REPORT TO COUNCIL AND HOUSING AUTHORITY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Public Hearing
August 14, 2012

Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Housing Authority Board

Title: Approval of Tax Exempt Bonds and Loan Assumption for Taylor Terrace Apartments

Location/Council District: 4050 Taylor Street, Council District 2

Recommendation: Adopt 1) a **Housing Authority Resolution** a) indicating the willingness of the Housing Authority of the City of Sacramento to issue up to $9,000,000 in tax-exempt mortgage revenue bonds to provide construction financing for Taylor Terrace Apartments (Project), b) authorizing an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds, and c) authorizing the Executive Director or her designee to execute all necessary documents associated with the transaction; 2) a **Housing Authority (as Successor Housing Agency) Resolution** a) approving the assignment and restructuring of existing Low-Moderate Tax Increment loans in the amount of approximately $830,000 including principal and accrued interest to LINC Housing Corporation or a related entity, and b) releasing the restrictions in old regulatory agreements that have been superseded by an August 10, 2009 Regulatory Agreement; and 3) a **City Council Resolution** a) indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed disposition, and b) approving the issuance of a tax exempt obligation.

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

Presenter: Joel Riphagen, Housing Finance Analyst, Development Finance

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: Taylor Terrace Apartments is located at 4050 Taylor Street, just north of Interstate 80 in the City of Sacramento. The affordable apartment complex was built in 1994 using Low-Income Housing Tax Credits (LIHTC), a loan from the California Department of Housing and Community Development's (HCD) Rental

Housing Construction Program (RHCP), and a Low-Moderate Tax Increment loan from SHRA. A location map and site map are provided as Attachments 1 and 2 respectively.

In August 2009, Taylor Terrace was purchased by an affiliate of LINC Housing Corporation (LINC). LINC financed the purchase with a loan from Clearinghouse CDFI and an additional Low-Moderate Tax Increment loan from SHRA, and assumed all of the project's existing debt. LINC performed a minor renovation of the project at that time (dry rot repair, lighting improvements, smoke alarm upgrades, etc.) but waited for more favorable market conditions to re-syndicate the project with new LIHTCs tax exempt bonds to facilitate a more extensive rehabilitation. Due to improving market conditions, LINC is now proposing to move forward with the re-syndication and rehabilitation.

The proposed current project consists of upgrades to site paving, new roofing, windows, painting, installation of energy efficient air conditioning, new insulation, security camera upgrades, and unit improvements including new lighting, repaired cabinetry, new appliances, and drywall repairs.

The current project is proposed to be funded with LIHTC equity, tax exempt bonds issued by the Housing Authority of the City of Sacramento, a Sacramento Municipal Utility District (SMUD) energy efficiency incentive program grant, deferred developer fee, and assumption of the project's existing RHCP and SHRA loans. The Developer also intends to apply for Affordable Housing Program (AHP) funds from the Federal Home Loan Bank, and is negotiating revised terms on the RHCP loan with HCD. If the Developer is successful in either of these efforts, staff will present a revised project summary to the Housing Authority board when requesting final approval of bond and loan assignment documents for this project.

Both outstanding SHRA loans may also be modified to extend their terms by approximately 10 years, to match the terms of loans senior to the SHRA loans. In addition, an annual administrative fee charged on one of the loans must be removed, to be replaced by an administrative fee based on the tax-exempt bond issuance amount. No new gap financing is being requested from SHRA at this time.

Staff recommends Housing Authority action to approve an issuance of up to $9,000,000 in tax-exempt mortgage revenue bonds for the Developer and authorize the assignment and modification of the two existing SHRA loans—totaling approximately $830,000 in principal and accrued interest—to a new limited partnership formed by LINC Housing Corporation. Further background on the project, developer and the property is included as Attachment 3. A project summary, including proposed sources and uses of funds, is included as Attachment 4. A project cash flow pro-forma and a schedule of maximum rents are included as Attachments 5 and 6.

Policy Considerations: The recommended actions are generally consistent with the approved SHRA tax exempt bond and multi-family loan policies. To ensure

project feasibility, the bond monitoring fee has been split annually into a partially fixed and partially residual payment. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority and SHRA, respectively. Compliance with the regulatory agreements will be monitored by SHRA on a regular basis for 55 years.

Economic Impacts: This residential rehabilitation project is expected to create 46.2 total jobs (26.2 direct jobs and 20.0 jobs through indirect and induced activities) and create $6,210,374 in total economic output ($3,785,610 of direct output and another $2,424,764 of output through indirect and induced activities).*The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical $1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged.

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

Commission Action: At its meeting on August 1, 2012, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES: Alcalay, Chan, Johnson, LeDuc, Morgan, Morton, Rosa, Shah, Stivers

NOES: none

ABSENT: Gore

Rationale for Recommendation: The actions recommended in this report enable SHRA to continue to fulfill its mission to provide a range of affordable housing opportunities in the City.

Financial Considerations: The proposed bond issuance will not be an obligation of the City, the Housing Authority, or the Sacramento Housing and Redevelopment Agency. The bonds will be an obligation solely of the project and the owner who will bear all costs associated with issuing the bonds. SHRA will receive a one-time issuance fee of 0.25 percent of the bond issuance amount, which is payable at bond closing. SHRA will also collect a fixed and residual annual fee of 0.15 percent of the total bond issuance amount. The law firm of Orrick, Herrington & Sutcliffe LLP, is acting as bond counsel for the Housing Authority.

The restructuring of the existing Low-Moderate Tax Increment loans may extend the repayment period on both loans by approximately ten years, and will remove an administrative fee from one of them, to be replaced by the annual fee on the bond amount described above. Their terms will otherwise remain unchanged.

M/WBE Considerations: The activities recommended in this staff report do not involve federal funding; therefore there are no M/WBE requirements.

Approved as to form:

Agency Counsel

Respectfully Submitted by:

LA SHELLE DOZIER
Executive Director

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APPROVED AS TO FORM:

CITY ATTORNEY

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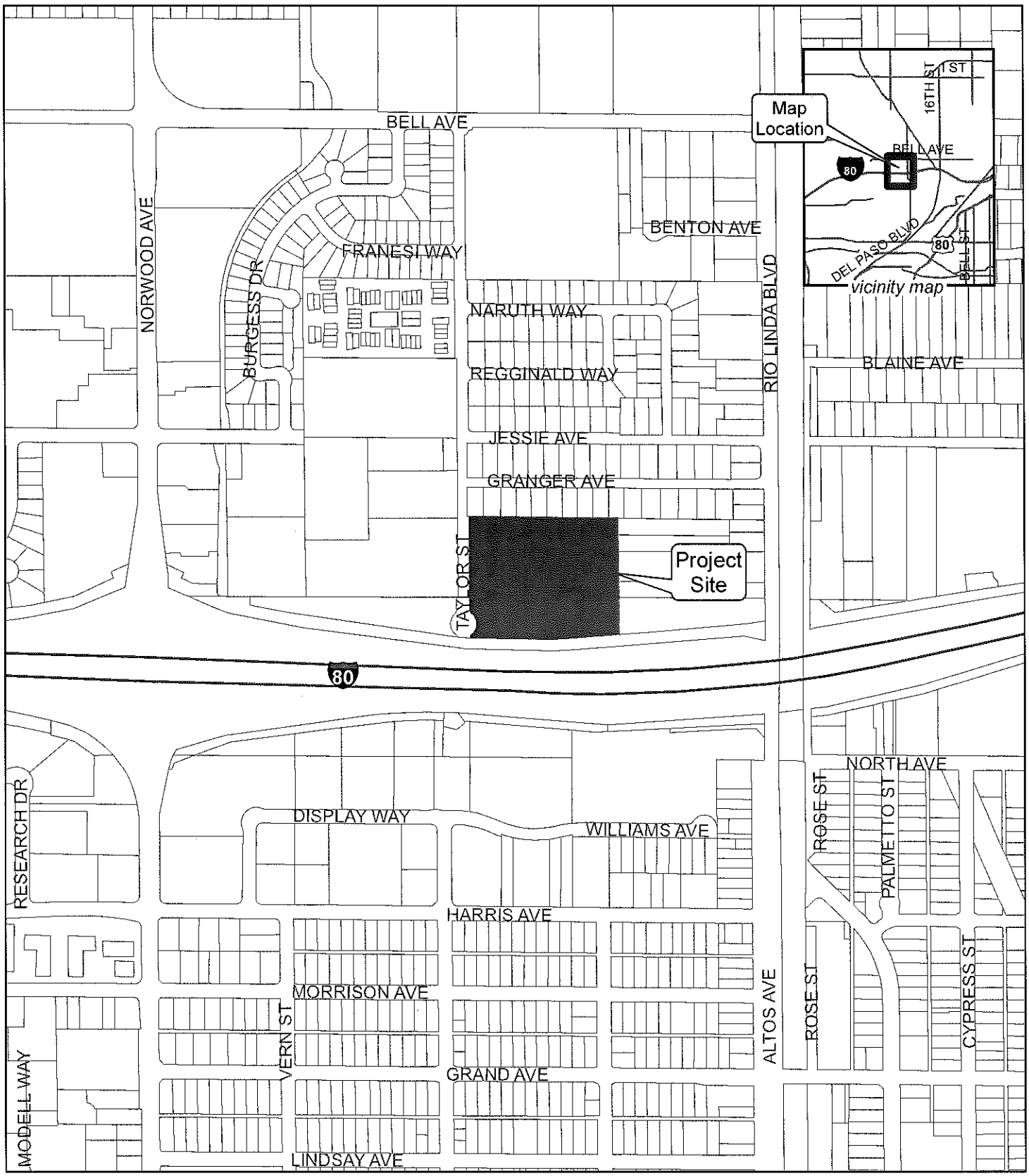
SHRA

Taylor Terrace Apartments



4050 Taylor Street

0 500 1,000 Feet

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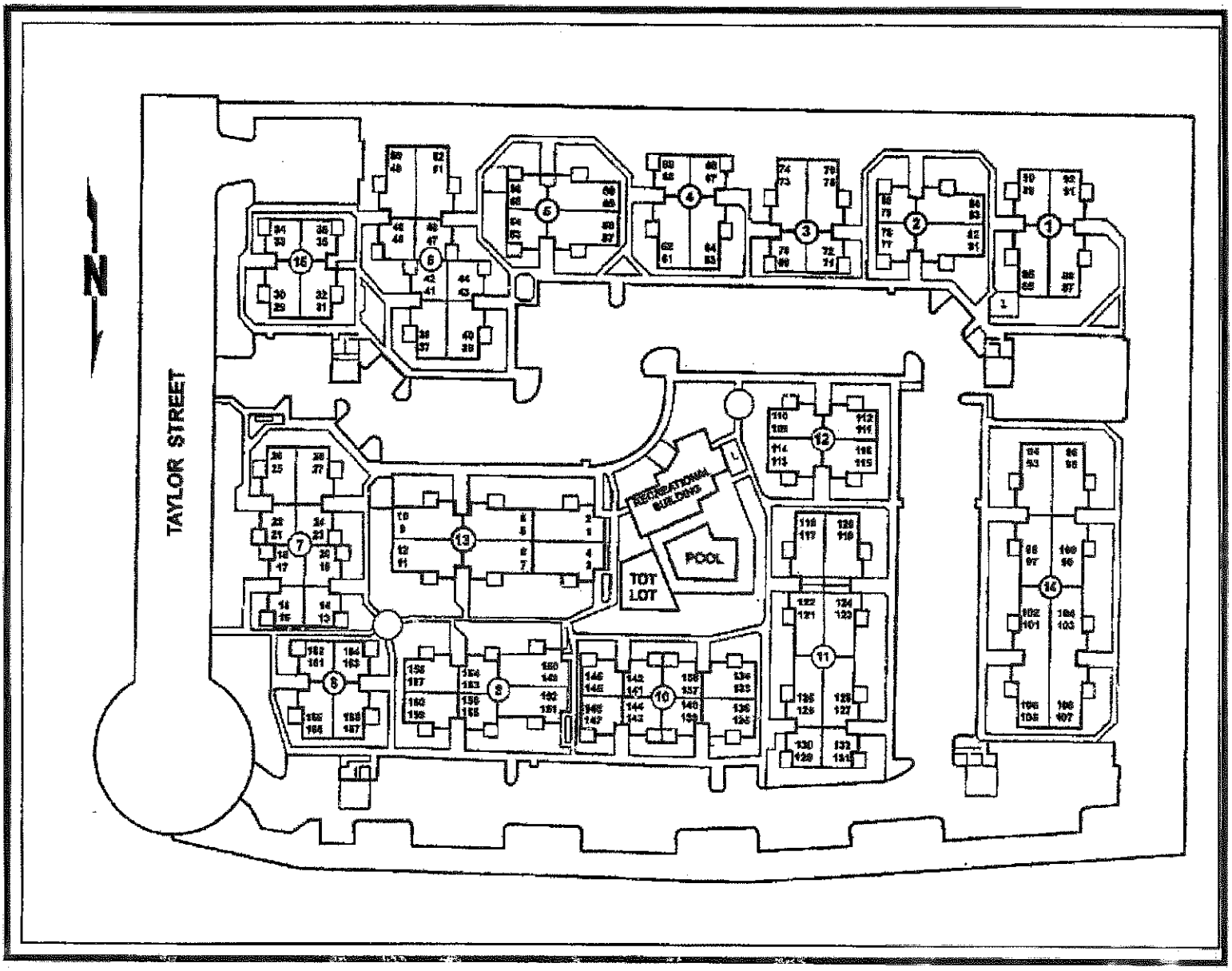
SHRA GIS
July 9, 2012

Site Plan

Attachment 2



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Attachment 3

Taylor Terrace Apartments
Background Information

The Developer, LINC Housing Corporation, proposes to refinance and rehabilitate Taylor Terrace Apartments, an existing 168-unit affordable apartment complex at 4050 Taylor Street. The Developer is requesting issuance of up to $9,000,000 in tax-exempt mortgage revenue bonds for a refinance and rehabilitation of the project, as well as assignment of the existing SHRA loans to a new limited partnership formed by the Developer.

Description of Development : Taylor Terrace Apartments was developed in 1994 using 9 percent Low Income Housing Tax Credits (LIHTC's), Rental Housing Construction Program (RHCP) funds from the California Department of Housing and Community Development (HCD), and construction and permanent loans from the Agency. The project consists of 64 one-bedroom, 36 two-bedroom, and 68 three-bedroom units in fifteen two-story buildings. The project includes 70 very low-income units available to renters at or below 50 percent of Area Median Income (AMI) but with restricted rents affordable at 35 percent of AMI, as well as 97 low-income units affordable to families at or below 60 percent of AMI, and one manager's unit. Amenities include a gated entry, swimming pool, clubhouse, children's play area, and three laundry rooms. The wood frame buildings are constructed on concrete foundations with stucco siding. The roofs are pitched with composition shingles. Units have individual wall air conditioning units and gas water heaters.

The proposed project will include a complete rehabilitation of the Taylor Terrace Apartments including interior and exterior repairs to the buildings and site improvements at a total cost of approximately $3,850,000. Interior rehabilitation will include repair and replacement of appliances, kitchen cabinets, bathroom fixtures, water heaters, carpets and vinyl flooring, as needed. Exterior work will include replacement or repair of the stucco, windows, roof, gutters, and car-ports along with repainting, and site work will include landscaping, sprinkler repair, and tree trimming. The proposed rehabilitation conforms to the Agency's guidelines that require a 15 year useful life for all major building systems and will bring the property up to current market standards. The improvements will create a complex that is visually more appealing and functionally improved, increasing its marketability and having a positive impact on the surrounding neighborhood.

Vicinity and site maps are included as Attachments 1 and 2 respectively. A project summary, including a proposed sources and uses of funds, is included as Attachment 4. A project cash flow proforma and a schedule of maximum rents and incomes for the project are included as Attachments 5 and 6.

Developer: LINC Housing Corporation was founded in 1984 by the Southern California Association of Governments to address the need for affordable housing in the region. LINC (an acronym for Limited Income Communities) is a non-profit developer of affordable housing that now builds and preserves service-enriched homes for families and seniors throughout California. The firm has participated in the development of more than six thousand affordable homes across the state and has been recognized as being one of the top owners and developers of affordable housing in the nation. The company is a partner in the 80-unit North Avenue Apartments project in Sacramento that was completed in 2007.

Property Management: The project will be managed by U.S. Residential Group, LLC (USRG), an experienced manager of conventional and affordable apartment communities nationwide. The company currently manages a portfolio of approximately 100,000 apartment units in 500 apartment communities, including many affordable units financed with tax-exempt bonds, LIHTC's, and tax increment funds. In addition to Taylor Terrace, USRG manages several affordable complexes in Sacramento City and County, including Rio Linda Manor, Rosswood Manor, and Willow Tree. Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Resident Services Plan: Services will be provided to the residents by LINC Cares, an affiliate of the developer. The service provider will be required to provide at least 22 hours of services per week. Programs will be tailored to the needs of the residents. Examples of services include after-school programs, computer training, English as a Second Language classes and coordinating social activities for the residents.

Project Financing: The project is proposed to be funded with Low-Income Housing Tax Credit (LIHTC) equity from both 4-percent Federal tax credits and competitive state tax credits, tax-exempt mortgage revenue bonds of up to $9 million issued by the Housing Authority, a SMUD energy efficiency incentive program, deferred developer fee, and assumption of the project's existing RHCP and SHRA loans. The Developer also intends to apply for Affordable Housing Program (AHP) funds from the Federal Home Loan Bank, and is negotiating revised terms on the RHCP loan with HCD. If the Developer is successful in either of these efforts, staff will present revised financing numbers to the Housing Authority board when requesting final approval of bond documents for this project.

Both outstanding SHRA loans may also be modified to extend their terms by approximately 10 years, to match the terms of loans senior to the SHRA loans. In addition, an annual administrative fee charged on one of the loans must be removed, to be replaced by a larger administrative fee based on the tax-exempt bond issuance amount. No new gap financing is being requested from SHRA at this time.

Redevelopment Successor: As of February 1, 2012, all Redevelopment Agencies (RDAs) were dissolved and their assets, properties, contracts, leases, and ongoing functions were transferred to successor agencies. The City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA. The assumption and restructuring of the original Taylor Terrace debt requires PHA approval because its original funding source was Low-Moderate Tax Increment.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the apartments be set-aside for targeted income groups. Further restrictions on incomes and rents are imposed as a result of the existing RHCP loan from HCD, and the loans from the Redevelopment Agency. Current rents will remain the same after the proposed transaction but the terms of the regulatory restrictions will be extended out to a new 55-year period. The following chart summarizes the combined proposed affordability restrictions:

Funding	**% of Units**	**Affordability Restrictions**	**No. Units**	**Regulatory Requirements**
Tax-Exempt Bonds Tax Credits (LIHTC) Agency Loans HCD Loan	42%	Very Low Income (50% AMI) residents, with 35% AMI rents*	70	55 years
	58%	Low Income (60% AMI)	97	55 years
Manager's Unit		Unrestricted	1	
Total	**100%**		**168**	

* RHCP funding sets rents for these units at 35% AMI, but allows residents to earn up to 50% AMI.

Maximum rent and income limits for the mortgage revenue bond program can be found in Attachment 6. The project's affordability restrictions will be specified in regulatory agreements with the Developer.

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Taylor Terrace Apartments
Project Summary

Address	4050 Taylor Street		
Number of Units	168		
Year Built	1994		
Acreage	7.14 Acres		
Affordability	70 units (42%) at or below 50% of Area Median Income (AMI) 97 units (58%) at or below 60% of AMI 1 Manager's Unit		
Unit Mix and Rents	(35% AMI)*	(60% AMI)	Manager
1 Bedroom / 1 Bath	34	30	
2 Bedroom / 1 Bath		36	
3 Bedroom / 2 Bath	36	31	
Unrestricted			1
	* Rents on 35% AMI units regulated by HCD-RHCP - resident incomes in these units can be up to 50% AMI.		
Square Footage	*Per Unit*	*Total*	
1 Bedroom / 1 Bath	650	41,600 s.f.	
2 Bedroom / 1 Bath	892	32,112 s.f.	
3 Bedroom / 2 Bath	1,050	71,400 s.f.	
Leasing Office / Clubhouse		1,500 s.f.	
Laundry Rooms / Maintenance Shop		400 s.f.	
Total		147,012 s.f.	
Resident Facilities	Community room with kitchen, pool, three laundry rooms, tot lot		

Permanent Sources	*Total*	*Per Unit*	*Per Square Foot*
Mortgage Revenue Bond	$ 3,450,000	$ 20,536	$ 23.47
Tax Credit Equity	$ 4,994,035	$ 29,726	$ 33.97
RHCP Loan (Existing)	$ 4,875,822	$ 29,023	$ 33.17
SHRA Tax Increment Loans (Existing)	$ 880,475	$ 5,241	$ 5.99
Deferred Developer Fee	$ 430,000	$ 2,560	$ 2.92
Construction Period Income	$ 244,000	$ 1,452	$ 1.66
SMUD Utility Incentive	$ 184,800	$ 1,100	$ 1.26
Other	$ 816,223	$ 4,858	$ 5.55
TOTAL SOURCES	$ 15,875,355	$ 94,496	$ 107.99
Permanent Uses			
Acquisition Costs	$ 8,850,000	$ 52,679	$ 60.20
Construction Costs	$ 3,509,910	$ 20,892	$ 23.87
Contingency	$ 393,242	$ 2,341	$ 2.67
Financing Costs	$ 910,967	$ 5,422	$ 6.20
Reserves	$ 521,787	$ 3,106	$ 3.55
Legal Fees	$ 175,000	$ 1,042	$ 1.19
Relocation	$ 150,000	$ 893	$ 1.02
Permits	$ 55,000	$ 327	$ 0.37
Architecture and Engineering	$ 10,000	$ 60	$ 0.07
Developer Fee	$ 999,999	$ 5,952	$ 6.80
Other	$ 299,450	$ 1,782	$ 2.04
TOTAL USES	$ 15,875,355	$ 94,496	$ 107.99

Management / Operations		
Proposed Developer:	LINC Housing Corporation	
Property Management Company:	US Residential Group (USRG)	
Operations Budget:	$758,066	$4,512
Resident Services:	$30,000	$179
Replacement Reserves:	$100,800	$600

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Unit Type	Number	Square Feet	Total Sq Feet	Maximum Gross Rent	Utility Allowance	Maximum Net Rent	Actual Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
1 BD / 1 BA @ 35% AMI	34	650	22,100	$ 484	$ 63	$ 421	$ 421	$ 0.65	$ 14,314	$ 171,768
1 BD / 1 BA @ 60% AMI	30	650	19,500	$ 856	$ 63	$ 793	$ 633	$ 0.97	$ 18,990	$ 227,880
2 BD / 1 BA @ 60% AMI	36	892	32,112	$ 1,027	$ 74	$ 953	$ 739	$ 0.83	$ 26,604	$ 319,248
3 BD / 2 BA @ 35% AMI	36	1,050	37,800	$ 589	$ 85	$ 504	$ 504	$ 0.48	$ 18,144	$ 217,728
3 BD / 2 BA @ 60% AMI	31	1,050	32,550	$ 1,141	$ 85	$ 1,056	$ 857	$ 0.82	$ 26,567	$ 318,804
Manager's Unit (3 BR / 2 BA)	1	1,050	1,050	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	168		145,112						$ 104,619	$1,255,428

Income	Rate	Annual Increase	Per unit	2014 Year 1	2015 Year 2	2016 Year 3	2017 Year 4	2018 Year 5	2023 Year 10	2028 Year 15	2033 Year 20	2038 Year 25	2043 Year 30
Potential Gross Income		2.50%		1,255,428	1,286,814	1,318,984	1,351,959	1,385,758	1,567,858	1,773,887	2,006,990	2,270,725	2,569,117
Other Income		2.50%		22,761	23,330	23,914	24,511	25,124	28,426	32,161	36,387	41,169	46,579
Less Vacancy (7% through year 15, 5% thereafter)				89,473	91,710	94,003	96,353	98,762	111,740	126,423	102,169	115,595	130,785
Effective Gross Income				$1,188,716	$1,218,434	$1,248,895	$1,280,117	$1,312,120	$1,484,543	$1,679,625	$1,941,209	$2,196,299	$2,484,911
Operating Expenses													
Operating Expenses		3.50%	4,161	699,065	723,532	748,856	775,066	802,193	952,754	1,131,573	1,343,953	1,596,195	1,895,779
Property Management Fee		2.50%	351	59,001	60,476	61,988	63,538	65,126	73,684	83,367	94,322	106,717	120,740
Social Services		3.50%	179	30,000	31,050	32,137	33,262	34,426	40,887	48,561	57,675	68,500	81,356
Assessments		2.00%	126	21,191	21,615	22,047	22,488	22,938	25,325	27,961	30,871	34,084	37,632
Replacement Reserves			600	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800
Total Expenses			5,417	$910,057	$937,473	$965,828	$995,153	$1,025,483	$1,193,450	$1,392,261	$1,627,622	$1,906,296	$2,236,307
Net Operating Income				**$278,659**	**$280,961**	**$283,067**	**$284,964**	**$286,637**	**$291,093**	**$287,363**	**$313,587**	**$290,004**	**$248,604**
Debt Service	**Amount**	**Rate**	**Term**										
Senior Loan	$ 3,450,000	4.24%	30	203,421	203,421	203,421	203,421	203,421	203,421	203,421	203,421	203,421	203,421
SHRA Monitoring Fee	$ 3,450,000	0.15%	30	5,175	5,175	5,175	5,175	5,175	5,175	5,175	5,175	5,175	5,175
SHRA Existing Loan	$ 232,026	3.00%	21	10,740	10,740	10,740	10,740	10,740	10,740	10,740	10,740		
RHCP Required Payment	$ 3,208,305	0.42%	55	13,475	13,475	13,475	13,475	13,475	13,475	13,475	13,475	13,475	13,475
Debt Service Subtotal				$232,810	$232,810	$232,810	$232,810	$232,810	$232,810	$232,810	$232,810	$222,071	$222,071
DCR on Senior Loan				1.34	1.35	1.36	1.37	1.37	1.40	1.38	1.50	1.39	1.19
DCR on Senior Loan and RHCP Required Payment				1.20	1.21	1.22	1.22	1.23	1.25	1.23	1.35	1.31	1.12
Priority Distributions													
Asset Management Fee				$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000
Cash Flow to Investor		10.00%		$0	$0	$0	$0	$0	$0	$3,955	$6,578	$5,293	$1,153
Cash Flow to Sponsor		90.00%		$0	$0	$0	$0	$0	$0	$35,598	$59,199	$47,640	$10,380
Net Cash after Priority Distributions				$30,849	$33,151	$35,257	$37,154	$38,827	$43,283	$0	$0	$0	$0
Deferred Developer Fee													
Principal Balance	$430,000	0.00%		430,000	399,151	366,001	330,744	293,590	87,740				
Interest for Period				0	0	0	0	0	0				
Accumulated Interest				0	0	0	0	0	0				
Payment				30,849	33,151	35,257	37,154	38,827	43,283				
Balance				$399,151	$366,001	$330,744	$293,590	$254,763	$44,457				
Net Cash after Deferred Developer Fee				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual SHRA Monitoring Fee Due	$ 4,700,000	0.15%		$7,050	$7,050	$7,050	$7,050	$7,050	$7,050	$7,050	$7,050	$7,050	$7,050
Residual SHRA Monitoring Fee Paid				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SHRA Loan													
Principal Balance	$580,000	4.00%		580,000	580,000	580,000	580,000	580,000	580,000	580,000	580,000	580,000	580,000
Interest for Period				23,200	23,200	23,200	23,200	23,200	23,200	23,200	23,200	23,200	23,200
Accumulated Interest				23,200	46,400	69,600	92,800	116,000	232,000	348,000	464,000	580,000	696,000
Estimated Residual Receipts Payment		75.00%		0	0	0	0	0	0	0	0	0	0
Balance				$603,200	$626,400	$649,600	$672,800	$696,000	$812,000	$928,000	$1,044,000	$1,160,000	$1,276,000
Residual RHCP Repayment		25.00%		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Combined Debt Coverage Ratio				1.20	1.21	1.22	1.22	1.23	1.25	1.23	1.35	1.31	1.12

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MAXIMUM RENT AND INCOME LEVELS 2012

Maximum Income Limits:

Family Size	Very Low Income (VLI) 50% AMI	Low Income (LI) 60% AMI
1 person	$26,650	$31,980
2 person	$30,450	$36,540
3 person	$34,250	$41,100
4 person	$38,050	$45,660

Maximum Rent Limits:

Rental Housing Construction Program (RHCP), Tax Increment (TI), Mortgage Revenue Bond (MRB), Low Income Housing Tax Credit (LIHTC)

Unit Size	VLI Units (35% AMI)[1]		LI Units (60% AMI)[2]	
	Gross Rent	Restriction Source	Gross Rent	Restriction Source
1 Bedroom	$484.00	RHCP	$856.00	LIHTC
2 Bedroom			$1,027.00	LIHTC
3 Bedroom	$589.00	RHCP	$1,141.50	TI, MRB

Notes

1. Rents on VLI units restricted by RHCP are affordable to households earning 35% of AMI, but can be occupied by households earning up to 50% of AMI.

2. Rents on LI units shown in this table are the maximum allowable by law, but actual rents may be set lower to ensure that regulated unit rents are at least 10% below market rents, pursuant to CDLAC and TCAC requirements.

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RESOLUTION NO. 2012 -

Adopted by the Housing Authority of the City of Sacramento

on date of

RESOLUTION DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in a principal amount not to exceed $9,000,000 (the "Obligations") for the purpose, among other things, of making a loan to LINC Housing Corporation, a California nonprofit public benefit corporation, or such other California limited liability company or limited partnership to be formed or to be formed by LINC Housing Corporation (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 168-unit multifamily housing facility located at 4050 Taylor Street, Sacramento, California and commonly known as the Taylor Terrace Apartments (the "Project");

B. United States Income Tax Regulations section 1.103-18 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and

C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition and rehabilitation of the Project.

Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations.

Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $9,000,000.

Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and rehabilitation of the Project that are expected to be reimbursed from the proceeds of the Obligations.

Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.

Section 6. The appropriate officers or staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.

Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and rehabilitation of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, rehabilitation or operation of the Project.

Section 8. This resolution shall take effect immediately upon its adoption.

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RESOLUTION NO. 2012 –

Adopted by the Housing Authority of the City of Sacramento Acting as the Successor Housing Agency to the Redevelopment Agency of the City of Sacramento

on date of

TAYLOR TERRACE APARTMENTS: APPROVAL OF THE RESTRUCTURING OF OUTSTANDING LOAN AND ASSUMPTION OF OBLIGATIONS BY LINC HOUSING CORPORATION OR RELATED ENTITY, RELEASES OF OUTDATED RESTRICTIONS, SUBORDINATION OF EXISTING LOANS.

BACKGROUND

A. LINC Housing Corporation has applied for an allocation of mortgage revenue bonds to assist in funding the rehabilitation and permanent financing of the 168-unit Taylor Terrace Apartments ("Project").

B. The Project currently has two Low/Moderate Tax Increment Agency loans outstanding. The principal balance of the first loan is $223,242.28 plus $5,078.76 of accrued interest. The principal balance of the second loan is $569,771.35 plus $34,115.06 of accrued interest. LINC Housing Corporation has requested that the existing debt be restructured and assigned to a new limited partnership formed by LINC Housing Corporation. Requested restructuring of the loans includes removing a loan administration fee and possibly extending the loan's repayment terms by approximately 10 years..

C. The original Agency signatory for each of the outstanding Agency loans was the Redevelopment Agency of the City of Sacramento.

D. In 2011 the California Legislature enacted AB 1X 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of the former redevelopment agencies to successor agencies, and requiring successor agencies to carry out the winding down of the redevelopment agencies.

E. The City of Sacramento previously established the Redevelopment Agency of the City of Sacramento, a body corporate and politic ("Redevelopment Agency" or RDA) in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.

F. On January 31, 2012, the City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA.

G. On January 31, 2012 the PHA affirmatively elected pursuant to Health and Safety Code Section 34176 that it will serve as the "Successor Housing Agency" to the former Redevelopment Agency of City of Sacramento (RDA) and authorizes the Executive Director to take actions necessary to comply with the designation in a manner that is consistent with federal and state law.

H. The existing project loan of Low/Moderate fund origin is a housing asset pursuant to AB 1484.

I. The proposed action is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, ACTING AS SUCCESSOR HOUSING AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, RESOLVES AS FOLLOWS:

Section 1. The above recitals are found to be true and correct and the proposed Project is categorically exempt under CEQA Guidelines Sections 15301.

Section 2. The Executive Director is authorized to restructure outstanding Agency loans and related documents in the amount of 1) $223,242.28 principal plus $5,078.76 of accrued interest, and 2) $569,771.35 principal plus $34,155.06 of accrued interest to extend the maturity dates, and eliminate loan fees associated with these past loans.

Section 3, The Executive Director is authorized to release outdated recorded restrictions associated with the 1991 Agency loan as these restrictions have been superseded by more comprehensive, longer termed restrictions and covenants.

Section 4. The Executive Director is authorized to consent to the assumption of the obligations by LINC Housing Corporation or a related entity, in order to ensure the continued viability of the development.

Section 5. It is found that an economically feasible alternative to financing is not a reasonably available on comparable terms and conditions without subordination. Authorization is therefore granted to subordinate the existing loans.

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Exhibit A: First Assumption and Loan Modification Agreement
Exhibit B: First Amendment to Regulatory Agreement
Exhibit C: First Amended and Restated Promissory Note
Exhibit D: First Amendment to Trust Deed
Exhibit E: Second Assumption and Loan Modification Agreement
Exhibit F: Release of Restrictions Contained in Regulatory Agmt.
Exhibit G: First Amended and Restated Promissory Note
Exhibit H: First Amendment to Trust Deed

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FIRST ASSUMPTION AND LOAN MODIFICATION AGREEMENT
2009 LOAN
TAYLOR TERRACE APARTMENTS

4050 Taylor Street, Sacramento, California
APNs: 237-0180-059-0000 and 237-0192-001-0000

The Housing Authority of the City of Sacramento, a public body corporate and politic, ("Lender") whose address is 801 12th Street, Sacramento, California 95814, LINC-Taylor Terrace Apartments, LLC, limited liability company ("Developer" or "Original Borrower") whose address is 110 Pine Street, Suite 500, Long Beach, CA 90802, and LINC-Taylor Terrace Apartments Housing Investors, LP, limited partnership ("New Borrower") whose address is 110 Pine Avenue, Suite 500, Long Beach CA 90802, enter into this First Assumption and Loan Modification Agreement ("Assumption") as of the execution date stated below.

RECITALS

A. The Redevelopment Agency of the City of Sacramento ("Redevelopment Agency") and Developer entered into that certain Construction and Permanent Loan Agreement ("Loan Agreement") dated as of August 10, 2009, providing for a loan to Developer in the principal amount of Five Hundred Eighty Thousand Dollars and No Cents ($580,000.00) for development of the project described in the Loan Agreement ("Project") on that certain real property ("Property") described in the Loan Agreement. The Property is more particularly described in the Legal Description attached to this Assumption Agreement as Exhibit 1.

B. In 2011 the California Legislature enacted AB 1x 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.

C. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

D. Pursuant to the Loan Agreement, the Redevelopment Agency and Original Borrower entered into the Promissory Note ("Note") dated as of August 10, 2009, Regulatory Agreement for the Project ("Regulatory Agreement") dated as of August 10, 2009, and Deed of Trust and Assignment of Rents ("Deed of Trust"), dated as of August 10, 2009 (collectively, "Loan Documents").

E. Original Borrower is obtaining financing in addition to the previous Redevelopment Agency financing, and the new financing requires Original Borrower to take title to the Property as a single-asset entity. To fulfill the requirement, Original Borrower formed New Borrower to take title to the Property and assume the Loan. The parties desire that the Project go forward and are, therefore, entering into this Assumption Agreement. New Borrower has taken title to the Property from Original Borrower ("Transfer"). By this Assumption Agreement, New Borrower

is assuming all of the rights, title, interests and obligations of Original Borrower under the Loan Agreement.

F. Original Borrower has represented to the Lender that the Loan must continue for the life of the Project, because other Project funding is not available, and Lender will continue its loan subject to the provisions of this Assumption Agreement.

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

1. **CONSENT TO TRANSFER.** Subject to satisfaction of all of the conditions contained in this Assumption Agreement, Lender consents to the Transfer. This consent is strictly limited to the Transfer described in this Assumption Agreement. This Assumption Agreement shall not constitute a waiver or modification of any requirement of obtaining Lender's consent to any future transfer of the Property or any portion of or interest in it, nor shall it constitute a modification of the terms, provisions, or requirements in the Loan Documents in any respect except as expressly provided in this Assumption Agreement. LINC-Taylor Terrace Apartments Housing Investors, LP specifically acknowledges that any subsequent transfer of any interest in any of the Property or interest in New Borrower in violation of the Loan Documents shall be a default of the Loan.

2. **TITLE ENDORSEMENT**. At Closing, New Borrower shall (a) cause Lawyers Title Insurance Company to issue such endorsement to Lender's mortgagee's title insurance policy in such form as Lender may require ("Title Endorsement"), including showing that the New Borrower is the owner of the Property, changing the effective date of such title policy to the date of the Closing, and showing that the Loan Documents are in a lien position subject only to the lien of lienholders approved by Lender in writing, and (b) pay the cost of the Title Endorsement, any escrow, filing or recording fees applicable to this transaction, and Lender's costs and expenses incurred in connection with this Agreement or this transaction, including Lender's attorneys' fees, if any, incurred in connection with this Agreement or this transaction.

3. **NEW BORROWER'S ASSUMPTION OF LOAN; FINANCING STATEMENTS**. New Borrower expressly assumes the obligation to pay the unpaid balance due and owing on the Loan, all interest on the Loan, as provided in the Note, and all other obligations under the Loan Documents, with the same force and effect as if New Borrower had been specifically named therein as the original maker, borrower or grantor, as applicable. Without limiting the generality of the foregoing, New Borrower expressly assumes the obligation to pay all Loan installments as they become due and to observe all obligations of the Loan Documents. New Borrower's assumption of the foregoing obligations (a) is absolute, unconditional and is not subject to any defenses, waivers, claims or offsets, (b) shall not be affected or impaired by any agreement, condition, statement or representation of any person or entity other than Lender. New Borrower expressly agrees that it has read, approved and will comply with and is bound by all of the terms, conditions, and provisions contained in the Loan Documents. New Borrower specifically agrees that if the Note is recourse, Lender's remedies shall not in any respect or extent be limited solely to the Property or any other collateral securing the Loan.

4. **LOAN MODIFICATIONS.** Concurrently with the execution of this Assumption Agreement, the Lender and New Borrower shall enter into the attached First Amended Promissory Note, the

First Amendment to Regulatory Agreement, and the First Amendment to Deed of Trust and Assignment of Rents (collectively, "Amended Documents"), which are attached to this Assumption Agreement as Exhibit 2 and incorporated in this Assumption Agreement by this reference. The Loan Agreement is hereby modified to conform to the provisions of the Amended Documents.

a. **ADDITIONAL LOAN MODIFICATION**. The Special Terms, on page 1 of the Original Loan Agreement requiring an Administrative fee of fifteen basis points (0.15%) are hereby deleted and no Administrative fee going forward from the date of this Agreement is due or payable.

5. **NO REPRESENTATIONS OF LENDER**. Lender has made no representations or warranties, either express or implied regarding the Property and has no responsibility whatsoever with respect to the Property, its condition, or its use, occupancy or status, and no claims relating to the Property, its condition, or its use, occupancy or status, will be asserted against Lender or its agents, employees, professional consultants, affiliated entities, successors or assigns, either affirmatively or as a defense.

6. **RELEASE OF ORIGINAL BORROWER**. Lender releases Original Borrower from all liability and obligations under the Loan Documents arising from and after the Closing, including, but not limited to, repayment of the Loan, but excepting, without limitation (i) any environmental or other damage to the Property occurring prior to the Closing, (ii) any obligations arising from the Purchase Agreement, (iii) any liability related to or arising from Seller's or Seller's Principal's acts or omissions occurring prior to the Closing, and (iv) any liability related to or arising from fraudulent or tortious conduct, including intentional misrepresentation of financial data presented to Lender.

7. **RELEASE OF LENDER**. Original Borrower and New Borrower for themselves and for their respective agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys (collectively, the "Releasing Parties") jointly and severally release and forever discharge Lender and its successors, assigns, partners, directors, officers, employees, agents, attorneys, administrators, trustees, subsidiaries, affiliates, beneficiaries, shareholders and representatives from all liabilities, obligations, costs, expenses, claims and damages, at law or in equity, known or unknown, which any of the Releasing Parties may now or hereafter hold or claim to hold under common law or statutory right, arising in any manner out of the Property, the Loan, any of the Loan Documents or any of the documents, instruments or any other transactions relating thereto or the transactions contemplated thereby, excepting only matters which arise after the date of this Agreement and which are not continuing claims and liabilities arising prior to the date of this Agreement. Without limiting the generality of the foregoing, this release shall include the following matters: (a) all aspects of this Agreement and the Loan Documents, any negotiations, demands or requests with respect thereto, and (b) Lender's exercise or attempts to exercise any of its rights under this Agreement or any of the Loan Documents, at law or in equity. The Releasing Parties agree that this release is a full, final and complete release and that it may be pleaded as an absolute bar to any or all suit or suits pending or which may thereafter be filed or prosecuted by any of the Releasing Parties, or anyone claiming by, through or under any of the Releasing Parties. The Releasing Parties agree that this release is binding upon each of them and their respective agents, employees,

representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys.

8. **RATIFICATION AND CONFIRMATION OF THE LOAN.** New Borrower agrees to perform each and every obligation under the Loan Documents, as specifically modified by this Agreement, in accordance with their respective terms and conditions. New Borrower ratifies, affirms, reaffirms, acknowledges, confirms and agrees that the Loan Documents, as specifically modified by this Agreement, remain in full force and effect and represent legal, valid and binding obligations of New Borrower, enforceable against New Borrower in accordance with their terms. New Borrower agrees that this Agreement does not diminish, impair, release or relinquish the liens, powers, titles, security interests and rights securing or guaranteeing payment of the Loan, including the validity or first priority of the liens and security interests encumbering the Property granted Lender by the Loan Documents.

9. **NONWAIVER.** The parties acknowledge and agree that (a) any performance or non-performance of the Loan Documents prior to the date of this Agreement does not affect or diminish Lender's ability to require future compliance with the Loan Documents, and (b) in the future, Lender will require strict compliance with and performance of the Loan Documents. Nothing contained in this Agreement shall be construed as a waiver of any of Lender's rights or remedies with respect to any default under this Agreement or any Loan Document.

10. **SEVERABILITY.** If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such term, covenant or condition and the validity or enforceability of the remaining terms, covenants or conditions shall not in any way be affected.

11. **AUTHORIZATION.** By executing this Assumption Agreement, each of the signatories represents and warrants, respectively, that they are authorized to execute this Assumption Agreement on behalf of the respective named party and the respective named party is authorized to enter into this Assumption Agreement.

IN WITNESS WHEREOF, the parties have caused this Consent and Assumption Agreement with Release to be executed by their duly authorized representatives as of August __, 2012.

LENDER
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier, Executive Director

ORIGINAL BORROWER
LINC-TAYLOR TERRACE APARTMENTS, LLC
A California limited liability company

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

NEW BORROWER
LINC-Taylor Terrace Apartments Housing Investors, LP
a California limited partnership

By: LINC-Taylor Terrace Apartments LLC
A California limited liability company
Its Managing General Partner

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

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Exhibit B

NO FEE DOCUMENT:
Entitled to free recording
per Govt.C. §27383

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

FIRST AMENDMENT TO REGULATORY AGREEMENT
TAYLOR TERRACE APARTMENTS
APNs: 237-0180-059-0000 AND 237-0192-001-0000

AS OF THE DATE WRITTEN IN THE LAST SENTENCE BELOW, AND IN CONSIDERATION OF THEIR MUTUAL OBLIGATIONS, THE "AGENCY ", THE "BORROWER" AND THE "NEW BORROWER" (DEFINED BELOW) ENTER INTO THIS "AMENDMENT" AND AMEND THE "AGREEMENT" (DEFINED BELOW) AS FOLLOWS:

1. "Agency" is Housing Authority of the City of Sacramento, a public body, corporate and politic, which has the address of 801 12th Street, Sacramento, California 95814

2. "Borrower" is LINC-Taylor Terrace Apartments, LLC, limited partnership, which has the address of 110 Pine Avenue, Suite 500, Long Beach, CA 90802.

3. "Agreement" is the Regulatory Agreement for Residential Rental Property Containing Covenants Affecting Real Property between Agency and Borrower, dated August 10, 2009, recorded on August 14, 2009, commencing at Page 0931 of Book 20090814 in the Official Records of the County Recorder of the County of Sacramento, regarding that certain real property described in the attached Legal Description attached to and incorporated in this Amendment by this reference.

4. The Agreement is amended in the following respects:

a. The name of the Borrower is changed to LINC-Taylor Terrace Apartments Housing Investors, LP, a limited partnership ("New Borrower").
b. The address of the New Borrower is 110 Pine Avenue, Suite 500, Long Beach, CA 90802.
c. The Housing Authority of the City of Sacramento has been named as the Successor Housing Agency to the Redevelopment Agency of the City of Sacramento

5. No rights, obligations or defaults of the parties are waived by this Amendment, except as expressly stated in this Amendment.

6. All other terms of the Agreement shall remain the same.

Executed in Sacramento, California.

BORROWER
LINC-Taylor Terrace Apartments, LLC
A California limited liability company

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

Date:_____

NEW BORROWER:
LINC-Taylor Terrace Apartments Housing
Investors, LP
a California limited partnership

By: LINC-Taylor Terrace Apartments LLC
A California limited liability company
Its Managing General Partner

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

Date:_____

AGENCY
Housing Authority of the City of Sacramento

By:_____
LaShelle Dozier, Executive Director

Date: _____

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FIRST AMENDED AND RESTATED PROMISSORY NOTE
FOR TAYLOR TERRACE APARTMENTS
CONSTRUCTION AND PERMANENT LOAN AGREEMENT (2009)

A. **BORROWER HAS MADE THIS FIRST AMENDED AND RESTATED 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's making this Note and delivering it to Lender.

B. In 2011 the California Legislature enacted AB 1X 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of the former redevelopment agencies to successor agencies, and requiring successor agencies to carry out the winding down of the redevelopment agencies.

C. The City of Sacramento previously established the Redevelopment Agency of the City of Sacramento, a body corporate and politic ("Redevelopment Agency" or RDA) in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.

D. On January 31, 2012, the City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA.

E. On January 31, 2012 the PHA affirmatively elected pursuant to Health and Safety Code Section 34176 that it will serve as the "Successor Housing Agency" to the former Redevelopment Agency of City of Sacramento (RDA) and authorizes the Executive Director to take actions necessary to comply with the designation in a manner that is consistent with federal and state law.

F. The Housing Authority of the City of Sacramento is, therefore, the successor lender to the Redevelopment Agency of the City of Sacramento.

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

DEFINED TERM:	DEFINITION:	
"Effective Date"		
"Lender"	Housing Authority of the City of Sacramento	
"Borrower"	LINC-Taylor Terrace Apartments Housing Investors, LP	
"Borrower Legal Status"	limited partnership	
"Original Loan Agreement"	The Construction and Permanent Loan Agreement between the Borrower and The Redevelopment Agency of the City of Sacramento as of the Effective Date for making of the loan ("Loan") evidenced by this Note dated as of the following date and in the following principal amount.	Date: August 10, 2009 Amount: $580,000
"Amendment"	The First Amendment to Loan; Notice of Extension of Term Secured by Deed of Trust which amended the Original Loan Agreement and related Loan documents, dated as of the following date:	
"Loan Agreement"	The Original Loan Agreement as Amended by the Amendment	

PROMISSORY NOTE

"Principal Amount"	$580,000, of which $_____ is outstanding as of the Effective Date	
"Interest Rate"	The interest rate is 4% per year, simple interest.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"	none	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	June 15, 2049	
"Payment Start Date"	Payments according to residual receipts payment schedule as outlined in Payment Amount(s).	
"Payment Amount(s)"	Payments of principal and interest on the Loan shall be paid from residual receipts according to the requirements of the Department of Housing and Community Development (HCD) under the Rental Housing Construction Program. Lender shall receive payments from Net Cash Flow, as defined in the HCD Rental Housing Construction Program Regulatory Agreement dated September 17, 1993, with Lender receiving 75.0% of Net Cash Flow as described in the Second Amendment to Regulatory Agreement dated for reference purposes August 1, 2009. The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	

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

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. 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, as defined in the Loan Agreement. On the Maturity Date, the unpaid balance of said principal sum, if any, together with all unpaid interest, fees and charges due, if any, shall become due and payable. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

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

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

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

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

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

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

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement, this Note, the Trust Deed or the Regulatory Agreement.

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

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

g. The occurrence of any of the following:

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

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

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

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

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

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

9. It is the intent of the parties that this Loan be a nonrecouse loan, and notwithstanding any provision of this Note or any document evidencing or securing this Loan, Borrower, and Borrower's principals, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

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

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

Borrower:
LINC-Taylor Terrace Apartments Housing Investors, LP
a California limited partnership

By: LINC-Taylor Terrace Apartments LLC
A California limited liability company
Its Managing General Partner

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

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Exhibit D

NO FEE DOCUMENT:
Entitled to free recording
per Govt.C. §27383

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

FIRST AMENDMENT TO TRUST DEED
TAYLOR TERRACE APARTMENTS
APNs: 237-0180-059-0000 AND 237-0192-001-0000

AS OF THE _____, 2012, AND IN CONSIDERATION OF THEIR MUTUAL OBLIGATIONS, THE "AGENCY ", THE "BORROWER" AND THE "NEW BORROWER" (DEFINED BELOW) ENTER INTO THIS "AMENDMENT" AND AMEND THE "TRUST DEED" (DEFINED BELOW) AS FOLLOWS:

1. "Agency" is Housing Authority of the City of Sacramento, a public body, corporate and politic, which has the address of 801 12th Street, Sacramento, California 95814

2. "Borrower" is LINC-Taylor Terrace Apartments, LLC, limited partnership, which has the address of 110 Pine Avenue, Suite 500, Long Beach, CA 90802.

3. "Trustor" is Commonwealth Land Title Insurance Company, which has the address of 2150 John Glenn Drive, Suite 400, Concord, CA 94520.

4. "Trust Deed" is the Deed of Trust and Assignment of Rents made by Borrower for the benefit of Agency, as successor in interest to the Beneficiary thereunder, dated August 10, 2009 and recorded on August 14, 2009, in book 20090814, on page 0932 of the Official Records for Sacramento County, California.

5. The Trust Deed is amended in the following respects:

a. The name of the Borrower is changed to LINC-Taylor Terrace Apartments Housing Investors, LP, a limited partnership ("New Borrower").

b. The address of the New Borrower is 110 Pine Avenue, Suite 500, Long Beach, CA 90802.

c. Substitution of the Trustee: Lawyers Title Insurance Company replaces Chicago Title Company.

d. The Beneficiary is changed from the Redevelopment Agency of the City of Sacramento to the Housing Authority of the City of Sacramento as it is the Successor Housing Agency to the Redevelopment Agency of the City of Sacramento.

e. The following new Section 25 is hereby added to the Deed of Trust, the terms of which Agency hereby approve and agree to:

25. Limited Partner Provisions. Notwithstanding anything to the contrary in the Loan Documents (as defined in the Loan Agreement), the Loan and the Loan Documents are subject to the following terms and provisions:

(a) [limited partner name] ("Limited Partner") shall have the right, but not the obligation, to cure any defaults of Borrower hereunder, and Lender agrees to accept cures tendered by the Limited Partner on behalf of Borrower within the cure periods described in Section 25(b) below.

(b) Limited Partner shall have the right to cure all defaults hereunder within thirty (30) days after receipt of notice thereof. However, if a default is non-monetary and is not reasonably capable of being cured within thirty (30) days, then Limited Partner shall have up to but not exceeding __ days to cure such default provided that Limited Partner has commenced and is diligently proceeding to cure such default within thirty (30) days.

(c) 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:

[limited partner address]

(d) Borrower and the California Tax Credit Allocation Committee may enter into a Regulatory Agreement (the "**TCAC Regulatory Agreement**"), which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the "**Code**"). In the event of a foreclosure of Beneficiary's interest under this Deed of Trust or delivery by the Trustor of a deed in lieu thereof (collectively, a "**Foreclosure**"), the following rule shall apply: In the event of a Foreclosure, throughout the extended use period specified in the TCAC Regulatory Agreement, with respect to any unit that had been regulated by the TCAC Regulatory Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of the Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

(e) The removal and replacement of Borrower's general partner by Limited Partner pursuant to the terms of Borrower's partnership agreement shall not require the consent of Lender and shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan; provided, however, that Lender shall have the right to approve the substitute general partner, which approval shall not be unreasonably withheld. The substitute general partner shall assume all of the rights and obligations of the removed general partner.

(f) No consent shall be required of Lender (and it shall not be deemed an event of default under any of the Loan Documents), in connection with the transfer and/or the assignment by Limited Partner of all or any portion of its interest in Borrower.

(g) In the event of any fire or other casualty to the Property or eminent domain proceedings resulting in condemnation of the Property or any part thereof, Borrower shall have the right to rebuild the Property, and to use all available insurance or condemnation proceeds therefor.

(h) The liability of Borrower under the Loan Documents and with respect to the Loan shall be nonrecourse.

(i) Lender hereby approves of any sale or transfer of the Property, or sale or transfer of an interest in Borrower, pursuant to the [describe option and right of first refusal agreement], and any such transfer shall not trigger an acceleration under the Loan or a default under the Loan Documents.

6. No rights, obligations or defaults of the parties are waived by this Amendment, except as expressly stated in this Amendment.

7. All other terms of the Trust Deed shall remain the same. Nothing in this Amendment shall change the lien priority of the Trust Deed as to its original terms.

Executed in Sacramento, California as of _____, 2012.

BORROWER
LINC-Taylor Terrace Apartments, LLC
A California limited liability company

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

AGENCY
Housing Authority of the City of Sacramento
By

_____
LaShelle Dozier
Executive Director

NEW BORROWER:
LINC-Taylor Terrace Apartments Housing Investors, LP
a California limited partnership

By: LINC-Taylor Terrace Apartments LLC
A California limited liability company
Its Managing General Partner

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

TRUSTOR
Lawyers Title Insurance Company
By

_____
Name:
Title:

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SECOND ASSUMPTION AND LOAN MODIFICATION AGREEMENT
1991 LOAN
TAYLOR TERRACE APARTMENTS
4050 Taylor Street, Sacramento, California
APNs: 237-0180-059-0000 and 237-0192-001-0000

The Housing Authority of the City of Sacramento, a public body corporate and politic, ("Lender") whose address is 801 12th Street, Sacramento, California 95814, LINC-Taylor Terrace Apartments, LLC, limited liability company ("Developer" or "Original Borrower") whose address is 110 Pine Street, Suite 500, Long Beach, CA 90802, and LINC-Taylor Terrace Apartments Housing Investors, LP, limited partnership ("New Borrower") whose address is 110 Pine Avenue, Suite 500, Long Beach CA 90802, enter into this Second Assumption and Loan Modification Agreement ("Assumption") as of the execution date stated below.

RECITALS

A. The Redevelopment Agency of the City of Sacramento ("Redevelopment Agency") and Developer entered into that certain Assignment and Assumption and Modification of Loan Documents Agreement dated as of August 13, 2009, whereby Developer assumed a Redevelopment Agency Loan in the form of an Owner Participation Agreement, as it was amended from time to time (collectively "Loan Agreement"), in the amount of Two Hundred and Fifty Thousand Dollars and No Cents ($250,000.00) for development of the project described in the Loan Agreement ("Project") on that certain real property ("Property") described in the Loan Agreement. The Property is more particularly described in the Legal Description attached to this Assumption Agreement as Exhibit 1.

B. In 2011 the California Legislature enacted AB 1x 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.

C. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

D. Pursuant to the Loan Agreement, the Redevelopment Agency and Original Borrower assumed the Promissory Note ("Note") dated as of December 19, 1991, dated as of December 19, 1991, and Deed of Trust and Assignment of Rents ("Deed of Trust"), dated as of December 19, 1991, among other items no longer a lien against the Property and, therefore, not included here (collectively, "Loan Documents").

E. Original Borrower is obtaining financing in addition to the previous Redevelopment Agency financing, and the new financing requires Original Borrower to take title to the Property as a single-asset entity. To fulfill the requirement, Original Borrower formed New Borrower to take title to the Property and assume the Loan. The parties desire that the Project go forward and

are, therefore, entering into this Assumption Agreement. New Borrower has taken title to the Property from Original Borrower ("Transfer"). By this Assumption Agreement, New Borrower is assuming all of the rights, title, interests and obligations of Original Borrower under the Loan Agreement.

F. Original Borrower has represented to the Lender that the Loan must continue for the life of the Project, because other Project funding is not available, and Lender will continue its loan subject to the provisions of this Assumption Agreement.

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

1. **CONSENT TO TRANSFER.** Subject to satisfaction of all of the conditions contained in this Assumption Agreement, Lender consents to the Transfer. This consent is strictly limited to the Transfer described in this Assumption Agreement. This Assumption Agreement shall not constitute a waiver or modification of any requirement of obtaining Lender's consent to any future transfer of the Property or any portion of or interest in it, nor shall it constitute a modification of the terms, provisions, or requirements in the Loan Documents in any respect except as expressly provided in this Assumption Agreement. LINC-Taylor Terrace Apartments Housing Investors, LP specifically acknowledges that any subsequent transfer of any interest in any of the Property or interest in New Borrower in violation of the Loan Documents shall be a default of the Loan.

2. **TITLE ENDORSEMENT**. At Closing, New Borrower shall (a) cause Laywers Title Insurance Company to issue such endorsement to Lender's mortgagee's title insurance policy in such form as Lender may require ("Title Endorsement"), including showing that the New Borrower is the owner of the Property, changing the effective date of such title policy to the date of the Closing, and showing that the Loan Documents are in a lien position subject only to the lien of lienholders approved by Lender in writing, and (b) pay the cost of the Title Endorsement, any escrow, filing or recording fees applicable to this transaction, and Lender's costs and expenses incurred in connection with this Agreement or this transaction, including Lender's attorneys' fees, if any, incurred in connection with this Agreement or this transaction.

3. **NEW BORROWER'S ASSUMPTION OF LOAN; FINANCING STATEMENTS**. New Borrower expressly assumes the obligation to pay the unpaid balance due and owing on the Loan, all interest on the Loan, as provided in the Note, and all other obligations under the Loan Documents, with the same force and effect as if New Borrower had been specifically named therein as the original maker, borrower or grantor, as applicable. Without limiting the generality of the foregoing, New Borrower expressly assumes the obligation to pay all Loan installments as they become due and to observe all obligations of the Loan Documents. New Borrower's assumption of the foregoing obligations (a) is absolute, unconditional and is not subject to any defenses, waivers, claims or offsets, (b) shall not be affected or impaired by any agreement, condition, statement or representation of any person or entity other than Lender. New Borrower expressly agrees that it has read, approved and will comply with and is bound by all of the terms, conditions, and provisions contained in the Loan Documents. New Borrower specifically agrees that if the Note is recourse, Lender's remedies shall not in any respect or extent be limited solely to the Property or any other collateral securing the Loan.

4. **LOAN MODIFICATIONS.** Concurrently with the execution of this Assumption Agreement, the Lender and New Borrower shall enter into the attached First Amended Promissory Note, and the First Amendment to Deed of Trust and Assignment of Rents (collectively, "Amended Documents"), which are attached to this Assumption Agreement as Exhibit 2 and incorporated in this Assumption Agreement by this reference. The Loan Agreement is hereby modified to conform to the provisions of the Amended Documents. Effective as of the date hereof, Section 12.2.7 of the Loan Agreement is hereby amended and restated to read as follows: "'Developer' is LINC Housing Corporation, a California nonprofit public benefit corporation. The principal office of the Developer is located at 110 Pine Street, Suite 500, Long Beach, CA 90802."

a. **EXTENSION OF MATURITY DATE.** The Maturity Date on page 1 of the Original Loan Agreement is extended from its original Maturity Date of 480 months. The new Maturity Date is 378 months from the date of this Second Assumption and Loan Modification Agreement.

5. **NO REPRESENTATIONS OF LENDER.** Lender has made no representations or warranties, either express or implied regarding the Property and has no responsibility whatsoever with respect to the Property, its condition, or its use, occupancy or status, and no claims relating to the Property, its condition, or its use, occupancy or status, will be asserted against Lender or its agents, employees, professional consultants, affiliated entities, successors or assigns, either affirmatively or as a defense.

6. **RELEASE OF ORIGINAL BORROWER.** Lender releases Original Borrower from all liability and obligations under the Loan Documents arising from and after the Closing, including, but not limited to, repayment of the Loan, but excepting, without limitation (i) any environmental or other damage to the Property occurring prior to the Closing, (ii) any obligations arising from the Purchase Agreement, (iii) any liability related to or arising from Seller's or Seller's Principal's acts or omissions occurring prior to the Closing, and (iv) any liability related to or arising from fraudulent or tortious conduct, including intentional misrepresentation of financial data presented to Lender.

7. **RELEASE OF LENDER.** Original Borrower and New Borrower for themselves and for their respective agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys (collectively, the "Releasing Parties") jointly and severally release and forever discharge Lender and its successors, assigns, partners, directors, officers, employees, agents, attorneys, administrators, trustees, subsidiaries, affiliates, beneficiaries, shareholders and representatives from all liabilities, obligations, costs, expenses, claims and damages, at law or in equity, known or unknown, which any of the Releasing Parties may now or hereafter hold or claim to hold under common law or statutory right, arising in any manner out of the Property, the Loan, any of the Loan Documents or any of the documents, instruments or any other transactions relating thereto or the transactions contemplated thereby, excepting only matters which arise after the date of this Agreement and which are not continuing claims and liabilities arising prior to the date of this Agreement. Without limiting the generality of the foregoing, this release shall include the following matters: (a) all aspects of this Agreement and the Loan Documents, any negotiations, demands or requests with respect thereto, and (b) Lender's exercise or attempts to exercise any of its rights under this Agreement or any of the Loan Documents, at law or in equity. The Releasing Parties agree that this release is a full, final

and complete release and that it may be pleaded as an absolute bar to any or all suit or suits pending or which may thereafter be filed or prosecuted by any of the Releasing Parties, or anyone claiming by, through or under any of the Releasing Parties. The Releasing Parties agree that this release is binding upon each of them and their respective agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys.

8. **RATIFICATION AND CONFIRMATION OF THE LOAN.** New Borrower agrees to perform each and every obligation under the Loan Documents, as specifically modified by this Agreement, in accordance with their respective terms and conditions. New Borrower ratifies, affirms, reaffirms, acknowledges, confirms and agrees that the Loan Documents, as specifically modified by this Agreement, remain in full force and effect and represent legal, valid and binding obligations of New Borrower, enforceable against New Borrower in accordance with their terms. New Borrower agrees that this Agreement does not diminish, impair, release or relinquish the liens, powers, titles, security interests and rights securing or guaranteeing payment of the Loan, including the validity or first priority of the liens and security interests encumbering the Property granted Lender by the Loan Documents.

9. **NONWAIVER.** The parties acknowledge and agree that (a) any performance or non-performance of the Loan Documents prior to the date of this Agreement does not affect or diminish Lender's ability to require future compliance with the Loan Documents, and (b) in the future, Lender will require strict compliance with and performance of the Loan Documents. Nothing contained in this Agreement shall be construed as a waiver of any of Lender's rights or remedies with respect to any default under this Agreement or any Loan Document.

10. **SEVERABILITY.** If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such term, covenant or condition and the validity or enforceability of the remaining terms, covenants or conditions shall not in any way be affected.

11. **AUTHORIZATION.** By executing this Assumption Agreement, each of the signatories represents and warrants, respectively, that they are authorized to execute this Assumption Agreement on behalf of the respective named party and the respective named party is authorized to enter into this Assumption Agreement.

IN WITNESS WHEREOF, the parties have caused this Consent and Assumption Agreement with Release to be executed by their duly authorized representatives as of August __, 2012.

LENDER
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier, Executive Director

ORIGINAL BORROWER
LINC-TAYLOR TERRACE APARTMENTS, LLC
A California limited liability company

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

NEW BORROWER
LINC-Taylor Terrace Apartments Housing Investors, LP
a California limited partnership

By: LINC-Taylor Terrace Apartments LLC
A California limited liability company
Its Managing General Partner

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

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Exhibit F

NO FEE DOCUMENT:
Entitled to free recording
per Government Code 27383

When recorded, return to:
Sacramento Housing and Redevelopment Agency
801 12th Street
Sacramento, California 95814
Attention: Joel Riphagen

RELEASE OF RESTRICTIONS CONTAINED IN REGULATORY AGREEMENT

Taylor Terrace Apartments
4050 Taylor Street, Sacramento, California
APNs: 237-0180-059-0000 and 237-0192-001-0000

WHEREAS, the Redevelopment Agency of the City of Sacramento ("Agency") and Taylor Terrace Limited, a California limited partnership ("Owner") entered into the Agreement Containing Covenants Affecting Real Property Regulatory Agreement ("Agreement Containing Covenants") on December 19, 1991 between the Agency and Owner, which was recorded on December 24, 1991 at Book 911224, commencing at Page 0171 against that certain real property ("Property") located at 4050 Taylor Avenue, Sacramento, California as described in the Legal Description attached to and incorporated in this document by this reference;

WHEREAS, the Redevelopment Agency and Owner entered into the Regulatory Agreement With Rental Resale Restrictions ("Regulatory Agreement") on September 9, 1992 between the Agency and Owner which was recorded on September 11, 1992 at Book 920911, commencing at Page 0948 against that Property in the Official Records of Sacramento County, California;

Whereas, a First Amendment to Regulatory Agreement with Rental and Resale Restrictions was executed on May 10, 1995 and recorded on September 6, 1995 in Book 19950906 on Page 0747 in the Official Records of Sacramento County, California (collectively the Regulatory Agreement and its First Amendment are hereafter "Regulatory Agreement");

Whereas, a new regulatory agreement with a fifty-five (55) year term regulating the Property was entered into on August 10, 2009 by and between Agency and a new owner LINC-Taylor Terrace Apartments LLC, and which new regulatory agreement shall remain on title and in full force and effect and is not released herein or hereby, the requirements of the Agreement Containing Covenants and the Regulatory Agreement are satisfied completely so as to justify termination of the affordability restrictions contained in the Agreement Containing Covenants and the Regulatory Agreement;

WHEREAS, in 2011 the California Legislature enacted AB 1x 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012; and

WHEREAS, the City of Sacramento, by Resolution Number 2012-018 (adopted on January

31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

NOW, THEREFORE, the Housing Authority As Successor Agency to the Redevelopment Agency of the City of Sacramento hereby releases and terminates, with regard to the Property, both the Agreement Containing Covenants and the Regulatory Agreement, and these documents are of no further force or effect with regard to the Property as they are replaced by the August 10, 2009 regulatory agreement.

IN WITNESS WHEREOF, this Release has been executed in Sacramento County this ___ day of _____, _____.

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier, Executive Director

[ACKNOWLEDGMENTS]

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FIRST AMENDED AND RESTATED PROMISSORY NOTE
FOR TAYLOR TERRACE APARTMENTS
CONSTRUCTION AND PERMANENT LOAN AGREEMENT

A. **BORROWER HAS MADE THIS FIRST AMENDED AND RESTATED 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's making this Note and delivering it to Lender.

B. In 2011 the California Legislature enacted AB 1X 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of the former redevelopment agencies to successor agencies, and requiring successor agencies to carry out the winding down of the redevelopment agencies.

C. The City of Sacramento previously established the Redevelopment Agency of the City of Sacramento, a body corporate and politic ("Redevelopment Agency" or RDA) in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.

D. On January 31, 2012, the City designated the Housing Authority of the City of Sacramento (PHA) as the local authority to retain the housing assets and functions previously performed by the RDA.

E. On January 31, 2012 the PHA affirmatively elected pursuant to Health and Safety Code Section 34176 that it will serve as the "Successor Housing Agency" to the former Redevelopment Agency of City of Sacramento (RDA) and authorizes the Executive Director to take actions necessary to comply with the designation in a manner that is consistent with federal and state law.

F. The Housing Authority of the City of Sacramento is, therefore, the successor lender to the Redevelopment Agency of the City of Sacramento.

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

DEFINED TERM:	DEFINITION:	
"Effective Date"		
"Lender"	Housing Authority of the City of Sacramento	
"Borrower"	LINC-Taylor Terrace Apartments Housing Investors, LP	
"Borrower Legal Status"	limited partnership	
"Original Loan Agreement"	The Owner Participation Agreement between the Borrower and The Redevelopment Agency of the City of Sacramento as of the Effective Date for making of the loan ("Loan") evidenced by this Note dated as of the following date and in the following principal amount.	Date: December 19, 1991 Amount: $250,000
"Amendment"	The Second Assumption and Loan Modification Agreement, and the First Amendment to Trust Deed, which amended the Original Loan Agreement and related Loan documents, dated as of the following date:	
"Loan Agreement"	The Owner Participation Agreement as it has been amended from time to time	
"Principal Amount"	$250,000, of which $_____ is outstanding as of the Effective Date.	

PROMISSORY NOTE

"Interest Rate"	The interest rate is 3% per year, compounded annually.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"	none	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	January 1, 2034	
"Payment Start Date"	The first day of the 1st calendar month following the Effective Date.	
"Payment Amount(s)"	The Loan balance shall be payable monthly, in equal monthly installments commencing on the Payment Start Date and continuing on the first day of each calendar month thereafter, through and including January 1, 2034.	

////

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

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. 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, as defined in the Loan Agreement. On the Maturity Date, the unpaid balance of said principal sum, if any, together with all unpaid interest, fees and charges due, if any, shall become due and payable. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

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

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

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

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

a. Borrower defaults in the payment of any principal or interest when due.
b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.

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

d. Borrower defaults or breaches any of the terms of Loan Agreement, this Note, the Trust Deed or the Regulatory Agreement.

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

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

g. The occurrence of any of the following:

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

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

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

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

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

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

9. It is the intent of the parties that this Loan be a nonrecouse loan, and notwithstanding any provision of this Note or any document evidencing or securing this Loan, Borrower, and Borrower's principals, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

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

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

Borrower:
LINC-Taylor Terrace Apartments Housing Investors, LP
a California limited partnership

By: LINC-Taylor Terrace Apartments LLC
A California limited liability company
Its Managing General Partner

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

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Exhibit H

NO FEE DOCUMENT:
Entitled to free recording
per Govt.C. §27383

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

FIRST AMENDMENT TO TRUST DEED
TAYLOR TERRACE APARTMENTS
APNs: 237-0180-059-0000 AND 237-0192-001-0000

AS OF THE _____, 2012, AND IN CONSIDERATION OF THEIR MUTUAL OBLIGATIONS, THE "AGENCY ", THE BORROWER AND THE "NEW BORROWER" (DEFINED BELOW) ENTER INTO THIS "AMENDMENT" AND AMEND THE "TRUST DEED" (DEFINED BELOW) AND SUBSTITUE THE TRUSTEE AS FOLLOWS:

1. "Agency" is Housing Authority of the City of Sacramento, a public body, corporate and politic, which has the address of 801 12th Street, Sacramento, California 95814

2. "Borrower" is LINC-Taylor Terrace Apartments, LLC, limited partnership, which has the address of 110 Pine Avenue, Suite 500, Long Beach, CA 90802.

3. "Trustor" is Commonwealth Land Title Insurance Company, which has the address of 2150 John Glenn Drive, Suite 400, Concord, CA 94520.

4. "Trust Deed" is the Deed of Trust and Assignment of Rents between Agency and Borrower, dated December 19, 1991 and was recorded on December 24, 1991, in book 911224, on page 0172 of the Official Records for Sacramento County, California.

5. The Trust Deed is amended in the following respects:

a. The name of the Borrower is changed to LINC-Taylor Terrace Apartments Housing Investors, LP, a limited partnership ("New Borrower").

b. The address of the New Borrower is 110 Pine Avenue, Suite 500, Long Beach, CA 90802.

c. Substitution of the Trustee: Commonwealth Land Title Insurance Company replaces Chicago Title Company.

d. The Beneficiary is changed from the Redevelopment Agency of the City of Sacramento to the Housing Authority of the City of Sacramento as it is the Successor Housing Agency to the Redevelopment Agency of the City of Sacramento.

e. The following new Section 24 is hereby added to the Deed of Trust, the terms of which Agency hereby approve and agree to:

24. Limited Partner Provisions. Notwithstanding anything to the contrary in this Deed of Trust, the OPA, the Note, and any other document evidencing the Loan (as defined in the OPA) (collectively, the "**Loan Documents**"), the Loan and the Loan Documents are subject to the following terms and provisions:

(a) [limited partner name] ("Limited Partner") shall have the right, but not the obligation, to cure any defaults of Borrower hereunder, and Lender agrees to accept cures tendered by the Limited Partner on behalf of Borrower within the cure periods described in Section 24(b) below.

(b) Limited Partner shall have the right to cure all defaults hereunder within thirty (30) days after receipt of notice thereof. However, if a default is non-monetary and is not reasonably capable of being cured within thirty (30) days, then Limited Partner shall have up to but not exceeding ___ days to cure such default provided that Limited Partner has commenced and is diligently proceeding to cure such default within thirty (30) days.

(c) 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:

[limited partner address]

(d) Borrower and the California Tax Credit Allocation Committee may enter into a Regulatory Agreement (the "**TCAC Regulatory Agreement**"), which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the "**Code**"). In the event of a foreclosure of Beneficiary's interest under this Deed of Trust or delivery by the Trustor of a deed in lieu thereof (collectively, a "**Foreclosure**"), the following rule shall apply: In the event of a Foreclosure, throughout the extended use period specified in the TCAC Regulatory Agreement, with respect to any unit that had been regulated by the TCAC Regulatory Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of the Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

(e) The removal and replacement of Borrower's general partner by Limited Partner pursuant to the terms of Borrower's partnership agreement shall not require the consent of Lender and shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan; provided, however, that Lender shall have the right to approve the substitute general partner, which approval shall not be unreasonably withheld. The substitute general partner shall assume all of the rights and obligations of the removed general partner.

(f) No consent shall be required of Lender (and it shall not be deemed an event of default under any of the Loan Documents), in connection with the transfer and/or the assignment by Limited Partner of all or any portion of its interest in Borrower.

(g) In the event of any fire or other casualty to the Property or eminent domain proceedings resulting in condemnation of the Property or any part thereof, Borrower shall have the right to rebuild the Property, and to use all available insurance or condemnation proceeds therefor.

(h) The liability of Borrower under the Loan Documents and with respect to the Loan shall be nonrecourse.

(i) Lender hereby approves of any sale or transfer of the Property, or sale or transfer of an interest in Borrower, pursuant to the [describe option and right of first refusal agreement], and any such transfer shall not trigger an acceleration under the Loan or a default under the Loan Documents.

(j) It is the intent of the parties that the Loan be a nonrecourse loan, and notwithstanding any provision of the Loan Documents or any document evidencing or securing the Loan, Borrower, and Borrower's principals, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation under the Loan Documents.

6. No rights, obligations or defaults of the parties are waived by this Amendment, except as expressly stated in this Amendment.

7. All other terms of the Trust Deed shall remain the same. Nothing in this Amendment shall change the lien priority of the Trust Deed as to its original terms.

Executed in Sacramento, California as of _____, 2012.

BORROWER
LINC-Taylor Terrace Apartments, LLC
A California limited liability company

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

AGENCY
Housing Authority of the City of Sacramento
By

_____
LaShelle Dozier
Executive Director

NEW BORROWER:
LINC-Taylor Terrace Apartments Housing Investors, LP
a California limited partnership

By: LINC-Taylor Terrace Apartments LLC
A California limited liability company
Its Managing General Partner

By: LINC Housing Corporation,
A California nonprofit public benefit corporation
Its Manager

By:_____
Hunter L. Johnson, President

TRUSTOR
Lawyers Title Insurance Company
By

_____
Name:
Title:

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RESOLUTION NO. 2012 -

Adopted by the Sacramento City Council

On date of

TAYLOR TERRACE APARTMENTS: APROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in an principal amount not to exceed $9,000,000 (the "Obligations") for the purpose, among other things, of making a loan to LINC Housing Corporation, a California nonprofit public benefit corporation, or such other California limited liability company or limited partnership to be formed by LINC Housing Corporation ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 168-unit multifamily housing facility located at 4050 Taylor Street, Sacramento, California (the "Project").

B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue bonds for the purpose of financing the acquisition, rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants.

C. In order for the Obligations to be considered "qualified exempt facility bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the "Code"), Section 147(f) of the Code requires that the "applicable elected representatives" of the area in which the Project is to be located hold a public hearing on and approve the issuance of the Obligations.

D. This City Council is the elected legislative body of the City.

E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the issuance of the Obligations by the Issuer and the nature and location of the Project.

F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the issuance of such Bonds and the nature and location of the Project.

G. It is in the public interest and for the public benefit that the City approve the issuance and delivery of the Obligations for the purpose of financing the acquisition and rehabilitation of the Project.

H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project.

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

Section 1. The City hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City hereby approves the issuance and delivery of the Obligations.

Section 3. This resolution shall take effect upon its adoption.