

## **RESOLUTION NO. 2011-031**

Adopted by the Redevelopment Agency  
of the City of Sacramento

June 21, 2011

### **APPROVAL OF A DISPOSITION AND DEVELOPMENT AGREEMENT AND SELLER CARRYBACK ACQUISITION LOAN OF \$470,120 BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AND 700 BLOCK, LLC OR RELATED ENTITY AND APPROVAL OF A COMMITMENT LETTER AND RELATED DOCUMENTS BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AND THE DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION FOR THE 700 BLOCK OF K STREET**

#### **BACKGROUND**

- A. The Redevelopment Agency of the City of Sacramento (Agency) has adopted the Merged Downtown Sacramento Redevelopment Plan (Redevelopment Plan) and an Implementation Plan for the Merged Downtown Sacramento Redevelopment Project Area (Project Area).
- B. Portions of the 700 and 800 blocks of K Street are identified in the Amended Merged Downtown Sacramento Redevelopment Plan and Implementation Plan as having continuing blight conditions characterized by vacant parcels, deteriorating buildings, uneconomic land uses and unsafe sidewalks.
- C. In 2004, the JKL Corridor Workshop identified the 700/800 blocks of K and L streets as a critical location for revitalization of K Street, with a focus on mixed-use development including ground floor retail; housing; cultural and commercial uses envisioned on this property to eliminate blight, stimulate economic growth and provide for a range of housing types.
- D. In December 2009, the Agency, represented by the Economic Development Department, issued a Request for Qualifications (RFQ) soliciting qualifications and concept proposals for the development of a mixed-use project in the heart of downtown on the K Street Mall including properties on the southern half of the 700 blocks of K Street and portions of the 800 blocks of K and L streets. Four responses were received in February 2010.
- E. On July 13, 2010, the Agency Board selected D&S Development, Inc. and CFY Development, Inc. for the redevelopment of Agency-owned properties on the south side of the 700 block of K Street and the 800 Block LLC (David Taylor Interests, Inc., CIM Group, and Domus Development) for redevelopment of the Agency-owned properties in the 800 blocks of K and L Streets. The Agency Board directed staff to return with negotiated Exclusive Rights to Negotiate Agreements with each of the teams for Agency Board consideration.

- F. On August 24, 2010, the Agency Board directed the Executive Director, or her designee, to enter into an Exclusive Right-to-Negotiate with the 700 Block Investors, LP to allow the Agency to evaluate the development proposal, prepare environmental documents, and process entitlements.
- G. The project will assist with the elimination of blight in the Merged Downtown Redevelopment Project Area.
- H. An economically feasible alternative method of financing or assisting the residential units in this Project on substantially comparable terms and conditions, but without subordination, is not reasonably available.

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

- Section 1. The above statements are found to be true and correct.
- Section 2. The Redevelopment Agency has reviewed the Environmental Impact Report, which was certified by the City of Sacramento Planning Commission on May 12, 2011, and has considered the environmental effects of the proposed project in accordance with California Environmental Quality Act (CEQA) Guidelines §15096(f). The actions do not require further environmental review per CEQA Guidelines §§ 15162 or 15163. The Redevelopment Agency hereby adopts the Findings of Fact and Statement of Overriding Considerations prepared in accordance with CEQA Guidelines §§ 15091 and 15093, and attached as Exhibit A.
- Section 3. The statements and findings of the 33433 Report, a copy of which is attached as Exhibit C, are true and correct and are hereby adopted. The Project will assist in the elimination of blight as stated in the 33433 Report. The Project is consistent with the goals and objectives of the Redevelopment Plan and the Implementation Plan. The DDA shall be deemed an implementing document approved in furtherance of the Redevelopment Plan, the Implementation Plan for the Project Area and all applicable land use plan, studies, and strategies.
- Section 4. Having held a public hearing after the proper notice of this action was given in accordance with the California Health and Safety Code Section 33431 and obtained approval of the 33433 report, the Executive Director is authorized to dispose of the property to the developer through the negotiated terms and conditions reflected in the Amended and Restated Disposition and Development Agreement (DDA) described in the public hearing and attached hereto as Exhibit D.
- Section 5. The consideration for the Agency's conveyance of the Property to Developer is the \$470,120 sales price combined with the Developer obligations under the DDA, and the fair reuse value of the Property at the use and with covenants, conditions, restrictions required by the DDA and Grant Deed is (\$22,344,111).

- Section 6. The project is consistent with the goals and objectives of the Merged Downtown Redevelopment Plan and Implementation Plan, as stated in the DDA attached as Exhibit D.
- Section 7. The Disposition and Development Agreement, Seller Carryback loan documents, and other related documents are approved and the Executive Director or her designee is authorized to execute the Development and Disposition Agreement, the loan documents and other related documents between the Agency and the Developer for the conveyance of the property in substantially the same form as that which is attached as Exhibit D and E and to take all such actions, execute said instruments, and documents that may be necessary to effectuate and implement this resolution and the Development and Disposition Agreement, to provide expenditures of \$3,600,000 from the Merged Downtown tax exempt bond funds and tax increment funds toward costs outlined in the Development and Disposition Agreement for the construction of commercial uses and market rate housing and \$10,100,000 of low and moderate income housing funds for the construction of affordable housing in the mixed-use project .
- Section 8. The Agency budget is amended to transfer \$3.6 million from the following Downtown redevelopment funds into the 700 K Street Project fund: \$196,357 from (Fund 100) 700/800 K Street Development, \$640,000 from (Fund 100) Downtown Acquisition, \$918,7586 from (Fund 355) Development Assistance, \$525,000 from (Fund 100) Pioneer Bridge, \$44,500 from (Fund 100) Predevelopment Services, \$50,000 from (Fund 100) Tower Bridge Landing, \$48,900 from (Fund 100) 10<sup>th</sup> Street Lighting, \$150,000 from (Fund 100) Downtown Infrastructure Assessment, and \$1,026,485 from (Fund 400) 700 Block K Street.
- Section 9. The Agency budget is amended to transfer \$10.1 million in Downtown low-moderate redevelopment funds into the 700 K Street Project fund in the following manner: 1) defund \$3,000,000 of Downtown low-moderate flow (Fund 102) from Downtown Housing NOFA and transfer this amount to the Township 9 project, 2) defund \$3,000,000 of 2002 Downtown low-moderate tax exempt bond funds (Fund 359) from the Township 9 project and transfer this amount to the 700 K Street Project fund, 3) transfer an additional \$3,159,738 of 2002 Downtown low-moderate tax exempt bond fund (Fund 359)—comprised of \$3,059,738 from Downtown Housing NOFA and \$100,000 from Housing Development Assistance—to the 700 K Street Project fund, 4) transfer \$3,940,262 of 2005 Downtown low-moderate tax exempt bond funds (Fund 402) from Downtown Housing NOFA to the 700 K Street Project fund.
- Section 10. The Executive Director is authorized to execute the Commitment Letter to the Downtown Sacramento Revitalization Corporation attached to and incorporated in this resolution as Exhibit F to provide a \$10.1 million grant from Downtown low-moderate tax-exempt bond funds and a forgivable loan of \$3.6 million from Downtown tax-exempt redevelopment bond funds and Downtown tax increment to the extent the terms are consistent with the approved commitment letter.

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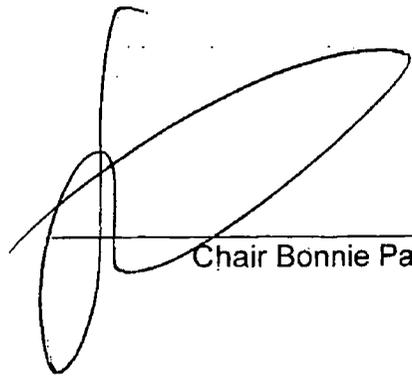
- Exhibit A – Findings of Fact and Statement of Overriding Considerations
- Exhibit B – Mitigation Monitoring Plan
- Exhibit C – 33433 Report
- Exhibit D – Disposition and Development Agreement
- Exhibit E – Seller Carryback Acquisition Loan
- Exhibit F – Commitment Letter

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: None.
- Absent: Mayor Kevin Johnson

Attest:

  
Shirley Concolino, Secretary –

  
Chair Bonnie Pannell



**CITY OF SACRAMENTO PLANNING COMMISSION  
RECORD OF DECISION**

New City Hall, 915 I Street, 3<sup>rd</sup> Floor, Sacramento, CA 95814

Project Name: 700 Block Project  
Project Number: P10-087  
Project Location: 700 K Street (APN: 006-0096-002, 006-0096-003, 006-0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 006-0096-009, 006-0096-010, 006-0096-018, and 006-0096-019)

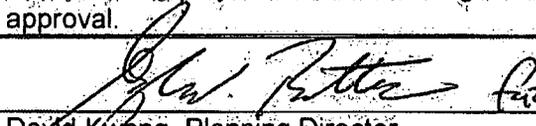
Action Status: Approved Project with Conditions Action Date: 05/12/2011

**REQUESTED ENTITLEMENT(S):** A request to redevelop the 700 K Street block with mixed use on 1.18± acres in the Central Business District (C-3) zone and located in the Central Business District Special Planning District. The proposal includes 137 rental apartments, 64,881 square feet of retail including restaurants and clubs, and a 27,828 square foot parking structure.

- A. Environmental Determination: Environmental Impact Report;
- B. Mitigation Monitoring Plan;
- C. Special Permit for a Major Project over 75,000 square feet in the C-3 zone;
- D. Special Permit to partially waive parking on the site for residents and residential guests.

**ACTIONS TAKEN:** On 05/12/2011, the Planning Commission took the following actions:  
Approved the project based on findings of fact and subject to conditions of approval.

Action certified by:

  
David Kwong, Planning Director

By:

  
Staff Signature

## Findings Of Fact

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

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

documents and other materials is the Community Development Department, Environmental Planning Services.

**C&D.** The **Special Permits** for a Major Project over 75,000 square feet in the Central Business District (C-3 SPD) zone and to partially waive parking for new residential development are **approved** subject to the following Findings of Fact:

1. The project is based upon sound principles of land use in that:
  - a. the restaurant, retail, and residential uses are allowed by right in the Central Business District (C-3) zone;
  - b. the future owners of units without onsite parking are adopting a lifestyle that will not depend on automobiles in their daily life but instead will rely on public transportation;
  - c. the project will increase ridership of the light rail and bus system and will contribute to the availability of housing options in the Central Business District.
2. The proposed use would not be detrimental to the public health, safety and welfare, nor result in a public nuisance in that:
  - a. the commercial storefronts and residential apartments will provide "eyes on the street," and will activate the streets increasing safety in the central core area;
  - b. the project includes the rehabilitation of the existing storefronts which are representative of the original historic fabric of K Street;
  - c. the project will not significantly impact the neighborhood parking situation since there is both onstreet parking and public parking garages in the nearby vicinity;
  - d. the parking structure is accessed from the alley and there are no proposed vehicular curb cuts along 7<sup>th</sup>, 8<sup>th</sup>, or K Streets that would negatively impact a pedestrian friendly environment.
3. The proposed project is consistent with the General Plan designation of Central Business District because the development: will meet the FAR (floor area ratio) requirements for a new mixed use project, will act as a catalyst for further infill development in the

area, and will locate new commercial and residential uses adjacent to existing light rail stations.

### **Conditions Of Approval**

**C&D.** The **Special Permits** for a Major Project over 75,000 square feet in the Central Business District (C-3 SPD) zone and to partially waive parking for new residential development are **approved** subject to the following conditions of approval:

### **Planning**

- CD1. The applicant shall obtain all necessary building and/or encroachment permits prior to commencing construction.
- CD2. A sign program shall be submitted to the Planning Director and Preservation/Design Review staff for review and approval before the issuance of any sign permits.
- CD3. The applicant shall meet all conditions of approval from the Preservation Commission decision.
- CD4. All rooftop mechanical equipment shall be completely screened from public street views.
- CD5. Rooftop landscaping shall be maintained in a healthy and serviceable condition.
- CD6. Decorative photocell light fixtures shall be provided on the building façade along the alley. The fixture shall be of a type that automatically comes on at dusk and goes off at dawn. The fixtures are subject to the review and approval of Preservation staff.
- CD7. Any changes or modifications to the plans shall require additional review and approval of Planning staff.
- CD8. A sign indicating a 24-hour emergency phone number and contact person shall be kept current and posted for residents of the building as a Good Neighbor Policy. The contact person shall be responsible for coordinating between the residential and K Street commercial uses to ensure there is no detrimental noise, light, or other issues that would affect the peace and welfare of the residents.
- CD9. Final mural designs shall be subject to the review and approval of Preservation staff.
- CD10. A signed copy of the Affidavit of Zoning Code Development Standards and each of the pages of this Record of Decision shall be scanned and inserted as a general sheet(s) in the plan set for any building permit submittal associated with this project.
- CD11. The applicant shall comply with the requirements of the Mitigation Monitoring Plan developed by and kept on file in the Community Development Department. (P10-087)

## **Department of Transportation**

- CD12. Construct standard improvements as noted in these conditions pursuant to chapter 18 of the City Code. Improvements shall be designed and constructed to City standards in place at the time that the Building Permit is issued. All improvements shall be designed and constructed to the satisfaction of the Department of Transportation. Any public improvement not specifically noted in these conditions shall be designed and constructed to City Standards. **This shall include street lighting and the repair or replacement/reconstruction of any existing deteriorated curb, gutter and sidewalk fronting the property along K street, 7<sup>th</sup> Street and 8<sup>th</sup> Street per City standards to the satisfaction of the Department of Transportation;**
- CD13. The applicant shall repair/reconstruct any deteriorated portions of the existing alley Per City Standards (In Concrete) and to the satisfaction of the Department of Transportation. The limit of work shall be from 7<sup>th</sup> Street to 8<sup>th</sup> Street along the projects frontage on the alley;
- CD14. A revocable encroachment permit is required if any portions of the building protrude onto the right of way. Prior to obtaining any building permits, the applicant shall apply for and obtain a revocable encroachment permit for such items (If any) and shall comply with all the requirements of such permit to the satisfaction of the Department of Transportation;
- CD15. Prior to obtaining any building permits, the applicant shall apply for, process and record a Lot Merger of the 11 existing parcels into one parcel to facilitate the project development as proposed;
- CD16. All new driveways shall be designed and constructed to City Standards to the satisfaction of the Department of Transportation;
- CD17. The site plan shall conform to A.D.A. requirements in all respects. This shall include the replacement of any curb ramp that does not meet current A.D.A. standards at the following intersections:
- a. South-East corner of K and 7<sup>th</sup> Street.
  - b. South-West corner of K and 8<sup>th</sup> Street.

## **Building**

- CD18. At all locations where wall openings are proposed in locations not allowed by 2010 CBC Table 705.8, parcels shall be merged in order to allow the openings.
- CD19. At any locations where buildings are bisected by a property line, parcels shall be merged.
- CD20. If any part of the structure has occupiable floor space more than 75 feet above the lowest level of Fire Department vehicle access, the structure shall comply with CBC Section 403.

CD21. This project shall comply with all applicable requirements of the 2010 California Code of Regulations Title 24 parts 2, 3, 4, 5, 6, 8, 9, 10, 11, and 12.

### **Regional Transit**

CD22. Transit information shall be displayed in a prominent location for renters, employees, and customers.

CD23. The project shall not disrupt transit service during construction.

### **Fire Department**

CD24. Provide the required fire hydrants in accordance with CFC 507 and Appendix C, Section C105.

CD25. Timing and Installation. When fire protection, including fire apparatus access roads and water supplies for fire protection, is required to be installed, such protection shall be installed and made serviceable prior to and during the time of construction. CFC 501.4

CD26. Provide a water flow test. (Make arrangements at the Permit Center walk-in counter: 300 Richards Blvd, Sacramento, CA 95814). CFC 508.4

CD27. Provide appropriate Knox access for site. CFC Section 506

CD28. An automatic fire sprinkler system shall be installed in any portion of a building when the floor area of the building exceeds 3,599 square feet.

CD29. Locate and identify Fire Department Connections (FDCs) on address side of building no further than 50 feet and no closer than 15 feet from a fire hydrant.

CD30. An approved fire control room shall be provided for all buildings protected by an automatic fire extinguishing system. Fire control rooms shall be located within the building at a location approved by the Chief, and shall be provided with a means to access the room directly from the exterior. Durable signage shall be provided on the exterior side of the access door to identify the fire control room. CFC 903.8

CD31. Structure shall comply with City Code 15.100 Highrise code if there are floors used for human occupancy that are located more than 75 feet above the lowest fire department access.

CD32. Building shall meet the requirements of Sacramento City Code 15.36.060 Public Safety Radio Communications. See attached letter from Scott C. Andrews, Department of Information Technology.

### **Utilities**

- CD33. The building pad elevation shall be approved by the DOU and shall be a minimum of 1.5 feet above the local controlling overland release elevation or a minimum of 1.2 feet above the highest adjoining back of sidewalk elevation, whichever is higher, unless otherwise approved by the Department of Utilities.
- CD34. The applicant must comply with the City of Sacramento's Grading, Erosion and Sediment Control Ordinance. This ordinance requires the applicant to show erosion and sediment control methods on the subdivision improvement plans. These plans shall also show the methods to control urban runoff pollution from the project site during construction.
- CD35. Foundation or basement dewatering discharges to the CSS will not be allowed. The CSS does not have adequate capacity to allow for dewatering discharges for foundations or basements. Foundations and basements shall be designed without the need for dewatering.
- CD36. This project is served by the Combined Sewer System (CSS). Therefore, the developer/property owner will be required to pay the Combined System Development Fee prior to recording the final map. The impact to the CSS is estimated to be 129 ESD's. The Combined Sewer System fee is estimated to be \$296,793.99 plus any increases to the fee due to inflation.

## **Environmental**

- CD37. All toilets on the project site shall be low-flow.
- CD38. The project shall include construction of a green roof to the satisfaction of the Planning Director. This does not preclude the ability of the applicant to construct other green roofs on the project site.
- CD39. High HTC-rated and energy efficient windows shall be installed in the residential and commercial areas and storefronts. For the four structures that are listed as historic per CEQA, the original windows will be repaired or replaced in accordance with the Secretary of the Interior's Rehabilitation Standards.

## Advisory Conditions:

### Planning

- ADV1. The proposed grocery store on 8<sup>th</sup> Street is less than 15,000 square feet therefore any proposal to sell alcohol will require a Planning Commission Special Permit.
- ADV2. Electronic billboard signs are prohibited by the Zoning Code. (Ordinance 2007-079) The LED panels shown on the 704 K Street façade elevation drawing will require review of the Planning Director for compliance with this prohibition.
- ADV3. The apartments are permitted by right in the central city subject to meeting the minimum noise standards found in 17.24.050 (76a) which requires the building design of all new residential structures located in areas of the city above sixty decibals to incorporate construction standards to reduce interior noise levels to the satisfaction of the environmental coordinator.

### Parks

- ADV4. As per City Code, the applicant will be responsible to meet his/her obligations regarding: Title 18, 18.44 Park Development Impact Fee, due at the time of issuance of building permit. The Park Development Impact Fee due for this project is estimated at \$441,907. This is based on 137 multi-family units at the Standard Rate of \$3,058 per unit and 63,780 square feet of Retail/Commercial at the Standard Rate of \$0.36 per square foot. Any change in these factors will change the amount of the PIF due. The fee is calculated using factors at the time that the project is submitted for building permit.

### Utilities

- ADV5. The proposed project is located in the Flood zone designated as Shaded X zone on the Federal Emergency Management Agency (FEMA) Federal Insurance Rate Maps (FIRMs) that have been revised by a Letter of Map Revision effective February 18, 2005. Within the Shaded X zone, there are no requirements to elevate or flood proof.
- ADV6. Prior to design of the subject project, the Department of Utilities suggests that the applicant request a water supply test to determine what pressure and flows the surrounding public water distribution system can provide to the site. This information can then be used to assist the engineers in the design of the fire suppression systems.

### Sewer District

ADV7. The subject property is outside the boundaries of the SASD but within the Urban Service Boundary and SRCSD shown on the Sacramento County General Plan. SRCSD will provide ultimate conveyance and treatment of the sewer generated from this site, but the Sacramento City Utilities Department's approval will be required for local sewage service. Developing this property will require the payment of SRCSD sewer impact fees. Impact fees shall be paid prior to issuance of Building Permits. Applicant should contact the Fee Quote Desk at 876-6100 for sewer impact fee information.

### PG&E

ADV8. To ensure consistent uses around PG&E's gas facilities, the City and or any developer(s) should work closely with PG&E in the development of their plans to ensure the safety and reliability of PG&E's facilities. PG&E may need to provide wheel loading requirements over the gas facilities during construction activities and will also need to ensure that adequate access is maintained for future maintenance, construction, reconstruction, repair, etc. on the gas lines. The requesting party will be responsible for the costs associated with the relocation of existing PG&E facilities to accommodate their proposed development. Because facilities relocation's require long lead times and are not always feasible, the requesting party should be encouraged to consult with PG&E as early in their planning stages as possible.

### Police Department

#### Roof Issues

ADV9. All air duct or air vent openings exceeding 8" x 12" on the roof or exterior walls should be secured to prevent unlawful entry from the roof.

ADV10. Air conditioning units in this part of town are favorite targets for thieves seeking to steal the recyclable material used in the condensers. Special care should be taken to prevent this type of theft.

ADV11. The Police Department recommends against exterior roof access ladders unless required by code. If they are required, then special measures should be taken to ensure a thief cannot climb up them.

#### Apartment Managers

ADV12. All on-site managers shall minimally meet the certification standards of the Rental Housing Association (RHA) of Sacramento as is outlined in their 5-day "Apartment Management Training Program" This comprehensive training includes: Detailed instruction in tenant screening, (i.e. criminal history checks,

credit checks & background checks). Detailed instruction on rental agreements, fair housing laws, customer service, rents & deposits. Detailed instruction on dealing with problem tenants, dealing with criminal activity and processing evictions.

- ADV13. Renting individual rooms in multi-room apartments is prohibited.
- ADV14. The lease / rental agreement shall contain an addendum that lists specific consequences for prohibited activities and criminal behavior. An addendum that states the policy for towing vehicles from the premises is recommended.

#### *Benches*

- ADV15. Benches, trash cans, and bicycle racks should be constructed in a manner consistent with crime prevention strategies and placed in highly visible locations. Exterior benches should be designed to discourage loitering and sleeping by utilizing partitions or circular designs that wrap around trees or poles. Wrought iron benches are desirable because they provide a fireproof design that is difficult to damage and is easily secured to the ground.

#### *Building Design*

- ADV16. Masonry walls and tall shrub lines are inconsistent with crime prevention by environmental design strategies. However, if they are essential and cannot be avoided, masonry walls should incorporate graffiti reducing art. Tall shrubs should be a hostile variety to reduce habitation by transients. Incorporating these principles early in the design process is highly recommended.
- ADV17. Sound attenuation for residential units is a paramount concern for the police department.

#### *Common Areas*

- ADV18. Any child play areas should be located in areas that have the maximum observation from adjacent units.
- ADV19. Community laundry rooms are frequent locations for violent crimes. If community laundry rooms are part of the design for this project, video cameras shall be positioned to record who enters and exits the laundry room.

#### *Doors*

- ADV20. A viewing device or peephole shall be installed in each individual unit entrance door and shall allow for 180-degree vision.

ADV21: Any rear door used to admit employees or deliveries shall be equipped with a 180 degree viewing device to screen persons before allowing entry.

### *Lighting*

ADV22: Parking lots shall have a minimum illumination intensity of 1.0 foot-candles per square foot at 36 inches above ground.

ADV23: Ground lights that illuminate the pedestrian zone around the building are highly recommended because they provide great light in the area where it is most needed and they are resistant to vandalism.

### *Parking Lots*

ADV24: Assigned parking spaces shall not be numbered to coincide with dwelling unit numbers.

### *Phones*

ADV25: Pay telephones have a history of contributing to crime issues. Staff recommends against installing public telephones on the premises.

### *Planters*

ADV26: Any exterior planters shall be designed with walls/edges that prevent skateboarders from grinding, riding or sliding on or along the planter.

ADV27: If exterior planters are part of the plan, staff would like to talk to the applicant or his representative about designs that will prevent transients from turning them into living space.

### *Postal Boxes*

ADV28: In order to prevent mail theft, mail/postal boxes shall be placed in a high traffic area.

### *Site Security*

ADV29: There shall be no video/arcade machines maintained upon the premises at any time without the review and approval of the Police Department.

### *Trash Receptacles*

ADV30: Dumpster enclosures shall be kept locked. Preferably, enclosures should be constructed with a vertical wrought iron design to allow visual access.

- ADV31. Trash cans should be visibly open to discourage unlawful use. As with benches, trash receptacles should be designed to be vandal resistant. Wrought iron designs are fireproof, can be easily secured to the ground and cannot be easily broken and utilized as a weapon or projectile.
- ADV32. Trash enclosure areas, such as those used for dumpsters, can be used as ambush points by criminals. The preferred option for these areas is wrought iron enclosures that remain locked. Any other non-transparent enclosure is not recommended, but if selected, must also remain locked.
- ADV33. Trash receptacles shall be bolted or affixed to the ground or other permanent structure. Only a plastic liner shall be removable.
- ADV34. Trash receptacles shall be constructed of materials that cannot be broken into smaller pieces that can be used as weapons.
- ADV35. Trash receptacles shall be made of fireproof materials.
- ADV36. Closed-circuit color video cameras shall be employed to monitor: a) the primary points of entry for vehicles into the parking lot and pedestrians into the building; b) main hallways; c) community laundry room entrances; and d) mail boxes.
- ADV37. The recording device shall be: a) located in the building control room; and b) a digital video recorder (DVR) capable of storing a minimum of 7 days worth of activity however, a DVR capable of storing 30 days worth of activity is greatly preferred.
- ADV38. Signs that say the property is monitored by video surveillance are recommended at the primary points of entry for vehicles and pedestrians.

#### *Alley*

- ADV39. The police department encourages the applicant to consider ways to utilize the alley for things other than storing trash cans. Uses that attract legitimate patrons to the alley will have a crime reducing effect.

#### Regional Transit

- ADV40. The developer should consider developing a program to offer transit passes at a 50% or greater discount to new renters for a period of six months or more. Employers should also consider offering employees subsidized transit passes at 50% or greater discount.

# Exhibit A: Findings and Statement of Overriding Consideration

## Exhibit A

### CEQA Findings of Fact and Statement of Overriding Considerations for the 700 Block of K Street Project

#### Description of the Project

Currently, the project site is comprised of eleven underutilized parcels. The proposed project site is almost fully built out with a mix of buildings that were constructed beginning in the late 1800's through the 1950's. This portion of the block is representative of the original historic fabric of K Street, with some of the properties listed in the Sacramento Register of Historic and Cultural Resources. A small parcel at the south-westernmost edge of the site adjacent to the alley at 7<sup>th</sup> Street is vacant.

The 700 Block of K Street project proposes a mixed-use development with 137 residential units and retail/restaurant/entertainment uses and a parking garage. The development densities would be below those assumed for the site in the Master EIR for the City of Sacramento's 2030 General Plan.

As part of the proposed project, the majority of the existing building facades along K Street would be renovated in order to maintain the existing pedestrian scale and storefront characteristics. The proposed project would redevelop the existing structures along K Street with retail and restaurant uses, and convert the upper floors of several buildings to residential uses. The entire south half of the half block, along the alley, is proposed for demolition and construction of a single five-story residential building over a two-level parking garage. The first level of the garage would be below grade.

This proposed project would also install the infrastructure connections for development of the site.

#### Findings Required Under CEQA

##### 1. Procedural Findings

The Planning Commission of the City of Sacramento finds as follows:

Based on the initial study conducted for 700 Block of K Street project, SCH # 2010112014, (herein after the Project), the City of Sacramento's Environmental Planning Services determined, on substantial evidence, that the Project is an anticipated subsequent project identified and described in the 2030 General Plan Master EIR; that the Project is consistent with the 2030 General Plan land use designation and the permissible densities and intensities of use for the project site; that the discussions of cumulative impacts, growth inducing impacts, and irreversible significant effects in the Master EIR are adequate for the Project; and that the Project will have additional significant environmental effects not previously examined in the Master EIR. Therefore, staff prepared a focused environmental impact report ("EIR") on the Project which incorporates by reference the Master EIR and analyzes only the project-specific significant environmental effects and any new or additional mitigation measures or alternatives that were not identified and analyzed in the Master EIR. Mitigation measures from the Master EIR have been applied to the project as appropriate. The

EIR was prepared, noticed, published, circulated, reviewed, and completed in full compliance with the California Environmental Quality Act (Public Resources Code §21000 *et seq.* ("CEQA"), the CEQA Guidelines (14 California Code of Regulations §15000 *et seq.*), and the City of Sacramento environmental guidelines, as follows:

a. A Notice of Preparation of the Draft EIR was filed with the Office of Planning and Research and each responsible and trustee agency and was circulated for public comments from November 1, 2010 through December 1, 2010.

b. A Notice of Completion (NOC) and copies of the Draft EIR were distributed to the Office of Planning and Research on February 16, 2011 to those public agencies that have jurisdiction by law with respect to the Project, or which exercise authority over resources that may be affected by the Project, and to other interested parties and agencies as required by law. The comments of such persons and agencies were sought.

c. An official 45-day public comment period for the Draft EIR was established by the Office of Planning and Research. The public comment period began on February 16, 2011 and ended on April 4, 2011.

d. A Notice of Availability (NOA) of the Draft EIR was mailed to all interested groups, organizations, and individuals who had previously requested notice in writing on February 15, 2011. The NOA stated that the City of Sacramento had completed the Draft EIR and that copies were available at the City of Sacramento, Development Services Department, New City Hall, 915 I Street, Third Floor, Sacramento, California 95814. The letter also indicated that the official 45-day public review period for the Draft EIR would end on April 4, 2011.

e. A public notice was placed in the Daily Recorder on February 15, 2011 which stated that the Draft EIR was available for public review and comment.

f. Following closure of the public comment period, all comments received on the Draft EIR during the comment period, the City's written responses to the significant environmental points raised in those comments, and additional information added by the City were added to the Draft EIR to produce the Final EIR.

## 2. Record of Proceedings

The following information is incorporated by reference and made part of the record supporting these findings:

a. The Draft and Final EIR and all documents relied upon or incorporated by reference;

b. The City of Sacramento 2030 General Plan adopted March 3, 2009 and all updates.

c. The Master Environmental Impact Report for the City of Sacramento 2030 General Plan certified on March 3, 2009, and all updates.

d. Findings of Fact and Statement of Overriding Considerations for the Adoption of the Sacramento 2030 General Plan adopted March 3, 2009, and all updates.

e. Zoning Ordinance of the City of Sacramento

f. Blueprint Preferred Scenario for 2050, Sacramento Area Council of Governments, December, 2004

g. The Mitigation Monitoring Program for the Project.

h. All records of decision, staff reports, memoranda, maps, exhibits, letters, synopses of meetings, and other documents approved, reviewed, relied upon, or prepared by any City commissions, boards, officials, consultants, or staff relating to the Project.

### 3. Findings

CEQA requires that the lead agency adopt mitigation measures or alternatives, where feasible, to substantially lessen or avoid significant environment impacts that would otherwise occur. Mitigation measures or alternatives are not required, however, where such changes are infeasible or where the responsibility for the project lies with some other agency. (CEQA Guidelines, § 15091, sub. (a), (b).)

With respect to a project for which significant impacts are not avoided or substantially lessened, a public agency, after adopting proper findings, may nevertheless approve the project if the agency first adopts a statement of overriding considerations setting forth the specific reasons why the agency found that the project's "benefits" rendered "acceptable" its "unavoidable adverse environmental effects." (CEQA Guidelines, §§ 15093, 15043, sub. (b); see also Pub. Resources Code, § 21081, sub. (b))

In seeking to effectuate the substantive policy of CEQA to substantially lessen or avoid significant environmental effects to the extent feasible, an agency, in adopting findings, need not necessarily address the feasibility of both mitigation measures and environmentally superior alternatives when contemplating approval of a proposed project with significant impacts. Where a significant impact can be mitigated to an "acceptable" level solely by the adoption of feasible mitigation measures, the agency, in drafting its findings, has no obligation to consider the feasibility of any environmentally superior alternative that could also substantially lessen or avoid that same impact — even if the alternative would render the impact less severe than would the proposed project as mitigated. (*Laurel Hills Homeowners Association v. City Council* (1978) 83 Cal.App.3d 515, 521; see also *Kings County Farm Bureau v. City of Hanford* (1990) 221 Cal.App.3d 692, 730-731; and *Laurel Heights Improvement Association v. Regents of the University of California ("Laurel Heights I")* (1986) 47 Cal.3d 376, 400-403.)

In these Findings, the City first addresses the extent to which each significant environmental effect can be substantially lessened or avoided through the adoption of feasible mitigation measures. Only after determining that, even with the adoption of all feasible mitigation measures, an effect is significant and unavoidable does the City address the extent to which alternatives described in the EIR are (i) environmentally superior with respect to that effect and (ii) "feasible" within the meaning of CEQA.

In cases in which a project's significant effects cannot be mitigated or avoided, an agency, after adopting proper findings, may nevertheless approve the project if it first adopts a statement of overriding considerations setting forth the specific reasons why the agency found that the "benefits of the project outweigh the significant effects on the environment." (Public Resources Code, Section 21081, sub. (b); see also, CEQA Guidelines, Sections 15093, 15043, sub (b).) In the Statement of Overriding Considerations found at the end of these Findings, the City identifies the specific economic, social, and other considerations that, in its judgment, outweigh the significant environmental effects that the Project will cause.

The California Supreme Court has stated that "[t]he wisdom of approving ... any development project, a delicate task which requires a balancing of interests, is necessarily left to the sound discretion of the local officials and their constituents who are responsible for such decisions. The law as we interpret and apply it simply requires that those decisions be informed, and therefore balanced." (*Goleta II* (1990) 52 Cal.3d 553 at 576.)

In support of its approval of the Project, the Planning Commission makes the following findings for each of the significant environmental effects and alternatives of the Project identified in the EIR pursuant to Section 21080 of CEQA and section 15091 of the CEQA Guidelines:

**A. Significant or Potentially Significant Impacts Mitigated to a Less Than Significant Level.**

The following significant and potentially significant environmental impacts of the Project, including cumulative impacts, are being mitigated to a less than significant level and are set out below. Pursuant to section 21081(a)(1) of CEQA and section 15091(a)(1) of the CEQA Guidelines, as to each such impact, the Planning Commission, based on the evidence in the record before it, finds that changes or alterations incorporated into the Project by means of conditions or otherwise, mitigate, avoid or substantially lessen to a level of insignificance these significant or potentially significant environmental impacts of the Project. The basis for the finding for each identified impact is set forth below.

**Cultural Resources**

**Impact 4.1-2: Implementation of the 700 K Street project could cause a substantial change in the significance of historical resources (hollow sidewalks) as defined in CEQA Guidelines Section 15064.5. Without mitigation this is a significant impact.**

**Mitigation Measure (From MMP):** The following mitigation measure has been adopted to address this impact:

***MM 4.1-2***

***If there are no feasible means of preserving the necessary character defining features of the resource, as part of the Disposition and Development or other activity that could adversely affect a feature of a hollow sidewalk, the applicant shall work with the City Preservation Director to determine an appropriate mitigation fee to cover the cost of preserving the same length of hollow sidewalk in a different location, based on the existing condition of the hollow sidewalks along K Street and the applicable Secretary of***

*Interior Standards for the preservation of such resource. This fee must be paid before permits for demolition and/or construction are issued. The mitigation fee may consist of a contribution to a City Preservation Fund, as established by the City Council as grant provider for historic buildings.*

**Finding:** With implementation of the mitigation measure(s), this impact is reduced to a *less than significant* level. Although not anticipated, the project could result in significant impacts to the hollow sidewalks fronting the proposed project site. Payment of the mitigation fee required by Mitigation Measure 4.1-2 would reduce the impact to a less-than-significant level by ensuring the preservation of the same length of another hollow sidewalk in another location in the City.

**Impact 4.1-3: Implementation of the 700 K Street project could cause a substantial change in the significance of an archaeological resource as defined in CEQA Guidelines Section 15064.5. Without mitigation this is a significant impact.**

**Mitigation Measure (From MMP):** The following mitigation measure has been adopted to address this impact:

**MM 4.1-3**

*The following shall apply to any ground disturbing activities associated with development of the project.*

a. *Prior to any excavation, grading or other construction on the project site, and in consultation with Native American Tribes and the City's Preservation Director, a qualified archaeologist will prepare a testing plan for testing areas proposed for excavation or any other ground-disturbing activities as part of the project, which plan shall be approved by the City's Preservation Director. Testing in accordance with that plan will then ensue by the qualified archaeologist, who will prepare a report on findings, and an evaluation of those findings, from those tests and present that report to the City's Preservation Director. Should any findings be considered as potentially significant, further archaeological investigations shall ensue as approved by the Preservation Director, by the qualified archaeologist, and the archaeologist shall prepare reports on those investigations and evaluations relative to eligibility of the findings to the Sacramento, California or National Registers of Historic Places and submit that report to the City's Preservation Director, State Historic Preservation Officer, and appropriate Native American Tribal representative/s if applicable, with recommendations for treatment, disposition, or reburials of significant findings, as appropriate. Also, at the conclusion of the pre-construction testing, evaluation and reports and recommendations, a decision will be made by the City's Preservation Director, based upon the findings of the reports, as to whether on-site monitoring during any project-related excavation or ground-disturbing activities by a qualified archaeologist will be required.*

b. *Discoveries during construction: For those projects where no on-site archaeological monitoring was required, in the event that any historic or prehistoric subsurface archaeological features or deposits, including locally darkened soil ("midden"), that could conceal cultural deposits, animal bone, obsidian and/or mortars are discovered during construction-related earth-moving activities, all work within 50 meters of the resources shall be halted, and a qualified archeologist will be consulted to assess the significance of the find. Archeological test excavations shall be conducted by a qualified archeologist to aid in determining the nature and integrity of the find. If the find*

is determined to be significant by the qualified archeologist, representatives of the City, including the City's Preservation Director, and the qualified archeologist shall coordinate to determine the appropriate course of action. All significant cultural materials recovered shall be subject to scientific analysis and professional museum curation, or reburial in accordance with Tribal consultations if required. A report shall be prepared by the qualified archeologist according to current professional standards.

c. If a Native American site is discovered, the evaluation process shall include consultation with the appropriate Native American representatives.

d. If Native American archeological, ethnographic, or spiritual resources are involved, all identification and treatment shall be conducted by qualified archeologists, who are certified by the Society of Professional Archeologists (SOPA) and/or meet the federal standards as stated in the Code of Federal Regulations (36 CFR 61), and Native American representatives, who are approved by the local Native American community as scholars of the cultural traditions.

e. In the event that no such Native American is available, persons who represent tribal governments and/or organizations in the locale in which resources could be affected shall be consulted. If historic archeological sites are involved, all identified treatment is to be carried out by qualified historical archeologists, who shall meet either Register of Professional Archeologists (RPA), or 36 CFR 61 requirements.

If a human bone or bone of unknown origin is found during construction, all work shall stop in the vicinity of the find, and the County Coroner, and City's Preservation Director, shall be contacted immediately. If the remains are determined to be Native American, the Coroner shall notify the Native American Heritage Commission, who shall notify the person most likely believed to be a descendant. The most likely descendant shall work with the contractor to develop a program for re-interment of the human remains and any associated artifacts. No additional work is to take place within the immediate vicinity of the find until the identified appropriate actions have taken place. Work can continue on other parts of the project site while the unique archeological resource mitigation takes place.

**Finding:** With implementation of the mitigation measure(s), this impact is reduced to a *less than significant* level. Mitigation 4.1-3 outlines a plan to test the proposed project site prior to excavation or other ground-disturbing activities, and to address any uncovered archeological resources. While unforeseen archeological resources or Native American resources may still be found during any ground disturbing activities, the mitigation will significantly reduce potential impacts to resources by ensuring that construction is halted immediately upon discovery and the resources are appropriately handled.

#### **B. Significant and Unavoidable Impacts.**

The following significant and potentially significant environmental impacts of the Project, including cumulative impacts, are unavoidable and cannot be mitigated in a manner that would substantially lessen the significant impact. Notwithstanding disclosure of these impacts, the Planning Commission elects to approve the Project due to overriding considerations as set forth below in Section G, the statement of overriding considerations.

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**Impact 4.1-1: Implementation of the 700 K Street project could cause a substantial change in the significance of historical resources (700, 716, and 726 K Street and historic alley facades) as defined in CEQA Guidelines Section 15064.5. Without mitigation, this is a significant impact.**

**Mitigation Measure (From MMP):** The following mitigation measure has been adopted to address this impact:

***MM 4.1-1***

*(a) The following resources shall be removed and/or protected prior to any demolition or construction activities that could result in loss or damage. A demolition plan shall be reviewed and approved by the City's Preservation Director prior to construction. The resources shall be rehabilitated or reinstalled in locations approved by the City's Preservation Director.*

- *700 K Street: Interior multi-level volume of space alongside the arched windows on the west wall of the structure.*
- *Historic Alley Facades: rear wall of 712/ 714 K Street. In addition to the wall's re-installation at a new location, provide interpretation on-site of the historic 19<sup>th</sup> century alley district elements that are to be demolished. The interpretation shall include a permanent metal exhibit incorporating historic and current photographs and descriptions of all the 19<sup>th</sup> century alley facade district's features and their history. The exhibit's design and locations shall be approved by the City's Preservation Director.*

*(b) 716 K: Prior to submittal for building permits on this building, detailed design plans and elevations for the building's K Street entry and façade will be submitted for review and approval by the Preservation Director such that original materials and character-defining features will be retained and rehabilitated, and the missing original projecting bay will be reconstructed, in accordance with the Secretary of the Interior's Standards for Rehabilitation and for Reconstruction respectively.*

*(c) 726 K: Prior to submittal for building permits on this building, design plans and elevations for the building's K Street entry and façade will be submitted for review and approval by the Preservation Director such that original materials and character-defining features will be retained and rehabilitated in accordance with the Secretary of the Interior's Standards for Rehabilitation, and that any additions or new construction at the façade or entry area will be designed in accordance with the Secretary of the Interior's Standards for Rehabilitation.*

**Finding:** The proposed demolition of the rear portions of the buildings at 704, 708, 712/ 714, 720, and 724 K Street would result in the loss of significant features and characteristics that contribute to the scale, size, and overall image of the potentially-eligible "Greyhound alley façade" district. The elements at the rear of these buildings convey a sense of time and place reflecting the City's unique early downtown history. Although no portion of the building at 716 K Street would be demolished in order to construct the proposed new structure because the building is shorter than the others fronting K Street, the building would no longer be adjacent to the alley. As defined by CEQA, the loss of these resources would be a substantial adverse change to these

historic resources, and mitigation that reduces the impact to a less-than-significant level has not been identified.

For these reasons, the impact remains *significant and unavoidable*.

Impact 4.1-4: Implementation of the 700 K Street project, in conjunction with other development in the City, could cause a substantial change in the significance of a historic resource as defined in CEQA Guidelines Section 15064.5. Without mitigation, this is a *significant impact*.

Mitigation Measure (From MMP): The following mitigation measure has been adopted to address this impact:

*MM 4.1-4  
Implement Mitigation Measure 4.1-1 and Mitigation Measure 4.1-2*

**Finding:** The potential for the continued loss of historic resources in the City was determined to be Significant and Unavoidable in the City's Master EIR for the General Plan. As noted in Impact 4.1-1, the proposed project would have significant and unavoidable impacts to specific historic resources. For this reason, development of the proposed project would result in a cumulatively considerable impact to historic resources.

For these reasons, the project's contribution to the cumulative loss or damage of historic resources would be *Significant and Unavoidable*.

**C. Findings Related to the Relationship Between Local Short-term Uses of the Environment and Maintenance and Enhancement of Long-term Productivity.**

Based on the EIR and the entire record before the Planning Commission, the Planning Commission makes the following findings with respect to the project's balancing of local short term uses of the environment and the maintenance of long term productivity:

- As the project is implemented, certain impacts would occur on a short-term level. Such short-term impacts are discussed above. Where feasible, measures have been incorporated in the project to mitigate these potential impacts.
- The project would result in the long-term commitment of resources to develop and operate the project including water, natural gas, fossil fuels, and electricity. The long-term implementation of the project would provide economic benefits to the City. The project would be developed within an existing urban area and not contribute to urban sprawl. Notwithstanding the foregoing, some long-term impacts would result.

Although there are short-term and long-term adverse impacts from the project, the short-term and long-term benefits of the project justify implementation.

## D. Project's Contribution of Greenhouse Gas Emissions

### Greenhouse Gas Emissions Discussion

As part of its action in approving the 2030 General Plan, the City Council certified the Master Environmental Impact Report (Master EIR) that evaluated the environmental effects of development that is reasonably anticipated under the new general plan. The Master EIR includes extensive discussion of the potential effects of greenhouse gas emissions. The Master EIR discussions regarding climate change are incorporated here by reference. See:

Draft EIR: 6.1 Air Quality (Page 6.1-1)

Final EIR: City Climate Change Master Response (Page 4-1)

Errata No. 2: Climate Change (Page 12)

These documents are available at:

[www.cityofsacramento.org/dsd/planning/environmental-review/eirs/](http://www.cityofsacramento.org/dsd/planning/environmental-review/eirs/) and at the offices of the Community Development Department at 300 Richards Boulevard, Third Floor, Sacramento, California.

The project-specific analysis of greenhouse gas emissions resulting from this proposed project is tiered from the Master EIR for the General Plan, as provided in Sections 15175 through 15179.5 and 15183.5 of the CEQA Guidelines. The City analyzed and mitigated the significant effects of greenhouse gas emissions at a programmatic level in the Master EIR for the 2030 General Plan.

As determined in the Initial Study, the proposed project, and the level of development proposed, is an anticipated subsequent project identified and described in the Master EIR. The proposed project is consistent with the General Plan designation for the project site (CBD); therefore, the greenhouse gas emission discussion in the General Plan Master EIR addressed the potential emissions from the proposed project site. Because the amount of emitted CO<sub>2</sub> can be calculated for a specific project on the site, the project's greenhouse gases (GHG) emissions (construction and operational emissions from mobile sources) are discussed below.

#### Short-term Construction Emissions

During construction of the project GHG emissions would be emitted from the operation of construction equipment and from worker and building supply vendor vehicles. The total CO<sub>2</sub> emissions generated by the construction of the project would be approximately 694.5 metric tons per year for construction of the project. These emissions would equate to approximately 0.0014 percent of the estimated GHG emissions for all sources in California (483 million metric tons).<sup>1</sup> Currently, construction is anticipated to take approximately two years.

#### Long-term Operational Emissions

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<sup>1</sup> See Appendix C for the URBEMIS modeling results for CO<sub>2</sub>.

The largest source of greenhouse gas emissions associated with the proposed project would be on- and off-site motor vehicle use. CO<sub>2</sub> emissions, the primary GHG emission from mobile sources, are directly related to the quantity of fuel consumed. CO<sub>2</sub> emissions during operation of the project at full build-out of the proposed project would be approximately 2,165 metric tons, which equates to 0.004 percent of California's total emissions.

The development would be required to comply with current California building codes that require structures to incorporate energy efficient materials and design.

#### Ongoing Activities for the Reduction of GHG Emissions in the City

The 2030 General Plan included direction to staff to prepare a Climate Action Plan for the City. Staff has continued work on this plan since adoption of the 2030 General Plan. The Climate Action Plan will provide additional guidance for the City's ongoing efforts to reduce GHG emissions. The tentative completion date for the Climate Action Plan is 2012. This Plan's purpose is to reduce the City's operational emissions.

Action continues at the State and federal level to combat climate change. In December 2009 the Environmental Protection Agency listed greenhouse gases as harmful emissions under the Clean Air Act. The EPA action could eventually result in regulations that would have as their purpose the reduction of such emissions.

In January 2011, changes were made to Title 24 of the California Code of Regulations (also known as the *California Green Building Standards Code and the CALGreen Code*). The purpose of the CALGreen Code is to enhance the design and construction of buildings to encourage sustainable construction practices in planning and design that result in energy efficiency, water efficiency and conservation, material conservation and resource efficiency, and environmental quality.

The Master EIR concluded that GHG emissions that could be emitted by all development within the City that is consistent with the 2030 General Plan would be cumulatively considerable and unavoidable (Errata No. 2, Page 12). The Master EIR includes a full analysis of GHG emissions and climate change, and adequately analyzes this impact.

The proposed 700 Block of K Street project is consistent with the 2030 General Plan, and would further advance the City's efforts to promote infill development and strengthening of the urban environment. Buildings constructed as part of the project would be required to comply with current California building codes that enforce energy efficiency, including the recently enacted CALGreen.

Attachment 1 to the Mitigation Monitoring Plan lists the 2030 General Plan Policies and Implementation Measures that Mitigate Climate Change. The proposed project is compliant with the following policies from the list:

- The project is considered infill development (LU 1.1.5) and the redevelopment of an existing urbanized area. The project optimizes the City's investments in infrastructure and community facilities, supports increased transit use, promotes pedestrian and bicycle friendly neighborhoods, ensures the integrity of historic districts, and enhances retail viability.

- The project is infill development where City services are in place (LU 1.1.9).
- The project proposes a mixed-use neighborhood that would accommodate local-serving commercial, employment, and entertainment uses; provides diverse housing opportunities, and would be efficiently served by transit (LU 2.1.4).
- Per Policy LU 2.1.5, the project proposes infill development, redevelopment, rehabilitation, and reuse efforts that contribute positively to existing neighborhoods.
- The project complies with Policy LU 2.6.1 in that it proposes a high density, compact development pattern in a mixed use project that reduces the dependence on automobiles of its future tenants, visitors, and residents.
- The project would revitalize a distressed and under-utilized area (LU 2.6.2).
- The project would incorporate buildings that use less water and energy and would effectively use daylight (LU 2.6.3).
- The project would retain and reuse existing buildings and make the existing structures more energy efficient (LU 2.6.4).
- The project would reduce the existing heat island effect through the installation of at least one green roof (LU 2.6.6).
- The project proposes to engage the street through façade articulations, ground floor transparency, and the location of the parking structure at the rear of the parcels (LU 2.7.7).
- The project proposes the vertical integration of a complementary mix of nonresidential uses that support the future residents (LU 4.4.6 and LU 5.1.5).
- The project proposes commercial and residential development that is adjacent to an existing light rail station, in compliance with LU 5.5.2.
- The project would result in the adaptive reuse of historic resources per Policy HCR 2.1.13.
- The project proposes that the pedestrian entrances to new residential structure face the streets and provide connections to sidewalks (M 2.1.6).
- As previously noted, there is a light rail station is on 7th Street, fronting the proposed project site. The existing infrastructure would provide direct pedestrian and bicycle access to the station from the project site (M 3.1.12).
- The project proposes 84 parking spaces for the 137 dwelling units. This proposal complies with Policies M6.1.1 and M6.1.4 to reduce the amount of parking.

- The project proposes recycling and reusing materials from the demolished portions of the buildings to the extent feasible and cost effective (U5.1.11 and U5.1.12).
- The project would upgrade, through replacement, the appliances and HVAC systems in the existing structures so that they meet the new energy standards (U6.1.11).
- The project would not hinder the City's efforts to meet Statewide greenhouse reduction goals. (ER.6.1.3).
- Per Policy ER 6.1.5, the project would discourage auto-dependent sprawl and dependence on a private automobile, promote water conservation through the use of low flow toilets in a compact development that is mixed use, pedestrian- and transit-oriented.

The following Conditions of Approval are required to specifically further reduce the emissions of greenhouse gases from the proposed project:

All toilets on the project site shall be low-flow.

At a minimum, the project shall include construction of a green roof over the residential common area.

High HTC-rated and energy efficient windows shall be installed in the residential and commercial areas and storefronts. For the four structures that are historic per CEQA, the original windows will be repaired or replaced in accordance with the Secretary of the Interior's Rehabilitation Standards.

The project is consistent with the City's goals as set forth in the 2030 General Plan and Master EIR relating to reduction of GHG emissions. There are no uses proposed on the project site that could result in higher emissions of greenhouse gases than assumed for the type of development envisioned in the General Plan. The project would not impede the City's efforts to comply with AB 32 requirements. The project would not have any significant additional environmental effects relating to GHG emissions or climate change.

#### E. Project Alternatives.

The Planning Commission has considered the Project alternatives presented and analyzed in the final EIR and presented during the comment period and public hearing process. Some of these alternatives have the potential to avoid or reduce certain significant or potentially significant environmental impacts, as set forth below. The Planning Commission finds, based on specific economic, legal, social, technological, or other considerations, that these alternatives are infeasible. Each alternative and the facts supporting the finding of infeasibility of each alternative are set forth below.

## Alternative Considered and Dismissed from Further Consideration

### Alternative Site

Section 15126.6(f)(2)(B) requires that the Lead Agency disclose the reasons for not considering an alternative project site. This alternative for the proposed project was dismissed from further consideration. Such an alternative would eliminate the Significant and Unavoidable Impact to historic resources by not requiring the demolition of the K/L alley within the project boundary. However, the goal of the proposed project is the redevelopment of a specific block of the City.

The City's redevelopment strategy focuses on two nodes: the 10<sup>th</sup>/K block and the 700/800 blocks. Over the past several years the Redevelopment Agency acquired the parcels on the project site with the intent of redevelopment of the site. The site allows for a transit oriented development (with light rail on three sides of the site and bus service on two sides) creating housing near an employment base and supporting SMART growth principles.

### Facts in Support of Finding of Infeasibility

Because the Agency does not own adjoining parcels of sufficient size at the 10<sup>th</sup>/K block, this type of master planning for redevelopment of an entire one-half block is not possible.

## Summary of Alternatives Considered

### No Project Alternative

This alternative assumes that the project site would be developed consistent with the currently allowed land uses, zoning, and development intensities; however, the parcels would not be merged and there would not be a cohesive plan for development of the eleven parcels. Each parcel would be developed individually from the others. This alternative must consider the effects of forgoing the project. The purpose of analyzing this alternative is to allow decision-makers to compare the impacts of the proposed project to the impacts of not approving the project as proposed.

This alternative assumes development of the parcels that do not require demolition or disturbance to the historic façades in the K/L Alley.

It is important to note that the proposed project would not result in significant and unavoidable impacts to any environmental resource area except historic resources. As with this No Project/Existing Zoning Alternative, the proposed project would also develop in accordance with the existing land use and zoning designations for the site.

This alternative would result in essentially the same impacts as assumed for the project site in the Master EIR for the General Plan, as both analyses assumed development of the sites in accordance with the General Plan designations.

Because a variety of land uses and densities could be developed on the project site in accordance with the existing zoning, it is too speculative to determine development assumptions for the site for a quantitative comparison to the proposed project.

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Therefore, the impacts are examined qualitatively. The traffic impacts are assumed to be the same since both the project and this alternative would comply with the development densities allowed by the Zoning Code.

The same footprint as the proposed project would be developed; therefore, the effects related to the location of development, such as the potential loss of archeological resources and exposure to hazards and hazardous materials would be the same.

It is assumed that the air impacts would be less with this alternative because no demolition would take place.

The impacts to public utilities (water, wastewater, and stormdrainage) are anticipated to be the same because of the need to supply fire flows to any structure that is renovated.

The impacts to noise are assumed to be less with this alternative when compared to the proposed project because it is not anticipated that the entertainment venue, roof top garden, and roof decks would be constructed without a single vision for the block.

The impacts to public services (police, fire, and schools) and the attendant environmental impacts could be similar with this alternative, because both the proposed project and the alternative could result in more residents in an area that has been determined to currently require more public service facilities.

Implementation of the mitigation measures to protect archeological resources identified in this DEIR would be required and the developers of the individual parcels would be required to comply with federal and State regulations and the City Code regarding such resources.

Potential impacts to hollow sidewalks could occur with this alternative because the development of a parcel could result in the need to make structural changes that could impact the hollow sidewalks. Implementation of the mitigation measure for this impact would reduce these impacts to a less-than-significant level.

#### **Facts in Support of Finding of Infeasibility**

This alternative would not meet any of the objectives established for this project. The individual parcels would develop individually, in accordance with the Zoning Code and the General Plan, without the benefit of an overall plan for an established vision. However, the alternative would eliminate the significant impact to historic resources because demolition of the K/L alley facades within the project boundary would not be required.

#### **Complete Historic Preservation Alternative**

This alternative would require the block to be developed without the significant and unavoidable impacts to the K/L alley facades within the project boundary.

This alternative assumes that the eleven parcels of the block would be merged and developed as a cohesive whole. As with the No Project/ Existing Zoning Alternative, the impacts associated with this alternative are described qualitatively because a variety of land uses and densities could be developed on the project site.

It is important to note that the proposed project would not result in significant impacts to any environmental resource area except historic resources. As with this alternative, the proposed project would also develop in accordance with the existing land use and zoning designations for the site.

This alternative would result in essentially the same impacts as assumed for the project site in the Master EIR for the General Plan, as both analyses assumed development of the sites in accordance with the General Plan designations.

#### **Facts in Support of Finding of Infeasibility**

This alternative would meet some of the objectives established for this project; however, without the development of the new structure that would house 134 residential units and provide parking for the residential uses, it is unlikely that high density, transit oriented development could be developed.

#### **F. Statement of Overriding Considerations:**

Pursuant to Guidelines section 15092, the Planning Commission finds that in approving the Project it has eliminated or substantially lessened all significant and potentially significant effects of the Project on the environment where feasible, as shown in Sections 5.0 through 5.6. The Planning Commission further finds that it has balanced the economic, legal, social, technological, and other benefits of the Project against the remaining unavoidable environmental risks in determining whether to approve the Project and has determined that those benefits outweigh the unavoidable environmental risks and that those risks are acceptable. The Planning Commission makes this statement of overriding considerations in accordance with section 15093 of the Guidelines in support of approval of the Project.

#### **Statement of Overriding Considerations**

Pursuant to Guidelines section 15092, the City Planning Commission finds that in approving the Project it has eliminated or substantially lessened all significant and potentially significant effects of the Project on the environment where feasible, as shown in Chapter 4.1 of the Draft EIR. The City Planning Commission further finds that it has balanced the economic, legal, social, technological, and other benefits of the Project against the remaining unavoidable environmental risks in determining whether to approve the Project and has determined that those benefits outweigh the unavoidable environmental risks and that those risks are acceptable. The City Planning Commission makes this statement of overriding considerations in accordance with section 15093 of the Guidelines in support of approval of the Project.

The project would bring high density, transit-oriented development to the Central Business District (CBD). The project would reactivate the 700 Block of K Street by replacing uneconomical land uses with a vibrant mixed-use community to help revitalize the entire downtown. A neighborhood retail center would be included, as would housing opportunities, in the CBD. The project would rehabilitate the K Street facades of Landmark buildings and would rebuild and/or renovate the other K Street facades in the block in order to retain the general scale and historic character of the block of buildings.

The City Planning Commission adopts the mitigation measures in the final Mitigation and Monitoring Program, incorporated by reference into these Findings (see Exhibit B), and finds that any residual or remaining effects on the environment resulting from the project, identified as significant and unavoidable in the Findings of Fact, are acceptable due to the benefits set forth in this Statement of Overriding Considerations. The City Planning Commission makes this Statement in accordance with section 10593 of the CEQA Guidelines in supporting approval of the project.



	<p>(b) 716 K: Prior to submittal for building permits on this building, detailed design plans and elevations for the building's K Street entry and façade will be submitted for review and approval by the Preservation Director such that original materials and character-defining features will be retained and rehabilitated, and the missing original projecting bay will be reconstructed, in accordance with the Secretary of the Interior's Standards for Rehabilitation and for Reconstruction respectively.</p> <p>(c) 726 K: Prior to submittal for building permits on this building, design plans and elevations for the building's K Street entry and façade will be submitted for review and approval by the Preservation Director such that original materials and character-defining features will be retained and rehabilitated in accordance with the Secretary of the Interior's Standards for Rehabilitation, and that any additions or new construction at the façade or entry area will be designed in accordance with the Secretary of the Interior's Standards for Rehabilitation.</p>	<p>Contractor and City's Preservation Director</p>	<p>Prior to submittal for building permits</p>	
<p>Impact 4:1-2 Implementation of the 700 K Street project could cause a substantial change in the significance of historical resources (hollow sidewalks) as defined in CEQA Guidelines</p>	<p>MM 4:1-2: If there are no feasible means of preserving the necessary character defining features of the resource, as part of the Disposition and Development or other activity that could adversely affect a feature of a hollow sidewalk, the applicant shall work with the City Preservation Director to determine an appropriate mitigation fee to cover the cost of preserving the same length of hollow sidewalk in a different location, based on the existing condition of the hollow sidewalks along K Street and the applicable Secretary of Interior Standards for the preservation of such resource. This fee must be paid before permits for demolition and/or construction are issued. The mitigation fee may consist of a contribution to a City Preservation Fund, as established by the City Council as grant provider for historic buildings.</p>	<p>Applicant and City's Preservation Director</p>	<p>Part of the DDA</p>	

Section 15064.5:				
<p>Impact 4.1-3</p> <p>Implementation of the 700 K Street project could cause a substantial change in the significance of an archeological resource as defined in CEQA Guidelines Section 15064.5.</p>	<p><i>MM 4.1-3. The following shall apply to any ground-disturbing activities associated with development of the project.</i></p> <p><i>a. Prior to any excavation, grading or other construction on the project site, and in consultation with Native American Tribes and the City's Preservation Director, a qualified archaeologist will prepare a testing plan for testing areas proposed for excavation or any other ground-disturbing activities as part of the project, which plan shall be approved by the City's Preservation Director. Testing in accordance with that plan will then ensue by the qualified archaeologist, who will prepare a report on findings, and an evaluation of those findings, from those tests and present that report to the City's Preservation Director. Should any findings be considered as potentially significant, further archaeological investigations shall ensue as approved by the Preservation Director, by the qualified archaeologist, and the archaeologist shall prepare reports on those investigations and evaluations relative to eligibility of the findings to the Sacramento, California or National Registers of Historic Places and submit that report to the City's Preservation Director, State Historic Preservation Officer, and appropriate Native American Tribal representative/s if applicable, with recommendations for treatment, disposition, or reburials of significant findings, as appropriate. Also, at the conclusion of the pre-construction testing, evaluation and reports and recommendations, a</i></p>	Contractor:	Prior to any excavation, grading, or other construction:	

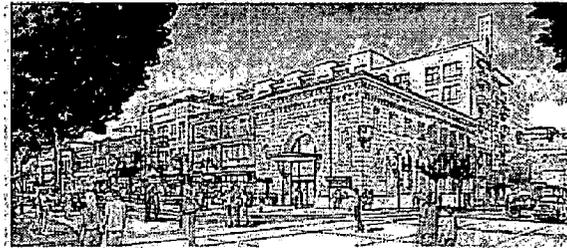
	<p>decision will be made by the City's Preservation Director, based upon the findings of the reports, as to whether on-site monitoring during any project-related excavation or ground-disturbing activities by a qualified archaeologist will be required.</p> <p>f. Discoveries during construction: For those projects where no on-site archaeological monitoring was required, in the event that any historic or prehistoric subsurface archeological features or deposits, including locally darkened soil ("midden"), that could conceal cultural deposits, animal bone, obsidian and/or mortars are discovered during construction-related earth-moving activities, all work within 50 meters of the resources shall be halted, and a qualified archeologist will be consulted to assess the significance of the find. Archeological test excavations shall be conducted by a qualified archeologist to aid in determining the nature and integrity of the find. If the find is determined to be significant by the qualified archeologist, representatives of the City, including the City's Preservation Director, and the qualified archeologist shall coordinate to determine the appropriate course of action. All significant cultural materials recovered shall be subject to scientific analysis and professional museum curation, or reburial in accordance with Tribal consultations if required. A report shall be prepared by the qualified archeologist according to current professional standards.</p> <p>g. If a Native American site is discovered, the evaluation process shall include consultation with the appropriate Native American representatives:</p> <p>h. If Native American archeological, ethnographic, or spiritual resources are involved, all identification and treatment</p>			
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	<p>shall be conducted by qualified archeologists, who are certified by the Society of Professional Archeologists (SOPA) and/or meet the federal standards as stated in the Code of Federal Regulations (36 CFR 61), and Native American representatives, who are approved by the local Native American community as scholars of the cultural traditions.</p> <p>i. In the event that no such Native American is available, persons who represent tribal governments and/or organizations in the locale in which resources could be affected shall be consulted. If historic archeological sites are involved, all identified treatment is to be carried out by qualified historical archeologists, who shall meet either Register of Professional Archeologists (RPA), or 36 CFR 61 requirements.</p> <p>If a human bone or bone of unknown origin is found during construction, all work shall stop in the vicinity of the find, and the County Coroner, and City's Preservation Director, shall be contacted immediately. If the remains are determined to be Native American, the Coroner shall notify the Native American Heritage Commission, who shall notify the person most likely believed to be a descendant. The most likely descendant shall work with the contractor to develop a program for re-interment of the human remains and any associated artifacts. No additional work is to take place within the immediate vicinity of the find until the identified appropriate actions have taken place. Work can continue on other parts of the project site while the unique archeological resource mitigation takes place.</p>			
Impact 4.1-4 Implementation of the 700 K Street Block project, in	MM.4.1-4. Implement Mitigation Measure 4.1-1 and Mitigation Measure 4.1-2.	Contractor and City's Preservation Director	Prior to any demolition or construction activities.	

conjunction with other development in the City; could cause a substantial change in the significance of a historic resource as defined in CEQA Guidelines Section 15064.5.			and Part of the DDA.	
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# 700 BLOCK

700 K STREET, CALIFORNIA



VICINITY MAP



AERIAL VIEW FROM DOWNTOWN PLAZA



**PROJECT DIRECTORY**

**OWNER & APPLICANT / DEVELOPER:** 700 BLOCK INVESTORS LP, ATTENTION: ALI POLJOSKI, 547 BAYVIEW TERRACE STREET, SUITE 100, SACRAMENTO, CA 95811, PHONE: (916) 441-5001, FAX: (916) 441-5004, EMAIL: ali@700block.com

**ARCHITECT:** KUCHMAN ARCHITECTS PC, ATTENTION: BOB SCHWARTZ, 2700 L ST STREET, SACRAMENTO, CA 95811, PHONE: (916) 441-3000, FAX: (916) 441-3000, EMAIL: bob@kuchman.com

**AGENCY:** BROWN & ASSOCIATES, ATTENTION: CARY THOMSON, 1700 WOODWAY BLVD, SUITE 200, SACRAMENTO, CA 95811, PHONE: (916) 333-4000, FAX: (916) 333-4000, EMAIL: cary@brownandassociates.com

**ARCHITECTURAL CONSULTANT:** BROWN & ASSOCIATES INC., ATTENTION: PAUL BERNARD, 100 COLLEGE ST., SUITE 100, SACRAMENTO, CA 95811, PHONE: (916) 333-4000, FAX: (916) 333-4000, EMAIL: paul@brownandassociates.com

**SHEET INDEX:**

- 28 SHEETS TOTAL
- COVER SHEET
  - AL.1 - EAST ELEVATION AND COLOR PERSPECTIVE RENDERING
  - AL.2 - WEST ELEVATION, VIEW FROM NORTHWEST CORNER - 7TH STREET
  - AL.3 - WEST ELEVATION, VIEW FROM SOUTHWEST CORNER - 6TH STREET
  - A1.1 - PRELIMINARY SITE PLAN
  - A1.2 - EXISTING CONDITIONS - BASEMENT FLOOR PLAN
  - A1.3 - EXISTING CONDITIONS - 1ST FLOOR PLAN
  - A1.4 - EXISTING CONDITIONS - 2ND FLOOR PLAN
  - A1.5 - EXISTING CONDITIONS - 3RD FLOOR PLAN
  - A1.6 - EXISTING CONDITIONS - 4TH FLOOR PLAN
  - A1.7 - EXISTING CONDITIONS - 5TH FLOOR PLAN
  - A1.8 - EXISTING CONDITIONS - 6TH FLOOR PLAN
  - A1.9 - EXISTING CONDITIONS - 7TH FLOOR PLAN
  - A1.10 - EXISTING CONDITIONS - 8TH FLOOR PLAN
  - A1.11 - EXISTING CONDITIONS - 9TH FLOOR PLAN
  - A1.12 - EXISTING CONDITIONS - 10TH FLOOR PLAN
  - A1.13 - EXISTING CONDITIONS - 11TH FLOOR PLAN
  - A1.14 - EXISTING CONDITIONS - 12TH FLOOR PLAN
  - A1.15 - EXISTING CONDITIONS - 13TH FLOOR PLAN
  - A1.16 - EXISTING CONDITIONS - 14TH FLOOR PLAN
  - A1.17 - EXISTING CONDITIONS - 15TH FLOOR PLAN
  - A1.18 - EXISTING CONDITIONS - 16TH FLOOR PLAN
  - A1.19 - EXISTING CONDITIONS - 17TH FLOOR PLAN
  - A1.20 - EXISTING CONDITIONS - 18TH FLOOR PLAN
  - A1.21 - EXISTING CONDITIONS - 19TH FLOOR PLAN
  - A1.22 - EXISTING CONDITIONS - 20TH FLOOR PLAN
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  - A1.24 - EXISTING CONDITIONS - 22ND FLOOR PLAN
  - A1.25 - EXISTING CONDITIONS - 23RD FLOOR PLAN
  - A1.26 - EXISTING CONDITIONS - 24TH FLOOR PLAN
  - A1.27 - EXISTING CONDITIONS - 25TH FLOOR PLAN
  - A1.28 - EXISTING CONDITIONS - 26TH FLOOR PLAN
  - A1.29 - EXISTING CONDITIONS - 27TH FLOOR PLAN
  - A1.30 - EXISTING CONDITIONS - 28TH FLOOR PLAN
  - A1.31 - EXISTING CONDITIONS - 29TH FLOOR PLAN
  - A1.32 - EXISTING CONDITIONS - 30TH FLOOR PLAN
  - A1.33 - EXISTING CONDITIONS - 31ST FLOOR PLAN
  - A1.34 - EXISTING CONDITIONS - 32ND FLOOR PLAN
  - A1.35 - EXISTING CONDITIONS - 33RD FLOOR PLAN
  - A1.36 - EXISTING CONDITIONS - 34TH FLOOR PLAN
  - A1.37 - EXISTING CONDITIONS - 35TH FLOOR PLAN
  - A1.38 - EXISTING CONDITIONS - 36TH FLOOR PLAN
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  - A1.45 - EXISTING CONDITIONS - 43RD FLOOR PLAN
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  - A1.102 - EXISTING CONDITIONS - 100TH FLOOR PLAN

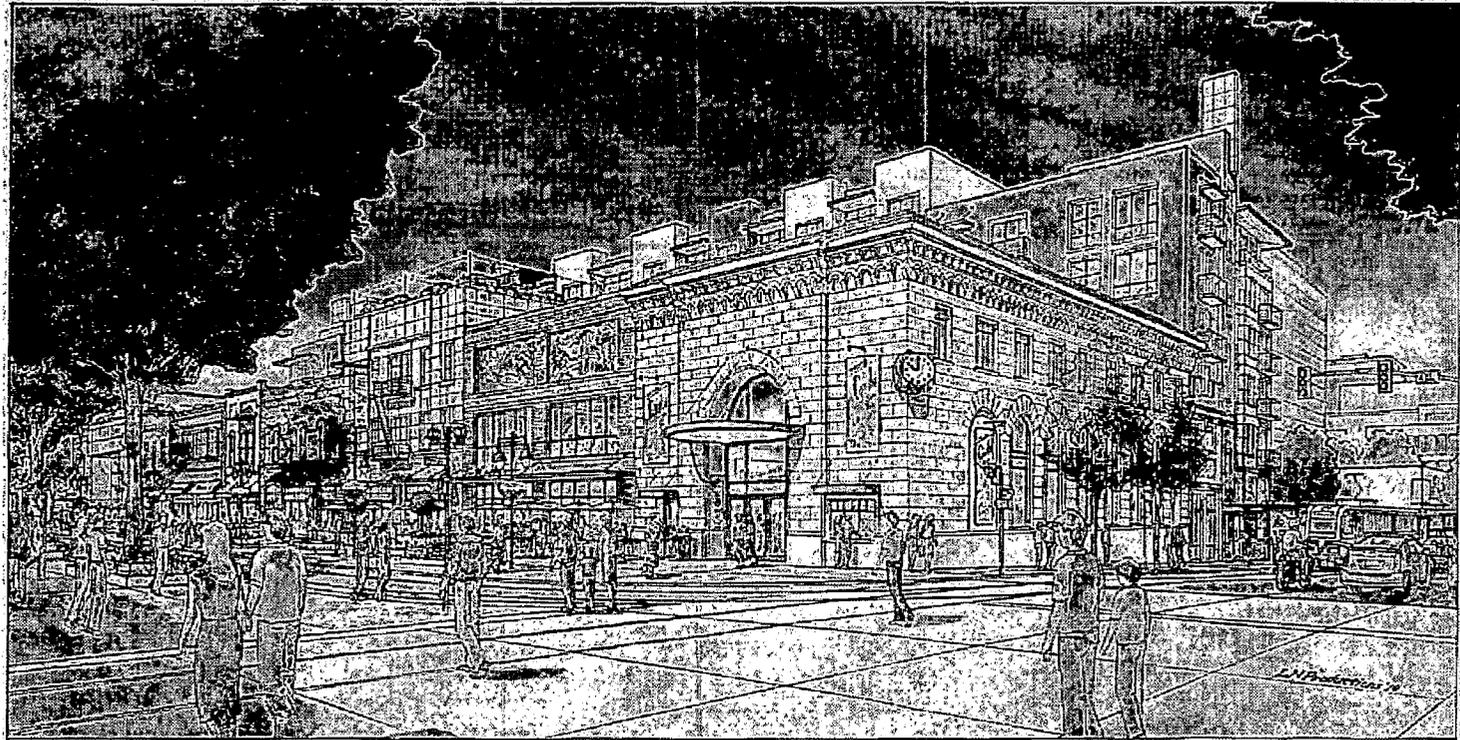
**PROJECT SUMMARY**

PROJECT INFORMATION		OWNER & APPLICANT		DEVELOPER		ARCHITECT		AGENCY		ARCHITECTURAL CONSULTANT	
PROJECT NAME	700 BLOCK INVESTORS LP	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT ADDRESS	700 K STREET, SACRAMENTO, CA 95811	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT TYPE	RENOVATION	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT STATUS	PRELIMINARY	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT PHASE	PRELIMINARY	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT DATE	2012	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT AREA	0.15 AC	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT ZONE	RENOVATION	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT PERMITS	RENOVATION	OWNER & APPLICANT	700 BLOCK INVESTORS LP	DEVELOPER	700 BLOCK INVESTORS LP	ARCHITECT	KUCHMAN ARCHITECTS PC	AGENCY	BROWN & ASSOCIATES	ARCHITECTURAL CONSULTANT	BROWN & ASSOCIATES INC.
PROJECT COMMENTS	RENOVATION OF EXISTING BUILDING AT 700 K STREET, SACRAMENTO, CA 95811. PROJECT WILL BE A 10-UNIT APARTMENT BUILDING WITH 10 UNITS AND 10 PARKING SPACES. PROJECT WILL BE A 10-UNIT APARTMENT BUILDING WITH 10 UNITS AND 10 PARKING SPACES. PROJECT WILL BE A 10-UNIT APARTMENT BUILDING WITH 10 UNITS AND 10 PARKING SPACES.										

REVISED 4/16/11  
 REVISED 3/25/11  
 REVISED 10/11/10  
 DECEMBER 10, 2010



Exhibit 3: View from Northwest Corner - 7<sup>th</sup> Street



700 BLOCK  
INVESTORS LP

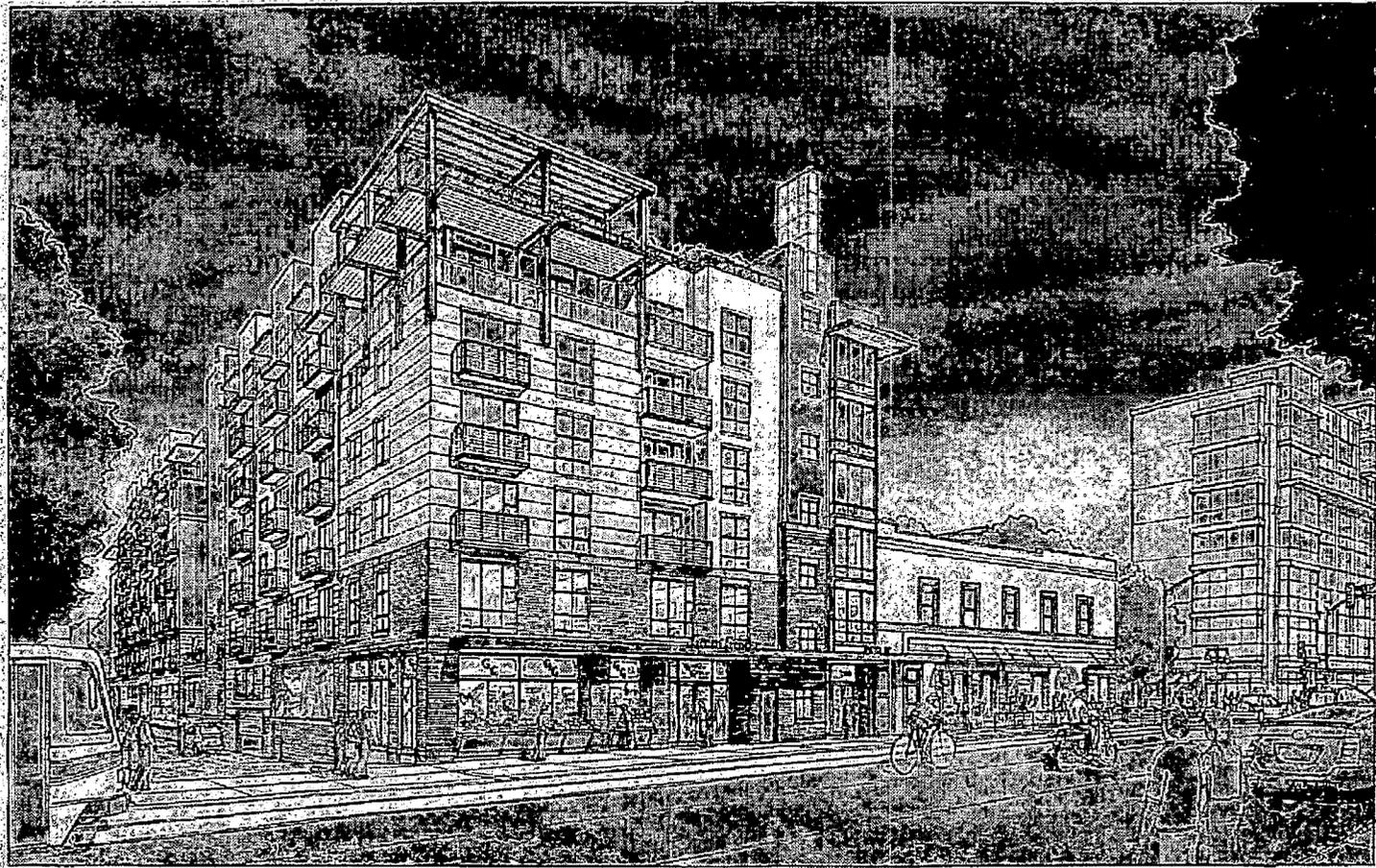
700 BLOCK  
700 K STREET, SACRAMENTO, CA

VIEW FROM NORTHWEST CORNER - 7th STREET

kuchman  
ARCHITECTS

A0.2

Exhibit 4: View from Southeast Corner - 8th Street



700 BLOCK  
INVESTORS LP

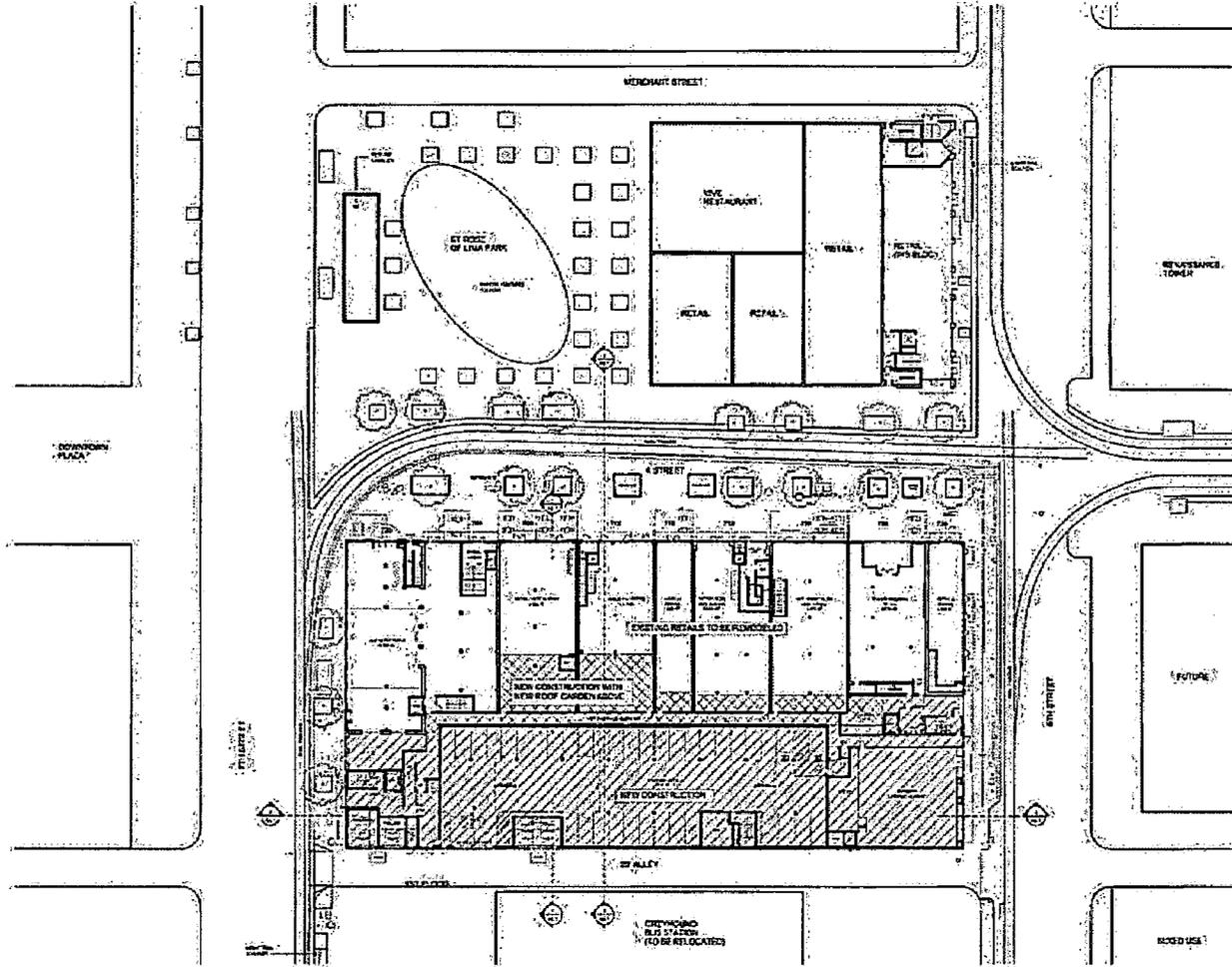
700 BLOCK  
700 X STREET, SACRAMENTO, CA

VIEW FROM SOUTHEAST CORNER - 8th STREET

kuchman  
ARCHITECTS

A0.3

Exhibit 5: Site Plan



700 BLOCK  
INVESTORS LP

700 BLOCK  
700 K STREET, SACRAMENTO, CA

SITE PLAN



A1.1

Exhibit 6: Existing Conditions- Basement

700 BLOCK  
INVESTORS LP

700 BLOCK  
700 K STREET SACRAMENTO, CA

EXISTING CONDITIONS- BASEMENT

Kochman  
ARCHITECTS  
A2-1

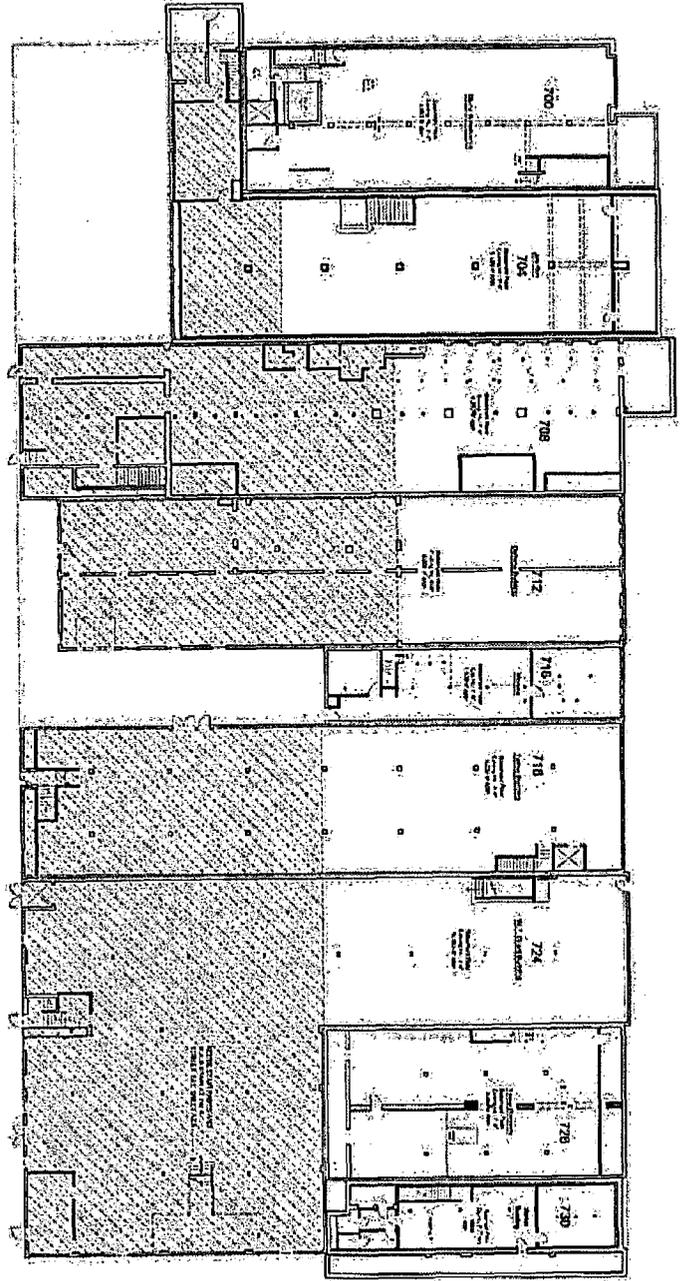


Exhibit 7: Existing Condition – First Floor

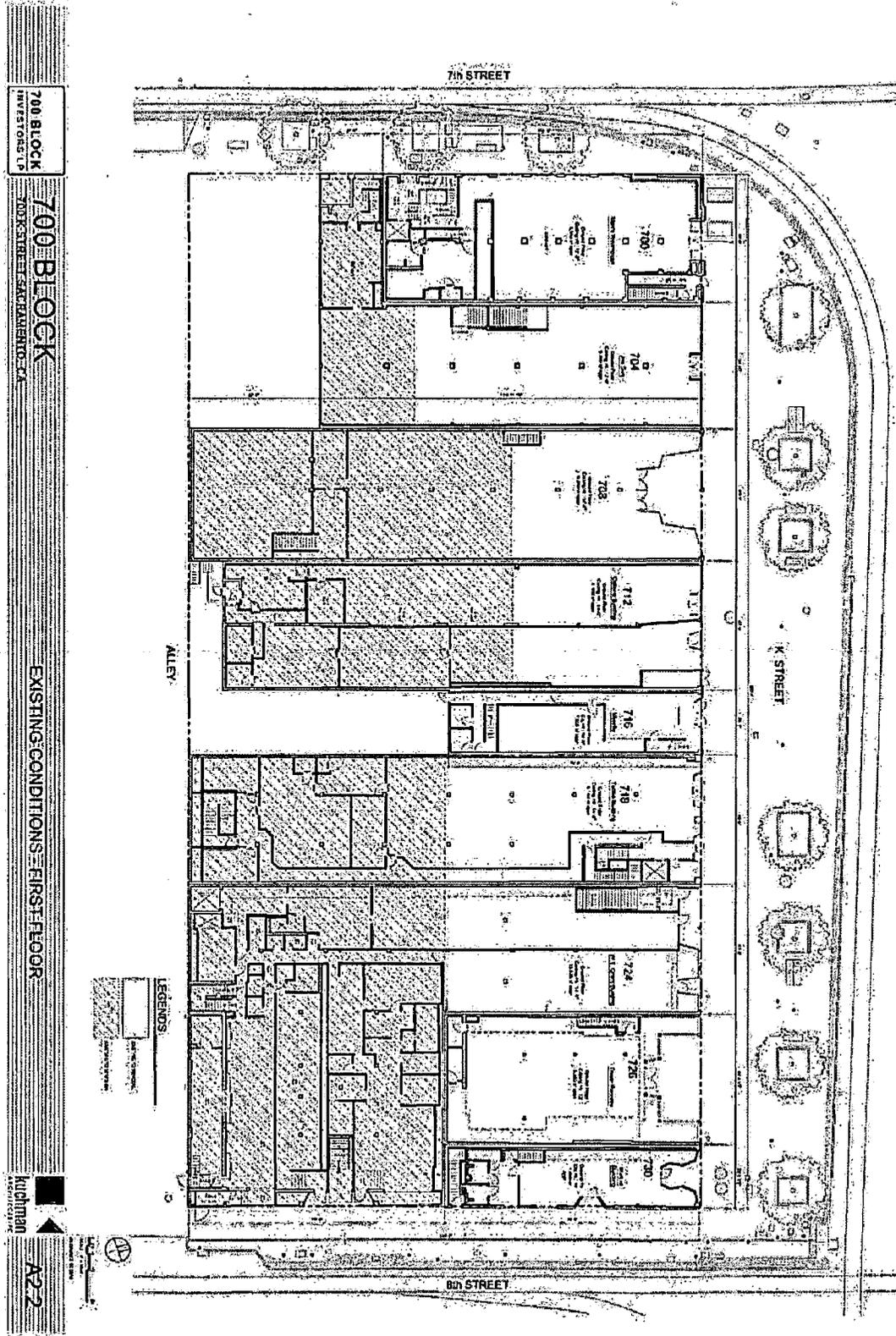


Exhibit 8: Existing Conditions – Second Floor

700 BLOCK INVESTORS BLVD  
700 BLOCK 700 KESTER STREET - SACRAMENTO - CA  
EXISTING CONDITIONS - SECOND FLOOR  
Kendall  
A2-3

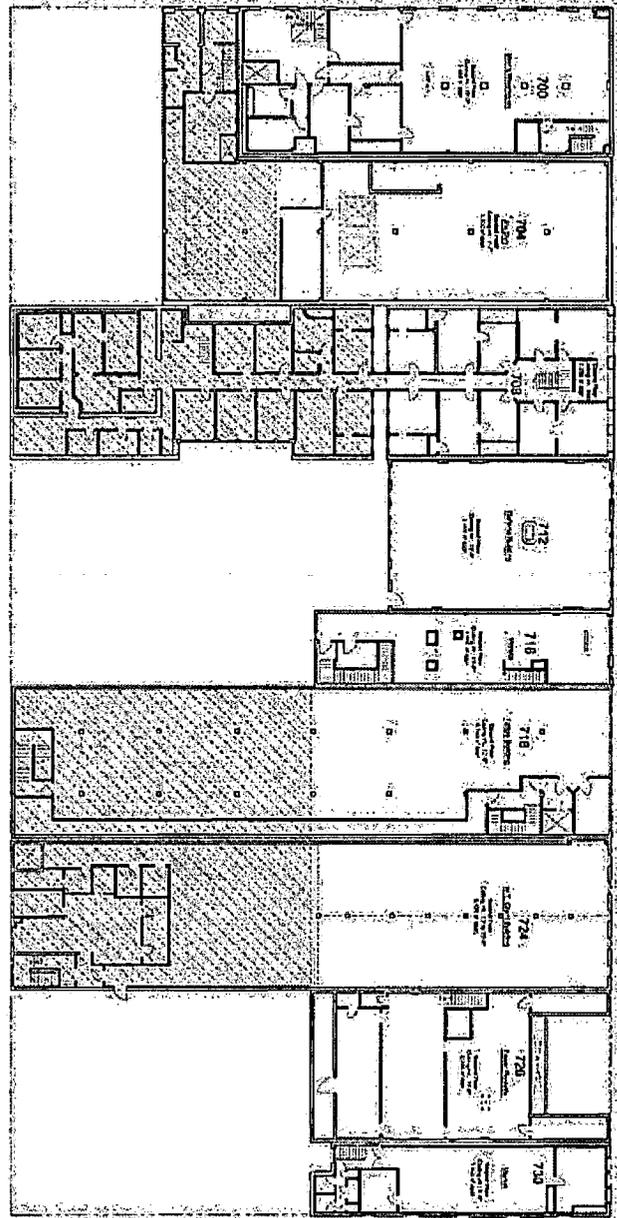
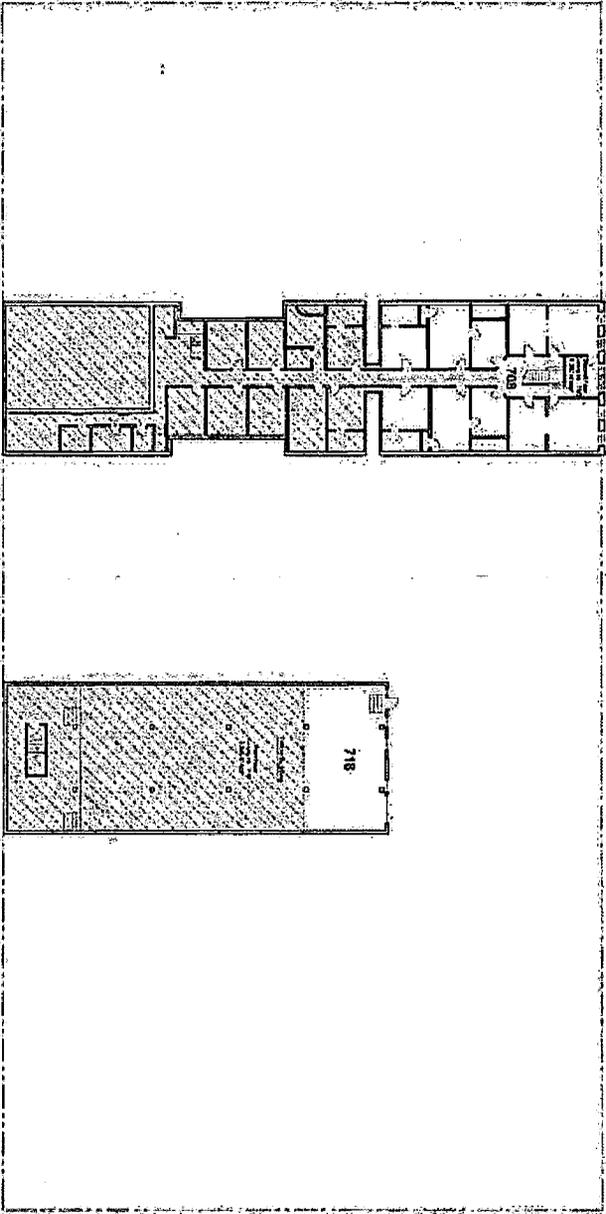


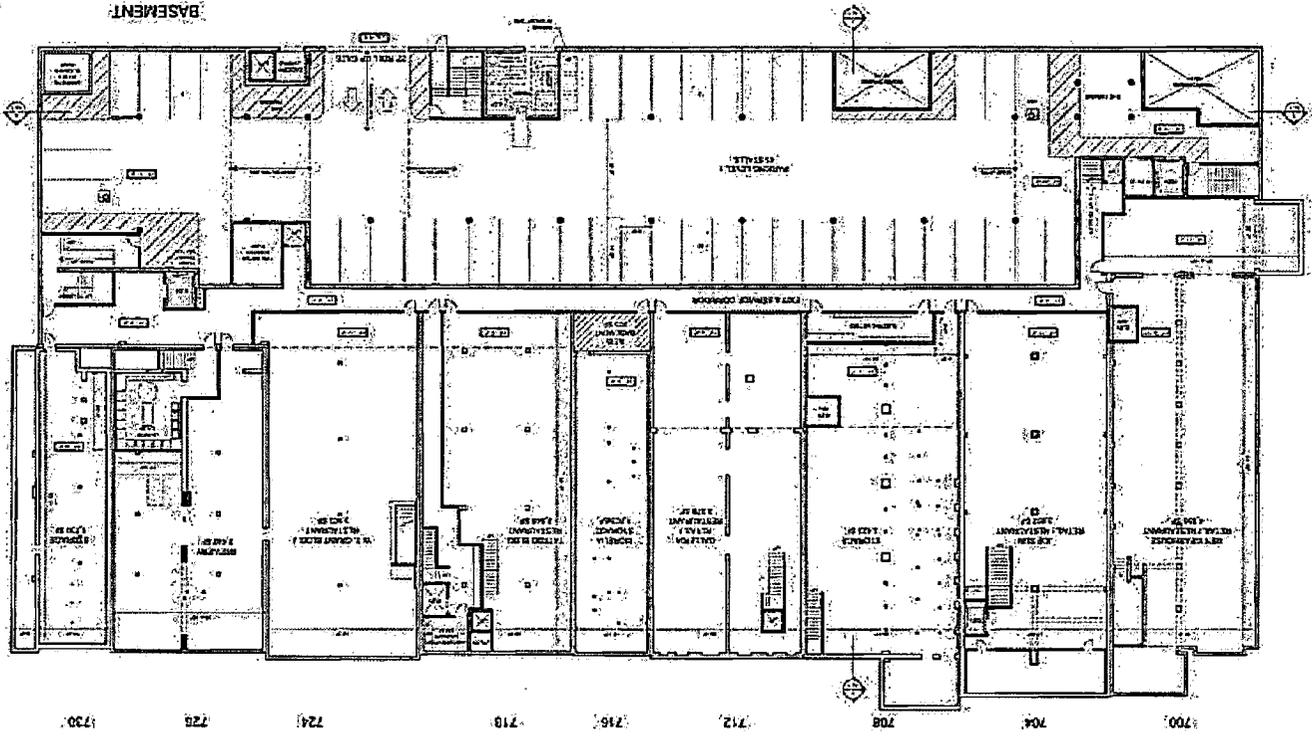
Exhibit 9: Existing Conditions - Third Floor

700 BLOCK INVESTIGATIONS LP  
700 BLOCK 700 K STREET SACRAMENTO, CA  
EXISTING CONDITIONS - THIRD FLOOR  
Kushman  
A2.4



A2.5

Kuchman



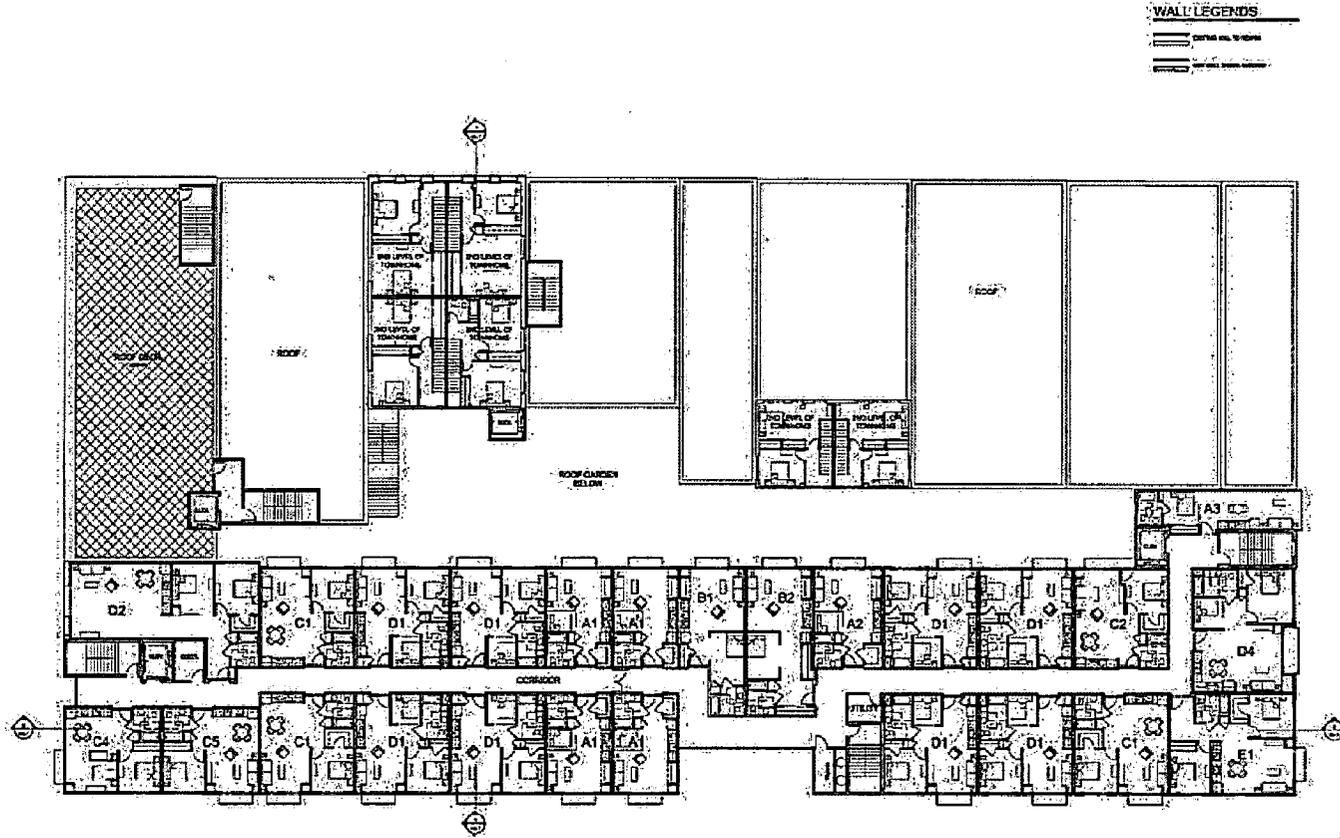
WALL LEGENDS

Exhibit 10: Basement Floor Plan





Exhibit 13: Third Floor Plan



WALL LEGENDS

[Symbol]	CONCRETE WALL
[Symbol]	GLASS WALL
[Symbol]	PARTITION WALL

700 BLOCK  
INVESTORS LP

700 BLOCK  
700K STREET SACRAMENTO, CA

3RD FLOOR PLAN

kuchman  
ARCHITECT, PC

A2.8



Exhibit 14: Fourth Floor Plan

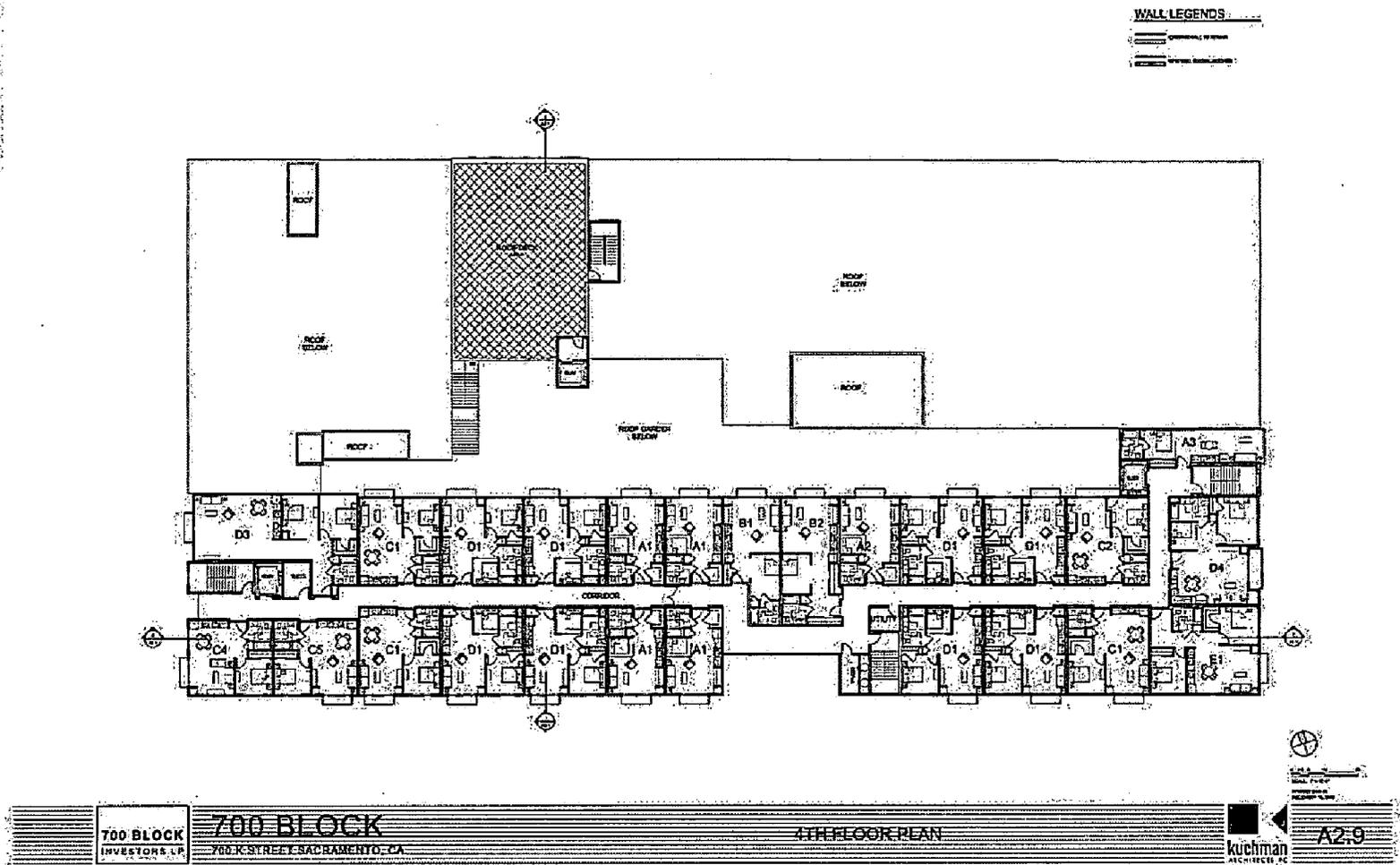
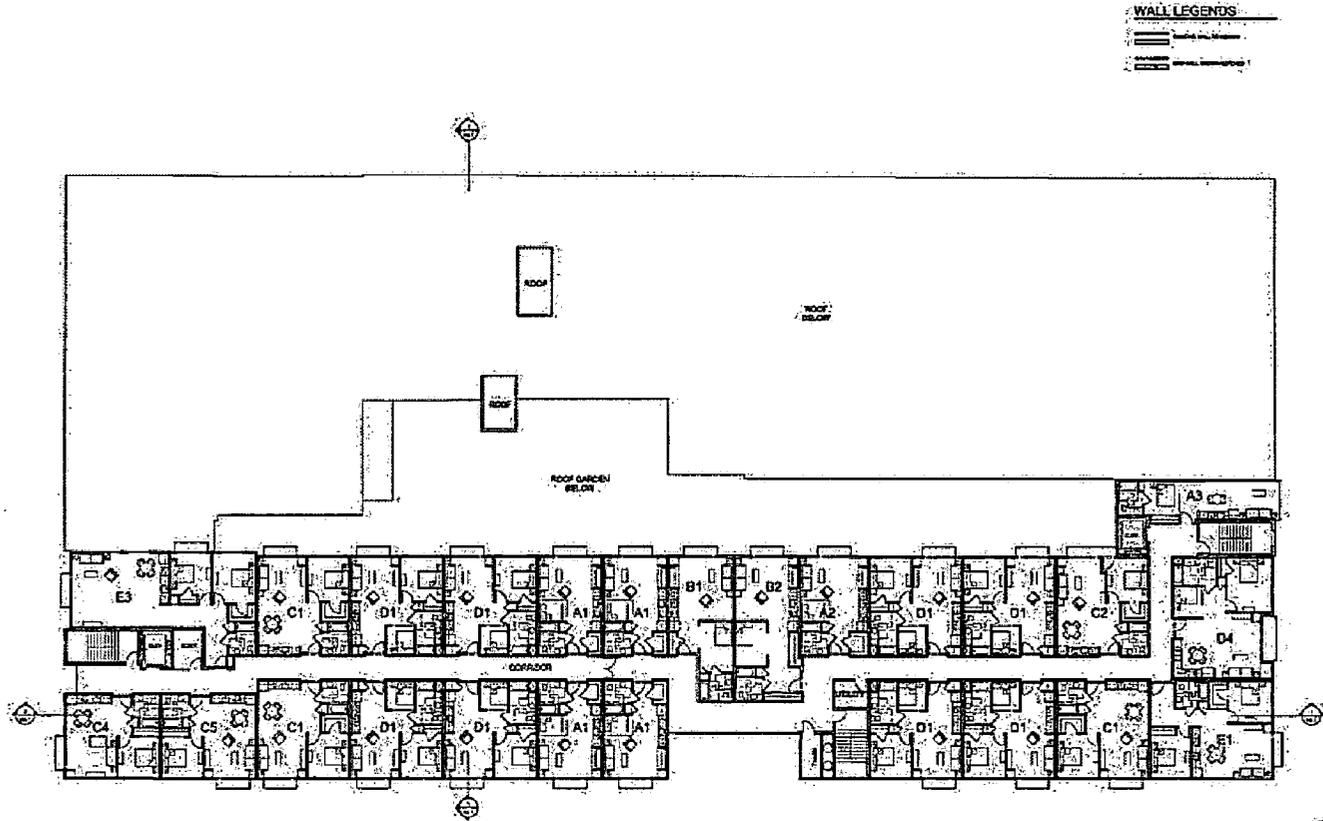


Exhibit 15: Fifth Floor Plan



WALL LEGENDS  
[Symbol] [Symbol] [Symbol]

700 BLOCK  
INVESTORS LP

700 BLOCK  
700 K STREET SACRAMENTO CA

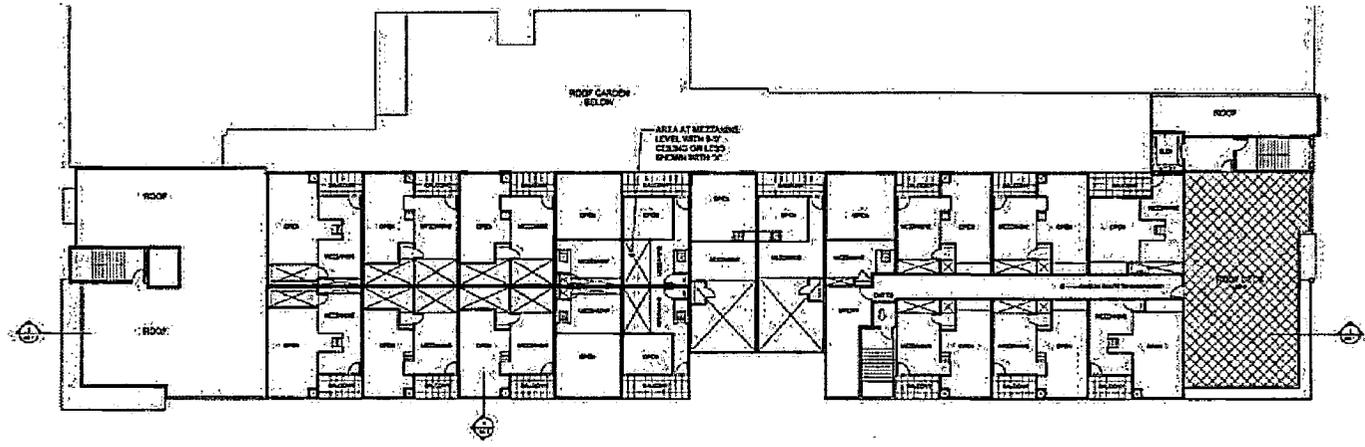
5TH FLOOR PLAN

kuchman  
ARCHITECTS PC

A2-10



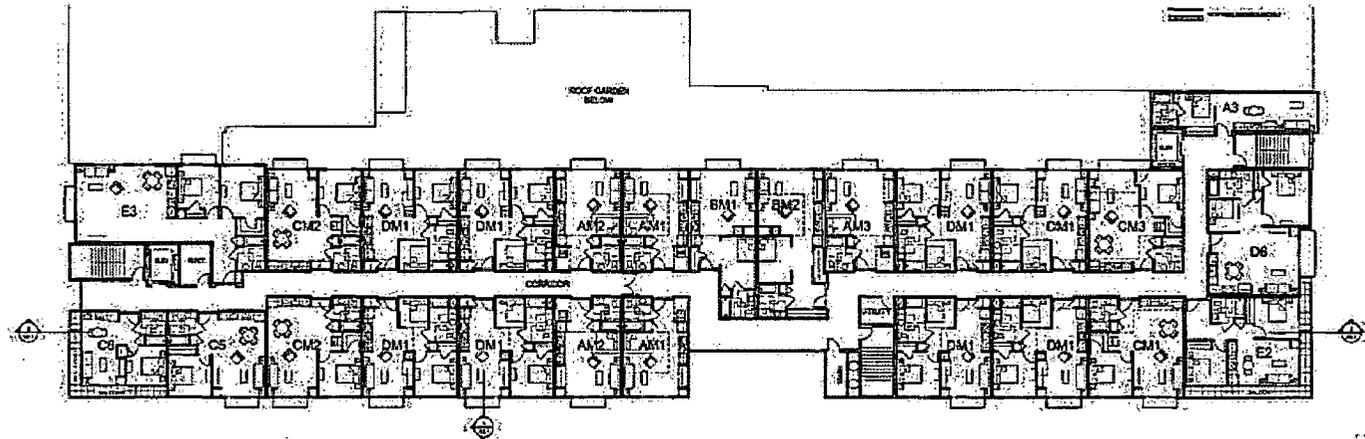
Exhibit 16: Sixth Floor Plan



MEZZANINE FLOOR / ROOF DECK PLAN

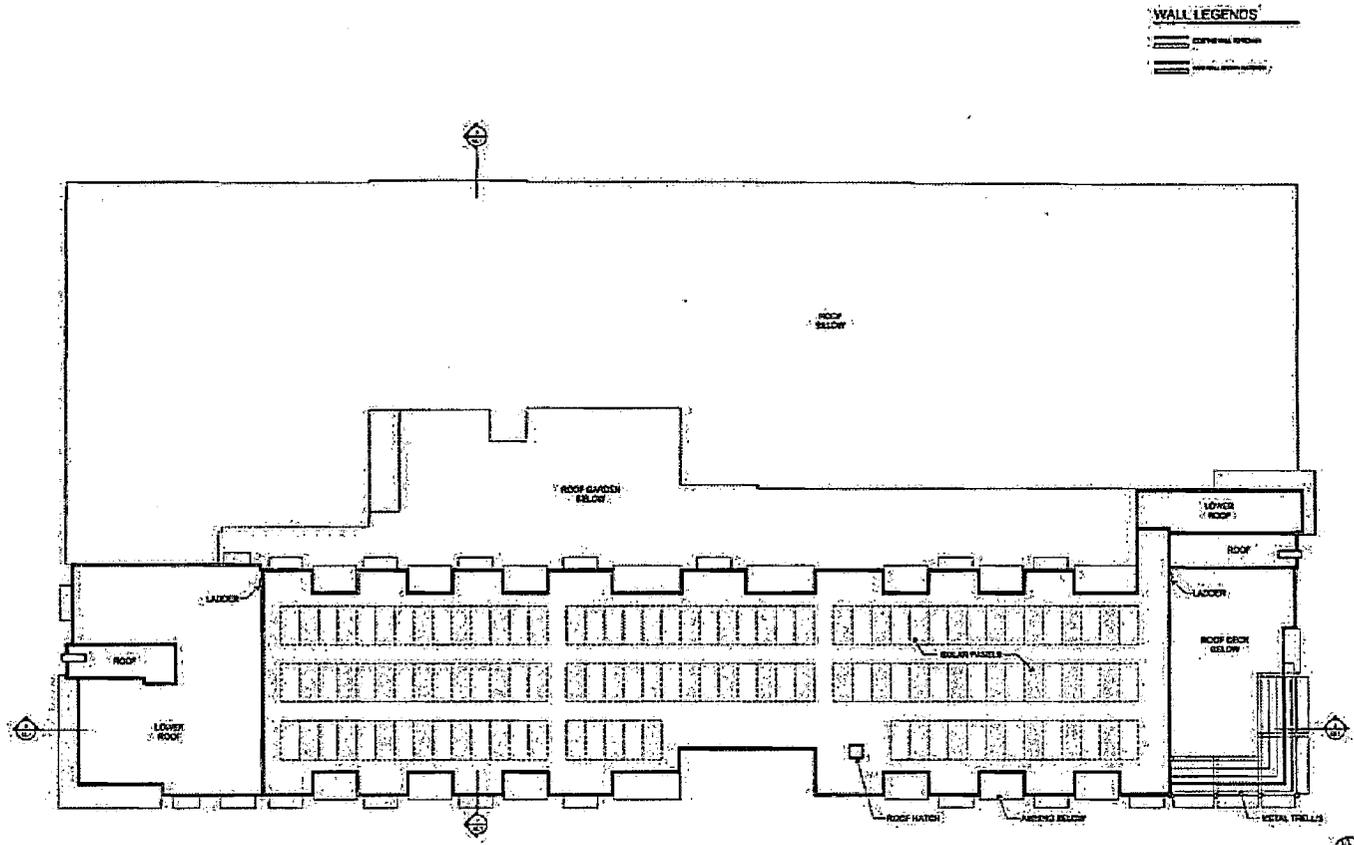
WALL LEGENDS

[Symbol]	Structural Wall
[Symbol]	Non-Structural Wall
[Symbol]	Other Wall



6TH FLOOR PLAN

Exhibit 17: Roof Plan



WALL LEGENDS

[Symbol]	EXTERNAL BRICK
[Symbol]	INTERNAL BRICK

700 BLOCK  
INVESTORS LP

700 BLOCK  
700 G STREET SACRAMENTO, CA

ROOF PLAN



A2.12

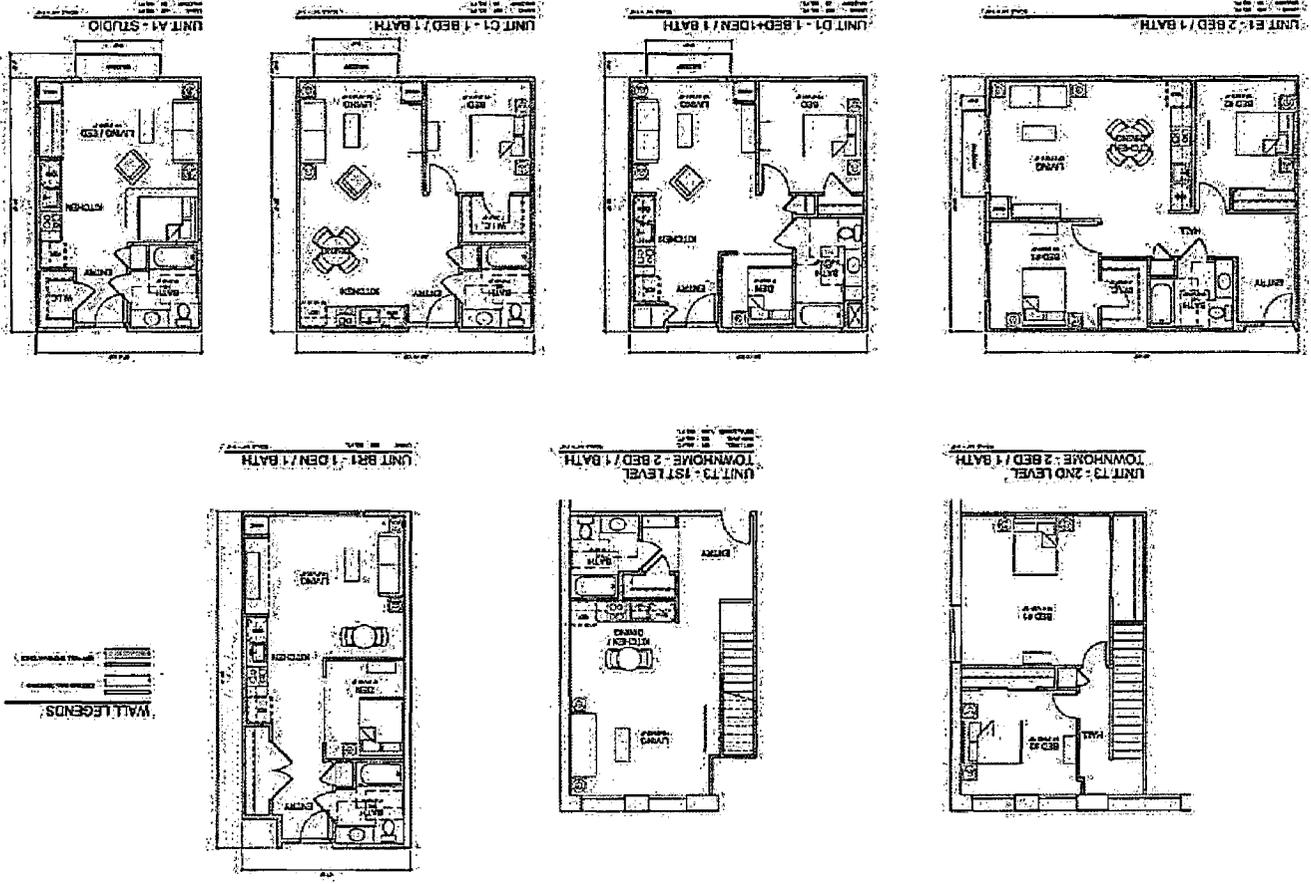
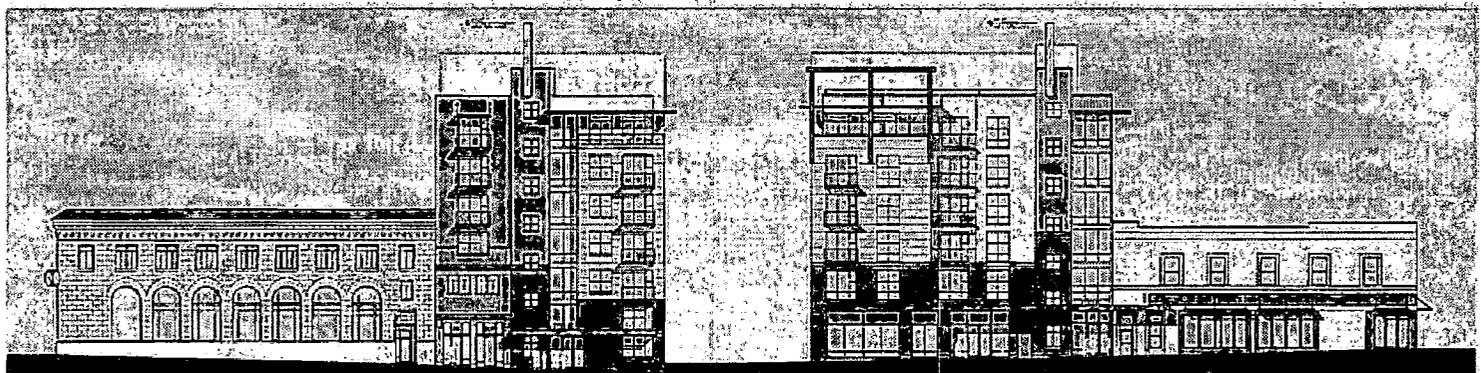


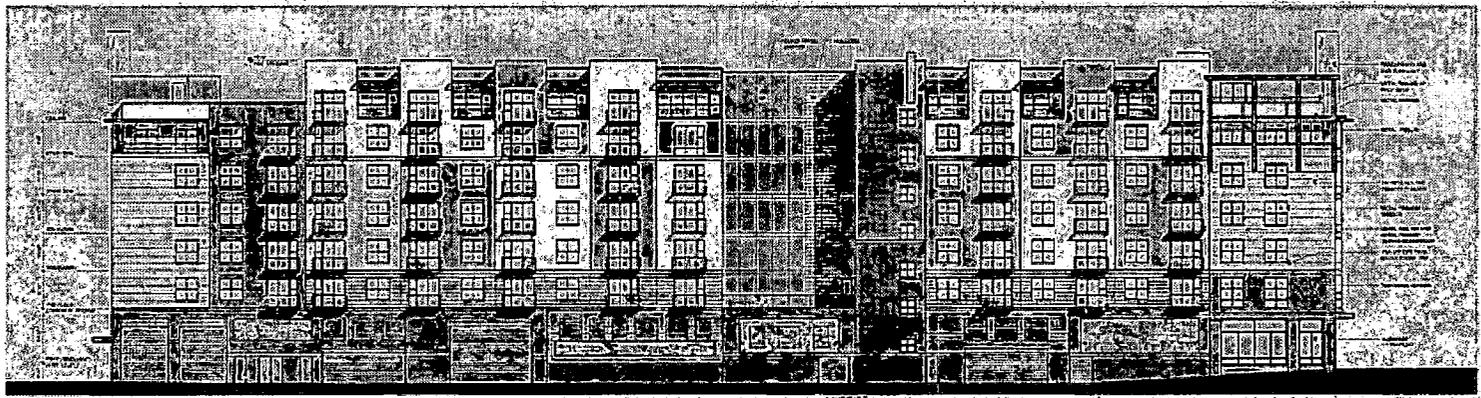
Exhibit 18: Typical Unit Floor Plans

Exhibit 19: South, East and West Elevations



WEST / 7TH STREET ELEVATION

EAST / 8TH STREET ELEVATION



SOUTH / ALLEY ELEVATION

700 BLOCK  
INVESTORS LP

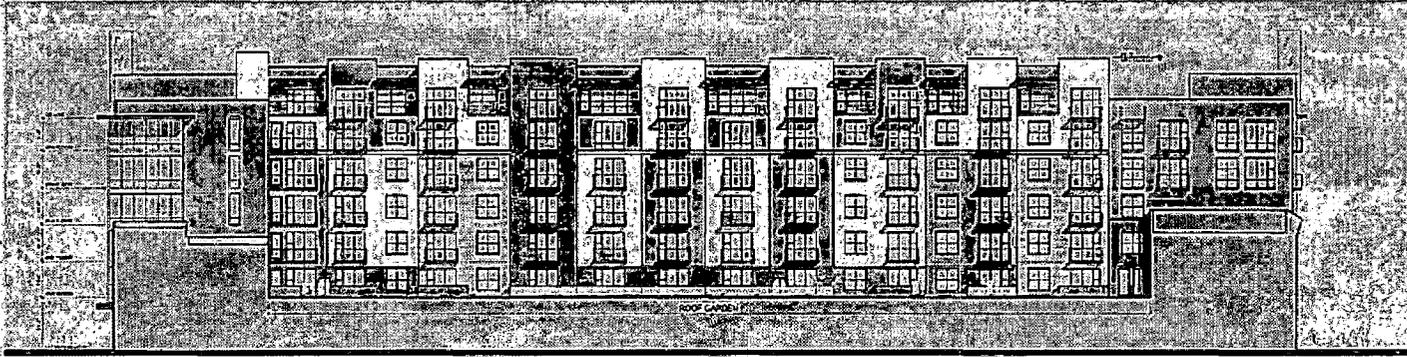
700 BLOCK  
700 K STREET, SACRAMENTO, CA

SOUTH, EAST & WEST ELEVATIONS

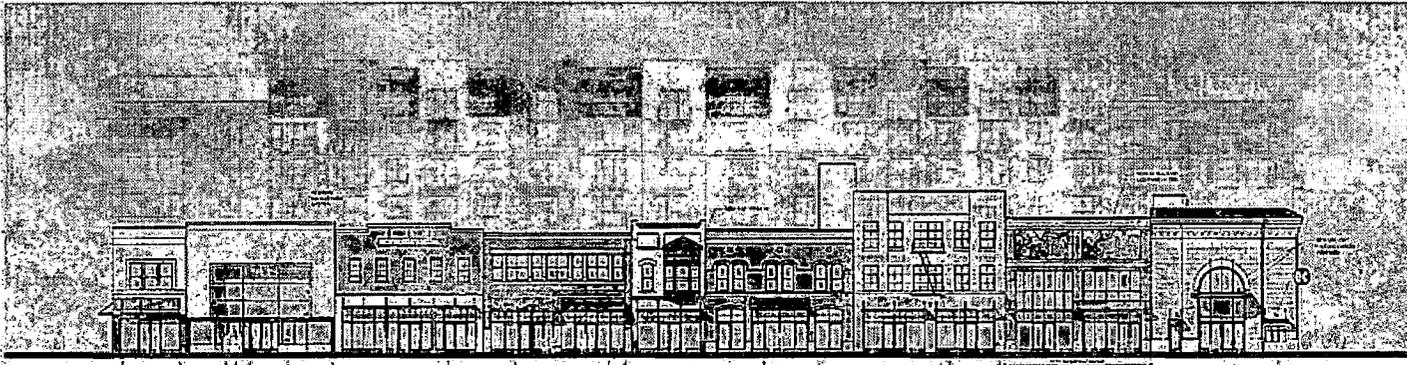
kuchman

A3.1

Exhibit 20: North Elevations

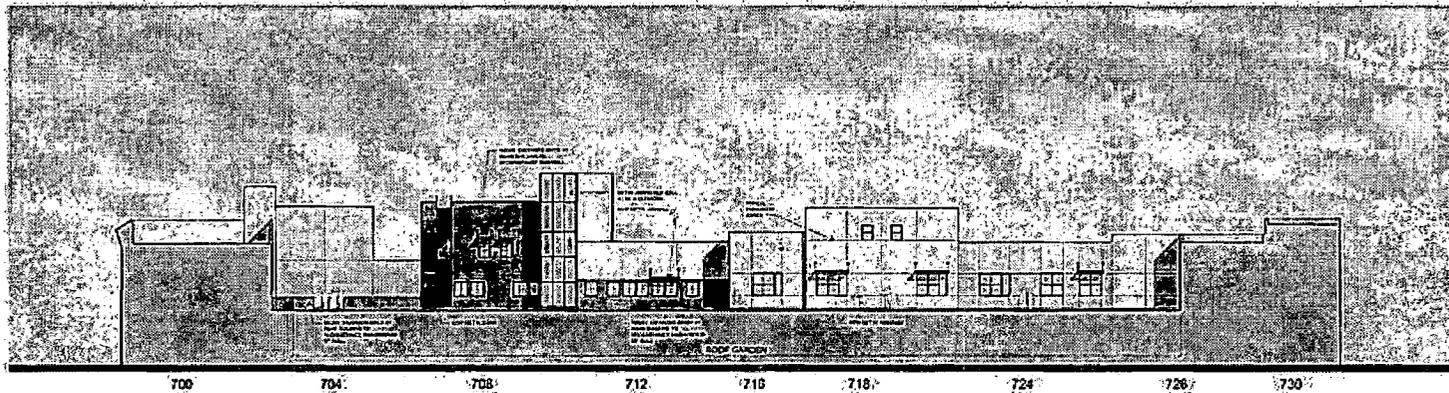


NORTH ELEVATION AT ROOF GARDEN



NORTH / K STREET ELEVATION

Exhibit 21: South / Roof Garden Levels



SOUTH / ROOF GARDEN ELEVATION

700 BLOCK  
INVESTORS LP

700 BLOCK  
700 K STREET, SACRAMENTO, CA

SOUTH / ROOF GARDEN ELEVATION

kuchman  
ARCHITECTS, PC

A3-3

Exhibit 22: South, East and West Elevations

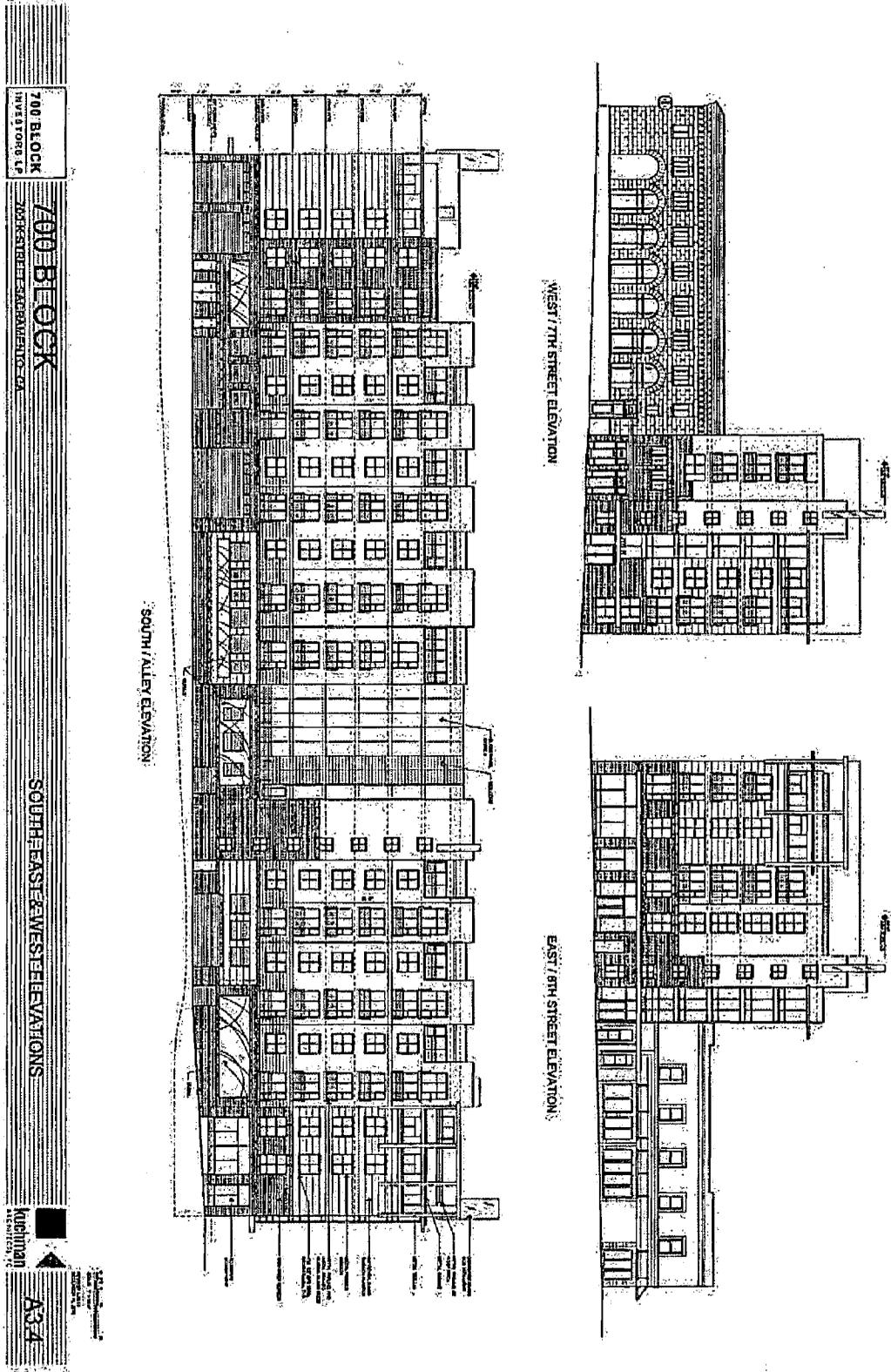
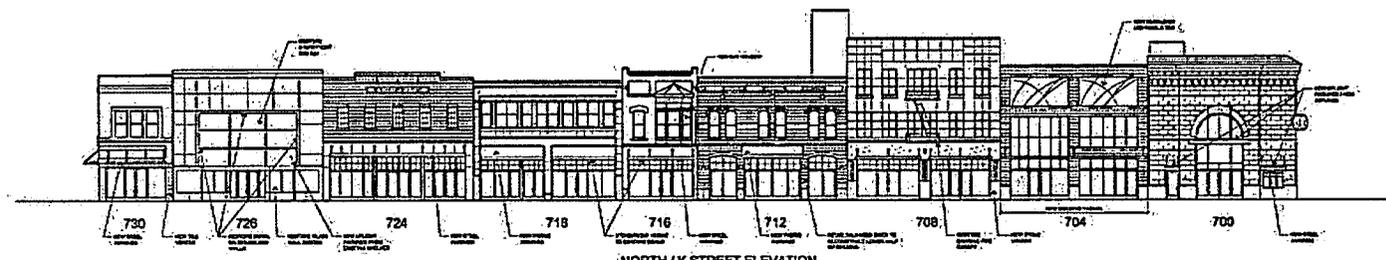


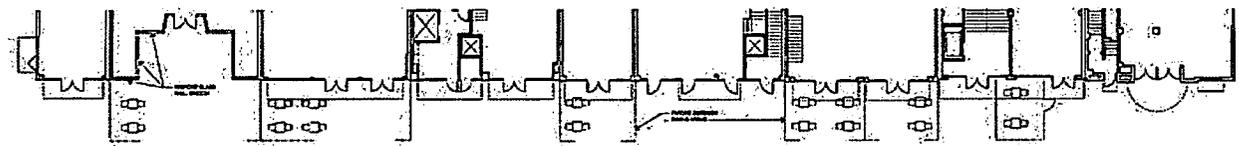
Exhibit 23: North Elevations



NORTH ELEVATION AT ROOF GARDEN



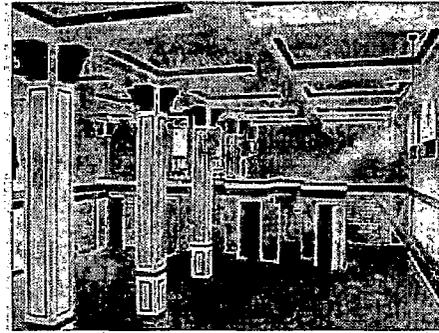
NORTH / K STREET ELEVATION



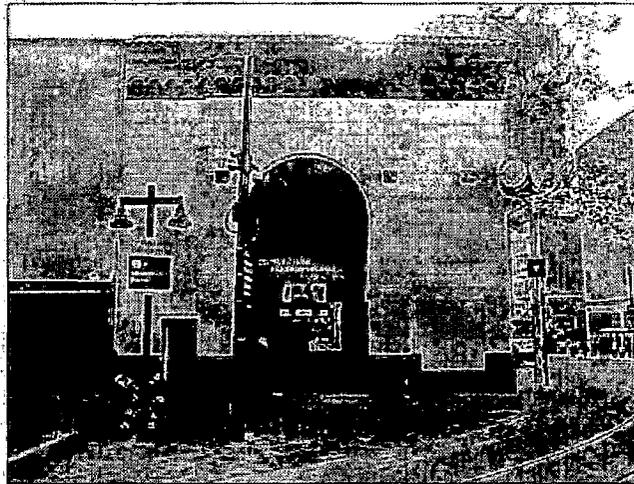
PARTIAL GROUND FLOOR PLAN AT K STREET

<p><b>700 BLOCK</b> INVESTORS LP</p>	<p><b>700 BLOCK</b> 700 K STREET SACRAMENTO, CA</p>	<p>NORTH ELEVATIONS</p>	<p><b>kuchman</b> ARCHITECTS PC</p> <p>A3.5</p>
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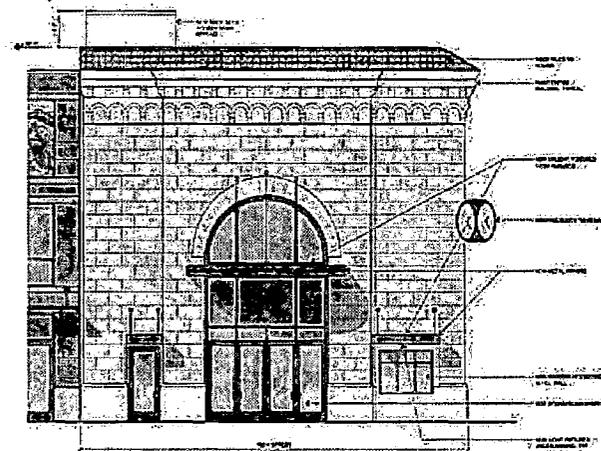
Exhibit 24: 700 K Street



EXISTING INTERIOR



EXISTING PHOTO



PROPOSED NORTH ELEVATION

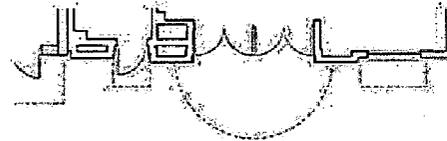
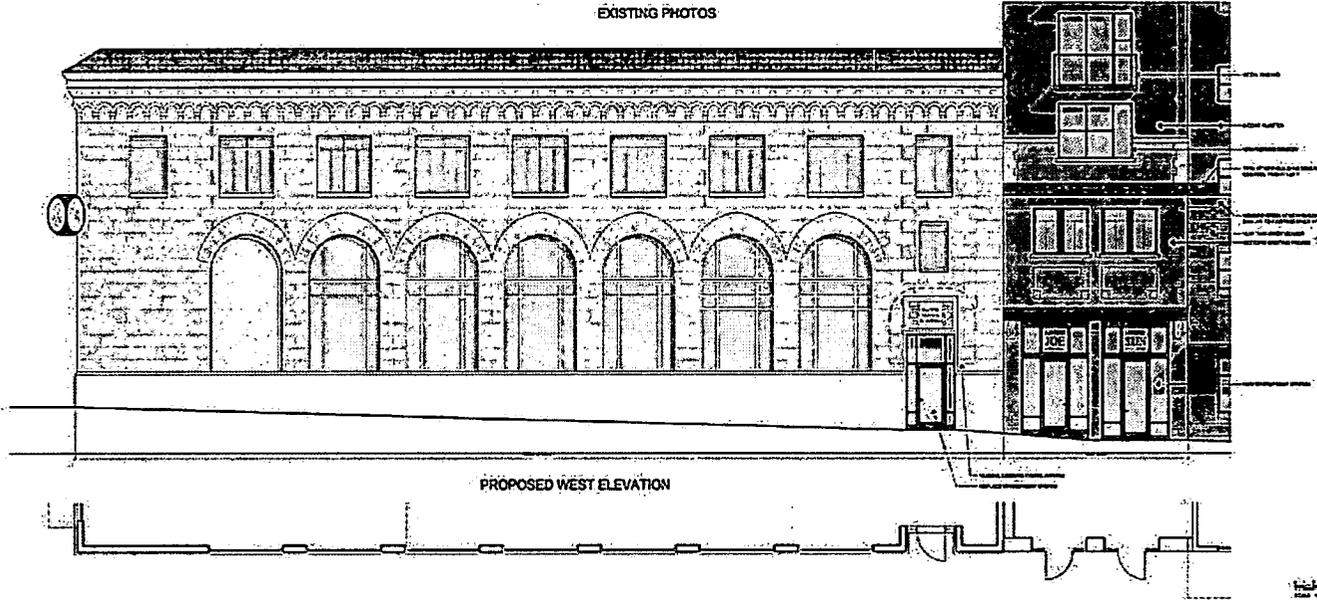


Exhibit 25: 700 K Street



EXISTING PHOTOS



PROPOSED WEST ELEVATION

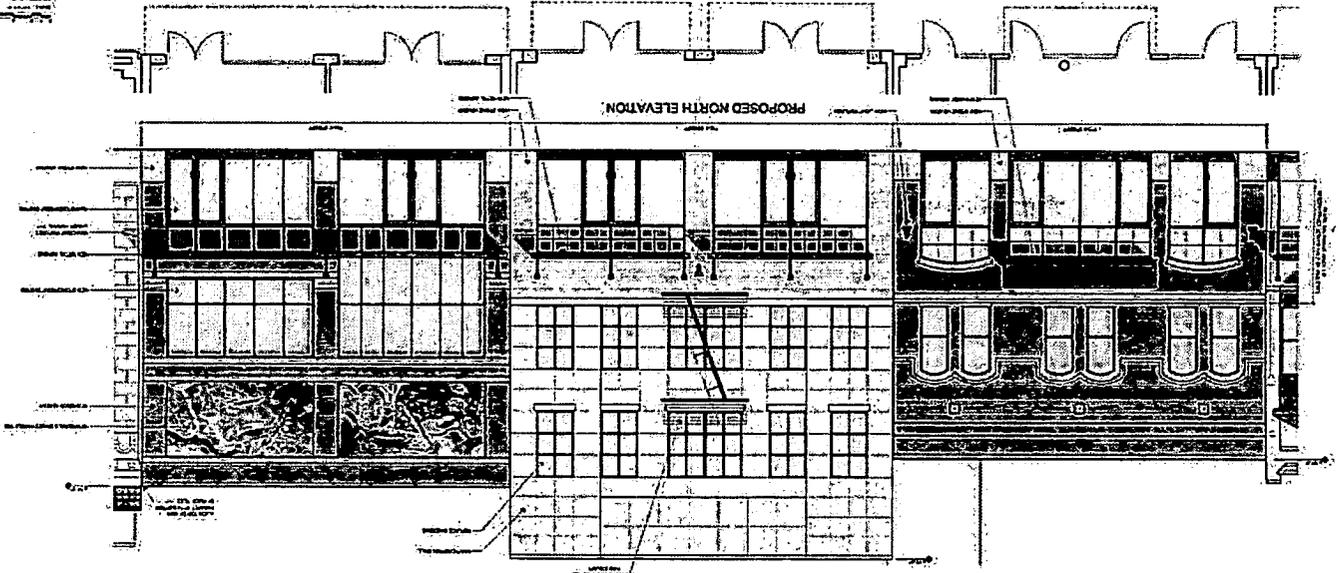
700 BLOCK  
INVESTORS LP

700 BLOCK  
700 K STREET SACRAMENTO, CA

700 K STREET - MEN'S WAREHOUSE

Kuchman  
ARCHITECTS PC

A4.2



EXISTING PHOTOS

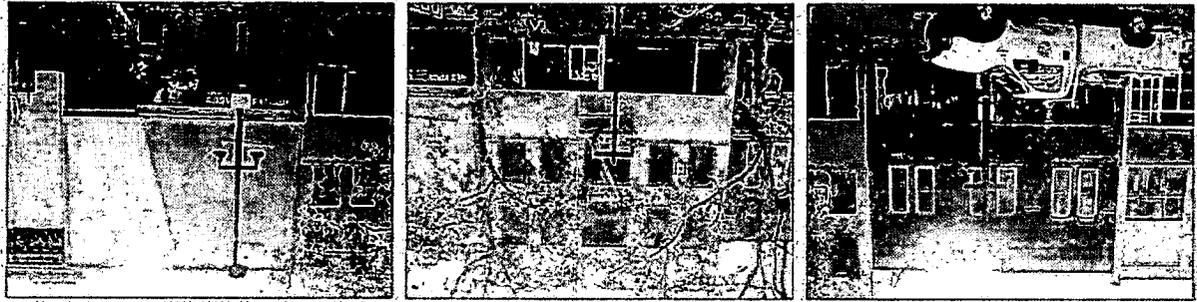
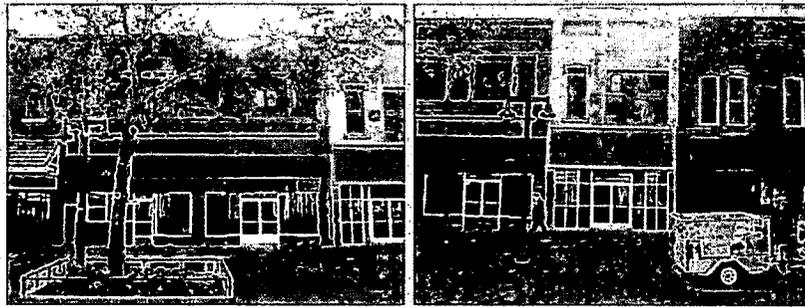


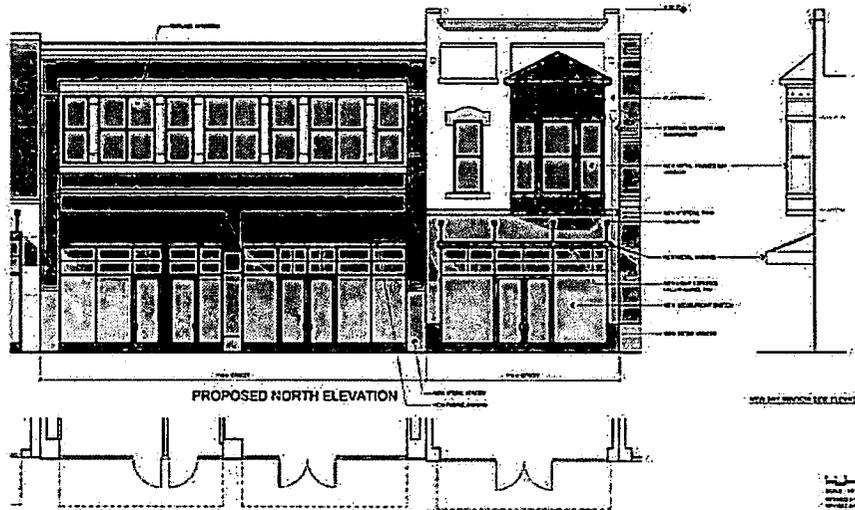
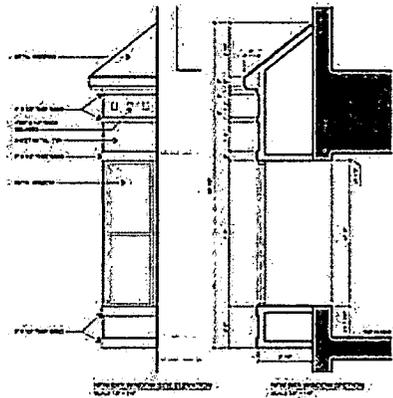
Exhibit 26: 704, 708, and 712 K Street



ORIGINAL PHOTO

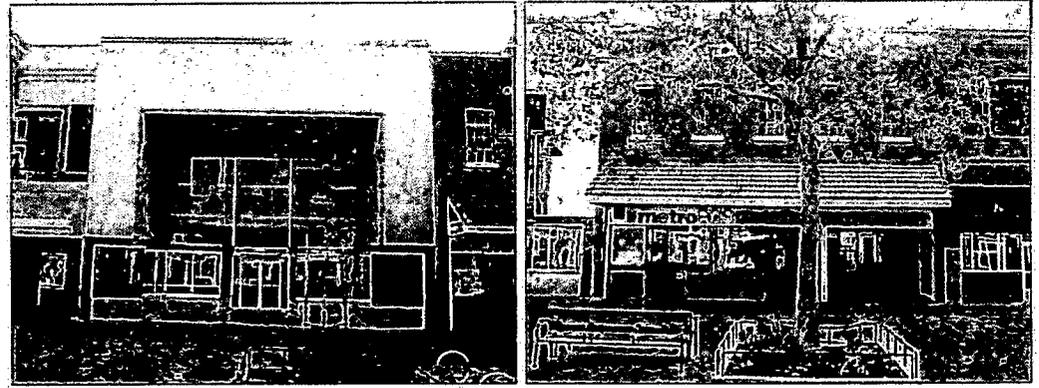


EXISTING PHOTOS

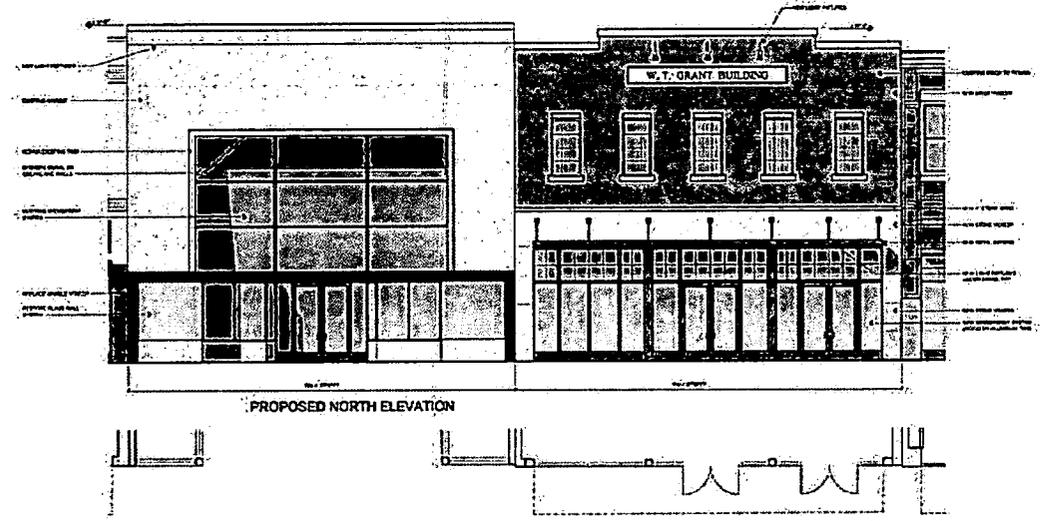


PROPOSED NORTH ELEVATION

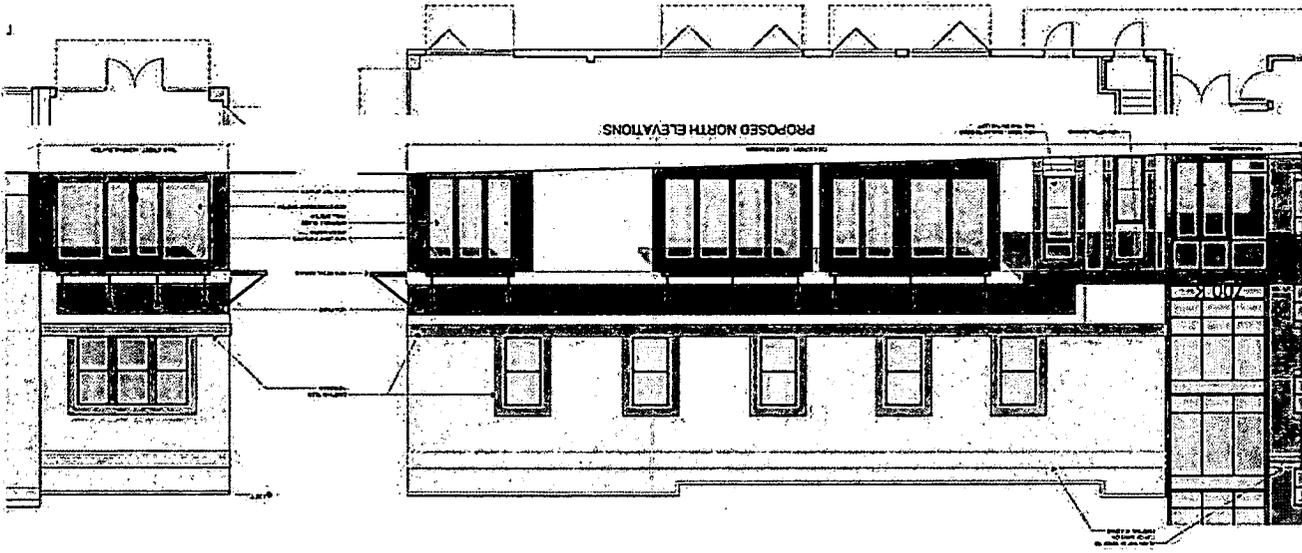
Exhibit 28: 724 - 726 K Street



EXISTING PHOTOS



PROPOSED NORTH ELEVATION



EXISTING PHOTOS

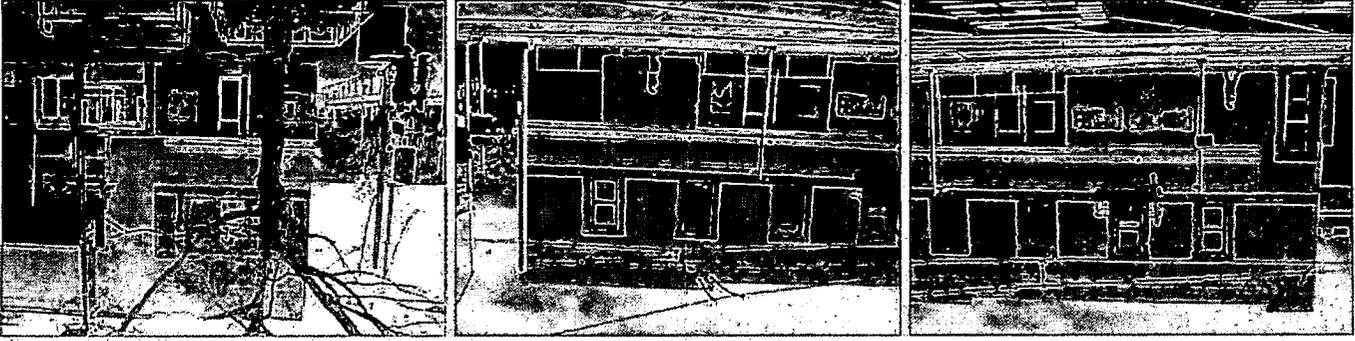
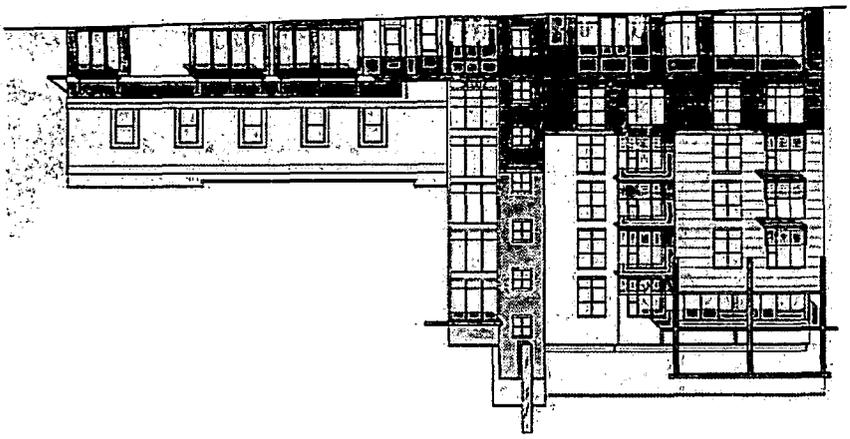


Exhibit 29: 730 K Street

PROPOSED EAST ELEVATION



EXISTING PHOTOS

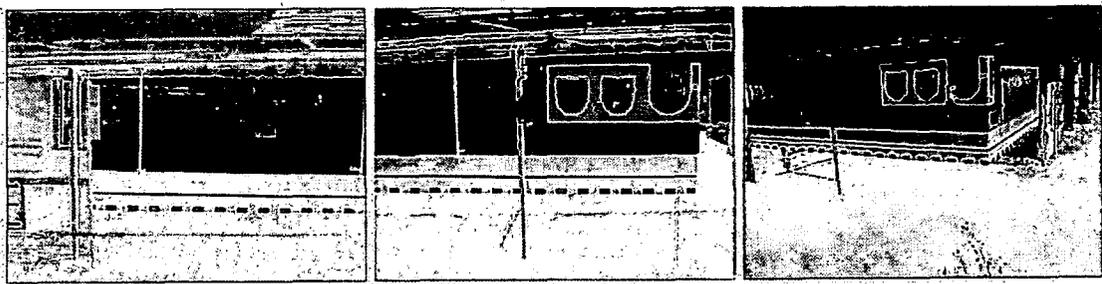
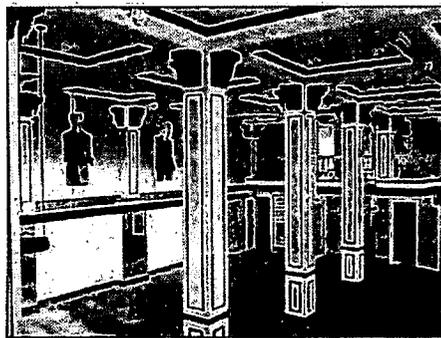
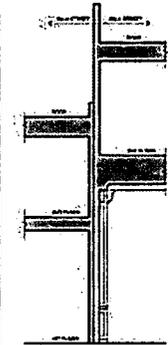


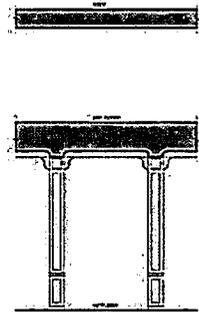
Exhibit 31: 700 K Street Interior



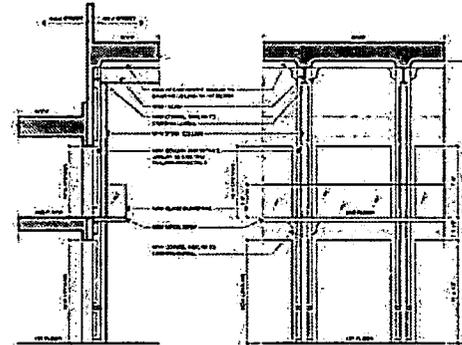
EXISTING PHOTO



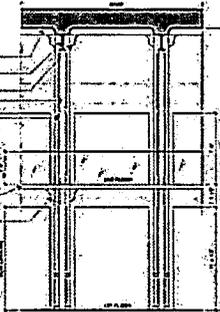
EXISTING SECTION



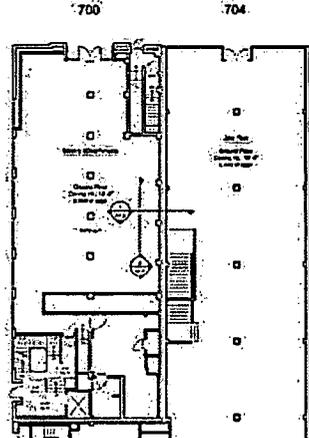
EXISTING ELEVATION



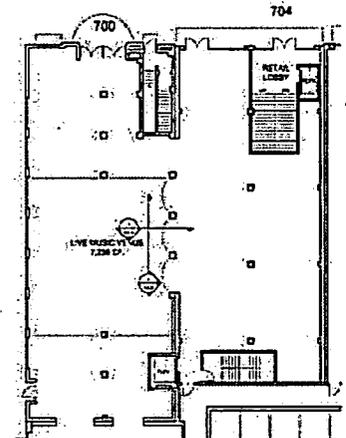
PROPOSED SECTION



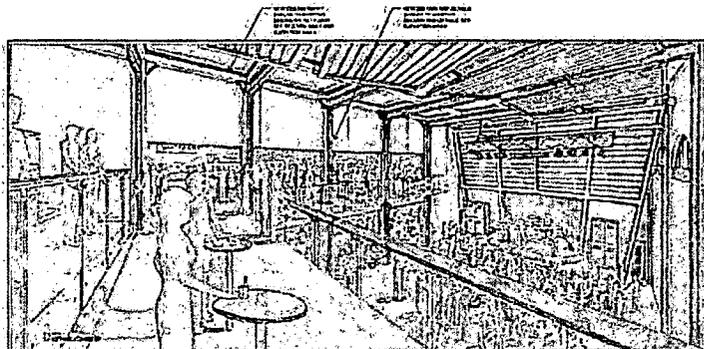
PROPOSED ELEVATION



EXISTING 1ST FLOOR PLAN

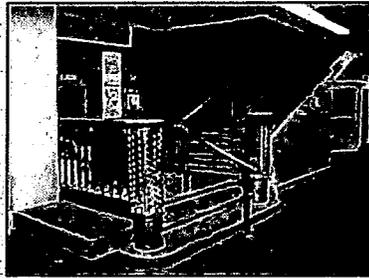


PROPOSED 1ST FLOOR PLAN

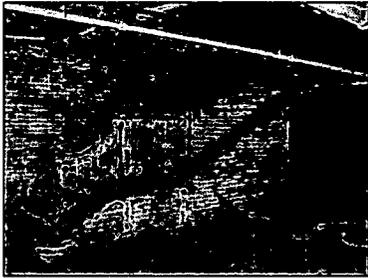


VIEW FROM 2ND FLOOR TO STAGE

Exhibit 32: Interior Stairs at 700 K Street



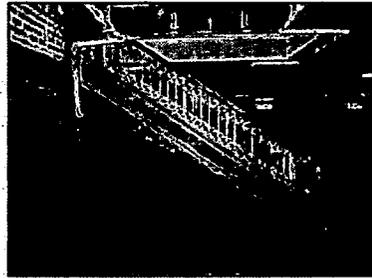
EXISTING STAIR AT 704 K ST.  
EXISTING STAIR AT 704 K ST. (SEE PLAN FOR LOCATION)



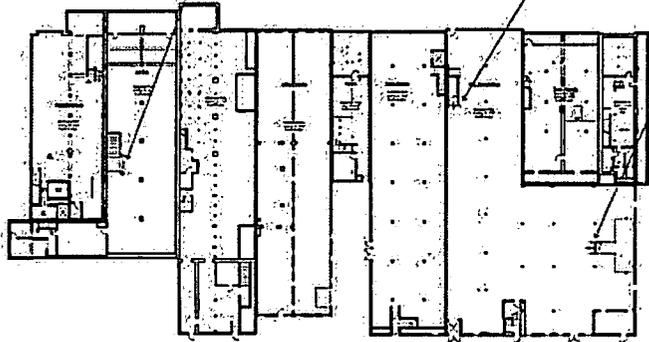
EXISTING STAIR AT 704 K ST.  
EXISTING STAIR AT 704 K ST. (SEE PLAN FOR LOCATION)



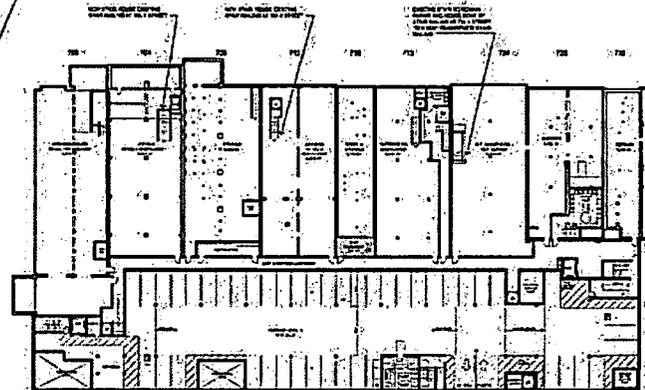
EXISTING STAIR AT 730 K ST.  
EXISTING STAIR AT 730 K ST. (SEE PLAN FOR LOCATION)



EXISTING STAIR AT 730 K ST.  
EXISTING STAIR AT 730 K ST. (SEE PLAN FOR LOCATION)



EXISTING BASEMENT FLOOR PLAN



PROPOSED BASEMENT FLOOR PLAN







**700 Block of K Street  
Mitigation Monitoring Program**

<p>Impact 4.1-2</p> <p>Implementation of the 700 K Street project could cause a substantial change in the significance of historical resources (hollow sidewalks) as defined in CEQA Guidelines Section 15064.5.</p>	<p><i>MM 4.1-2 If there are no feasible means of preserving the necessary character defining features of the resource, as part of the Disposition and Development or other activity that could adversely affect a feature of a hollow sidewalk, the applicant shall work with the City Preservation Director to determine an appropriate mitigation fee to cover the cost of preserving the same length of hollow sidewalk in a different location, based on the existing condition of the hollow sidewalks along K Street and the applicable Secretary of Interior Standards for the preservation of such resource. This fee must be paid before permits for demolition and/or construction are issued. The mitigation fee may consist of a contribution to a City Preservation Fund, as established by the City Council as grant provider for historic buildings.</i></p>	<p>Applicant and City's Preservation Director</p>	<p>Part of the DDA</p>	
<p>Impact 4.1-3</p> <p>Implementation of the 700 K Street project could cause a substantial change in the significance of an archeological resource as defined in CEQA Guidelines Section 15064.5.</p>	<p><i>MM 4.1-3 The following shall apply to any ground disturbing activities associated with development of the project.</i></p> <p><i>a. Prior to any excavation, grading or other construction on the project site, and in consultation with Native American Tribes and the City's Preservation Director: a qualified archaeologist will prepare a testing plan for testing areas proposed for excavation or any other ground-disturbing activities as part of the project, which plan shall be approved by the City's Preservation Director. Testing in accordance with that plan will then ensue by the qualified archaeologist, who will prepare a report on findings, and an evaluation of those findings, from those tests and present that report to the City's Preservation Director. Should any findings be considered as potentially significant, further archaeological investigations shall ensue as approved by the Preservation Director, by the qualified archaeologist, and the archaeologist shall prepare reports on those investigations and evaluations relative to eligibility of the findings to the Sacramento, California or National Registers of Historic Places and submit that report to the City's Preservation Director, State Historic Preservation Officer, and appropriate Native American Tribal representative/s if applicable, with recommendations for treatment, disposition, or reburials of significant findings, as appropriate. Also, at the conclusion of the pre-construction testing, evaluation and reports and recommendations, a decision will be made by the City's Preservation Director, based upon the findings of the reports, as to whether on-site monitoring during any project-related excavation or ground-disturbing activities by a qualified archaeologist will be required.</i></p> <p><i>b. Discoveries during construction: For those projects where no on-site archaeological monitoring was required, in the event that any historic or prehistoric subsurface archeological</i></p>	<p>Contractor</p>	<p>Prior to any excavation, grading, or other construction</p>	

**700 Block of K Street  
Mitigation Monitoring Program**

*features or deposits, including locally darkened soil ("midden"), that could conceal cultural deposits, animal bone, obsidian and/or mortars are discovered during construction-related earth-moving activities, all work within 50 meters of the resources shall be halted, and a qualified archeologist will be consulted to assess the significance of the find. Archeological test excavations shall be conducted by a qualified archeologist to aid in determining the nature and integrity of the find. If the find is determined to be significant by the qualified archeologist, representatives of the City, including the City's Preservation Director, and the qualified archeologist shall coordinate to determine the appropriate course of action. All significant cultural materials recovered shall be subject to scientific analysis and professional museum curation, or reburial in accordance with Tribal consultations if required. A report shall be prepared by the qualified archeologist according to current professional standards.*

*c. If a Native American site is discovered, the evaluation process shall include consultation with the appropriate Native American representatives.*

*d. If Native American archeological, ethnographic, or spiritual resources are involved, all identification and treatment shall be conducted by qualified archeologists, who are certified by the Society of Professional Archeologists (SOPA) and/or meet the federal standards as stated in the Code of Federal Regulations (36 CFR 61), and Native American representatives, who are approved by the local Native American community as scholars of the cultural traditions.*

*e. In the event that no such Native American is available, persons who represent tribal governments and/or organizations in the locale in which resources could be affected shall be consulted. If historic archeological sites are involved, all identified treatment is to be carried out by qualified historical archeologists, who shall meet either Register of Professional Archeologists (RPA), or 36 CFR 61 requirements.*

*If a human bone or bone of unknown origin is found during construction, all work shall stop in the vicinity of the find, and the County Coroner, and City's Preservation Director, shall be contacted immediately. If the remains are determined to be Native American, the Coroner shall notify the Native American Heritage Commission, who shall notify the person most likely believed to be a descendant. The most likely descendant shall work with the contractor to develop a program for re-interment of the human remains and any associated artifacts. No additional work is to take place within the immediate vicinity of the find until the identified appropriate actions have taken place. Work can continue on other parts of the project site while the unique archeological resource mitigation takes place.*

**700 Block of K Street  
Mitigation Monitoring Program**

<p>Impact 4.1-4</p> <p>Implementation of the 700 K Street Block project, in conjunction with other development in the City, could cause a substantial change in the significance of a historic resource as defined in CEQA Guidelines Section 15064.5.</p>	<p><i>MM 4.1-4 Implement Mitigation Measure 4.1-1 and Mitigation Measure 4.1-2</i></p>	<p>Contractor and City's Preservation Director</p>	<p>Prior to any demolition or construction activities.</p> <p>and</p> <p>Part of the DDA</p>	
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*Chapter 4*

*Mitigation Monitoring Plan*

Section 21081.6 of the Public Resources Code requires reporting on, monitoring of, mitigation measures adopted as part of the environmental review process. This Mitigation Monitoring Plan (MMP) is designed to aid the City in its implementation and monitoring of mitigation adopted for the 700 Block of K Street project.

The mitigation measures are taken from the 700 Block of K Street Draft EIR, as revised in the Final EIR.

The components of the MMP are:

1. **Impacts.** Each impact is numbered as they appeared in the Draft EIR.
2. **Mitigation Measures.** Each mitigation measure is numbered as they appeared in the Draft EIR. Any revisions to the text of a mitigation measure, as shown in Chapter 2 of this Final EIR, are included in this MMP.
3. **Implementing Party.** Identifies the entity that will be responsible for implementing the mitigation.
4. **Timing.** Each action must take place prior to the time at which a threshold could be exceeded. Implementation of the action must occur prior to, or during, some part of approval, project design, or construction on an ongoing basis. The timing for each measure is identified.
5. **Verification of Compliance.** Provides an area for verification of compliance.

359)—comprised of \$3,059,738 from Downtown Housing NOFA and \$100,000 from Housing Development Assistance—to the 700 K Street Project fund, 4) transfer \$3,940,262 of 2005 Downtown low-moderate tax exempt bond funds (Fund 402) from Downtown Housing NOFA to the 700 K Street Project fund.

**Section 10.** The Executive Director is authorized to execute the Commitment Letter to the Downtown Sacramento Revitalization Corporation attached to and incorporated in this resolution as Exhibit F to provide a \$10.1 million grant from Downtown low-moderate tax-exempt bond funds and a forgivable loan of \$3.6 million from Downtown tax-exempt redevelopment bond funds and Downtown tax increment to the extent the terms are consistent with the approved Commitment Letter.

**Table of Contents**

Exhibit A – Findings of Fact and Statement of Overriding Considerations

Exhibit B – Mitigation Monitoring Plan

Exhibit C – 33433 Report

Exhibit D – Disposition and Development Agreement

Exhibit E – Seller Carryback Acquisition Loan

Exhibit F – Commitment Letter



## **Findings Of Fact**

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

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

**Chapter 4****Mitigation Monitoring Plan**

Section 21081.6 of the Public Resources Code requires reporting on, monitoring of, mitigation measures adopted as part of the environmental review process. This Mitigation Monitoring Plan (MMP) is designed to aid the City in its implementation and monitoring of mitigation adopted for the 700 Block of K Street project.

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5. **Verification of Compliance.** Provides an area for verification of compliance.

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

**July 21, 2011**

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

**1. INTRODUCTION**

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

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

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

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

**1. SUMMARY OF THE PROPOSED AGREEMENT**

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

**Site/Location**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2. SUMMARY OF TERMS OF DISPOSITION

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

### ***Buyer***

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

### ***Project***

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

### **a) Agency Responsibilities**

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

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

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

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

**b) Buyer Responsibilities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Prevailing Wages**

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

**Job Creation**

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

**Project Benefits**

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

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

**4. CONSIDERATION RECEIVED AND REASONS THEREFORE**

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

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

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

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

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

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

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

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

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

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

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

## **5. ELIMINATION OF BLIGHT**

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

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

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

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

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

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

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

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

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

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

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.

When recorded, return to:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
801 12th Street  
Sacramento, CA 95814  
Attn: Joel Riphagen

With copy to

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

**DISPOSITION AND DEVELOPMENT AGREEMENT**

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

**MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA**

**REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

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

**700 BLOCK, LLC**

June \_\_, 2011

# DISPOSITION AND DEVELOPMENT AGREEMENT

## Merged Downtown Sacramento

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

### RECITALS

A. Agency is the owner of real property located at 700, 704, 712, 716, 718, 724, 726, 730 K Street, 1111 and 1113 7<sup>th</sup> Street, and 1114 8<sup>th</sup> Street in the City of Sacramento, State of California, more particularly described in the Property.

B. The Property is located in the Merged Downtown Sacramento Redevelopment Project Area and is subject to the redevelopment plan for the Project Area. Further, Developer acknowledges that Developer is purchasing the Property from Agency which is a Redevelopment Agency formed and acting under the Community Redevelopment Law (California Health & Safety Code Sections 33000 *et seq.*) and that this document is governed by the Community Redevelopment Law. This DDA is consistent with, and furthers, the Redevelopment Plan and the "Implementation Plan" adopted for the Project Area in that it meets the following implementation plan goals: creating places and destinations-retail and entertainment, and new urban-style housing to the area's core, and elimination of blight and the provision of affordable housing by revitalization of the 700 block of K Street with a mixed use project.

C. The primary purpose of this DDA is the elimination of the following blighting influences: low values and impaired investment, low property values, deficient buildings and obsolete uses or parcels. In order to accomplish such purpose, the DDA provides that the Agency will transfer the Agency's interests in the Property to Developer upon the express condition that Developer will redevelop the Property for the uses described in this DDA. This DDA is intended to assure that the Developer will redevelop the Property and that the Developer is not merely speculating in land.

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

### AGREEMENT

NOW THEREFORE, the parties acknowledge that the foregoing Recitals are true and correct, and based upon such Recitals and in consideration of the following mutual covenants, obligations

and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. **PERFORMANCE.** The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of Performances; provided, however that such times shall be extended for periods of Unavoidable Delay.

2. **PROJECT DESCRIPTION.** Agency is entering into this DDA and conveying the Property to Developer solely for the purposes of developing the Project. The Project shall be the following: rehabilitation of nine commercial buildings on the south side of the 700 block of K Street (700-730 K Street) to re-tenant each retail space with a live music venue, restaurants and retail uses. Demolition of approximately sixty feet (60') of the building from the rear of the buildings (along the alley) to towards K Street to provide a five (5) story residential development over two levels of parking creating one hundred and thirty-seven (137) units and ninety-one (91) parking spaces.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a) Developer has reviewed the condition of the Property, including without limitation, the physical condition of the Property (above and below the surface) and issues regarding land use and development of the Property, and if Developer closes Escrow for the acquisition of the Property, Developer shall be deemed to be satisfied that the Property is suitable in all respects for its intended development and uses.

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

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

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

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

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

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

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of

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

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

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

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

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

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

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

**4.5. DAMAGE, DESTRUCTION AND CONDEMNATION BEFORE CLOSE OF ESCROW:** If, prior to the Close of Escrow: (a) damage occurs to any portion of the Property by earthquake, mudslide, fire, release of or exposure to any Hazardous Substances, or any other casualty (other than any damage caused by Developer or its employees, agents, Contractor or subcontractors) resulting in repairs or remediation costs that will exceed twenty percent (20%) of the Purchase Price; or (b) any portion of the Property is taken by eminent domain or otherwise, or is the subject of a threatened or pending taking action resulting in a twenty percent (20%) or more decrease in the after-taking value of the Property, Agency shall notify Developer in writing of the damage, destruction or condemnation. Developer may, within fifteen (15) days after such notice, elect to terminate this DDA by written notice to Agency.

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

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

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

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

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

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

6.1. **EXTENT AND CHARACTER OF PLAN REVIEW.** Agency's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Agency's approval of Plans is neither a representation of nor an assurance of their adequacy or correctness. Agency has reserved approval rights solely (a) to assure that the Plans further the Redevelopment Plan; (b) to assure that the Final Plans conform to the Plans; and (c) to assure that Agency's purposes are fulfilled and any Agency funds which may be obligated under this DDA are used as intended by the Agency. This DDA is a financing document and not a land use or planning document. Approval of the Project and Plans under this DDA is only an approval by Agency of the Project design "concept" as presented in this DDA. Such approval by Agency is not and shall not be considered an approval of land use entitlements, structural design of the Project, or the aesthetic design of the Project. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each governmental agency acting in proper exercise of its respective jurisdiction, including without limitation, departments, staff, boards and commissions of the City.

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

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

**6.4. PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS.** Developer shall prepare the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Developer shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall conform in all material respects to this DDA, including without limitation, Plans and the Scope of Development. To the extent that the DDA has insufficient detail or is unclear, the DDA shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable laws, regulations, zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this DDA. The Final Plans shall incorporate all related mitigation measures required for compliance with approvals under CEQA and any conditions of City approval of the project, unless otherwise fulfilled. Developer agrees that it will comply with the requirements of the City of Sacramento Design Review/Preservation Board to the extent of its jurisdiction.

**6.5. DELIVERY.** Developer shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the City of Sacramento Economic Development Department, which is staff to the Agency for Project Area at the address for notices and shall have clearly marked on its exterior "URGENT: Southern Portion of 700 Block of K PROJECT PLAN REVIEW" or the equivalent.

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

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

**6.6. GOVERNMENTAL CHANGES.** If any revisions or corrections of the Final Plans shall be required by any government official, agency, department or bureau in exercise of its proper

jurisdiction, the Developer shall inform the Agency. If Agency and Developer concur in writing with the required change, Developer shall incorporate the change and it shall be deemed approved by Agency. If Agency or Developer reasonably disagrees with the required change, they shall reasonably cooperate with the agency requiring the change in efforts to develop a mutually acceptable alternative.

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

**6.7.1. SUBSTANTIAL CHANGE.** A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements:

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

**6.7.2. MISREPRESENTATION.** If the Agency's approval of the Final Plans is reasonably based upon a material misrepresentation to Agency by Developer or by anyone on Developer's

behalf, the Agency may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding Agency's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

**7. DEVELOPMENT PROVISIONS.** As stated in detail in this Section 7, Developer shall construct and manage the Project according to the requirements established in this DDA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this DDA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the California Redevelopment Law (commencing at Health and Safety Code Section 33000) shall control.

**7.1. NOTICE TO PROCEED.** Developer shall not enter the Property or begin work on the Project until the Agency has issued to Developer a written notice to proceed with the work. Agency will issue a notice to proceed after Agency approval of the Final Plans, City's issuance of a building permit for substantially more than the Project foundations, Developer's compliance with all governmental requirements for start of construction, Developer's provision of required policies of insurance, and Developer's provision of proof of construction financing in an amount adequate to begin the Project work.

**7.2. CONSTRUCTION CONTRACTS.** Developer shall submit to Agency the construction contract or contracts for the Project. Agency's review of the construction contract shall be only for determining its compliance with this DDA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer's cost, the construction of the Project in accordance with this DDA. If the property is revested in the Agency pursuant to Section 13.1, Developer shall assign all rights under the construction contracts to Agency.

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

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

Places applies only to the market rate residential portion of the Project and more specifically in the area designated for new construction. The low- and moderate income residential portion of the Project improves and increases the stock of affordable housing in the community. Imposition of the Art in Public Places Program would increase the cost of the Project substantially and reduce either the number of affordable units available in the Project or the affordability of those units. Therefore, the Aesthetic Improvement Policy requirements are not applicable.

**7.5. SUBSTANTIAL CHANGES.** Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 6.7, without Agency approval of such changes as provided in Section 6.7.

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

**7.7. PREVAILING WAGES.** Agency advises Developer that the Project is subject to the payment of prevailing wages under California law. Developer shall inform the Contractor and shall require the Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Agency's determination of the applicability of California prevailing wage requirements. Developer and Contractor have had the opportunity to meet with their respective legal counsel and to request a determination of the matter before the California Department of Industrial Relations and any other appropriate governmental bodies. Developer and Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

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

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

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

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

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

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

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

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

**7.13. CERTIFICATE OF COMPLETION.** After the Agency has determined that Developer has completed the construction of the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Agency will furnish the Developer with the Certificate of Completion certifying such completion. The Agency's issuance of the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the DDA with respect to the obligations of the Developer to construct the Project as

of the Completion Date specified in the Schedules of Performances, subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute the Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

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

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

7.14. **CONSTRUCTION PERIOD EXTENSION FEE.** If Developer does not complete the construction of the Project on or before the completion date set forth in the Schedule of Performances, Developer shall pay to Agency, monthly, in advance, on the first day of each month beginning the calendar month following said completion date, a construction period extension fee of Fifty Dollars and No Cents (\$50.00) for each day by which the completion of construction is delayed beyond said completion date. Such construction period extension fee due for days of delay occurring prior to the first payment date shall be paid in arrears at the time of the first payment under this Section. The number of days used in computation of the construction period extension fee shall be reduced by the number of days of Unavoidable Delay. Failure to pay such construction period extension fee when due is a material default of this DDA. Any unearned portion of an advance payment of any such extension fee shall be refunded by the Agency within thirty (30) days of completion of construction, or of termination of the DDA. Agency shall have the option to terminate, upon ten (10) days prior written notice, Developer's rights to such unpaid construction extension fee and to declare Developer in material default of this DDA. In any event, such construction extension fees shall not be accepted for a time period greater than six (6) months excluding any period of Unavoidable Delay, at which time Developer shall be deemed in material default of this DDA.

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

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

and services and consulting contracts for the Project, and Developer shall undertake the enforcement of such provisions.

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

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

**7.19. HAZARDOUS SUBSTANCES.** Agency has obtained a Phase I and Phase II Hazardous Substances assessment, and has delivered them to Developer. In any event, Developer shall obtain such Hazardous Substances assessments as Developer deems reasonably necessary to assure the development of the Project in accordance with all applicable laws, rules and regulations; provided, however that such assessments are prepared by a qualified environmental specialist in accordance with nationally recognized standards to determine the existence of and to quantify the extent of Hazardous Substances on the Property. As between the Agency and Developer, Developer shall be solely responsible for the adequacy of any Hazardous Substances investigations obtained by Developer. If Hazardous Substances are known to be on the Property, Developer shall remediate such Hazardous Substances on the Property as and to the extent required by any federal, state or local agency having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered on the Property after conveyance to Developer and have not been released on the Property after conveyance to Developer, Developer shall remediate all Hazardous Substances on the Property as and to the extent required by any federal, state or local agency having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered on the Property after conveyance to Developer and have not been released on the Property after conveyance to Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed Twenty-Five Thousand Dollars (\$25,000), Developer may elect to terminate this DDA, upon reconveyance of the Property to Agency and return of all monies and properties delivered pursuant to or in furtherance of this DDA. Developer shall bear One Hundred percent of the costs related to such remediation.

**7.20. DEVELOPER ACCESS TO PROPERTY.** Prior to the conveyance of the Property by Agency to Developer, the Agency shall permit representatives of Developer to have access, without charge, to the Property, at all reasonable times for the purpose of obtaining data and making various tests necessary to carry out Developer's obligations under the DDA; provided, however, that Developer shall not enter the Property except (a) after execution by Developer and Agency of Agency's standard "Permit for Entry" and (b) after Developer has obtained insurance coverage then required by Agency. No work shall be performed on the Property until a "Notice of Nonresponsibility" has been recorded and posted in accordance with applicable laws, assuring that Agency interest in the Property shall not be subject to mechanic's liens related to such work. Developer shall not commence any work on the Property without Agency's written approval of the work to be done, and in any event, Developer shall not commence any work which might be construed as commencement of the work of the Project for establishment of mechanic's lien rights.

**8. RELOCATION.** Agency is required by law to provide relocation services and make relocation payments to eligible tenants, if any, that are displaced as a result of the Project. Developer shall comply fully with all relocation laws that are the obligation of Agency or are otherwise applicable to the Project. Developer's compliance with the relocation requirements as stated in this Section 8 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 8 is an Event of Default, subject to Developer's opportunity to cure in accordance with applicable law.

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

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

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

**9. DEVELOPMENT FINANCING.** Except as specifically provided in this DDA, Developer shall be responsible for and shall pay all costs of developing the Project in accordance with this DDA. As a condition precedent to Agency's conveyance of the site to Developer, Developer shall provide the Agency with a complete and firm Project budget including all proposed sources and

uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this DDA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Agency, of the additional required construction and permanent financing. Except as expressly provided in this DDA, no party shall have the right of reimbursement for any funds expended by them for the Project, whether prior to execution of this DDA or otherwise. Agency is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.

**9.1 EVIDENCE OF AVAILABLE FUNDS.** Unless otherwise approved by the Agency, Developer's evidence of available funds, as required in the preceding section, must include only the following: (a) Developer equity (as provided in Section 9.3); (b) firm and binding loan commitments (as provided in Section 9.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this DDA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

**9.2 COMMITMENT AND LOAN REQUIREMENTS.** As a material obligation under this DDA, Developer shall assure that the loan or funding documents for the Project are consistent with the Lenders' and NMTC commitments approved by the Agency and comply, in all respects, with this DDA. The Agency may reject a loan or funding commitment unless such commitment: (a) is subject only to Lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have been previously provided to and approved by the Agency); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for a construction loan term not less than that specified in the Schedule of Performances for completion of construction and any additional time necessary to fulfill all conditions precedent to funding of permanent financing. The Agency may also reject any commitment if it is based upon sources and uses of Project funds that are different from those approved by Agency for the Project. The Agency may also reject any commitment that requires changes to the Project which conflict with this DDA, that require a material amendment of this DDA or that require the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party, (other than customary estoppel certificates or clarification of terms) except that the Agency will enter into Funding Agreements with the Downtown Sacramento Revitalization Corporation ("DSRC") for the purpose of providing funding towards the construction of this Project pursuant to the Commitment Letter and the Agency. The Agency will also enter into a disbursement agreement with the CDE(s) and other relevant funders or servicers of any Project financing regarding the disbursement of QLIC proceeds for Project; uses from the CDE to the Developer.

**9.3 EVIDENCE OF DEVELOPER EQUITY.** Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity ("Developer Equity") in the amount of Three Million Thirty One Thousand Four Hundred and Fifty Five Dollars No Cents (\$3,031,455.00) by any one of the following actions: (a) deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer;

(b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Developer's provision of financial statements prepared by a certified public accountant which show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity. Notwithstanding the foregoing, it is understood by the parties that the Developer Equity shall be part of the leverage loan proceeds that are loaned to the Investment Fund along with the proceeds of the DSRC investment, in order to leverage the NMTC and shall not be held or contributed at the Project Borrower level as required by the NMTC investor or CDE. Developer shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Developer profit or fees or Developer contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

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

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

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

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

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

This indemnification provision shall survive the termination of this Agreement.

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

**12.1. LIABILITY INSURANCE POLICY LIMITS.** Developer shall obtain all insurance under this Section 12 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Agency, and for limits of liability which shall not be less than the following:

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

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

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

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

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

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

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

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

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

**12.6.5. FAILURE TO MAINTAIN.** If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this DDA, the Agency shall have the right,

but not the obligation, to purchase the insurance on Developer's behalf, and Developer shall promptly reimburse the full cost of such insurance to the Agency. If Developer fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest at the maximum rate permissible under the law until paid. Failure to maintain the insurance required by this Section 12 shall be a default under this DDA (see Section 13.3, below).

**12.6.6. BLANKET COVERAGE.** Developer's obligation to carry insurance as required under this Section 10 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Agency shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Agency will not be reduced or diminished thereby, and all of the other requirements of this Section 12 with respect to such insurance shall otherwise be satisfied by such blanket policy.

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

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

controlled by the Agency) to acquire ownership of and title to the Project in order to not cause a recapture of any NMTC as reasonably determined by the CDE and NMTC investor. It is the intent of this DDA that the conveyance of the Property to Developer shall be made upon, and that the Grant Deed shall contain, a condition subsequent to the effect that in the event of any default, by the Developer specified in this Section, and the failure to remedy, such default, within the period and in the manner stated in the DDA, the Agency at its option may declare a termination in favor of the Agency of the title, and of all the rights and interest in the Property conveyed by the Grant Deed to Developer, and that such title and all rights and interests of Developer, and any assigns or successors in interest to and in the Property, shall revert to the Agency, as provided in this Section 13.1. Such condition subsequent and any such reversion of title in the Agency shall always be subject to and limited by the lien or security interest authorized by the DDA, which shall include all of the NMTC Agreements, and any rights or interests provided in the DDA for the protection of the Lenders; and shall not apply to individual parts or parcels of the Property on which the Project have been completed in accordance with the DDA and for which a Certificate of Completion has been or is required to be issued as provided in the DDA. Such condition subsequent shall conform to the provisions of Civil Code Sections 885.010 through 885.070.

**13.1.1. RESALE OF REACQUIRED PROPERTY.** Subject to continued compliance with the NMTC requirements of the NMTC Agreements and the CDE during the NMTC compliance period, upon any reversion of title of the Property in the Agency, Agency shall use its best efforts to resell the Property, as soon and in such manner as the Agency shall find feasible and consistent with the objectives of the Redevelopment Plan and the Community Redevelopment Law, to a qualified and responsible party, as determined by the Agency, who will assume the obligation of completing the Project or such other improvements in their stead as shall be satisfactory to the Agency. Upon such resale of the Property, the resale proceeds (after repayment of any liens and encumbrances which have previously been approved by Agency in writing) shall be applied as follows:

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

**13.1.3. DEVELOPER REIMBURSEMENT.** After payment to Agency of the sum specified herein, said proceeds shall be paid to Developer to reimburse Developer in an amount not to exceed: (1) the sum of the purchase price paid by Developer for the Property and the cash actually expended by it in actual construction of any of the Project (including without limitation

fees and expenses paid to any governmental agency on account of the Project, mitigation or development fees, the costs and expenses of all third-party architects, engineers, or similar design professionals; hard and soft costs of construction expended in construction of the Project, and Lender's interest, loan fees and other fees and charges on account of the Loan); less (2) any gains or income withdrawn or made by it from the DDA or the Property and any amounts, including interest on loans, then due from Developer to Agency.

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

13.2. **LIQUIDATED DAMAGES.** IF DEVELOPER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS PROVIDED IN THIS AGREEMENT BY REASON OF ANY DEFAULT OF DEVELOPER, AGENCY SHALL BE RELEASED FROM AGENCY'S OBLIGATION TO SELL THE PROPERTY TO DEVELOPER, AND AGENCY MAY ALSO PROCEED AGAINST DEVELOPER UPON ANY CLAIM OR REMEDY THAT AGENCY MAY HAVE IN LAW. IF THE PROPERTY HAS BEEN CONVEYED TO DEVELOPER, DEVELOPER HAS COMMITTED A DEFAULT SUFFICIENT FOR REVESTMENT OF THE PROPERTY UNDER SECTION 11.1, AND DEVELOPER HAS NOT VOLUNTARILY RECONVEYED THE PROPERTY TO AGENCY, AGENCY MAY REVEST THE PROPERTY OR TAKE ANY AVAILABLE ACTION TO RECONVEY THE PROPERTY TO THE AGENCY. IN SUCH EVENT, AGENCY MAY ALSO PROCEED AGAINST DEVELOPER UPON ANY CLAIM OR REMEDY THAT AGENCY MAY HAVE IN LAW OR EQUITY; PROVIDED, HOWEVER, THAT, BY INITIALING THIS SECTION, DEVELOPER AND AGENCY AGREE THAT IN THE EVENT THAT DEVELOPER FAILS TO PURCHASE THE PROPERTY: (A) IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL DAMAGES RELATED TO THE FAILURE TO PURCHASE THE PROPERTY; COSTS TO OBTAIN RECONVEYANCE OF THE PROPERTY TO AGENCY; (B) AN AMOUNT EQUAL TO THE DEPOSIT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO AGENCY ON ACCOUNT OF THE FAILURE TO PURCHASE THE PROPERTY AND FOR AGENCY COSTS TO OBTAIN RECONVEYANCE OF THE PROPERTY (WITHOUT LIMITING AGENCY'S RIGHTS TO RECOVERY DAMAGES OR SEEK ANY OTHER REMEDY FOR ANY OTHER DEFAULT UNDER THIS DDA OR ITS CONSTITUENT DOCUMENTS); (C) THE PAYMENT OF THE LIQUIDATED DAMAGES TO AGENCY SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF AGENCY FOR THE FAILURE OF DEVELOPER TO PURCHASE THE PROPERTY; (D) AGENCY MAY RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES; AND (E) PAYMENT OF THOSE SUMS TO AGENCY AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO AGENCY PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE.

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

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

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

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

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

**14. ENCUMBRANCE OF PROPERTY AND LENDER PROTECTIONS.** Before issuance of a Certificate of Completion, if Developer has obtained Agency's prior written approval, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this DDA, the Developer may obtain a Loan and encumber the Property as security for the Loan, provided either that the proceeds of the Loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the Loan is permanent project financing made upon usual and customary and commercially reasonable terms. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance. After issuance of a Certificate of Completion, the Agency shall have no rights of approval regarding financing secured by the Property. As a condition to Agency's approval of a Loan, Developer shall provide the Agency with a conformed copy of all documents related to the Loan. Agency acknowledges that a Lender will rely upon this DDA in making the Loan and that Agency's obligations under this DDA are inducements to Lender's making of the Loan. To the extent that such approvals do not materially change the Project, any such approvals under this section may be made by the [Director/Administrator] of the Agency without the need for public comment or the approval of the Agency Governing Board.

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

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is a Notice Party as such term is defined in that certain Disposition and Development Agreement dated as of June \_\_, 2011, between the Redevelopment Agency of the City of Sacramento and 700 Block, LLC ("DDA"). Notice Party requests, in accordance with the DDA, that if any default

notice shall be given to Developer under the DDA, a copy of such default notice shall be given to Notice Party.

[Notice Party Name and Address for Notice]

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

**14.2. ASSIGNMENTS AND TRANSFERS OF THE LOAN.** Agency shall not be bound to recognize any assignment of Lender's Loan of Notice Party's interest in the Project or related encumbrance of the Property unless and until the applicable Notice Party has given Agency written notice of the name and address of the assignee (and if more than one person is an assignee, the designated name and address for notices). Thereafter, such assignee shall be considered a Notice Party with respect to the Project.

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

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

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

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

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

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

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

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

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

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

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

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

**14.10.1.** The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section 14.10 shall not relieve Developer, or any other party bound in any way by the DDA, from any of its obligations under the DDA. With respect to this provision, Developer and the parties signing the DDA on behalf of Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

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

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

14.10.3 Any other assignment or transfer without the advance written consent of the Agency shall be prohibited. Developer shall not, prior to issuance of a Certificate of Completion, assign Developer's interests or obligations under this DDA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. With respect to this provision, the Developer and the parties signing this DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

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

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

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

16.1 **ENTIRE DDA; SEVERABILITY.** This DDA integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. If any term or provision of this DDA shall, to any extent, be held invalid or unenforceable, the remainder of this DDA shall not be affected; provided that the intent of the DDA may then be reasonably fulfilled.

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

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

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

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

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

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

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

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

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

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

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

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

**16.12.1. Addresses for notices are as follows:**

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

b) Developer: 700 Block, LLC:

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

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

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

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

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

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

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

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

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

17.1. "Agency" is the Redevelopment Agency of the City of Sacramento. The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California. This DDA and the Agency's obligations hereunder are those of the Redevelopment Agency as defined herein and are not those of the City or any other public or private person or entity. The principal office of the Agency is located at 801 12th Street, Sacramento, California 95814. Agency as used in this DDA includes the Redevelopment Agency of the City of Sacramento and any assignee of or successor to its rights, powers and responsibilities.

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

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

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

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

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

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

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

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

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

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

17.12. "Final Plans" are the full and final plans, drawings and specifications for the Project as described in, and approved by the Agency under this DDA. The Final Plans include all construction plans, drawings, specifications and other documents required to obtain all required building permits for the construction of the Project. The Final Plans may refer, as the context may indicate, to partial Final Plans prepared and submitted in accordance with this DDA. The Final Plans shall incorporate all applicable mitigation measures which may be required for compliance with approvals under the California Environmental Quality Act (commencing at Public Resources Code Section 21000) and the rules and regulations promulgated under such act. The Final Plans shall specifically include changes or corrections of the Final Plans approved as provided in this DDA. The Final Plans shall include all landscaping, on- and off-site work and artwork related to the Project. Except as approved by the Agency, the Final Plans shall conform in all material respects to all provisions of this DDA.

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

17.13. "Grant Deed" is the grant deed for the transfer of the Property to Developer under this DDA. The Grant Deed contains covenants that run with the land, easements and a reverter provision. The Grant Deed is attached hereto as **Exhibit 4: Grant Deed**.

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

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

17.16. "Plans" are the Project designs and elevations, prepared by the Project architect Kuchman Architects PC and dated May 3, 2011, a portion of which (consisting of various elevations) is attached to the staff report for approval of this DDA. Agency has approved the Plans concurrently with the approval of this DDA.

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

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

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

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

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

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

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

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

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

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

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

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

**DEVELOPER : 700 BLOCK, LLC, A  
California limited liability company**

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

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

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

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

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

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

Approved as to form:

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

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

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

Approved as to form:

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

**[NOTARIZED ACKNOWLEDGEMENTS]**

## EXHIBIT 1

### Legal Description

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

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

APN: 006-0096-002

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

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

APN: 006-0096-003

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

follows:

THE WEST 1/2 OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

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

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

APN: 006-0096-005

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

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

APN: 006-0096-006

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

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

APN: 006-0096-007

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

PARCEL NO. 1

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

PARCEL NO. 2

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

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

APN: 006-0096-008

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

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

APN: 006-0096-009

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

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

APN: 006-0096-010

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

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

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

APN: 006-0096-018

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

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

APN: 006-0096-019

## EXHIBIT 2

### Schedule of Performances

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

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

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

## EXHIBIT 3

### Scope of Development

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

#### SCOPE OF WORK – NEW CONSTRUCTION

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

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

#### **Parking Structure:**

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

#### **Apartments:**

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

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

#### **Construction Type:**

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

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

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

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

### **Commercial:**

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

### **Residential:**

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

**EXHIBIT 4**

**Grant Deed**

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.

Recording Requested by the  
**SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY**

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

Attention: Joel Riphagen

---

Mail Tax Statements to:

**DRAFT GRANT DEED**

**(WITH REVESTMENT PROVISIONS, COVENANTS, RESTRICTIONS AND RESERVATIONS)**

For valuable consideration, receipt of which is hereby acknowledged,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. The Grantee covenants and agrees that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

**DRAFT**

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

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

APPROVED: \_\_\_\_\_

Agency Counsel

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

700 BLOCK, LLC

a limited liability company

**DRAFT**

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

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

**[NOTARIZED ACKNOWLEDGEMENTS]**

**EXHIBIT "1"**

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

**EXHIBIT 5**

**Regulatory Agreements**

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.

When recorded, return to:

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

With copy to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. **RESTRICTION ON SALES AND LEASES.** Developer is prohibited from selling or leasing the Property unless and until the buyer or lessee has executed and the parties have recorded an acknowledgment and acceptance of this Regulatory Agreement. In any event, any and all successors in interest to the Property are subject to this Regulatory Agreement. Agency shall review and approve all leases within 10 business days of receipt.

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

8. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. In the absence of a term in the Funding Requirements, the term shall be thirty (30) years from the Effective Date.

9. **RECORDKEEPING AND REPORTING.** Upon written request of Agency, Owner shall promptly provide any additional information or documentation to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions regarding the income, assets, liabilities, contracts, operations, and condition of the property and their compliance with the Funding Agreement and this Regulatory Agreement.

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

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

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

13. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. To the extent reasonable under the circumstance, in the event of any breach, the Agency and Owner shall reasonably endeavor to identify a remedy for such breach by conference and conciliation. A correction or remedy of such breach by a Notice Party, referenced in Section 19, below, will be deemed as effective as if such correction or remedy was made by Owner. If such violation is not corrected to the satisfaction of Agency within ninety (90) days after the date such notice is mailed

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Approved as to form:

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

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

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

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

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

Approved as to form:

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

**[NOTARIZED ACKNOWLEDGEMENTS]**

## EXHIBIT 1 – LEGAL DESCRIPTION

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

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

APN: 006-0096-002

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

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

APN: 006-0096-003

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

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

APN: 006-0096-004

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

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

APN: 006-0096-005

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

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

APN: 006-0096-006

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

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

APN: 006-0096-007

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

PARCEL NO. 1

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

PARCEL NO. 2

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

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

APN: 006-0096-008

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

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

APN: 006-0096-009

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

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

APN: 006-0096-010

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

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

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

APN: 006-0096-018

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

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

APN: 006-0096-019

## EXHIBIT 2 – FUNDING REQUIREMENTS

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

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

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

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.  
When recorded, return to:

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

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

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

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

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

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

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

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

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

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

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

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

**Approved Management Company**

CFY Development, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**[NOTARIZED ACKNOWLEDGEMENTS]**

**EXHIBIT I - LEGAL DESCRIPTION**

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

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

APN: 006-0096-002

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

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

APN: 006-0096-003

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

THE WEST 1/2 OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

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

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

APN: 006-0096-005

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

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

APN: 006-0096-006

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

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

APN: 006-0096-007

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

PARCEL NO. 1

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

PARCEL NO. 2

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

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

APN: 006-0096-008

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

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

APN: 006-0096-009

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

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

APN: 006-0096-010

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

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

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

**APN: 006-0096-018**

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

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

**APN: 006-0096-019**

## EXHIBIT 2 – FUNDING REQUIREMENTS

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

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

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

**EXHIBIT 3 – COMPLIANCE VIOLATIONS AND ACTIONS**

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

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

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

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

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

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

**PERMANENT LOAN AGREEMENT  
700 BLOCK OF K STREET  
FOR 1111 7<sup>TH</sup> STREET, SACRAMENTO, CALIFORNIA  
(SELLER CARRY BACK LOAN)**

**ARTICLE I TERMS AND DEFINITIONS:**

<b>"EFFECTIVE DATE"</b>	Which is the date as of which this Loan Agreement shall be effective.
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LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes Article II 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 Article I Terms and Definitions and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article I 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:

<b>A. "Loan Information"</b> The general loan provisions of the Loan	
<b>"LENDER"</b>	The following public agency that is making the Loan, and whose legal status and address are:
Name	Redevelopment Agency of the City of Sacramento
Legal Status	A public body, corporate and politic
Principal Address	801 12th Street, City of Sacramento, Sacramento County, California 95814
<b>"BORROWER"</b>	The borrower of the Loan funds whose name, legal status and address are:
Name	700 Block, LLC
Legal Status	limited liability company
Principal Address	1006 4th Street, Suite 701, Sacramento, CA 95814
<b>"LOAN"</b>	The Loan made by this Loan Agreement.
<b>"LOAN COMMITMENT"</b>	Lender's loan commitment, made by letter dated as of
<b>"LOAN PROGRAM"</b>	Lender's Loan Program, commonly known as
	This is a seller "carry back" Loan for the Purchase Price of a certain property, 1111 7 <sup>th</sup> Street, to be conveyed pursuant to the DDA for the 700 Block of K Street Project.
<b>"LOAN AMOUNT"</b>	Four Hundred Seventy Thousand One Hundred Twenty Dollars and No Cents (\$470,120.00)
<b>"INTEREST RATE"</b>	The interest rate is 8.25% compounded annually
<b>"MATURITY DATE"</b>	Close of escrow for the funding of the permanent loans for the Project.
<b>"PAYMENT START DATE"</b>	The first day of the 49th calendar month following the Effective Date.
<b>"PAYMENT SCHEDULE"</b>	Payable monthly, commencing on the Payment Start Date and continuing on the first day of each calendar month thereafter, through and including the four hundred fifty-seventh (457th) payment month. The Seller Carryback Payment Schedule is attached hereto and incorporated herein as <b>Exhibit 6: Payment Schedule.</b>
<b>"BORROWER EQUITY"</b>	Three Million Thirty Thousand Dollars and No Cents (\$3,030,000.00) or other amount agreed to by Lender and Borrower
	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, which amounts may be invested in the Project via a NMTC leverage loan as contemplated in the DDA.

<b>"SPECIAL TERMS"</b>	No principal payments prior to the expiration of the NMTC compliance period. If refinanced or paid in full in any month prior to the full term, in addition to paying the then outstanding principal, borrower must also pay the recapture amount listed in <b>Exhibit 6: Payment Schedule</b> for the month in which the refinance or payment in full occurs.
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**B. Collateral** The Collateral securing repayment of the Loan, which Collateral consists of the following:

<b>"PROPERTY"</b>	The following described real property, which is security for the Loan:	
Address	1111 7th Street, Sacramento, California	
Assessor's Parcel Number	006-0096-019	
<b>"Legal Description"</b>	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> attached and incorporated by reference.	
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
<b>"ADDITIONAL COLLATERAL"</b>	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
<b>"PERSONAL PROPERTY"</b>	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement	Leases and rental agreements for the Property
<b>"ADDITIONAL REAL PROPERTY"</b>	Address	700, 704, 712, 716, 718, 724, 726 and 730 K Street, 1113 7th Street and 1114 8th Street, Sacramento, California
	Assessor's Parcel Number	006-0096-002, 006-0096-003, 006-0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 006-0096-009, 006-0096-010, and 006-0096-018
	<b>"Legal Description"</b>	Not Applicable
	Borrower's Title Interest	Not Applicable

**C. Escrow Information**

<b>"Title Company" and "Escrow Agent"</b>	First American Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
<b>"Escrow"</b>	The escrow with Escrow Agent	
<b>"Closing Date"</b>		Which is the date for close of the Escrow, as it may be extended

**D. List of Exhibits:** (The following are attached and incorporated in this Loan Agreement)

EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Note Form</u>	"Note"
<u>Exhibit 3: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4: Regulatory Agreements</u>	"Regulatory Agreements"
<u>Exhibit 5: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 6: Seller Carryback Payment Schedule</u>	"Payment Schedule"

**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 the operation of the Property, including capital improvements and operating reserve account

Permanent financing documents for senior loans

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

Subject to the interests of any senior lender, any 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:

This Loan is made pursuant to the DDA. This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan Proceeds, in the event of any inconsistency between the DDA and this Loan Agreement, the DDA shall control.

As consideration for the Agency's DDA, in the event the Project's debt is refinanced, the net proceeds of the refinance after repayment of all debt shall be split 50 percent in favor of the Developer, 42 percent in favor of the Downtown Revitalization Corporation, and 8 percent in favor of the Agency. For purposes of determining net proceeds, any costs associated with the refinancing, including any costs associated with the unwinding or refinancing of the NMTC transaction after the end of the NMTC compliance period, will be netted from the proceeds. In the event of a sale of the Project, proceeds will be split 80 percent in favor of the Developer, 17 percent in favor of the Downtown Revitalization Corporation, and 3 percent in favor of the Agency.

Borrower may elect to close the Loan in advance of closing of all New Market Tax Credit financing. Agency will subordinate this Loan to the senior loan instrument, provided that such subordination does not require modification of this Loan Agreement nor Agency's entering into any agreements containing new or modified Loan terms.

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

**BORROWER : 700 BLOCK, LLC**

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

Cyrus Youssefi, Member

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

Ali Youssefi, Member and Manager

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

David Miryabianeh, Member

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

Behroze Miryabianeh, Member and Manager

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

Steve Lebastchi, Member

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

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

LaShelle Dozier, Executive Director

Approved as to form:

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

## **ARTICLE II LOAN PROVISIONS**

**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 Article I General Terms and as defined in Section 1 of this Article II Loan Provisions. (Terms being defined are indicated by quotation marks.) The Lender is making the Loan pursuant to the DDA and the terms and conditions of this Loan Agreement.

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

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

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

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

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

1.4. Disposition and Development Agreement ("DDA") is the agreement, dated June , 2011, by and between Lender and Borrower containing the terms and conditions for the redevelopment of the Property.

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

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

1.7. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Note and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan, after the expiration of applicable notice and cure period.

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

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

1.10. "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.

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

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

1.13. "Loan Agreement" means this Loan Agreement including Article I and II, 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.

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

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

1.16. "Permanent Lender" is the lender for the Permanent Loan.

1.17. "Permanent Loan" means the permanent financing obtained by Borrower, which is to be made concurrently with the Loan and which is secured by a senior lien against the Property.

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

1.19. "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.

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

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

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

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

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

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

**2.4. NO VIOLATION.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement,

trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

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

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

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

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

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

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

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

**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. 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.

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

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

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

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

exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

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

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

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

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

**5. RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants, if any, displaced as a result of the Lender's involvement in the Property. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property. Borrower's compliance with the relocation requirements as stated in this Section 5 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 5 is an Event of Default.

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

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

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

## **7. DEFAULTS**

**7.1. EVENTS OF DEFAULT.** At the option of Lender, each of the following events will constitute a default (each an "Event of Default") after applicable notice and cure periods:

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

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

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

7.1.4. The filing of any lien against the Property, if the claim of lien continues for sixty (60) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

7.1.5. The attachment, levy, execution, or other judicial seizure of any portion of the Property, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within sixty (60) days after the attachment, levy, execution, or seizure.

## 8. REMEDIES

8.1. **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:

8.1.1. Terminate its obligation to make disbursements.

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

8.1.3. 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.

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

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

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

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

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

9. **FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** For the duration of Loan Agreement, Borrower shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage,

vandalism, and malicious mischief, and with such other endorsements and in such amounts as the Agency may reasonably require to protect the Property. In the event of damage to the Property and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Property and the public improvements.

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

**9.2. FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the 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.

## **10. MISCELLANEOUS.**

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

**10.2. 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.

**10.3. 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.

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

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

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

**10.7. NOTICES** All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above by one or more of the following methods.

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

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

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

Teletcopy, 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.

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

**10.9. ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Security Documents. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other equivalent lender, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

**10.23. 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, or any portion of it, excluding any of the foregoing caused by the gross negligence or willful misconduct of Lender, its agents, employees and contractors. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the lesser of the Default Rate or the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

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

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

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

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

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

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**Exhibit 1:  
Legal Description**

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

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

APN: 006-0096-002

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

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

APN: 006-0096-003

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

THE WEST ½ OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS

OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

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

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

APN: 006-0096-005

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

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

APN: 006-0096-006

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

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

APN: 006-0096-007

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

PARCEL NO. 1

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

PARCEL NO. 2

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

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

APN: 006-0096-008

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

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

APN: 006-0096-009

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

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

APN: 006-0096-010

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

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

**THE POINT OF BEGINNING, EXCEPTING THEREFROM THAT PORTION OF SAID REALTY LYING WITHIN THE EXTERIOR BOUNDARIES OF THE SOUTH 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO.**

**APN: 006-0096-018**

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

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

**APN: 006-0096-019**

**Exhibit 2  
Note Form**

**PROMISSORY NOTE  
FOR 700 BLOCK OF K STREET PROJECT  
PERMANENT LOAN AGREEMENT**

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

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

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>	
"Effective Date"		
"Lender"	Redevelopment Agency of the City of Sacramento	
"Borrower"	700 Block, LLC, or a transferee permitted pursuant to the Loan Agreement	
"Borrower Legal Status"	limited liability company	
"Loan Agreement"	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan ("Loan") evidenced by this Note.	
"Principal Amount"	Four Hundred Seventy Thousand One Hundred Twenty Dollars and No Cents (\$470,120.00)	
"Interest Rate"	The interest rate is 8.25% per year, compounded annually	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"	No principal payments prior to the expiration of the 7 year NMTC compliance period. If refinanced or paid in full in any month prior to the full term, in addition to paying the then outstanding principal, borrower must also pay the recapture amount listed for the month in which the refinance or payment in full occurs.	
<b>PAYMENT SCHEDULE</b>	Repayment of this Note shall be made the following amount:	
"Maturity Date"	The first day of the 457th calendar month following the Effective Date.	
"Payment Start Date"	The first day of the 49th calendar month following the Effective Date.	
"Payment Amount(s)"	The Loan balance shall be payable monthly, commencing on the Payment Start Date and continuing on the first day of each calendar month thereafter, through and including the four hundred fifty-seventh (457th) month.	
	Payment Month	Recapture Amount if Refinanced or Repaid in Full
	1-12	\$374,717
	13-24	\$405,632
	25-36	\$439,096
	37-48	\$475,322
	49-60	\$514,536
	61-72	\$540,916
	73-84	\$566,821
85-96	\$592,159	

97-108	\$2,250	\$616,825
109-120	\$2,490	\$640,708
121-132	\$2,734	\$663,685
133-144	\$2,984	\$685,623
145-156	\$3,238	\$706,375
157-168	\$3,498	\$725,783
169-180	\$3,763	\$743,675
181-192	\$4,034	\$759,862
193-204	\$4,310	\$774,140
205-216	\$4,591	\$786,285
217-228	\$4,878	\$796,057
229-240	\$5,170	\$803,192
241-252	\$5,469	\$807,405
253-264	\$5,773	\$808,386
265-276	\$6,083	\$805,797
277-288	\$6,399	\$799,272
289-300	\$6,722	\$788,416
301-312	\$7,050	\$772,796
313-324	\$7,385	\$751,945
325-336	\$7,726	\$725,357
337-348	\$8,074	\$692,482
349-360	\$8,428	\$652,722
361-372	\$8,789	\$605,432
373-384	\$9,156	\$549,910
385-396	\$16,291	\$485,397
397-408	\$16,672	\$329,946
409-420	\$17,060	\$157,094
421-432	\$17,456	\$45,680
433-444	\$17,858	\$17,293
445-456	\$1,412	\$1,194
457	All unpaid principal and interest	Not Applicable

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

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

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

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

3. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within ninety (90) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable; provided, however that during the seven year NMTC Compliance Period Lender shall forbear from foreclosing the lien of the Trust Deed against the Property without the consent of the senior lenders as provided in the Loan Agreement.

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

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

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

b. Borrower defaults or breaches any of the material terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note.

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

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

e. The occurrence of any of the following:

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

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

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 and not stayed or terminated within 90 days of the commencement of such proceeding.

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

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

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

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.

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

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

**Borrower:**  
700 Block, LLC, a  
California limited liability company

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

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

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

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

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

**Exhibit 3  
Trust Deed Form**

**NO FEE DOCUMENT:**  
Entitled to free recording  
per Government Code 27383.

When recorded, return to:  
SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Portfolio Management.

**DEED OF TRUST AND ASSIGNMENT OF RENTS  
700 Block Of K Street  
(Seller Carryback Loan 1111 7<sup>th</sup> Street)**

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

TERM	DEFINITION			
"Effective Date"				
"Trustor" and "Borrower"	700 Block, LLC, limited liability company			
"Borrower Address"	1006 4th Street, Suite 701, Sacramento, California 95814			
"Trustee"	First American Title Company			
"Beneficiary" and "Lender"	Redevelopment Agency of the City of Sacramento, a public body, corporate and politic			
"Lender Address"	801 12th Street, Sacramento, California 95814			
"Property"	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.			
	<table border="1"> <tr> <td>Addresses</td> <td>700, 704 ; 712, 716, 718, 724, , 726, and 730 K Street, 1111 and 1113 7<sup>th</sup> Street, and 1114 8<sup>th</sup> Street, 1111 7th Street, Sacramento, California</td> </tr> <tr> <td>Assessor's Parcel Numbers</td> <td>006-0096-002, 006-0096-003, 006-0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 006-0096-009, 006-0096-010, 006-0096-018, and 006-0096-019</td> </tr> </table>	Addresses	700, 704 ; 712, 716, 718, 724, , 726, and 730 K Street, 1111 and 1113 7 <sup>th</sup> Street, and 1114 8 <sup>th</sup> Street, 1111 7th Street, Sacramento, California	Assessor's Parcel Numbers
Addresses	700, 704 ; 712, 716, 718, 724, , 726, and 730 K Street, 1111 and 1113 7 <sup>th</sup> Street, and 1114 8 <sup>th</sup> Street, 1111 7th Street, Sacramento, California			
Assessor's Parcel Numbers	006-0096-002, 006-0096-003, 006-0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 006-0096-009, 006-0096-010, 006-0096-018, and 006-0096-019			
"Legal Description"	The Legal Description of the Property which is more particularly described in the attached <b>Exhibit 1 Legal Description</b> , which is incorporated in and an integral part of this Deed of Trust			
"Loan"	Which is Lender's loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.			
"Loan Agreement"	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.			
	Which is dated: _____			
"Additional Notices"	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:			

"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Four Hundred Seventy Thousand One Hundred Twenty Dollars and No Cents (\$470,120.00)

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BORROWER (Trustor):  
700 BLOCK, LLC

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

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

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

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

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

**[NOTARIZED ACKNOWLEDGEMENTS]**

**EXHIBIT 1  
LEGAL DESCRIPTION**

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

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

APN: 006-0096-002

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

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

APN: 006-0096-003

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

THE WEST 1/2 OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

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

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

APN: 006-0096-005

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

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

APN: 006-0096-006

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

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

APN: 006-0096-007

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

PARCEL NO. 1

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

PARCEL NO. 2

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

APN: 006-0096-008

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

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

APN: 006-0096-009

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

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

APN: 006-0096-010

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

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

APN: 006-0096-018

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

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

APN: 006-0096-019

**Exhibit 4  
Regulatory Agreements**

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.

When recorded, return to:

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

With copy to:

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

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

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

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

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

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

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

<b>TERM</b>	<b>DEFINITION</b>
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:
"Agency"	Redevelopment Agency of the City of Sacramento The Agency is a public body, corporate and politic.
"Owner" and "Developer"	700 Block, L.L.C.

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

<p>“Special Provisions”</p>	<p><b>Agency Right of Prior of Approval of Ground Floor Commercial Tenants:</b> For a ten year term, the Redevelopment Agency of the City of Sacramento, or its designee, shall retain approval rights to the ground floor tenants constituent with NMTC requirements and in a manner that will not cause recapture of any NMTC.</p> <p><b>Initial Approval:</b> Initially, the following uses are approved: 700 K Street: music venue with restaurant and bar; 704B K Street: restaurant/retail; 704C K Street: retail; 708A K Street: retail; 708B K Street: restaurant; 712A K Street: retail; 712B K Street: retail; 712C K Street: restaurant; 716 K Street: restaurant/retail; 718 K Street: restaurant/lounge; 724 K Street: restaurant/brewery; 726 K Street: retail; 730 K Street: restaurant; 1114 8th Street: restaurant/retail. Deviations from the approved leasing plan shall be approved by the Agency's Executive Director or designee who is currently the Economic Development Director of the City of Sacramento within 10 business days of the receipt of a new proposed use from the Developer.</p> <p><b>Live Music Venue:</b> The minimum lease term with the operator is for the live music venue is 10 years. The venue should maximize the number of performances held annually and should have performances an average of four nights a week. If Owner learns or acquires knowledge that the music venue is not able to maintain its operations, Owner shall notify Agency of such knowledge.</p> <p>Following notice, Owner will seek other live entertainment users for the space in the following manner:</p> <p style="padding-left: 40px;">Owner will aggressively pursue for a period of six months another live music venue first; a live entertainment use second and an entertainment use as a third option</p> <p style="padding-left: 40px;">If after six months, Owner is not successful in securing a new entertainment use, the development may lease the space to other types of uses including retail.</p> <p style="padding-left: 40px;">The live music venue use shall be open during the day during normal business hours, evenings, and on weekends.</p> <p><b>Type and Quality of Commercial Tenants:</b> As a goal, Owner shall retain and attract soft goods retail uses for 40% of the ground floor retail space, but shall maintain at least 30%. The retail space shall be filled with a mix of unique retail tenants and national tenants. The quality of retail uses should be comparable to boutique stores such as Swanberg's and the Gifted Gardener in Sacramento and national retailers such as the Apple Store, Anthropologie, and Crate and Barrel. The quality of restaurant tenants or uses shall be comparable and similar to DeVere's, Shady Lady, PF Chang's or Lucca's.</p> <p><b>Hours of Operation:</b> the commercial uses are to be open during normal business hours, evenings, and on weekends. Agency may approve the request to modify business hours. Normal business hours would at least be from noon to 10 p.m. for restaurants and 10 a.m. to 5 p.m. for retail stores.</p>
<p>“Approved Use”</p>	<p>Owner shall assure that the property is used only for the following Approved Uses:</p> <p>Street level retail, restaurant and entertainment. Residential uses on the Property, subject to a separate Regulatory Agreement, are also approved if used, operated and maintained pursuant to that separate Regulatory Agreement.</p>
<p>“Disapproved Uses”</p>	<p>Owner shall assure that the property is not used, in whole or in part, for any of the following Disapproved Uses:</p>

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

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

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

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

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

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

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

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

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

**RESTRICTION ON SALES AND LEASES.** Developer is prohibited from selling or leasing the Property unless and until the buyer or lessee has executed and the parties have recorded an acknowledgment and acceptance of this Regulatory

Agreement. In any event, any and all successors in interest to the Property are subject to this Regulatory Agreement. Agency shall review and approve all leases within 10 business days of receipt.

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

**TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. In the absence of a term in the Funding Requirements, the term shall be thirty (30) years from the Effective Date.

**RECORDKEEPING AND REPORTING.** Upon written request of Agency, Owner shall promptly provide any additional information or documentation to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions regarding the income, assets, liabilities, contracts, operations, and condition of the property and their compliance with the Funding Agreement and this Regulatory Agreement.

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

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

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

**DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. To the extent reasonable under the circumstance, in the event of any breach, the Agency and Owner shall reasonably endeavor to identify a remedy for such breach by conference and conciliation. A correction or remedy of such breach by a Notice Party, referenced in Section 19, below, will be deemed as effective as if such correction or remedy was made by Owner. If such violation is not corrected to the satisfaction of Agency within ninety (90) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate. The injury to the Agency

arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

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

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

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

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

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

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

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

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

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

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

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

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

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

Approved as to form:

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

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

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

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

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

Approved as to form:

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

[NOTARIZED ACKNOWLEDGEMENTS]

**EXHIBIT 1 - LEGAL DESCRIPTION**

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

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

APN: 006-0096-002

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

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

APN: 006-0096-003

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

THE WEST 1/2 OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

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

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

APN: 006-0096-005

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

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

APN: 006-0096-006

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

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

APN: 006-0096-007

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

PARCEL NO. 1

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

PARCEL NO. 2

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

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

APN: 006-0096-008

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

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

APN: 006-0096-009

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

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

APN: 006-0096-010

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

BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL, FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2 IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, BEARS SOUTH 19 DEG. 31. 30" WEST 0.74 FEET AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF "7TH" STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19 DEG. 31. 30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET AND THENCE NORTH 70 DEG. 29. 30" WEST 120.84 FEET ALONG SAID CENTER LINE, THENCE FROM SAID POINT OF BEGINNING, SOUTH 19 DEG. 31. 30" WEST 0.74 FEET TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2, THENCE CONTINUING SOUTH 19 DEG. 31. 30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO, THENCE NORTH 70 DEG. 28. 40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19 DEG. 03. 00" EAST 0.02 FEET TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF THE WALL OF SAID BUILDING, FOLLOWING THE OFFSETS THEREIN, THE FOLLOWING SEVENTEEN COURSES: NORTH 19 DEG. 03. 00" EAST 19.24 FEET; NORTH 19 DEG. 32. 00" EAST 27.52 FEET; NORTH 19 DEG. 03. 00" EAST 6.21 FEET; NORTH 70 DEG. 28. 00" WEST 0.36 FEET; NORTH 19 DEG. 04. 00" EAST 1.20 FEET; SOUTH 70 DEG. 28. 00" EAST 0.37 FEET; NORTH 19 DEG. 26. 00" EAST 21.50 FEET; NORTH 70 DEG. 28. 00" WEST 0.36 FEET; NORTH 20 DEG. 52. 00" EAST 1.80 FEET; SOUTH 70 DEG. 28. 00" EAST 0.36 FEET; NORTH 20 DEG. 10. 00" EAST 9.11 FEET; NORTH 70 DEG. 28. 00" WEST 0.37 FEET; NORTH 19 DEG. 32. 00" EAST 14.40 FEET; NORTH 20 DEG. 57. 10" EAST 19.11 FEET; NORTH 19 DEG. 30. 35" EAST 39.56 FEET; SOUTH 70 DEG. 31. 00" EAST 0.57 FEET; NORTH 19 DEG. 31. 30" EAST 1.35 FEET TO A NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70 DEG. 29. 00" EAST 0.69 FEET TO THE POINT OF BEGINNING, EXCEPTING THEREFROM THAT PORTION OF SAID REALTY LYING WITHIN THE EXTERIOR BOUNDARIES OF THE SOUTH 40 FEET OF LOT 1, IN THE BLOCK

**BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO.**

**APN: 006-0096-018**

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

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

**APN: 006-0096-019**

## EXHIBIT 2 – FUNDING REQUIREMENTS

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

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

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Community Redevelopment Law (commencing at Health & Safety Code Section 33000).

a. Agency has provided the "Agency Funding" from redevelopment tax increment (as defined in the California Constitution Article XIII, Section 16, and further defined in Health & Safety Code Section 33670) for the "Project Area" named in the Regulatory Agreement and Funding Agreement. The Agency Funding is subject to the provisions of the redevelopment plan for the Project Area and the California Community Redevelopment Law.

b. The Project is being developed on the Property which is in the Redevelopment Plan for the Project Area named in the Agency DDA. Agency has approved the DDA on condition that the "Property" named in the DDA is rehabilitated or developed as the Project, defined in the DDA and operated and maintained in accordance with the Redevelopment Plan, which regulation is accomplished by recordation of this Regulatory Agreement with these TI Funding Requirements as covenants running with the land.

2. **USE.** The Property shall be used solely for the Approved Uses and shall not be used for the Disapproved Uses.

3. **PLAN COMPLIANCE.** Owner shall comply, in all respects, with the Redevelopment Plan.

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.  
When recorded, return to:

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

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

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

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

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

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

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

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

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

**4. MANAGEMENT AGREEMENT.** Borrower shall obtain and maintain a property management agreement with a duly accredited real estate property management company for the management of the Property. Owner shall not change management company without the prior written approval of the Agency. If Agency has approved an initial property

manager for the Project, the company shall be listed immediately below. The term of such agreement shall be the longer of the term of the Funding Agreement or the longest term of the Funding Restrictions

Approved Management Company
CFY Development, Inc.

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

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

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

7. COVENANTS. Owner makes the following covenants. Unless Owner has received the prior written consent or Agency approval otherwise, Owner shall fully comply with each and every covenant. Except as otherwise stated in this Regulatory

Agreement, the following covenants shall have a term that is the same as the longest term specified in the Funding Requirements.

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

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

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

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

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

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

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

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

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

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

**11. MULTIPLE FUNDING REQUIREMENTS.** If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If

the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Approved as to form: \_\_\_\_\_  
Developer Counsel

**[NOTARIZED ACKNOWLEDGEMENTS]**

### EXHIBIT 1 -- LEGAL DESCRIPTION

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 100 FEET OF THE WEST 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS, OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAPS OR PLAN THEREOF.

APN: 006-0096-002

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH 120 FEET IN DEPTH OF LOT 1, IN THE BLOCK BOUNDED BY 7TH AND 8TH, "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF; EXCEPTING THEREFROM THE WEST 40 FEET IN WIDTH OF THE NORTH 100 FEET IN DEPTH OF SAID LOT 1; ALSO EXCEPTING THEREFROM SO MUCH THEREOF AS LIES WITHIN THE BOUNDARIES OF THE FOLLOWING DESCRIBED PARCEL; BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2, "K" AND "L", 7TH & 8TH STREETS BEARS SOUTH 19°31'30" WEST, 0.74 FEET OF A FOOT AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF 7TH STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19°31'30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET; AND THENCE NORTH 70°29'20" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING SOUTH 19°31'30" WEST 0.74 OF A FOOT TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19°31'30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70°28'40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19°3' EAST 0.02 OF A FOOT TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF WALL OF SAID BUILDING, FOLLOWING THE OFF-SETS THEREIN, THE FOLLOWING 17 COURSES: NORTH 19°3' EAST 19.24 FEET; THENCE NORTH 19°32' EAST 27.52 FEET; THENCE NORTH 19°8' EAST 6.21 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 19°4' EAST 1.20 FEET; THENCE SOUTH 70°28' EAST 0.37 OF A FOOT; THENCE NORTH 19°26' EAST 21.50 FEET; THENCE NORTH 70°28' WEST 0.36 OF A FOOT; THENCE NORTH 20°52' EAST 1.80 FEET; THENCE SOUTH 70°28' EAST 0.36 OF A FOOT; THENCE NORTH 20°10' EAST 9.11 FEET; THENCE NORTH 70°28' WEST 0.37 OF A FOOT; THENCE NORTH 19°32' EAST 14.40 FEET; THENCE NORTH 20°57'10" EAST 19.11 FEET; THENCE NORTH 19°30'35" EAST 39.56 FEET; THENCE SOUTH 70°31' EAST 0.57 OF A FOOT; THENCE NORTH 19°31'30" EAST 1.35 FEET TO THE NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70°29' EAST 0.69 OF A FOOT TO THE POINT OF BEGINNING, AND BEARINGS HEREIN SET FORTH, BEING REFERRED TO AN ASSUMED MERIDIAN BY WHICH THE CENTER LIEN OF 7TH STREET BETWEEN "K" AND "L" STREETS, AS ESTABLISHED BY SAID CITY ENGINEER BEARS NORTH 19°30' EAST AS DESCRIBED IN QUIT CLAIM DEED FROM SIMON, HORNSTEIN AND MABLE HORNSTEIN, HIS WIFE, TO R.W. STOVALL DATED SEPTEMBER 30, 1937; RECORDED DECEMBER 5, 1937, IN BOOK 659 OF OFFICIAL RECORDS, PAGE 309, SACRAMENTO COUNTY RECORDS.

APN: 006-0096-003

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ½ OF LOT 2, IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS

OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-004

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST HALF OF LOT 2 IN THE BLOCK BOUNDED BY "K" AND "L", SEVENTH AND EIGHTH STREETS, IN THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING ON THE SOUTH LINE OF K STREET OF SAID CITY OF SACRAMENTO AT A POINT LOCATED SOUTH 19°30' WEST 39.99 FEET AND SOUTH 70°29'20" EAST 161.23 FROM THE INTERSECTION OF THE CENTER LINE OF SEVENTH STREET OF SAID CITY OF SACRAMENTO WITH THE CENTER LINE OF SAID K STREET AND RUNNING THENCE FROM SAID POINT OF COMMENCEMENT SOUTH 70°29'20" EAST 40.41 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 2; THENCE SOUTH 19°33' WEST ALONG THE EASTERLY LINE OF SAID LOT 2 A DISTANCE OF 160.28 FEET TO THE NORTH LINE OF AN ALLEY; THENCE NORTH 70°28'40" WEST ALONG THE NORTH LINE OF SAID ALLEY A DISTANCE OF 40.38 FEET TO A POINT; THENCE NORTH 19°32'15" EAST A DISTANCE OF 160.27 FEET TO THE POINT OF COMMENCEMENT.

APN: 006-0096-005

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST ONE-QUARTER OF LOT 3 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-006

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE WEST HALF OF THE EAST HALF AND THE EAST HALF OF THE WEST HALF OF LOT 3, IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-007

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL NO. 1

THE EAST ONE-QUARTER OF LOT 3 AND THE WEST ONE-QUARTER OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L" 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF.

PARCEL NO. 2

THE EAST THREE-QUARTERS OF THE SOUTH ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 4 (SAID POINT BEING THE POINT OF INTERSECTION OF THE NORTHERLY LINE OF A 20 FOOT ALLEY AND THE WESTERLY LINE OF 8TH STREET), AND RUNNING THENCE NORTHERLY ALONG THE EASTERLY LINE OF SAID LOT 4, (BEING THE WESTERLY LINE OF 8TH STREET) 80.145 FEET TO THE NORTHEAST CORNER OF THE SOUTH ONE-HALF OF SAID LOT 4.

THENCE WESTERLY ALONG THE LINE DIVIDING THE NORTH ONE-HALF FROM THE SOUTH ONE-HALF OF SAID LOT 4, 60.59 FEET TO THE POINT OF INTERSECTION WITH THE WEST LINE OF THE EAST, THREE-QUARTERS OF LOT 4; THENCE SOUTHERLY ALONG THE WEST LINE OF THE EAST THREE-QUARTERS OF SAID LOT 4; 80.135 FEET TO THE INTERSECTION OF SAID LINE WITH THE SOUTH LINE OF SAID LOT 4 (BEING THE NORTH LINE OF SAID 20 FOOT ALLEY); THENCE EASTERLY, ALONG THE SOUTH LINE OF SAID LOT 4 AND THE NORTH LINE OF SAID ALLEY, 60.56 FEET TO THE POINT OF BEGINNING.

APN: 006-0096-008

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE NORTH ONE-HALF OF THE WEST ONE-HALF OF THE EAST ONE-HALF AND THE NORTH ONE-HALF OF THE EAST ONE-HALF OF THE WEST ONE-HALF OF LOT 4 IN THE BLOCK BOUNDED BY "K" AND "L", 7TH AND 8TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OF PLAN THEREOF.

APN: 006-0096-009

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE EAST ONE-QUARTER (E ¼) OF THE NORTH ONE-HALF (N ½) LOT NUMBER FOUR (NO. 4) IN THE BLOCK OR SQUARE BOUNDED BY "K" AND "L" STREETS AND SEVENTH (7TH) AND EIGHTH (8TH) STREETS OF SAID CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP OR PLAT THEREOF.

APN: 006-0096-010

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

BEGINNING AT A POINT ON THE NORTHERLY OR OUTER FACE OF A BUILDING WALL, FROM WHICH THE NORTHERLY CORNER COMMON TO LOTS 1 AND 2 IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE MAP OR PLAN THEREOF, BEARS SOUTH 19 DEG. 31. 30" WEST 0.74 FEET AND THE INTERSECTION OF THE CENTER LINE OF "K" STREET WITH THE CENTER LINE OF "7TH" STREET, AS ESTABLISHED BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO, BEARS NORTH 19 DEG. 31. 30" EAST 39.26 FEET TO THE CENTER LINE OF "K" STREET AND THENCE NORTH 70 DEG. 29. 30" WEST 120.84 FEET ALONG SAID CENTER LINE; THENCE FROM SAID POINT OF BEGINNING, SOUTH 19 DEG. 31. 30" WEST 0.74 FEET TO THE NORTHERLY CORNER COMMON TO SAID LOTS 1 AND 2; THENCE CONTINUING SOUTH 19 DEG. 31. 30" WEST 160.26 FEET ALONG THE LINE COMMON TO SAID LOTS 1 AND 2 TO THE SOUTHERLY CORNER COMMON THERETO; THENCE NORTH 70 DEG. 28. 40" WEST 1.26 FEET ALONG THE SOUTHERLY LINE OF SAID LOT 1; THENCE NORTH 19 DEG. 03. EAST 0.02 FEET TO THE SOUTHWEST CORNER OF A BRICK BUILDING; THENCE ALONG THE WESTERLY FACE OF THE WALL OF SAID BUILDING; FOLLOWING THE OFFSETS THEREIN, THE FOLLOWING SEVENTEEN COURSES: NORTH 19 DEG. 03. EAST 19.24 FEET; NORTH 19 DEG. 32. EAST 27.52 FEET; NORTH 19 DEG. 03. EAST 6.21 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 19 DEG. 04. EAST 1.20 FEET; SOUTH 70 DEG. 28. EAST 0.37 FEET; NORTH 19 DEG. 26. EAST 21.50 FEET; NORTH 70 DEG. 28. WEST 0.36 FEET; NORTH 20 DEG. 52. EAST 1.80 FEET; SOUTH 70 DEG. 28. EAST 0.36 FEET; NORTH 20 DEG. 10. EAST 9.11 FEET; NORTH 70 DEG. 28. WEST 0.37 FEET; NORTH 19 DEG. 32. EAST 14.40 FEET; NORTH 20 DEG. 57. 10" EAST 19.11 FEET; NORTH 19 DEG. 30. 35" EAST 39.56 FEET; SOUTH 70 DEG. 31. EAST 0.57 FEET; NORTH 19 DEG. 31. 30" EAST 1.35 FEET TO A NORTHWEST CORNER OF SAID BUILDING; THENCE SOUTH 70 DEG. 29. EAST 0.69 FEET TO

THE POINT OF BEGINNING, EXCEPTING THEREFROM THAT PORTION OF SAID REALTY LYING WITHIN THE EXTERIOR BOUNDARIES OF THE SOUTH 40 FEET OF LOT 1, IN THE BLOCK BOUNDED BY "K" AND "L", "7TH" AND "8TH" STREETS OF THE CITY OF SACRAMENTO.

APN: 006-0096-018

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

THE SOUTH 40 FEET OF LOT 1 IN THE BLOCK BOUNDED BY "7TH" AND "8TH", "K" AND "L" STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL MAP OR PLAT OF SAID CITY.

APN: 006-0096-019

## EXHIBIT 2 – FUNDING REQUIREMENTS

### TI FUNDING REQUIREMENTS FOR RENTAL HOUSING LOW AND MODERATE INCOME HOUSING FUND

These "TI Funding Requirements" are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Disposition and Development Agreement document that is described in the Regulatory Agreement. Agency Funding is tax increment funds used for the purchase of the Property and other development assistance. [The capitalized terms used shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these TI Funding Requirements that are not defined below are defined in the Regulatory Agreement and in such DDA.]

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Low and Moderate Income Housing Fund (as defined in Health & Safety Code Section 33334.3) and made in accordance with the Aggregation of Agency Funding that occurred pursuant to Resolution 2009-57 adopted by the Redevelopment of the City of Sacramento or Resolution 0896 adopted by the County of Sacramento Redevelopment Area in accordance with Health and Safety Code Sections 33334.2(g) and 33413, the provisions of the redevelopment plans for the Agency's Project Areas ("Redevelopment Plans"), and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding ("Property") is rehabilitated or developed as residential rental property ("Project") with certain units regulated in accordance with Health & Safety Code Section 33487 ("TI Restricted Units") by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(f). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Areas because the Project will provide housing for persons who work within the Project Areas.
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:
  - a. Moderate-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
  - b. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
  - c. Very Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
  - d. Owner shall be responsible to determine the affordable amounts for the TI Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.
3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of fifty-five (55) years, unless a longer term is specified in the body of the document to which this attached.

**EXHIBIT 3 – COMPLIANCE VIOLATIONS AND ACTIONS**

**COMPLIANCE VIOLATIONS AND ACTIONS**  
(All payments due and payable within 30-days of assessment)

<b>Tenant Eligibility and Affordability Violations</b>		
<b>Compliance Violation</b>	<b>Fees and Actions*</b>	<b>Corrective Time Period</b>
Tenants over income at initial move-in	Initial \$500 per unit, again every 90-days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected.
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.

Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented.	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

<b>Housing Quality Standards Violations</b>		
<b>Compliance Violation</b>	<b>Fees and Actions*</b>	<b>Corrective Time Period</b>
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.

<b>Hazardous exterior conditions</b>	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee. Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
<b>Large holes walls/ceiling</b>	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
<b>Non-Operable Security Gate</b>	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
<b>No Security Cameras (if cameras required)</b>	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
<b>Non-working Security Cameras</b>	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
<b>Non-working or non-accessible amenities/services</b>	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

\* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

**Exhibit 6  
Seller Carryback Payment Schedule**

<b>Months From Date of Loan</b>	<b>Monthly Repayment</b>	<b>Recapture Amount if Refinanced or Paid in Full</b>
Months 1-12	\$ - per month	\$ 374,717
Months 13-24	\$ - per month	\$ 405,632
Months 25-36	\$ - per month	\$ 439,096
Months 37-48	\$ - per month	\$ 475,322
Months 49-60	\$ 1,339 per month	\$ 514,536
Months 61-72	\$ 1,559 per month	\$ 540,916
Months 73-84	\$ 1,785 per month	\$ 566,821
Months 85-96	\$ 2,015 per month	\$ 592,159
Months 97-108	\$ 2,250 per month	\$ 616,825
Months 109-120	\$ 2,490 per month	\$ 640,708
Months 121-132	\$ 2,734 per month	\$ 663,685
Months 133-144	\$ 2,984 per month	\$ 685,623
Months 145-156	\$ 3,238 per month	\$ 706,375
Months 157-168	\$ 3,498 per month	\$ 725,783
Months 169-180	\$ 3,763 per month	\$ 743,675
Months 181-192	\$ 4,034 per month	\$ 759,862
Months 193-204	\$ 4,310 per month	\$ 774,140
Months 205-216	\$ 4,591 per month	\$ 786,285
Months 217-228	\$ 4,878 per month	\$ 796,057
Months 229-240	\$ 5,170 per month	\$ 803,192
Months 241-252	\$ 5,469 per month	\$ 807,405
Months 253-264	\$ 5,773 per month	\$ 808,386
Months 265-276	\$ 6,083 per month	\$ 805,797
Months 277-288	\$ 6,399 per month	\$ 799,272
Months 289-300	\$ 6,722 per month	\$ 788,416
Months 301-312	\$ 7,050 per month	\$ 772,796
Months 313-324	\$ 7,385 per month	\$ 751,945
Months 325-336	\$ 7,726 per month	\$ 725,357
Months 337-348	\$ 8,074 per month	\$ 692,482
Months 349-360	\$ 8,428 per month	\$ 652,722
Months 361-372	\$ 8,789 per month	\$ 605,432
Months 373-384	\$ 9,156 per month	\$ 549,910
Months 385-396	\$ 16,291 per month	\$ 485,397
Months 397-408	\$ 16,872 per month	\$ 329,946
Months 409-420	\$ 17,060 per month	\$ 157,094
Months 421-432	\$ 17,456 per month	\$ 45,680
Months 433-444	\$ 17,858 per month	\$ 17,293
Months 445-456	\$ 1,412 per month	\$ 1,104
Month 457	All unpaid principal and interest	\$ -

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June 21, 2011

Downtown Sacramento Revitalization Corporation  
915 I Street, NCH - 3<sup>rd</sup> Floor  
Sacramento, CA 95814

RE: Conditional funding commitment, 700 Block of K Street

Dear Borrower:

On behalf of the Redevelopment Agency of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment to provide a grant of Downtown Low/Moderate Housing Tax-Exempt Bond funds ("Grant") and a forgivable loan of Downtown Tax-Exempt Bond funds and Merged Downtown Tax Increment funds ("Loan") for the purpose of financing the development of that certain real property located in the north half of the block bounded by 7<sup>th</sup>, 8<sup>th</sup>, K, and L streets, in Sacramento, California ("Property"). Agency's decision is based on all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Grant and Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The funds subject to this commitment are payable only from the sources identified, above, and are limited by their availability and are not a general obligation of the Redevelopment Agency, the City or any other public or private person or entity.

The Grant and Loan shall be made on standard Agency loan documents. No material terms not in this funding commitment shall be included in the final documents without additional environmental review if there are changes to the physical project, and governing board approval if there are material changes to the terms, herein. In the event of any discrepancies between terms stated in this commitment and the documents, the terms stated in the commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty days prior to close of escrow for the Project financing.

This letter constitutes a binding commitment to fund the Project. Except as provided in Section 26, Extension of Commitment Term, this commitment will expire on June 30, 2012.

1. **PROJECT DESCRIPTION:** The Project is the rehabilitation of the existing commercial properties on the south side of K Street between 7<sup>th</sup> and 8<sup>th</sup> Streets in Downtown Sacramento and the creation of 137 mixed-income rental units, including 15 units in the

rehabilitated buildings and 122 units in a newly constructed mid-rise building to the south of, and attached to, the commercial properties.

2. **BORROWER/GRANTEE:** The name of the Borrower/Grantee for the Loan and the Grant is the Downtown Sacramento Revitalization Corporation (hereafter simply "Borrower").
3. **DEVELOPER:** The Developer is 700 Block, LLC, or other related entity controlled by the principals, as of the date of this commitment letter, of a) D & S Development, Inc., and b) CFY Development, Inc. Developer's legal entity will be established for the purpose of this Project and must be eligible to receive Qualified Low Income Community Investments (QLICs) under the New Markets Tax Credit ("NMTC") program.
4. **MANAGER CORPORATION:** The Manager Corporation is a to-be-formed legal entity controlled by the principals, as of the date of this commitment letter, of a) D & S Development, Inc., and b) CFY Development, Inc. Manager Corporation's legal entity will be established for the purpose of receiving the proceeds of the Borrower Grant (defined below) as a non-shareholder contribution to capital under Internal Revenue Code Section 118 in order to use the Borrower Grant proceeds to fund the rehabilitation and construction of the project.
5. **PRINCIPAL AMOUNT:**
  - a. The total amount of the Grant will be the lesser of (i) Ten Million One Hundred Thousand Dollars (\$10,100,000), or (ii) an amount to be determined prior to close of the Grant based on a project budget approved by Agency.
  - b. The total principal amount of the Loan will be the lesser of (i) Three Million Six Hundred Thousand Dollars (\$3,600,000), or (ii) an amount to be determined prior to close of the Loan based on a Project budget approved by Agency.
    - (1) The "Taxable Loan" is the total principal amount of the Loan that is not funded with tax-exempt bond proceeds, equal to Two Million, Five Hundred Seventy-Three Thousand, Five Hundred Fifteen Dollars (\$2,573,515).
    - (2) The "Tax Exempt Loan" is the total principal amount of the Loan that is funded with tax-exempt bond proceeds, equal to the total principal amount of the Loan minus the total principal amount of the Taxable Loan.
  - c. If the total funding received by the Project from NMTC equity and private financing is greater ("Excess NMTC Funds") than the total of those two sources shown in paragraphs 17 and 18 below, the Developer Equity and the Loan shall each be reduced by 50% of total Excess NMTC funds. Any reduction of the Loan pursuant to this paragraph shall first occur in the Tax Exempt Loan and then in the Taxable Loan. The Taxable Loan shall only be reduced pursuant to this paragraph if the Tax Exempt Loan has already been reduced to zero.
6. **PURPOSE OF LOAN AND GRANT:** The Loan and Grant are to be used by Borrower solely to pay the costs of rehabilitation and new construction of the Project, for such other

purposes as Agency expressly agrees to in the Disposition and Development Agreement (DDA) by and between Agency and 700 Block, L.L.C. (or other related entity controlled by the principals of D & S Development, Inc. and CFY Development, Inc.) and in the loan and grant agreements, and such other agreements between Agency and Borrower as may be generally required by the Agency for the use of the funding sources for the Loan and Grant.

In order to accomplish the purposes stated in this paragraph, Borrower shall, within twelve months of the date of this commitment or, if the commitment term is extended as provided in Section 26, by the New Expiration Date defined in that section, take the following actions:

- a. Make a loan (the "Borrower Leverage Loan") of the proceeds of the Taxable Loan into one or more investment funds created for the purpose of making a Qualified Equity Investment (QEI)—as defined by the NMTC program—in one or more Community Development Entities (CDEs) that will provide QLICI loans or equity to the Developer to pay Project development and construction costs. The terms of the repayment of the Borrower Leverage Loan shall be as described in Section 10, below.
- b. Make a grant (the "Borrower Grant") of the proceeds of the Grant and the Tax Exempt Loan to the Manager Corporation, which will make an election under Internal Revenue Code Section 118 to treat the proceeds of the Borrower Grant as a non-shareholder contribution to capital of the Manager Corporation. The Manager Corporation shall be required to use the Borrower Grant proceeds to facilitate rehabilitation and new construction of the Project by advancing such Borrower Grant proceeds as a loan (the "Manager Leverage Loan") into one or more investment funds created for the purpose of making a QEI into one or more CDEs that will provide QLICI loans or equity to the Developer to pay Project development and construction costs. The QLICI loan(s) funded with the proceeds of the Borrower Grant shall provide by their terms that at the option of the Developer such QLICI loans may be converted into an equity ownership interest in the entity which owns the Project all on terms satisfactory to the Developer entity and the holder of the QLICI loan(s). It is anticipated that the Manager Leverage Loan would be repaid in accordance with its terms and among other things, the Manager Corporation shall have the option, but not the obligation to contribute all or a portion of any converted equity interest in the project entity resulting from the conversion of a QLICI loan to an equity interest in the project owning entity to the Borrower on terms that are mutually satisfactory to all parties.

7. **TERM OF LOAN:** The Loan shall mature in Month 457 following the date of the disbursement of the "Borrower Leverage Loan" pursuant to paragraph 10(a), below. However, the Loan is forgivable pursuant to paragraph 8, below. No repayment of the Grant is required conditional upon satisfactory close of escrow for the Project financing.

8. **BORROWER'S POWER TO HAVE THE FORGIVABLE LOAN FORGIVEN:** Borrower shall have the sole power to have the Loan forgiven in whole or in part. Fifty percent (50%) of the Loan shall be forgiven upon the close of the New Markets Tax Credit financing for the Project, and the balance will be forgiven at the start of Project construction as evidenced by building permits, in accordance with the terms of this commitment letter and a Disbursement Agreement to be executed by Agency, Borrower, as well as the other lenders, including but not limited to the Community Development Entity lenders.
9. **INTEREST RATE:** The Loan will bear no interest.
10. **REPAYMENT OF BORROWER LEVERAGE LOAN:** Agency, Borrower and other lender staff have worked with the Developer to underwrite the Project and perform the associated due diligence. The Borrower Leverage Loan shall be made, based on the coordinated underwriting provisions, according to the following terms, subject to the requirements of the NMTC program:
- a. **Term of Borrower Leverage Loan:** The Borrower Leverage Loan shall mature in Month 457 following the date of the disbursement of Borrower Leverage Loan.
  - b. **Interest Rate:** The Borrower Leverage Loan will bear interest at eight and one-quarter percent (8.25%) compound interest per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
  - c. **Amortization and Monthly Payments:** Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Repayments to Borrower shall be made according to the following schedule:
    - i. No payment shall be due in Months 1 through 48 following the date of the disbursement of Borrower Leverage Loan.
    - ii. Beginning in Month 49 following the date of the disbursement of Borrower Leverage Loan, minimum monthly payments shall be made as shown in Attachment A to this commitment letter, entitled "Minimum Required Repayments and Recapture Amounts to Borrower".
    - iii. Beginning in Month 49 following the date of the disbursement of Borrower Leverage Loan, twenty percent (20%) of the Project's prior year Residual Receipts, as defined below, shall be paid to Borrower within twelve months of the end of the year in which the excess occurred.

Notwithstanding the preceding payment schedule, if any payment due in any month before the one hundred ninth (109<sup>th</sup>) month following the date of disbursement of the Borrower Leverage Loan (the "Principal Repayment Start Date") exceeds the total accrued interest on the Borrower Leverage Loan as of that date, the payment due in that month shall be reduced to only the accrued interest then due and payable on the Borrower Leverage Loan as of that date and any portion which represents principal on the Borrower Leverage Loan shall be

deferred until the Principal Repayment Start Date. Under no circumstances shall any principal be required to be paid under the Borrower Leverage Loan until the Principal Repayment Start Date.

"Residual Receipts" means the amount by which Gross Revenue exceeds Annual Operating Expenses in a particular calendar year.

"Gross Revenue" means with respect to a particular calendar year all revenue, income, receipts, and other consideration actually received from operation and leasing of the Project but specifically excluding interest on Developer's reserves. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by residential and commercial tenants; rental subsidy payments received for the dwelling units; operating subsidies received for the Project; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; resident parking fees; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance not used to rebuild the Project and not paid to senior lenders; and condemnation awards for a taking of part of all of the Project for a temporary period. In addition, any amount released without lender approval from any escrow account including operating reserves and development reserves in a Fiscal Year shall be considered gross revenue of the Developer for such Fiscal Year. Gross Revenue shall not include tenants' security deposits, loan proceeds, or similar advances or any additional capital contributions or equity infusions.

"Annual Operating Expenses" with respect to a particular calendar year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property taxes and assessments imposed on the Project; senior debt service currently due on a non-optional basis (excluding debt service due from Residual Receipts or surplus cash of the Project) on the financing set forth in the budget approved by Agency and Borrower for the development of the Project; property management fees and reimbursements, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by Agency and Borrower; premiums for property damage and liability insurance; utility services not paid for directly by tenants, including but not limited to water, sewer, and trash collection; maintenance and repair; any annual license or certificate of occupancy fees required for operation of the Project; security services; advertising and marketing; cash deposited into reserves for capital replacements of the Project in an amount not to exceed the greatest amount required in connection with any of the lenders or financing sources set forth in the budget; cash deposited into an operating reserve in an amount not to exceed the greater of (i) the greatest amount required in connection with any of the lenders or financing sources set forth in the Budget

Approved Financing or (ii) three percent (3%) of Annual Operating Expenses with a cap of six (6) months gross rent from the Project (as such rent may vary from time to time); extraordinary operating costs specifically approved by Agency and Borrower; and other ordinary and reasonable operating expenses not listed above together with the costs of compliance with the NMTC program including any costs associated with the unwinding or refinancing of the NMTC transaction after the end of the NMTC compliance period. Annual Operating Expenses shall not include the following: depreciation, amortization, depletion or other non-cash expenses; any amount expended from a reserve account; and any capital cost with respect to the Project, as determined by the accountant for the Project.

- d. Recapture Upon Refinance: If the Borrower Leverage Loan is refinanced in any month prior to its full term as defined in paragraph 10(a) above, Borrower shall receive, in addition to the principal amount outstanding as of the date of the refinance, the recapture amount shown in Attachment A, "Minimum Required Repayments and Recapture Amounts to Borrower", for the month in which the refinance occurs. However, Borrower may, at its discretion, forego the recapture amount required by this paragraph if it receives an equity ownership interest in the entity which owns the Project pursuant to paragraph 6(b) above, provided that the value of such equity interest is equal to or greater than the value of the recapture amount required by this paragraph.

11. PROCEEDS UPON REFINANCE OR SALE: As consideration for the Borrower Leverage Loan and the Agency's DDA, in the event that the Project's debt is refinanced after the end of the NMTC compliance period, the net proceeds of the refinance after repayment of all debt shall be split 50 percent in favor of the Developer, 42 percent in favor of the Borrower, and 8 percent in favor of the Agency. For purposes of determining net proceeds, any costs associated with the refinancing, including any costs associated with the unwinding or refinancing of the NMTC transaction after the end of the NMTC compliance period, will be netted from the proceeds. In the event of a sale of the Project, proceeds will be split 80 percent in favor of the Developer, 17 percent in favor of the Borrower, and 3 percent in favor of the Agency.

12. ANNUAL ADMINISTRATION FEE ON TAXABLE LOAN: On the date of disbursement of the Taxable Loan, and annually thereafter for the term of the Taxable Loan, Borrower shall pay to Agency an amount equal to 10 basis points (0.10%) on the amount of the Taxable Loan—equal to Two Thousand, Five Hundred Seventy-Three Dollars (\$2,573)—as compensation for the Agency's monitoring of the terms of the Borrower Leverage Loan. Notwithstanding the foregoing, Agency agrees that Borrower shall only be obligated to make the payments required under this section to the extent Borrower has received payments from the Borrower Leverage Loan sufficient to make these payments after first deducting from such payments received by Borrower the amount, if any, needed to make required repayments of the Agency Loan.

13. **SOURCE OF LOAN FUNDS:** Agency is making the Loan and Grant from the following sources of funds, and the Loan and Grant are subject to all requirements related to the use of such, whether Agency requirements or otherwise:

**Grant:** Merged Downtown Redevelopment Area Low/Moderate Tax Increment Housing Set-Aside Tax Exempt Bond Funds

**Loan:** Merged Downtown Redevelopment Area Tax Increment Tax Exempt Bond Funds, Tax Increment Flow, and Redevelopment Proceeds

The Loan and Grant are conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan and Grant; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

14. **Borrower acknowledges and understands that, pursuant to a forthcoming Regulatory Agreement between Agency and Developer, the Property will be subject to restrictions on future sales and rentals which may result in less income to Developer—and consequently to Borrower as a leveraged NMTC lender to the Project—than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

i. \_\_\_\_\_ (Borrower Initial)

15. **SECURITY:** The Loan shall be evidenced by a promissory note payable solely from, and secured solely by a lien or pledge of repayments received by Borrower from the Borrower Leverage Loan.

Borrower may subordinate Agency funding to the private financing provided to the NMTC investment fund, and Agency, at its sole discretion, may allow Borrower to subordinate Agency funding to the NMTC equity investor and/or the Developer's equity, provided such subordination contains provisions consistent with community redevelopment law and required for subordination to private financing.

Between Agency and Borrower, Agency shall be in first position, over Borrower and any other lien, obligation or debt.

16. **LEASE AND RENTAL SCHEDULE:** Subject to the terms of the DDA by and between Agency and 700 Block, L.L.C. (or other related entity controlled by the principals of D & S Development, Inc. and CFY Development, Inc.), and pursuant to a forthcoming Regulatory Agreement between Agency and Developer, all leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower understands that Developer shall not deviate from the rental schedule presented in Developer's application for the Loan without Agency's prior written approval.

17. **PROOF OF EQUITY**: As a condition of disbursement of Loan and Grant proceeds, Borrower shall require Developer provide proof of equity for the Property and Improvements in the amount of Eleven Million Nine Hundred Thousand Dollars (\$11,900,000) in NMTC equity, or such other amount as shall be reasonably approved by the Agency Director and Borrower.
18. **OTHER FINANCING**: As a condition precedent to the disbursement of the Loan and Grant proceeds, Borrower must require Developer procure and deliver to Agency evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Project funding shall include all of the following described financing which may be secured by a lien upon the Property and Improvements, and which shall be otherwise on terms and conditions acceptable to Agency and Borrower:
- a. **NMTCs**: Agency and Borrower acknowledge and agree that NMTCs are a necessary component of Project funding. The documents required for the structure and implementation of the NMTCs must be executed and in full force and effect.
  - b. **Private Financing**: Construction and permanent financing from a private lender(s) of no less than Eighteen Million Two Hundred Fifty Thousand Dollars (\$18,250,000) or such other amount as shall be reasonably approved by the Agency Director and Borrower. Borrower must require Developer provide evidence of firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency and Borrower.
  - c. **Developer Equity**: A commitment of equity of no less than Three Million Thirty Thousand Dollars (\$3,030,000) from the Developer or such other amount as shall be reasonably approved by the Agency Director and Borrower. Developer equity commitment shall be as approved by Agency and Borrower, it being understood that the Developer Equity shall be loaned to the NMTC investment fund(s) in substantially the same manner as the Borrower Loan.
  - d. **Agency Funding**: The Agency funding provided through this commitment letter, provided, however that Agency is not obligated by this letter to make any contribution not stated in this letter.
    - i. If Developer has defaulted under its obligations under the NMTC Agreements resulting in the acceleration of those obligations by the CDE, the Agency shall have the right, but not the obligation, to provide a replacement QALICB (which may be controlled by the Agency) to acquire ownership of and title to the Project in a manner that will not cause a recapture of any NMTC as reasonably determined by the CDE and NMTC investor. Agency has thirty (30) days from receipt of notice of such an acceleration to provide Notice Parties of Agency's intention to find a replacement QALICB. Agency shall have one hundred and eighty (180) days to provide a replacement QALICB.

Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency and Borrower for the Project or be subject to conditions which require amendment of the DDA, or other agreements.

19. **ADDITIONAL DOCUMENTATION FROM DEVELOPER:** Borrower acknowledges and understands that, prior to disbursement of Loan and Grant proceeds, Developer must deliver to Agency and Agency must approve all of the following documentation, as defined in and required by the DDA by and between Agency and 700 Block, L.L.C. (or other related entity controlled by the principals of D & S Development, Inc. and CFY Development, Inc.):

- a. Soils and Toxics Reports
- b. Plans and Specifications
- c. Architectural Agreement
- d. Construction Contract
- e. Cost Breakdown
- f. Hazard Insurance
- g. Public Liability and Other Insurance
- h. Title Insurance
- i. Management Agreement

20. **ADDITIONAL PROVISIONS IN DISBURSEMENT AGREEMENT:** Prior to disbursement of Loan and Grant proceeds, and to the extent permitted by the NMTC program requirements, Agency and Borrower, as well as the other parties to the transaction, including but not limited to the Community Development Entity lenders and any loan servicer, will enter into a Disbursement Agreement that will contain provisions in addition to those described in this commitment letter. These additional provisions will include, but not be limited to: retention from disbursements prior to project completion, distribution of cost savings at the completion of construction, and a "loan in balance" provision. The provisions in the Disbursement Agreement shall be consistent with these general provisions:

- a. **Retention from Disbursements:** The CDE shall withhold ten percent (10%) retention from each disbursement of Loan or Grant funds to the Developer, not to exceed a total of ten percent (10%) of the total amount of the Loan and Grant.
- b. **Cost Savings:** At completion of construction, Developer shall submit to Agency a cost certification prepared by a qualified independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually expended on each item in the Project budget. If there is an aggregate savings in the total of all such items from the original Project budget approved by Agency, one-half of such savings, up to a total of half of the retention of the Loan and Grant amounts then held by the CDE, shall be reinvested in the Project by the Developer. Such reinvestment shall be used exclusively for construction costs of the Project, unless Agency provides prior approval of another use, which may include establishing

reserves for repayment of financing any QLICI or leverage loans or reduction of any non-NMTC financing of the Project, to the extent occurring during the NMTC compliance period.

21. **START OF CONSTRUCTION**: Project construction shall commence at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than July 1, 2012, except as provided in Section 26.
22. **COMPLETION OF CONSTRUCTION**: Construction of the Improvements shall be completed no later than July 1, 2014, except as provided in Section 26.
23. **ORGANIZATIONAL AGREEMENTS**: Borrower must ensure that the Developer submits to Agency certified copies of all of the organizational documents establishing the NMTC structure necessary for this Project. Borrower shall also ensure that such submittal also includes the certified copies of all of the Developer's organizational documents, including all amendments, modifications or terminations; if a corporation, Developer's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Developer must submit a corporate borrowing resolution referencing this Loan. If Developer is other than a corporation, it must submit such proof of authority to enter this Loan as may be required under the organizational documents.
24. **FINANCIAL INFORMATION**: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Borrower shall also require and obtain the same financial reporting from Developer. Agency reserves the right to review and approve financial statements and other credit information and references of both Borrower and Developer prior to closing. During the term of the Loan, Borrower must cause Developer to deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.
25. **DOCUMENTATION**: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.

26. **EXTENSION OF COMMITMENT TERM:** In the event the Project is not successful in securing the funding described in Sections 17 and 18 by December 2011, the Agency in its sole discretion, which discretion shall not be unreasonably withheld, may extend the expiration date of this commitment letter to a date no later June 30, 2013 (the "New Expiration Date"). If the Developer is unsuccessful in securing funding by December 2011 and desires to extend the term of this commitment, the Developer must provide documentation to Agency that demonstrates a good faith effort to secure the prerequisite funding by no later than December 2011. In the event Agency extends the expiration date as described here, Developer has until the New Expiration Date to secure and close on the Project financing, until one month after the New Expiration Date to begin construction, and until 25 months after the New Expiration Date to complete construction. Under no circumstances shall project construction begin later than July 1, 2013 or end later than July 1, 2015.
27. **CONSISTENCY OF DOCUMENTS:** As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
28. **CHANGES OR AMENDMENTS:** No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency, which shall only require the approval of the Agency Counsel and Director and not the Agency Board of Directors to the extent permitted by applicable law.
29. **ACCEPTANCE OF THIS COMMITMENT:** Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,  
The Redevelopment Agency of the City of Sacramento

LaShelle Dozier, Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated:

**BORROWER:**

Downtown Sacramento Revitalization Corporation

By: \_\_\_\_\_

Angelique Ashby, DSRC Board President