

RESOLUTION NO. 2011-033

Adopted by the Redevelopment Agency
of the City of Sacramento

June 21, 2011

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 33433 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)

Adopted by the Redevelopment Agency of the City of Sacramento on June 21, 2011 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy

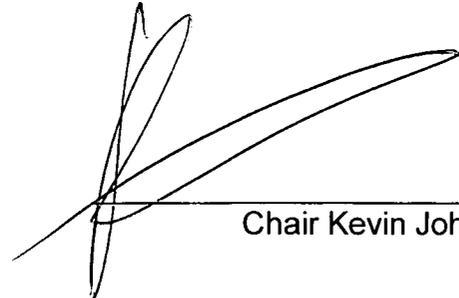
Noes: None.

Abstain: Mayor Johnson

Absent: None.

Attest:


Shirley Conclino, Secretary


Chair Kevin Johnson

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

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 revested 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 revesting 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 revesting 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 revesting); 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 revesting or to discharge or prevent any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer; any expenditures made or obligations incurred with respect to completion of the Project; and any amounts otherwise owing the Agency by the Developer.

11.1.3. DEVELOPER REIMBURSEMENT. After payment to Agency of the sum specified herein, said proceeds shall be paid to Developer to reimburse Developer in an amount not to exceed: (1) the sum of the purchase price paid by Developer for the 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

Broadway Triangles Mixed Use Development

FINANCING PLAN

Permanent Sources	Phase 1	Phase 2	TOTAL	
			Dollars	SqFt
Agency Land	\$ 2	-	\$ 1	\$ 0.00
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:	<u>\$8.000 million</u>			

**PREDEVELOPMENT LOAN AGREEMENT
BROADWAY TRIANGLES**

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

"EFFECTIVE DATE"	
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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

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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 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.

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 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

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 Vrillakas, Member