’-6” to top of parapet.

Two-story row house: 22’ to top plate; 24’ to top of parapet.

Exterior building materials

Brick, smooth finished cement plaster, board and batten siding, horizontal wood siding, corrugated metal siding, metal clad wood windows, wood windows, wood storefront systems, metal storefront systems and doors with clear glazing, steel awnings, metal roofing, and composite roofing.

Substantial Changes to Plans and Documents

If Developer desires to make any Substantial Changes (as described in DDA § 6.7.1) in the Final Plans, Developer shall submit such proposed changes, in writing, to the Agency for its approval in accordance with DDA § 6.7.

Final Bid Documents, Specifications, Materials, Finishes

In addition to preparation and Agency approval of Final Plans in accordance with DDA § 6.4 and § 6.7, Developer shall submit final documents for construction bids and related specifications for Agency approval prior to submission to Agency of the Construction Contracts, per DDA § 7.2 and prerequisite to Agency issuance of a Notice to Proceed as required under DDA § 7.1

Exhibit 3: Note Form

PROMISSORY NOTE
FOR CONSTRUCTION AND PERMANENT LOAN AGREEMENT

BROADWAY TRIANGLES
MIXED USE DEVELOPMENT AND HISTORIC BUILDING REHABILITATION PROJECT

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	
“Lender”	Redevelopment Agency of the City of Sacramento
“Borrower”	The Broadway Triangle, LLC
“Borrower Legal Status”	California limited liability company
“Loan Agreement”	The Construction and Permanent Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“DDA”	The Disposition and Development Agreement between Borrower and Lender as of the Effective Date.
“Principal Amount”	Four Million Four Hundred Eighty Nine Thousand Dollars and No Cents (\$4,489,000.00)
“Interest Rate”	The interest rate is 0% per year, simple interest.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: n/a The Effective Date
“Special Terms”	<ol style="list-style-type: none"> 2. At completion of construction, Borrower shall submit to Lender a cost certification acceptable to Lender indicating the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The Lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project. 3. Lender and Borrower intend that Borrower repay one-half of the Loan Amount and that one-half of the Loan Amount be forgiven by Lender. To accomplish this forgiveness, beginning with the earlier of the first day of the month following the month in which a certificate of occupancy is issued for the last Project building or October 1, 2014, Lender shall forgive \$89,780.00 per year in equal annual installments over the term of the Loan within sixty (60) days of each calendar year end provided that all conditions have then been met and Borrower is not then in default of the DDA, the Regulatory Agreement or this Loan Agreement.
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:	
“Maturity Date”	The last day of the 240 th month following the Payment Start Date
“Payment Start Date”	The first day of the 59 th month following the earlier of the month in which a certificate of occupancy is issued for the last Project building or October 1, 2014; and monthly thereafter.

"Payment Amount(s)"	The Loan balance shall be payable monthly on the first day of each successive month, in equal monthly installments as set forth below commencing on the Payment Start Date and continuing on the first day of each calendar month thereafter until the Maturity Date, at which time any remaining balance is due and payable in full.	
	Payment Period	Monthly Payment Amount
	Months 1 through 58	\$-0-
	Months 59 and 60	\$7,996.50
	Year 6	\$8,849.90
	Year 7	\$8,853.31
	Year 8	\$8,853.12
	Year 9	\$8,849.16
	Year 10	\$8,841.26
	Year 11	\$8,829.23
	Year 12	\$8,812.90
	Year 13	\$8,792.07
	Year 14	\$8,766.55
	Year 15	\$8,736.12
	Year 16	\$8,700.58
	Year 17	\$8,659.69
	Year 18	\$8,613.24
	Year 19	\$8,560.99
	Year 20	\$8,502.69
	Year 21	\$8,438.09
	Year 22	\$8,366.93
	Year 23	\$8,288.92
	Year 24	\$8,203.80
	Year 25	\$8,111.27
	The last day of the last month of Year 25 the remaining unpaid balance is due and payable in full. Based on this Payment Schedule the unpaid balance is estimated to be:	
	\$156,940.00	

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

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

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

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

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

compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

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

- a. Borrower defaults in the payment of any principal or interest when due.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of the DDA, Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note.
- e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.
- f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
- g. The occurrence of any of the following:

- 1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.
- 2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.
- 3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

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

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

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

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

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

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

Borrower:

The Broadway Triangle, LLC, A California Limited Liability Company

By:

Ronald Vrillakas, Member

Exhibit 4: Trust Deed Form

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
 Attention: Portfolio Management

DEED OF TRUST AND ASSIGNMENT OF RENTS
 Broadway Triangles
 Mixed Use Development and Historic Building Rehabilitation Project

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

TERM	DEFINITION
"Effective Date"	
"Trustor" and "Borrower"	The Broadway Triangle, LLC, a California limited liability company
"Borrower Address"	1221 -18th Street, Sacramento, CA 95811
"Trustee"	Stewart Title of Sacramento
"Beneficiary" and "Lender"	Redevelopment Agency of the City of Sacramento, a public body, corporate and politic
"Lender Address"	801 12th Street, Sacramento, California 95814
"Property"	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.
	Address To be determined.
	Assessor's Parcel Numbers The following Assessor's Parcel Numbers are descriptive of the original configuration of the Property and shall be revised for consistency with <u>Exhibit 1: Legal Description</u> upon the recordation of a final map for the property: 010-0375-001, 010-0375-002, 010-0375-003, 010-0375-004, 010-0375-008, 010-0381-012, 010-0381-013, 010-0381-014, 010-0381-015, 010-03810-16, 010-0381-017, 010-0381-018
"Legal Description"	The Legal Description of the Property which is more particularly described in the attached <u>Exhibit 1 Legal Description</u> , which is incorporated in and an integral part of this Deed of Trust
"Loan"	Which is Lender's loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.
"Loan Agreement"	Which is the Permanent and Construction Loan Agreement for Broadway Triangles Mixed Use Project between Lender and Borrower stating the term and conditions of the Loan.
	Which is dated:
"Additional Notices"	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.

	Which has a principal sum of	Four Million Four Hundred Eighty Nine Thousand Dollars and No Cents (\$4,489,000.00)
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THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

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

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

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

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

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

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

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

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

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

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

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

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

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

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

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

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

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

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

BORROWER (Trustor):

THE BROADWAY TRIANGLE, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____

Ronald Vrilakas

Member

Exhibit 5: Regulatory Agreement

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

**REGULATORY AGREEMENT
CONTAINING COVENANTS AFFECTING REAL PROPERTY**

**BROADWAY TRIANGLES
MIXED USE DEVELOPMENT AND HISTORIC BUILDING REHABILITATION PROJECT**

PROJECT NAME:	Broadway Triangles Mixed Use Development and Historic Building Rehabilitation Project
PROJECT ADDRESS:	To be determined.

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

- 1. GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.
- 2. DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM	DEFINITION
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:
“Agency”	Redevelopment Agency of the City of Sacramento The Agency is a public body, corporate and politic.
“Owner”	The Broadway Triangle, LLC
“Agency Address”	Agency’s business address is 801 12 th Street, Sacramento, California 95814
“Owner Address”	Owner’s business address is as follows: 1221 – 18 th Street, Sacramento, CA 95811
“Jurisdiction”	City of Sacramento
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description and incorporated in this Regulatory Agreement by this reference
“Funding Agreements”	The Funding Agreements between Agency and Owner as follows:
	Titled: Construction and Permanent Loan Agreement
	Dated:
	Titled: Conditional Grant Agreement
Dated:	
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreements for development of the Property
“Agency Funding Amount”	The amount of the Agency Funding, as follows: \$4,489,000.00
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to provide the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.

"Approved Use"	Ground floor Agency-approved commercial or retail use consistent with the Special Land Use Regulations of the Broadway/Stockton Special Planning District (Sacramento City Code Section 17.94.030). Second floor residential units available for rent or purchase by the general public and containing not less than the following number of units: ten (10). Rehabilitation of historic commercial building.
"Disapproved Use"	<p>Owner shall assure that the property is not used, in whole or in part, for any of the following Disapproved Uses:</p> <p>Establishments deriving more than 5% of net income from adult-oriented material, whether for sale, rent or on-site use or viewing; check cashing or payday loan business; social services (as defined by Sacramento City Code); gun shop; marijuana related business; arcade exclusively for video games; used appliance stores; facility for repair of any appliances, vehicles or other products, except as insubstantial and incidental to permitted activities; service station for the sale of gas, oil and related products; facility using, storing or treating hazardous materials; facility for rent or storage spaces or for warehousing; facility for the housing of passive components such as digital switching units; and establishments creating nuisances or other activities that unreasonably intrude upon the peaceful enjoyment of nearby tenants and property owners, including without limitation bad odors, loud noises, bright lights, substantial numbers of loiterers, trash and garbage and unhealthful or dangerous situations</p>

MANAGEMENT AGREEMENT. Subject to prior approval by Agency, 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.

Approved Management Company
To be determined

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

Provision	Term
1. Developer shall obtain ground-floor retail and commercial tenants for uses that meet the reasonable approval of the Agency's Executive Director prior to Owner's execution of a lease. Agency's intent in obtaining the covenant is to assure that the Project contains on the ground floor such uses that the Agency reasonably considers to have redevelopment and economic benefits for the Project Area.	10 years
2. For a period of 10 years, all ground floor uses shall be subject to the Executive Director's reasonable approval, with the same requirements as the original approval in subsection 1 of these Special Provisions.	

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

5. 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 not use and shall not permit others to use the Property for any of the Disapproved Uses.
- c. Owner shall ensure full compliance with the Special Provisions.
- d. Owner shall assure full compliance with the Funding Requirements.
- e. 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.
- f. 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.
- g. 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.
- h. 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.
- i. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

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

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

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

15. 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.

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

17. 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.

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

19. **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.

20. **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.

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

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

OWNER : THE BROADWAY TRIANGLE, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
Ronald Vrillakas, Member

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

Date: _____

Borrower Counsel

Approved as to form: _____
Agency Counsel

Exhibit 6: Escrow Instructions

**JOINT ESCROW INSTRUCTIONS
FOR AGENCY LOAN**

“Effective Date”	***Effective Date***
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

- GENERAL.** These Escrow Instructions, in addition to items listed below, include Article II Instructions, which is attached to and incorporated in these Escrow Instructions by this reference.
- DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

“Title Company”	***Title Company Name***		
	Address:	***Title Company Address***	
“Escrow” with Title Company	Escrow Number:	***Escrow Number***	Attention: ***Escrow Agent***
	Agency		
“Agency”	Address:	801 12 th Street, Sacramento, CA 95814	
	Attention:	***Agency staff***	
“Borrower”	***Developer Name***		
	Address:	***Developer Address***	
	Attention:	***Developer staff***	
“Closing Date”	***Closing Date***		
“Property”	Address:	***Property Address***	APN: ***APN***
	Description of the transaction ***Transaction Description***		

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents:	Marked for return to:
	Recorded Documents	
“Agency Items”	Promissory Note for subject loan	
	Loan Agreement for the subject loan	
	Authorizing resolutions for all Borrower signatories	
“Borrower Items”	***IF If Funds to Borrower***	
	Developer/Borrower Items	

“Special Provisions”:	***Special Escrow Provisions*** ***IF If Construction Loan*****IF (If Construction Loan = TRUE) AND (if Rehab Loan != TRUE)*****IF If Rehab Loan***For the Regulatory Agreement - CLTA 124.1
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“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	Regulatory Agreement and Trust Deed	In the amount of the loan secured (\$***Loan Amount***)	
The title policies shall be subject only to the following “Conditions of Title”:	Items ***Conditions of Title*** of Title Company’s Preliminary Report for the Escrow	Dated:	***Preliminary Report Date***
		Number:	***Escrow Number***

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the date first written above. **BORROWER:** ***DEVELOPER NAME***

AGENCY: ***AGENCY***

By: _____
LaShelle Dozier

By: _____
Name: ***Developer signatory***
Title: ***Developer signatory title***
Authorized signatory

Executive Director

ARTICLE II. INSTRUCTIONS

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.

2. **CONDITIONS TO CLOSE OF ESCROW.** “Close of Escrow” means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

2.1. **CONDITIONS.** The following are conditions to the Close of Escrow:

2.1.1. The conditions precedent to performance stated in the Recorded Documents are satisfied as of the Closing Date.

2.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Title Insurance to Agency (at Borrower’s cost) in the amount stated. The Agency Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Borrower’s performance of its obligations and repayment of Agency Funding.

2.1.3. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

2.1.4. On or before the Closing Date, Agency shall also deposit with Title Company the Borrower Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

2.1.5. On or before the Close of Escrow, Borrower shall also deposit with Title Company the Agency Items and Borrower’s share of closing costs and fees.

2.1.6. Title Company is satisfied that all required funds have been deposited in Title Company’s account for the Escrow, have cleared the originating bank and are available for transfer by Title Company’s check or wire transfer to the appropriate party.

2.2. TRUST DEED FORM. If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company's Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

"The Loan Agreement requires the filing of the "Regulatory Agreement" that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency's written notice to Developer of such failure, the principal balance of the Loan shall, at Agency's option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds."

2.3. UPON CLOSE OF ESCROW. The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

- 2.3.1. Assure fulfillment of the Special Provisions;
- 2.3.2. Assure all documents are complete and affix legal descriptions of the Property as necessary to complete them;
- 2.3.3. Obtain full execution of all unexecuted documents;
- 2.3.4. Date all undated documents as of the Closing Date;
- 2.3.5. Record the Recorded Documents in the priority listed;
- 2.3.6. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;
- 2.3.7. Deliver the Agency Items to Agency and the Borrower Items to Borrower; and
- 2.3.8. Prepare and deliver to Borrower and Agency, respectively, one signed original of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

2.4. INABILITY TO CLOSE. If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Borrower and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Borrower has not complied with Borrower's obligations under this Loan Agreement, then Borrower shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement, such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

2.5. COMMISSIONS. Agency is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

ACCEPTANCE OF ESCROW INSTRUCTIONS

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Borrower for complete compliance with these instructions. Agency and Borrower reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of

these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Borrower agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions, return the executed counterparts of these escrow instructions to Agency and Borrower, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of the escrow instructions.

Dated: _____

TITLE COMPANY

*****TITLE COMPANY NAME*****

By: _____

Name: _____

Title: _____

Its authorized agent and signatory

CONSTRUCTION LOAN AGREEMENT

BROADWAY TRIANGLES FOR-SALE RESIDENTIAL DEVELOPMENT PROJECT

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement, includes attachments and Exhibits listed below, which are attached to and incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Terms and Definitions and as defined in the Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this table is marked "None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan as the context may indicate.) The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

A. "Loan Information" The general loan provisions of the Loan		
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Redevelopment Agency of the City of Sacramento	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, City of Sacramento, Sacramento County, California 95814	
"BORROWER"	The Borrower is the borrower of the Loan funds whose name, legal status and address are:	
Name	The Broadway Triangle, LLC	
Legal Status	California limited liability company	
Principal Address	1221 – 18 th Street, Sacramento, CA 95811	
"EFFECTIVE DATE"		Which is the date that this Loan Agreement shall be effective .
"LOAN"	The Loan is the loan made by this Loan Agreement.	
"LOAN COMMITMENT"	The Loan Commitment is Lender's loan commitment, made by letter dated as of	
"LOAN PROGRAM"	The Loan Program is Lender's Loan Program, commonly known as	Oak Park Tax Increment
"LOAN AMOUNT"	The principal amount of the Loan is Two Million One Hundred Forty Nine Thousand Dollars and No Cents (\$2,149,000)	
"INTEREST RATE"	The interest rate on the loan is Four Percent (4%) per annum, simple interest.	
"PAYMENT START DATE"	Ninety (90) days after the close of the sale of the first residential unit within the Project, subject to the senior lender's requirements, as approved by Lender.	
"MATURITY DATE"	Ninety (90) days after the close of the sale of the last residential unit within the Project.	
"PAYMENT SCHEDULE"	The Loan shall be repaid incrementally upon the sale of each residential unit, as described in the Special Provisions below, subject to the senior lender's requirements, as approved by Lender.	
"BORROWER EQUITY"	Ninety Thousand and No/100 Dollars (\$90,000.00)	Which is the minimum amount of cash or cash equivalent (including cash paid for land or other non-cash investment in the Project) that Borrower is investing in the Project.
"SPECIAL TERMS"		

"PROJECT"	The Project is the Project to be developed on the Property with the Loan funds, and described as:	The Project is the sale of Agency land described in Exhibit 1 and contribution of Developer-owned land for construction of twelve (12) residential units, composed of ten (10) row-house homeownership units and two (2) live/work units, fourteen (14) garages and additional secured parking spaces . The Agency land will be transferred subject to redevelopment and use restrictions that reduce the fair reuses value to nominal. In order to assure sufficient financing to construct the Project, the Agency will make the Loan from Project Area redevelopment funds.
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B. "Collateral" The Collateral securing repayment of the Loan, which Collateral consists of the following		
"PROPERTY"	The Property is the following described real property, which is security for the Loan and the site of the Project:	
Address	To be determined at a later date.	
Assessor's Parcel Number	The following Assessor's Parcel Numbers are descriptive of the original configuration of the Property and shall be revised for consistency with Exhibit 1: Legal Description upon the recordation of a final map for the property: Agency Owned: 010-0375-001, 010-0375-002, 010-0375-003, 010-0375-004, 010-0375-008 Developer Owned: the northern portion of lot 010-0381-014, 010-0381-015, 010-0381-016, 010-0381-017, 010-0381-018	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.	
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement	Materials and supplies for the Project

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Stewart Title of Sacramento	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent	
"Closing Date"		Which is the date for close of the Escrow, as it may be extended

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3: Note Form</u>	"Note"
<u>Exhibit 4: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 5: Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 7: Rescission of Regulatory Agreement Form</u>	"Rescission Form" being a sample of the form used to clear title on termination of the Regulatory Agreement

	by sale of property to homeowner.
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E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval	
Construction Agreements for the Project	
Architectural Agreement for the Project	
Borrower's organizational documents, such as trust agreement, partnership agreements, or corporate articles and by-laws	
Budget for the Project	
Evidence of financing as described in Section 7 of this Loan Agreement	
Plans and Specifications as defined in Section 1.25 of this Loan Agreement	

F. "ASSIGNED DOCUMENTS" Borrower shall assign the following documents to Lender	
Construction Contract	
Architectural Contract	

G. "Construction Information":			
"Completion Date"	June 30, 2015	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	To be determined	The general contractor for construction of the Project is subject to prior approval by Lender pursuant to Section 1.14 below.	
"Project Architect"	Vrilakas Architects	Which is the architect for design of the Project	
"Retention"	The following percentage of each disbursement made for construction work of the Project, or a portion thereof as determined by the Lender in its sole discretion shall be retained by Lender for disbursement upon the completion of the Project, or portion thereof.	Percentage of disbursement:	TEN Percent (10%)
		Percentage of Loan:	Not to Exceed TEN percent (10%)

H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement	
1. This Loan is made pursuant to the Disposition and Development Agreement entered into by and between Borrower and Lender on DATE ("DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan proceeds.	
2. The proceeds of the Loan shall be disbursed in accordance with the Disbursement Schedule, as reduced by amounts held as Retention.	
3. Borrower may elect to close the Loan in advance of closing of the senior loan ("Construction Loan"), provided that the Construction Loan meets all requirements of this Loan Agreement. Lender will subordinate this Loan to the Construction Loan, provided that the Construction Loan does not require modification of this Loan Agreement or Lender's entering into any agreements containing new or modified Loan terms.	
4. All sales proceeds from the sale of each residential unit remaining after payment of the Construction Loan as set forth in its loan agreement (approved by Lender), Developer's additional cash equity contribution, if any, to the Project made after the Notice to Proceed and approved in writing by Agency, the Developer Fee as set forth in the Budget (maximum of \$50,500 per unit), and usual and customary costs of sale (collectively, "Net Sales Proceeds") shall be disbursed to eighty percent (80%) to Lender and twenty percent (20%) to Borrower until Lender receives all of the outstanding balance of the Loan, including without limitation all accrued interest. The Net Sales Proceeds, if any, shall be disbursed to Lender within thirty (30) days after the sale of each unit. After disbursement of the Net Sales Proceeds, if any, for all twelve (12) residential units pursuant to this Section, if there is no Event of Default or Potential Default on the part of Borrower, Lender shall forgive the portion of the Loan balance remaining. In the event that Net Sales Proceeds remain after the repayment in full of the Loan, the remaining Net Sales Proceeds shall be disbursed to Borrower.	
5. The Lender shall execute a Rescission Form and Reconvey the Deed of Trust securing the Loan for each individual	

unit constructed on the Property upon the sale of that unit.

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. The capitalized terms in this Loan Agreement shall have the meanings assigned in General Terms and as defined in Section 1 of this Loan Agreement. (Terms being defined are indicated by quotation marks.) The Lender is making the Loan pursuant to the Loan Commitment and the terms and conditions of this Loan Agreement.

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

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

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

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

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

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

1.5. "Completion of the Project" means that, in Lender's sole judgment the Project has been constructed, rehabilitated completed, equipped, and furnished in a good and proper manner in accordance with the Plans and Specifications, the Scope of Development and the Budget as approved by Lender; all notices of completion with respect to the Project have been filed and all statutory lien periods have expired; all costs of constructing the Project have been paid, including, without limitation, interest on the Note which may be due prior to the Completion Date; all necessary certificates of occupancy have been issued; and all of the conditions to final disbursement of the Loan have been satisfied.

1.6. "Construction Lender" is the lender for the Construction Loan.

1.7. "Construction Loan" means the financing obtained by Borrower which pays all construction and other costs of the Project not otherwise paid by the proceeds of this Loan or Borrower contributions. The Construction Loan is to be secured by a senior lien against the Property and repaid from proceeds of the sale of the residential units.

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

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

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

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

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

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

1.14. "General Contractor" means the general contractor named by Borrower in his application or supporting documents as the general contractor to do the Project, or any other general contractor so designated by Borrower. Borrower shall obtain approval of the General Contractor in writing in advance by Lender.

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

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

1.17. "Impositions" means all real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges, and all other charges of a Governmental Authority and any interest or costs or penalties with respect to them, ground rent and charges for any easement or agreement maintained for the benefit of the Property, of every nature and any kind that at any time may be assessed, levied, imposed, or become a lien on the Property, Fixtures or income received from the Property or Fixtures, or any use or occupancy of the Property; and any charges, expenses, payments, or assessments of any nature that are or may become a lien on the Property or the income received from it.

1.18. "Inspector" is the person or persons designated by Lender for the inspection of Borrower's books and records and the physical progress of the Project as provided in this Loan Agreement.

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

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

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

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

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

1.24. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings,

equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

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

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

1.27. "Project" means the development of the Property in accordance with the Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

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

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

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

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

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

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

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

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

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

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

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

2.9. TITLE OF PERSONALTY. All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a first lien.

2.10. USE OF PROCEEDS. All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project in accordance with the Plans and Specifications and for other purposes specified in the Loan.

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

2.12. PLANS AND SPECIFICATIONS. The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

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

3. LOAN. Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, an amount not to exceed the Loan Amount, to finance the development of the Project and for other purposes as specified in the Scope of Development, subject to the terms, conditions, representations, warranties, and covenants in this Loan Agreement.

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

3.2. USE OF LOAN FUNDS. Loan funds shall be used solely for actual costs of Project construction. No Loan funds shall be used for predevelopment costs, except as provided in a Lender approved budget. Unless otherwise noted in said budget, predevelopment costs are not subject to the withholding as Retention.

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

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

3.5. REGULATORY AGREEMENT. The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation.

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

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

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

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

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

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

4.6. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of the Project. Lender and Borrower acknowledge and agree that no further actions are required to comply with any and all relocation laws which are the obligation of Lender or are otherwise applicable to the Project.

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

6. CONSTRUCTION. As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date.

6.1. CHANGES. In order to assure sufficient funding for the Project, Borrower shall not authorize any Change without the prior written consent of Lender. If in the judgment of Lender, a Change, together with all other Changes contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent, provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such Changes. Borrower will submit any such Change to Lender for approval on a form acceptable to Lender, together with approvals by the Project Architect, if any, and the General Contractor. Borrower shall maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

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

6.3. INSPECTION. Lender may, at any time and without notice to Borrower, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Lender and its Inspector and to permit all appropriate access to the Property and to all relevant books and records. Borrower shall bear the cost of reasonable inspections.

6.4. PROTECTION AGAINST LIEN CLAIMS. Borrower shall promptly and fully discharge all claims for labor done and materials and services furnished in connection with the Project, promptly file a valid Notice of Completion on completion of the Project, promptly file a Notice of Cessation in the event of a cessation of labor on the Project for a continuous Period of (30) days or more, and take all other reasonable steps to protect against the assertion of lien claims against the Property or any part of it.

6.4.1. Lender, at any time, may require Borrower to obtain a lien waiver with respect to each payment to the General Contractor and each payment by the General Contractor or Borrower to each of the various subcontractors and material suppliers, Lender, at any time, may require Borrower to make any payments for the Project by joint check made payable to the General Contractor and subcontractor for whose account the payment is to be made, as joint payees.

6.4.2. In any event, Borrower is not required to pay any claims for labor, materials, or services that Borrower disputes, reasonably and in good faith, and that Borrower, at its own expense, is currently and diligently contesting, provided that Borrower will, in that case and in each other case where a claim of lien has been filed, within ten (10) days after the filing of any claim of lien record in the office of the Recorder of the County where the Property is located a surety bond sufficient to release the claim of lien or deliver to Lender any other assurance as may be acceptable to Lender.

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

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

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

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

6.9. **PREVAILING WAGES.** Unless stated otherwise above, Lender advises Borrower that the Project is subject to the payment of prevailing wages under California law. Borrower shall inform the General Contractor and shall require the General Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Lender's determination of the applicability of California prevailing wage requirements. Borrower and General 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. Borrower and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Borrower indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them.

7. **LOAN DISBURSEMENT PROCEDURES.**

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

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

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

7.1.3. Lender is satisfied that all completed work has been done using sound, new materials and fixtures, in a good and proper manner, and all materials, fixtures, and furnishings installed on or acquired for the Property will be owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest.

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

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

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

7.2. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT. Borrower's request for the first Loan disbursement is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the first loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 7.1 have been met:

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

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

7.2.3. Lender has provided proof of all insurance required by the Loan Documents.

7.2.4. The Construction Lender's commitment to make the Construction Loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Borrower has done all things necessary to keep unimpaired its rights under the Loan Commitment. The Construction Loan will be disbursed following disbursement of Lender's pro-rated Loan proceeds allocated to each unit subject to the Lender's retention requirement.

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

7.3. CONDITIONS PRECEDENT TO FINAL DISBURSEMENT. Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 7.1 have been met:

7.3.1. As applicable, the Project Architect and the Inspector will have certified to Lender, on AIA Form G704 and in a manner satisfactory to Lender:

7.3.1.1. That the Project has been duly completed in a good and proper manner using sound, new materials;

7.3.1.2. That the Project complies with the Plans and Specifications, the requirements of all Governmental Authorities and any other party having enforceable rights regarding the construction of the Project; and

7.3.1.3. That the Project is structurally sound.

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

7.3.3. Title policy endorsements in form and amount satisfactory to Lender (including an endorsement insuring lien-free completion of the Project) have been furnished to Lender.

7.3.4. Borrower has furnished evidence, in form and substance satisfactory to Lender, that:

7.3.4.1. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full.

7.3.4.2. Borrower has obtained final certificates of occupancy for all of the Project;

7.3.4.3. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and

7.3.4.4. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

7.3.5. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property used in the management, maintenance, and operation of the Project, that are included in the collateral for the Loan.

7.3.6. Borrower has filed a notice of completion of the Project necessary to establish the commencement of the shortest statutory period for filing of mechanics' and materialmen's liens.

7.3.7. Lender has received written approval from the surety on any bond required by Lender.

7.3.8. Borrower has submitted to Lender a final cost certification acceptable to Lender..

7.4. MAKING DISBURSEMENT. Lender shall pay each disbursement request within twenty (20) Business Days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 7.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

7.5. DISBURSEMENT OF LESS THAN FULL REQUEST. If Lender makes a disbursement which is less than the full amount of the disbursement requested, Lender shall inform Borrower of the items disallowed for disbursement and the reason for disallowing them. Lender shall disburse the Loan in the following order of priority, except as expressly provided and unless paid by Borrower from other funds: (a) first, to pay Lender's Loan fees and expenses due; (b) second, to pay Lender the interest due on the Loan; (c) third, at Lender's option to pay all Impositions due; (d) fourth, at Lender's option, to make any other payments that Lender may in its sole discretion deem necessary or advisable to protect Lender's security under the Loan Documents; and (e) fifth, to make the disbursement of funds then due in response to Borrower's current request for disbursement.

7.6. NO WAIVER BY DISBURSEMENT. Regardless of the failure of any condition precedent to Lender's obligation to make disbursements to the Construction Account, Lender may make a disbursement if Lender, in its sole discretion, determines it to be advisable. The making of any disbursement shall not be deemed to constitute an approval or acceptance by Lender of the work completed or a waiver of the condition with respect to a subsequent disbursement.

7.7. APPROVAL OF OTHER LENDER DISBURSEMENTS. Borrower shall concurrently submit to the Lender complete disbursement requests, including without limitation all attachments and supporting evidence, made to any other lender, investor or other funding source for the Project. Lender shall have five (5) business days from receipt of such disbursement request to approve or deny such request, in whole or in part. Lender's approval of such disbursements shall be a condition precedent to such other lender's disbursement of funds pursuant to such disbursement request.

7.7.1. Borrower warrants and covenants to the Lender that the foregoing Lender review and approval process shall be acknowledged and accepted in all other loans and funding agreements for the Project.

7.7.2. Lender may deny all or any part of such disbursement request if it fails to provide line-item specification of each of the items for which the disbursement is sought and if such line-item specification fails to match like items in the Budget for the Project.

7.7.3. The disbursement of funds made pursuant to such other disbursement request which has not been reviewed and approved by Lender is a material breach of this Loan.

Notwithstanding any agreement to the contrary, this Section 7.7 regarding such other disbursements shall not be subordinated to any other interest unless such instrument of subordination specifically refers to the subordination of this Section 7.7 and is duly executed by Lender.

7.8. COMPLIANCE. To the best of Borrower's knowledge, the construction, use, and occupancy of the Property and Project comply in full with, or if built according to the Plans and Specifications, will comply in full with, all Governmental Requirements. No right to construct or use the Project is to any extent dependent on any

real property other than the Property. All approvals, licenses, permits, certifications, filings, and other actions normally accepted as proof of compliance with all Governmental Requirements by prudent lending institutions that make investments secured by real property in the general area of the Property, to the extent available as of the date of this Loan Agreement, have been given or taken, or Borrower is entitled to have them given or taken as the ministerial act of the applicable Governmental Authority

8. DEFAULT

8.1. EVENTS OF DEFAULT. At the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

8.1.1. The occurrence of an Event of Default under the Trust Deed.

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

8.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the construction, occupancy, or use of the Project.

8.1.4. Any material deviation from the Plans and Specifications in the construction of the Project, or the appearance or use of defective workmanship or materials in the construction of the Project, if Borrower fails to remedy them or to diligently proceed to remedy them to Lender's satisfaction within ten (10) days after Lender's written demand to do so.

8.1.5. Borrower's failure to complete the construction of the Project by the Completion Date.

8.1.6. The filing of any lien against the Property or Project or the service on Lender of any bonded stop notice related to the Loan, if the claim of lien or bonded stop notice continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender as provided for in Section 6.4.

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

9. REMEDIES

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

9.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

9.3. DISCLAIMER. Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the construction of or failure to construct, complete, or protect the Project; the payment of any expense incurred in connection with the exercise of any remedy available to Lender or the construction or completion of the Project; or the performance or nonperformance of any other obligation of Borrower.

9.4. GRANT OF POWER. Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of an Event of Default, to act for Borrower in its name, place, and stead as provided in this Loan Agreement to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, to complete or attempt to complete the work of construction, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property or Personalty, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

10. LIABILITY INSURANCE. With regard to this Loan Agreement, the Borrower shall obtain and maintain, and require the contractor and subcontractors for the Project to obtain and maintain such insurance as will protect them, respectively, from the following claims which may result from the operations of the Borrower, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of his employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than his 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 Borrower, 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 Borrower's obligations under this Loan Agreement.

10.1. LIABILITY INSURANCE POLICY LIMITS. Borrower shall assure that the insurance required by this Section shall be written with a deductible of not more than \$50,000.

10.2. WORKER'S COMPENSATION. Worker's compensation coverage shall be written for the statutory limits as required by the California Labor Code (commencing with Section 3700, as it may, from time to time, be amended).

10.3. COMPREHENSIVE GENERAL LIABILITY. Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as may be approved by Agency Counsel). Such insurance shall have limits of liability which are not less than \$1,000,000, each occurrence, for bodily injury coverage; \$1,000,000 aggregate, for products and completed operations coverage; \$1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

10.4. COMPREHENSIVE AUTOMOBILE LIABILITY. Comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having not less than the statutory limits of liability.

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

10.6. INSURANCE PROVISIONS. Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date.

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

11. MISCELLANEOUS

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

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

11.3. FINANCIAL STATEMENTS. Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial

Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

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

11.5. **NO THIRD PARTIES BENEFITED.** This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds at any time on deposit in the Construction Account or the Impound Account, if established.

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

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

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

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

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

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

11.8. **SIGNS.** Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided construction financing for the Project. The sign will remain the property of Lender and will be required to be removed only after construction has been completed. Lender may also arrange for publicity of the Loan in its sole discretion.

11.9. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the

Security Documents. Lender may at any time assign the Loan Documents and its interest in the Construction Account and the Impound Account to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and on transfer of the Construction Account and the Impound Account to assignee for disbursement as provided in this Loan Agreement, the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents and its interest in the Construction Account and the Impound Account. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

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

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

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

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

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

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

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

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

11.15. SURVIVAL OF WARRANTIES AND COVENANTS. The warranties, representations, conditions, covenants, and agreements in this Loan Agreement and in the other Loan Documents will survive the making of the Loan and the execution and delivery of the Note and will continue in full force until the Indebtedness has been paid in full.

Nothing in this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Indebtedness or the termination of any Loan Document.

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

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

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

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

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

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

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

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

11.24. **INDEMNITY.** Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably

incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, the Project, or any portion of them. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the lesser of the Default Rate or the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

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

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

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

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

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

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

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BORROWER : The Broadway Triangle, LLC, a California Limited Liability Company

LENDER: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
Ronald Vrilakas, Member

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

Approved as to form:

Borrower Counsel

Agency Counsel

Exhibit 1: Legal Description

Agency Property description

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

PARCEL ONE

LOTS 1, 2 AND 3 IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, JUNE 18, 1889 IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-001

PARCEL TWO

THE SOUTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-002

PARCEL THREE

THE NORTH ONE-HALF OF LOT 4, IN BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-003

PARCEL FOUR

LOT 5, BLOCK 31 OF OAK PARK AND SOUTH SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON JUNE 18, 1889, IN BOOK 2 OF MAPS, MAP NO. 26. APN: 010-0375-004

PARCEL FIVE

LOTS 9, 10 AND 11, IN BLOCK 31 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO" AS RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY
APN: 010-0375-008

Developer Project Property description

The Developer Project Property includes the following lots approved in the Tentative Map for Broadway Triangle Subdivision approved by the City of Sacramento Planning Commission on March 10, 2011 (attached as Exhibit 1.A): Lots 13, 14, 15, 16 and 17 in their entirety, and, the

northwestern-most portion of Common Lot C, adequate in size to allow construction of four automobile garages that are included in the Project Phase 1 Scope of Development.

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Project Property includes the westernmost portions of Parcel One, all of Parcel Two and the northern twenty-five (approximately) of Parcels Four and Five, all as described as follows.

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

PARCEL ONE

THE NORTH ONE HALF OR LOTS 15 AND 16 IN BLOCK 32 AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 25, RECORDS OF SAID COUNTY.
A.P.N. 010-0381-017 AND 010-0381-018

PARCEL TWO

THE SOUTH 37 1/2 FEET OF LOT 15 AND 16 IN BLOCK 32, AND THE NORTH 1/2 OF THE SOUTH 1/2 OF LOTS 15 AND 16, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY.
A.P.N. 010-0381-015 AND 010-0381-016

PARCEL THREE

As described below is, in its entirety, Developer Non-Project Property.

PARCEL FOUR

LOT 13, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-013

PARCEL FIVE

LOT 14, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID COUNTY. A.P.N. 010-0381-014

Developer Non-Project Property description

Relative to the Developer Property as it is currently described in the official records of the County of Sacramento, the Developer Non-Project Property includes the easternmost portions of Parcel One, Parcel Three (legal description follows) and all of Parcels Four and Five except for the northernmost twenty-five (approximately) of said Parcels Four and Five.

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

PARCEL THREE

LOT 12, BLOCK 32, AS SHOWN ON THE "PLAT OF OAK PARK AND SOUTH
SACRAMENTO", RECORDED IN BOOK 2 OF MAPS, MAP NO. 26, RECORDS OF SAID
COUNTY.

A.P.N. 010-0381-012

Exhibit 2: Scope of Development

Agency is entering into this DDA and conveying the Agency Property to Developer solely for the purposes of developing a portion of the Project (also known as Phase 1). The Project's mapping, site layout, building designs, material specifications and other features shall be in compliance with the Report to Preservation Commission of the City of Sacramento, as approved on March 2, 2011, as well as in compliance with the City of Sacramento Planning Commission Conditions of Approval described in the Commission's "Record of Decision" dated March 10, 2011 for Project Number P10-085 (relying on Developer plans generally dated November 19, 2010). Finalization of plans and requisite building permits and other regulatory approvals are required prior to Project implementation. The Phase 1 scope of improvements includes the following on Agency Property and on Developer Project Property.

Agency Property (also known as Triangle West and Triangle Center)

Site clearance

- Remove three existing structures

New Construction (all square footages are approximate)

- Seven (7) single-family row houses, all two-story, all 1,287 square feet in size.
- One (1) single-family "live/work" unit, three-stories, 1,650 square feet in size.
- Four (4) mixed-use structures, all three-stories in height

Mixed-use Building # 1 (Triangle West)

Ground floor retail/commercial space: 1,467 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

Mixed-use Building # 2 (Triangle West)

Ground floor retail/commercial space: 2,301 square feet.

Four (4) two-bed/two-bath apartments (floors 2 and 3): 5,126 square feet total.

Mixed-use Building # 3 (Triangle Center)

Ground floor retail/commercial space: 1,287 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

Mixed-use Building # 4 (Triangle Center)

Ground floor retail/commercial space: 1,253 square feet.

Two (2) two-bed/two-bath apartments (floors 2 and 3): 2,636 square feet total.

- Ten (10) automobile garages, surface parking with ten parking stalls, common area walkways, green space, fencing, exterior lighting and ancillary facilities.
- "Off-site" improvements described as City Conditions of Approval for the Project

Developer Project Property (also known as Triangle East Tentative Map Lots 13 – 17 and portions, Lot C)

- Three (3) single-family row houses, all two-story, all 1,287 square feet in size.

- One (1) single-family “live/work” unit, three-stories, 1,650 square feet in size.
- Rehabilitation of the existing historic one-story commercial structure located at 2753-35th St (Tentative Map lot 17) for new retail/restaurant use. Rehabilitation shall be in compliance with federal Secretary of the Interior Standards for Rehabilitation.
- Four (4) automobile garages, surface parking with ten parking stalls, common area walkways, green space, fencing, exterior lighting and ancillary facilities (sufficient to complete Phase 1 on Developer Property).
- “Off-site” improvements described as City Conditions of Approval for Phase 1 on the Developer Project Property.

Building Envelope and Interior Construction

The Phase 1 Project will be designed and constructed in conformance with the Agency’s “Rental Property Minimum Construction Standards,” as described in Exhibit 5 to the “Sacramento Housing and Redevelopment Agency Multifamily Lending and Mortgage Revenue Bond Policies for Projects of 12 or More Units” as formally adopted in March 2009. In addition, each for-sale and rental residential units shall include automatic dishwashers and laundry washer/dryer “hook-ups.”

Building heights

Three-story Mixed-use: 35’ to top plate; 37’ to top of parapet.

Three-story Live/work: 35’ to top plate; 37’-6” to top of parapet.

Two-story row house: 22’ to top plate; 24’ to top of parapet.

Exterior building materials

Brick, smooth finished cement plaster, board and batten siding, horizontal wood siding, corrugated metal siding, metal clad wood windows, wood windows, wood storefront systems, metal storefront systems and doors with clear glazing, steel awnings, metal roofing, and composite roofing.

Substantial Changes to Plans and Documents

If Developer desires to make any Substantial Changes (as described in DDA § 6.7.1) in the Final Plans, Developer shall submit such proposed changes, in writing, to the Agency for its approval in accordance with DDA § 6.7.

Final Bid Documents, Specifications, Materials, Finishes

In addition to preparation and Agency approval of Final Plans in accordance with DDA § 6.4 and § 6.7, Developer shall submit final documents for construction bids and related specifications for Agency approval prior to submission to Agency of the Construction Contracts, per DDA § 7.2 and prerequisite to Agency issuance of a Notice to Proceed as required under DDA § 7.1

Exhibit 3: Note Form

**PROMISSORY NOTE
FOR CONSTRUCTION LOAN AGREEMENT
BROADWAY TRIANGLES FOR-SALE RESIDENTIAL DEVELOPMENT PROJECT**

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	
“Lender”	Redevelopment Agency of the City of Sacramento
“Borrower”	The Broadway Triangle, LLC
“Borrower Legal Status”	California limited liability company
“Loan Agreement”	The Construction Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“DDA”	The Disposition and Development Agreement between Borrower and Lender as of the Effective Date.
“Principal Amount”	Two Million One Hundred Forty Nine Thousand Dollars and No Cents (\$2,149,000)
“Interest Rate”	The interest rate is 4% per year, simple interest.
“Accrual Date”	Interest shall accrue on the date of first disbursement.
“Special Terms”	<ol style="list-style-type: none"> 1. Upon completion of construction of all residential units, Borrower shall submit to Lender a cost certification acceptable to Lender indicating the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The Lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project. 2. Upon sale of each residential unit, all sales proceeds from the sale of each residential unit shall be distributed as stated in the Loan Agreement.
PAYMENT SCHEDULE	
“Maturity Date”	Ninety (90) days after the close of the sale of the last residential unit within the Project.
“Payment Start Date”	Thirty (30) days after the close of the sale of each residential unit within the Project.

"Payment Amount(s)"	The Loan shall be repaid incrementally upon the sale of each residential unit, as described in the Special Terms above.
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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

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

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

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

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

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

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

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

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

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

d. Borrower defaults or breaches any of the terms of the DDA, Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note.

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

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

g. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.

3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

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

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

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

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

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

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

Borrower:

The Broadway Triangle, LLC, a California Limited Liability Company

By: _____
Ronald Vrillakas
Member

Exhibit 4: Trust Deed Form

DEED OF TRUST AND ASSIGNMENT OF RENTS

Broadway Triangles

For-Sale Residential Development Project

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

TERM	DEFINITION	
“Effective Date”		
“Trustor” and “Borrower”	The Broadway Triangle, LLC, a limited liability company	
“Borrower Address”	1221 - 18th Street, Sacramento, CA 95811	
“Trustee”	Stewart Title of Sacramento	
“Beneficiary” and “Lender”	Redevelopment Agency of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	To be determined
	Assessor’s Parcel Numbers	The following Assessor’s Parcel Numbers are descriptive of the original configuration of the Property and shall be revised for consistency with Exhibit 1: Legal Description upon the recordation of a final map for the property: 010-0375-001, 010-0375-002, 010-0375-003, 010-0375-004, 010-0375-008, 010-0381-012, 010-0381-013, 010-0381-014, 010-0381-015, 010-03810-16, 010-0381-017, 010-0381-018
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust. This Loan will be subordinated to a senior construction loan as provided in the Loan Agreement.	
“Loan Agreement”	Which is the Permanent and Construction Loan Agreement for Broadway Triangles For-Sale Residential Project between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	

"Additional Notices"	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Million One Hundred Forty Nine Thousand Dollars and No Cents (\$2,149,000.00)

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

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

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

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

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

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

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

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or

proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

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

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

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

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

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

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such

breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

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

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

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

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

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

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

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

BORROWER (Trustor):

THE BROADWAY TRIANGLE, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
Ronald Vrilakas
Member

document2

Exhibit 5: Regulatory Agreement

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

**REGULATORY AGREEMENT
BROADWAY TRIANGLES FOR SALE RESIDENTIAL DEVELOPMENT PROJECT
INCLUDING COVENANTS, CONDITIONS AND RESTRICTIONS RUNNING WITH THE LAND**

PROJECT NAME:	Broadway Triangles For-Sale Residential Development Project
PROJECT ADDRESS:	To be Determined
APN:	010-0375-001, 010-0375-002, 010-0375-003, 010-0375-004, 010-0375-008, 010-0381-012, 010-0381-013, 010-0381-014, 010-0381-015, 010-03810-16, 010-0381-017, 010-0381-018

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
"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"	The Broadway Triangle, LLC
"Agency Address"	Agency's business address is 801 12th Street, Sacramento, California 95814
"Owner Address"	Owner's business address is as follows: 1221 - 18th Street, Sacramento, CA 95811
"Jurisdiction"	City of Sacramento
"Property"	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description .
"Funding"	Agency is conveying fee title to the Property to Developer, subject to the Dated:

“Agreement”	terms of the Disposition and Development Agreement. The Funding Agreement includes, the Construction Loan Agreement between Agency and Owner, dated as follows:		
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		
“Agency Funding Amount “	The amount of the Agency Funding, as follows:	Amount of Funding	\$2,149,000.00
		Source of Funding	Project Area Tax Increment
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements .		
“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.		
“PROJECT”	The Project is the Project to be developed on the Property with the Loan funds, and described as:	The Project is the sale of Agency land described in Exhibit 1 and contribution of Developer-owned land for construction of twelve (12) residential units, composed of ten (10) row-house homeownership units and two (2) live/work units, fourteen (14) garages and additional secured parking spaces. The Agency land will be transferred subject to redevelopment and use restrictions that reduce the fair reuses value to nominal. In order to assure sufficient financing to construct the Project, the Agency will make the Loan from Project Area redevelopment funds.	
“Special Provisions”	<p>1. This Regulatory Agreement shall be recorded against the Property and a Release of this Regulatory Agreement in the form required by the Loan Agreement will be executed by the Agency for each individual unit constructed on the Property upon the sale of that unit. Agency shall release the Regulatory Agreement recorded against the common area adjacent to individual units upon the sale of all such units.</p> <p>2. The Assessor’s Parcel Numbers listed in this Regulatory Agreement are descriptive of the original configuration of the Property and shall be revised for consistency with Exhibit 1: Legal Description of the Property upon the recordation of a final map for the Property.</p>		
“Approved Use”	Owner shall assure that the property is used only for the following Approved Uses: Residential, including live/work uses		
“Disapproved Uses”	<p>Owner shall assure that the property is not used, in whole or in part, for any of the following Disapproved Uses:</p> <p>Non-residential uses other than live/work uses, provided however, that the following uses shall be prohibited: Establishments deriving more than 5% of net income from adult-oriented material, whether for sale, rent or on-site use or viewing; check cashing or payday loan business; social services (as defined by Sacramento City Code); gun shop; marijuana related business; arcade exclusively for video games; used appliance stores; facility for repair of any appliances, vehicles or other products, except as insubstantial and incidental to permitted activities; service station for the sale of gas, oil and related products; facility using, storing or treating hazardous materials; facility for rent or storage spaces or for warehousing; facility for the housing of passive components such as digital switching units; and establishments creating nuisances or other activities that unreasonably intrude upon the peaceful enjoyment of nearby tenants and property owners, including without limitation bad odors, loud noises, bright lights, substantial numbers of loiterers, trash and garbage and unhealthful or dangerous situations.</p>		

3. **REPRESENTATIONS.** Agency has provided good and valuable consideration. The funds used by Agency for 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.

4. 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.

a. 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.

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

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

d. 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.

e. 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.

f. 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.

5. 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. However, Section 1 of the Special Provisions regarding sale of individual units shall take precedence over this Section.

6. 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.

7. TERM. Subject to the Special Provisions, 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.

8. 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.

9. 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.

10. 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. 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.

11. 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.

12. 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. If such violation is not corrected to the satisfaction of Agency within thirty (30) 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.

a. 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.

b. 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.

13. **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.

14. **CONTRADICTORY AGREEMENTS.** Owner warrants that it 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.

15. **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.

16. **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.

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

18. **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.

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

OWNER : THE BROADWAY TRIANGLE, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
Ronald Vrilakas
Member

By: _____
LaShelle Dozier
Executive Director

Approved as to form:

Approved as to form:

Developer Counsel

Agency Counsel

Exhibit 6: Escrow Instructions

**JOINT ESCROW INSTRUCTIONS
FOR AGENCY LOAN**

“Effective Date”	***Effective Date***
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

1. **GENERAL.** These Escrow Instructions, in addition to items listed below, include Article II Instructions, which is attached to and incorporated in these Escrow Instructions by this reference.

2. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

“Title Company”	***Title Company Name***		
	Address:	***Title Company Address***	
“Escrow” with Title Company	Escrow Number:	***Escrow Number***	Attention: ***Escrow Agent***
	Agency		
“Agency”	Address:	801 12 th Street, Sacramento, CA 95814	
	Attention:	***Agency staff***	
“Borrower”	***Developer Name***		
	Address:	***Developer Address***	
	Attention:	***Developer staff***	
“Closing Date”	***Closing Date***		
“Property”	Address:	***Property Address***	APN: ***APN***
	Description of the transaction		
Transaction Description			

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents:	Marked for return to:
	Recorded Documents	
“Agency Items”	Promissory Note for subject loan	
	Loan Agreement for the subject loan	
	Authorizing resolutions for all Borrower signatories	
“Borrower Items”	***IF If Funds to Borrower***	
	Developer/Borrower Items	

“Special Provisions”:	***Special Escrow Provisions*** ***IF IF Construction Loan*****IF (If Construction Loan = TRUE) AND (If
-----------------------	--

	Rehab Loan != TRUE)*****IF If Rehab Loan***For the Regulatory Agreement - CLTA 124.1
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"Agency Title Policy" in the form of an ALTA Agency's Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	Regulatory Agreement and Trust Deed	In the amount of the loan secured (\$***Loan Amount***)	
The title policies shall be subject only to the following "Conditions of Title":	Items ***Conditions of Title*** of Title Company's Preliminary Report for the Escrow	Dated:	***Preliminary Report Date***
		Number:	***Escrow Number***

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the date first written above. **BORROWER:** ***DEVELOPER NAME***

AGENCY: ***AGENCY***

By: _____
 Name: ***Developer signatory***
 Title:***Developer signatory title***
 Authorized signatory

By: _____
 LaShelle Dozier
 Executive Director

ARTICLE II. INSTRUCTIONS

12. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.

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

13.1. **CONDITIONS.** The following are conditions to the Close of Escrow:

13.1.1. The conditions precedent to performance stated in the Recorded Documents are satisfied as of the Closing Date.

13.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Title Insurance to Agency (at Borrower's cost) in the amount stated. The Agency Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Borrower's performance of its obligations and repayment of Agency Funding.

13.1.3. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

13.1.4. On or before the Closing Date, Agency shall also deposit with Title Company the Borrower Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

13.1.5. On or before the Close of Escrow, Borrower shall also deposit with Title Company the Agency Items and Borrower's share of closing costs and fees.

13.1.6. Title Company is satisfied that all required funds have been deposited in Title Company's account for the Escrow, have cleared the originating bank and are available for transfer by Title Company's check or wire transfer to the appropriate party.

13.2. **TRUST DEED FORM.** If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company's Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

"The Loan Agreement requires the filing of the "Regulatory Agreement" that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency's written notice to Developer of such failure, the principal balance of the Loan shall, at Agency's option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds."

13.3. **UPON CLOSE OF ESCROW.** The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

13.3.1. Assure fulfillment of the Special Provisions;

13.3.2. Assure all documents are complete and affix legal descriptions of the Property as necessary to complete them;

13.3.3. Obtain full execution of all unexecuted documents;

13.3.4. Date all undated documents as of the Closing Date;

13.3.5. Record the Recorded Documents in the priority listed;

13.3.6. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;

13.3.7. Deliver the Agency Items to Agency and the Borrower Items to Borrower; and

13.3.8. Prepare and deliver to Borrower and Agency, respectively, one signed original of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

13.4. **INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Borrower and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Borrower has not complied with Borrower's obligations under this Loan Agreement, then Borrower shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement,

such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

13.5. COMMISSIONS. Agency is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

ACCEPTANCE OF ESCROW INSTRUCTIONS

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Borrower for complete compliance with these instructions. Agency and Borrower reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Borrower agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions, return the executed counterparts of these escrow instructions to Agency and Borrower, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of the escrow instructions.

Dated: _____

TITLE COMPANY
*****TITLE COMPANY NAME*****

By: _____

Name: _____

Title: _____

Its authorized agent and signatory

Exhibit 7: Rescission of Regulatory Agreement Form

RELEASE OF REGULATORY REQUIREMENTS

WHEREAS, the Redevelopment Agency of the ***City/County*** of Sacramento with the owner of the Property, ***Developer Name***, ***Developer Legal Status***, entered into and recorded the Regulatory Agreement ("Regulatory Agreement"), on _____ at Book _____, commencing at page _____ against that certain real property ("Property") described in the Legal Description attached to and incorporated in this document by this reference; and

WHEREAS, the owners of said property have fulfilled certain requirements of the Regulatory Agreement, sufficient for the termination of the restrictions contained in the Regulatory Agreement;

NOW THEREFORE, the Redevelopment Agency of the ***City/County*** of Sacramento release and terminate, with regard to the Property, those provisions of the Regulatory Agreement described as follows and said provisions are of no further force or effect with regard to the Property. The provisions of the Regulatory Agreement that are so terminated are Sections ***Sections Deleted***

IN WITNESS WHEREOF, this Release has been executed in Sacramento County this ____ day of _____, _____.

REDEVELOPMENT AGENCY OF THE
City/County OF SACRAMENTO

By: _____
LaShelle Dozier
Executive Director