



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

10

Consent

April 22, 2014

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

Title: Approval of Housing Trust Fund Construction Loan with Del Paso Homes, Inc. for the Del Paso Nuevo Phase IV Project

Location/Council District: Between South Avenue and Hayes Avenue near Norwood Avenue; Council District 2

Issue: The existing housing obligation to HUD for Phase IV of the Del Paso Nuevo Homeownership Zone is to construct 81 single-family homes with at least 51% sold at affordable prices to low-income buyers. To date four model homes and 40 for-sale homes have been constructed and sold. However, as a result of the dissolution of redevelopment and subsequent expiration of the project's Disposition and Development Agreement (DDA), the previously approved Tax Increment funding used for ongoing construction of these homes is no longer available. This report requests approval of a new loan in the amount of \$975,000 from City Housing Trust Funds used on a revolving basis in conjunction with bank financing in the amount of \$1,250,000 to complete construction of the remaining 37 homes in Del Paso Nuevo Phase IV (Project).

Recommendation: Approve (1) a **City Council Resolution** (a) authorizing the Sacramento Housing and Redevelopment Agency (Agency) to amend its budget and allocate up to \$975,000 in City Housing Trust Funds (HTF) to the Project, (b) approving a revolving construction loan with Del Paso Homes, Inc. (Developer) for financing Project construction utilizing the \$975,000 of HTF, (c) authorizing the Agency to enter into an Owner Participation Agreement (OPA) with Developer, and (d) authorizing the Agency to execute all other documents necessary to fulfill the intent of the OPA and proper repayment of the HTF loan, and (e) making related findings; and (2) Approve a **Housing Authority of the City of Sacramento Resolution** authorizing the Executive Director or her designee to (a) amend the Agency budget to allocate \$975,000 of City Housing Trust Funds to the Project, (b) terminate the existing DDA with Del Paso Nuevo LLC and execute a new OPA with Developer for completion of the Project, (c) assign the existing land loan note and deed of trust to Sacramento Housing and Redevelopment Agency with the \$370,000 balance then assumed by the Developer, and (d) to execute all related loan documents in a form approved by Agency Counsel.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353

Presenter: Bern Wikhammer, Sr. Management Analyst, Development Finance

Approval of Construction loan for Del Paso Nuevo Phase IV

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: At completion, Del Paso Nuevo is a 154-acre master planned community that will provide a minimum of 300 new homes in the former Del Paso Heights Redevelopment Area. In 1997, this area received a Homeownership Zone Designation from the U.S. Department of Housing and Urban Development (HUD) and more than \$10 million in federal loan guarantees and grants for the project. In return, at least 51% of the homes in Del Paso Nuevo must be sold at affordable prices to families that earn no more than 80% of the area median income. Of the six separate phases planned in this master development to date, Phases I - III have been completed which included the construction of 77 single-family homes, infrastructure improvements and two community parks. See Attachment 1 for additional background and Attachment 2 for a map of the six phases of this community.

This report recommends actions to facilitate the completion of Phase IV located just north of Nuevo Park and south of South Avenue (Attachment 3). To date, the Developer of Phase IV, which was previously Del Paso Nuevo LLC and is now Del Paso Homes, Inc., has completed all infrastructure and street improvements, 81 finished lots, and 44 new homes. New home construction includes four model homes and 40 for-sale homes including 22 purchased by low-income buyers that must remain affordable for the 15-year term of the related regulatory agreement. This phase consists of four individual floor plans ranging from two to five bedrooms with a mix of one and two story homes. All floor plans meet the Del Paso Nuevo Specific Plan Design Guidelines.

Phase IV began in 2007 with sale of the land by the Redevelopment Agency of the City of Sacramento (RACS) to the Developer for market value through a seller carry-back loan, which is repaid in increments of \$10,000 upon the sale of each newly constructed home. Using only standard bank construction financing, the Developer then completed construction of the infrastructure improvements, subdividing and finishing all 81 parcels, as well as construction of the four models and the first 10 for-sale homes. However, due to downturns in the economy and real estate market, the bank providing the original construction financing withdrew its funding and from subdivision construction lending in general. To assist in its completion, in April of 2010 the RACS sought and received approval to provide \$2.2 million of previously allocated Del Paso Nuevo Tax Increment funds to the Developer in the form of a revolving construction loan to complete the remaining homes in this phase.

Constructing ten homes at a time, loan funds disbursed for construction were then repaid from the net sales proceeds of each home. Once the first set of 10 homes had been constructed and sold, the recaptured funds were then re-loaned to the Developer to construct the next 10 homes. Initially both home prices and demand were depressed, resulting in significant additional holding costs and

Approval of Construction loan for Del Paso Nuevo Phase IV

losses on sales. However, both prices and demand have subsequently improved to the point that the most recent set of 10 new homes were sold out prior to completion of construction and at breakeven sales prices. Unfortunately, with the dissolution of redevelopment and expiration of the original DDA, the funds recaptured from the most recent set of 10 homes are no longer available as a revolving construction loan to complete this project.

In conjunction with a minimum of \$1,250,000 in bank construction financing, the subject HTF loan request will help continue the pattern of using loan funds to construct a limited set of new homes and then re-using the proceeds from the sale of those homes to construct additional sets until all 37 remaining homes in this phase are built and the HUD obligation for Phase IV has been met. Proceeds from the new loan will be used solely for construction of new homes on which there will be Housing Trust Fund regulatory agreements. It is anticipated that two sets of 12 and one of 13 homes will be constructed and sold over the next 24 – 36 months and that both the remaining balance of the existing land loan and the full amount of the Agency's new \$975,000 construction loan will be repaid in full. See Attachment 4 for a summary of the first 12 homes to be constructed and Attachment 5 for all 37-homes.

Policy Considerations: The recommended actions are in keeping with the City's Housing Element that encourages infill development, enhancing and preserving existing neighborhoods, and expanding affordable housing opportunities in a mixed income development.

The recommended actions are also consistent with the Housing Trust Fund (HTF) ordinance and meet the eligibility requirements of the HTF program including, but not limited to, the project's close proximity to local transit, amenities, employment opportunities, and commercial businesses that fund HTF. Regulatory Agreements containing 15-year affordability covenants and resale restrictions will be required and recorded against the 20 regulated homes.

Economic Impacts: This residential new construction project is expected to create approximately 56.4 total jobs (31.7 direct jobs and 24.7 jobs through indirect and induced activities) and result in approximately \$7.8 million in total economic output (\$4.8 million direct output and another \$3.0 million 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.

Approval of Construction loan for Del Paso Nuevo Phase IV

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action involves the financing of construction for 37 single-family residences. The impacts of the entire Del Paso Nuevo project were evaluated in accordance with CEQA and a Mitigated Negative Declaration was adopted for the Project. This action does not constitute a new project or a change in the project under CEQA; therefore, no further environmental review is required per CEQA Guidelines Sections 15378 and 15162.

Sustainability Considerations: The recommended actions will provide a wide array of housing choices and transportation options near jobs reducing long commutes for a balanced, healthy City. New home construction will conform to current building codes incorporating improved energy efficiency and enhanced green building standards.

National Environmental Policy Act (NEPA): A Finding of No Significant Impact was made pursuant to the National Environmental Policy Act (NEPA) for the Del Paso Nuevo Project, and the data and conditions upon which it was based remain unchanged. There is no federal funding associated with this action, there has been no change in the scope of work, and there are no new circumstances that would have any direct or indirect effect on the environment that was not previously considered. Therefore, no further action under National Environmental Policy Act (NEPA) is required.

Commission Action: At its meeting on April 2, 2014, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES: Alcalay, Chan, Creswell, Griffin, Le Duc, Macedo, Morgan, Morton, Raab, Stivers

NOES: None

ABSENT: Johnson

Rationale for Recommendation: The Developer purchased the land associated with Del Paso Nuevo Phase IV from the RACS and subdivided the property into 81 single family residential units. All public improvements have been completed. The Developer constructed all of the infrastructure and street improvements and built the first 14 homes (including the four model homes) using only bank financial assistance. Even though the new housing market slowed and the bank ultimately withdrew from new home construction lending, by providing construction financing directly to the Developer steady progress has been made toward completing the project. Unfortunately, due to the dissolution of redevelopment the funds used as a revolving loan for construction are no longer available. In conjunction with a \$1,250,000 bank construction loan, the new Agency construction loan of \$975,000 will ensure that construction of Del

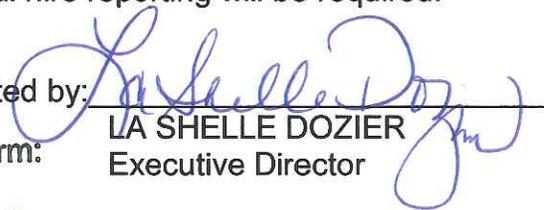
Approval of Construction loan for Del Paso Nuevo Phase IV

Nuevo Phase IV will continue and help meet the HUD requirement of providing a sustainable, mixed income homeownership community with 51% of the homes affordable to families at 80% of area median income.

Financial Considerations: The Loan Agreement allows the Agency to lend up to \$975,000 of Housing Trust Funds for construction on a revolving basis for Del Paso Nuevo Phase IV at market rate of 4% simple interest with a three year maturity. In conjunction with a Bank construction loan, the funds will be used as a revolving loan fund to construct the remaining 37 homes in this phase. The Housing Trust Fund loan will be solely for construction of new homes on which there will be 15-year regulatory agreements.

To date the Agency's original \$2.2 million revolving construction loan has been used to construct 30 for-sale homes totaling over 50,000 square feet of living space. The value of the Phase IV homes constructed with the original Agency construction loan exceeds \$5.4 million. Although the first 20 homes did not generate sufficient funds to repay the entire construction loan, the most recent set of 10 homes achieved better than breakeven returns. Sales prices of the next 12 are conservatively projected to be 5% to 7% higher than previous prices. Built out in two sets of 12 and one set of 13 homes, the entire amount of the new Agency construction loan and the existing Agency land loan are expected to be repaid in full.

M/WBE and Section 3 Considerations: The activities recommended in this staff report do not involve new federal funding; therefore, there are no M/WBE or Section 3 requirements. However, the Developer will instruct its General Contractor and its subcontractors to utilize lower income area residents as employees to the greatest extent feasible through direct outreach and by using the First Source Program. To date the project reports almost 1,700 hours of local hire from concrete, electrical, framing and protective services subcontractors. The goal for the remainder of the project is an additional 4,000 hours of local hire. Quarterly local hire reporting will be required.

Respectfully Submitted by: 
LA SHELLE DOZIER
Executive Director

Approved as to form: 
Agency Counsel

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APPROVED AS TO FORM:

CITY ATTORNEY

Background Information

Project Description:

At completion Del Paso Nuevo is a 154-acre master planned community that will provide more than 300 new homes in the former Del Paso Heights Redevelopment Area (Attachment 1). The design guidelines for Del Paso Nuevo reflect new urban planning principles intended to create a sustainable, ethnically diverse, mixed-income neighborhood that includes supportive civic and commercial land uses. In 1997, this area received a Homeownership Zone Designation from the U.S. Department of Housing and Urban Development (HUD) and more than \$10 million in federal loan guarantees and grants for the project. In return, at least 51% of the homes in Del Paso Nuevo must be sold at affordable prices to families that earn no more than 80% of the area median income.

To date, three of the six distinct phases in this master planned development have been completed, including the construction of 77 new for-sale single-family homes and two community parks. The remaining phases IV – VI are further described below.

Phase IV: This phase is located north of Nuevo Park and south of South Avenue within the former Del Paso Heights Redevelopment Area (see Attachment 2). A Request for Qualifications (RFQ) for this phase of Del Paso Nuevo was issued in 2003. In 2005, Del Paso Nuevo, LLC was selected as Developer for the project. In 2007 the Developer purchased the land from the Redevelopment Agency of the City of Sacramento and entered into a Disposition and Development Agreement to subdivide and develop 81 finished lots and to construct 81 for-sale single-family homes.

The unit mix in Phase IV consists of four individual floor plans with a mix of one and two story homes ranging from two to five bedrooms. Each plan offers a front porch and architectural styles that meet the Del Paso Nuevo Specific Plan Design Guidelines.

Using only conventional Bank construction financing, the Developer completed the required infrastructure, street improvements, and 81 finished lots in the phase. The Developer then built four model homes and completed the first 10 for-sale homes using this same source of financing. However, demand for new housing was significantly impacted by the rapid decline in the economy and housing market, and the original 10 homes sold very slowly and at prices below original estimates. As a result of declining home values, the construction lender declined to provide funding for additional new home construction. In late 2009 the Developer obtained funds to refinance the remaining unpaid Bank debt, but could not locate another construction lender to continue the project. As a result, in early 2010 the Developer requested a construction loan directly from the Agency to provide the estimated financing needed to complete the 67 remaining homes in the project.

On April 6, 2010 the former Redevelopment Agency of the City of Sacramento adopted a resolution to lend \$2.2 million of previously allocated Del Paso Nuevo Tax Increment funds on a revolving basis to construct the final 67 single family residences. Constructing ten homes at a time, loan funds disbursed by the Agency for construction were then repaid from the net sales proceeds of each home. Once the first set of 10

homes had been constructed and sold, the recaptured funds were then re-loaned to the Developer to construct the next 10 homes.

Initially both home prices and demand were depressed, resulting in significant additional holding costs and losses. However, both prices and demand have subsequently improved to the point that the most recent set of 10 new homes were sold out prior to completion of construction and sales prices at and slightly above breakeven.

Unfortunately, with the dissolution of redevelopment and expiration of the original DDA, all funds recaptured from the most recent set of 10 homes are no longer available as a revolving loan fund to complete this project.

The total number of homes constructed to date in Phase IV is 44 including four model homes and 40 for-sale homes. All 40 of the for-sale homes have been sold including 22 to low-income families at affordable prices. With the new financing in place, the remaining 37 homes including 20 additional affordable units will be constructed and Phase IV of Del Paso Nuevo will be completed.

Phase V: This phase is located near the southeast corner of Nuevo Park (see Attachment 1). A Request for Qualifications (RFQ) for Phase V was issued in 2003. In 2005, a Developer was selected and a Disposition and Development Agreement was authorized.

In early 2007, the Developer purchased the land from the Agency and began the process of subdividing the property into 95 finished lots. Using Bank construction financing, the infrastructure was completed and four model homes constructed. Unfortunately, prior to completion of additional homes the project stalled and construction officially stopped in late October 2007. The construction lender then filed Notice of Default for non-performance in April 2008 and commenced the foreclosure process.

To protect its interest and preserve the affordability restrictions, the Agency was granted authority to bid at the January 2009 trustee sale and purchased the Phase V subdivision, including 91 lots and four model homes. The lots and the model homes have been secured and are maintained by the Housing Authority of the City of Sacramento. In April of 2010 the Agency received approval to rent the model homes which eliminated vandalism and provided a nominal source of income to help defray ongoing maintenance costs.

As prices and demand for new single-family homes has improved, a Request for Qualifications was issued in December of 2013 to identify and attract new developers. It is anticipated that a staff report requesting approval to transfer the property will be presented this summer. Preliminary development plans indicate no additional subsidy will be necessary to complete this phase.

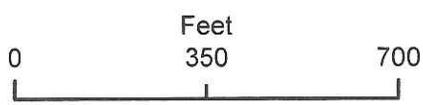
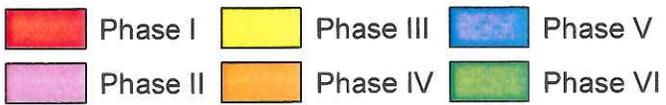
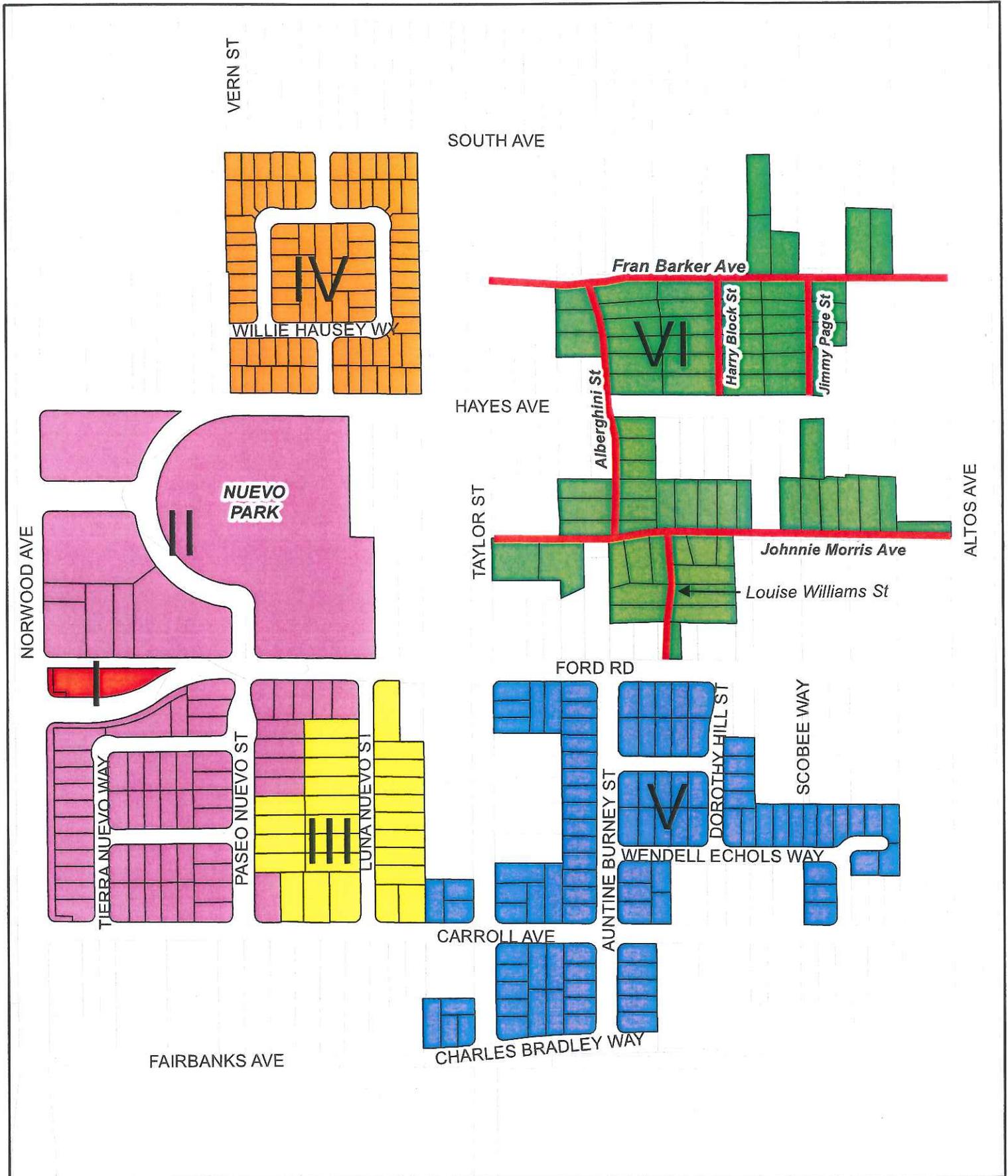
Phase VI: This phase is located in the northeast portion of Del Paso Nuevo. The Agency completed all property acquisitions for Phase VI. The subdivision tentative map for 72 new homes was approved and construction of the infrastructure improvements and 72 finished lots was completed in August of 2013. The subdivision final map has been submitted and is anticipated to be approved in April of 2014.

Developer:

John Griffin is the President of Del Paso Homes, Inc. Mr. Griffin comes from a family that has built thousands of homes, mostly in Southern California. Since moving to Sacramento in 2000, he has developed 325 homes and seven commercial parcels at Cambay West. He administered the purchase of 80 acres in South Natomas known as Fong Ranch/Parke Bridge which achieved entitlement of 540 housing units. To date he has constructed 44 new homes in the Del Paso Nuevo master planned community. Mr. Griffin has served as Chair of the North State Building Industry Association Board and continues to be an active member of the organization.

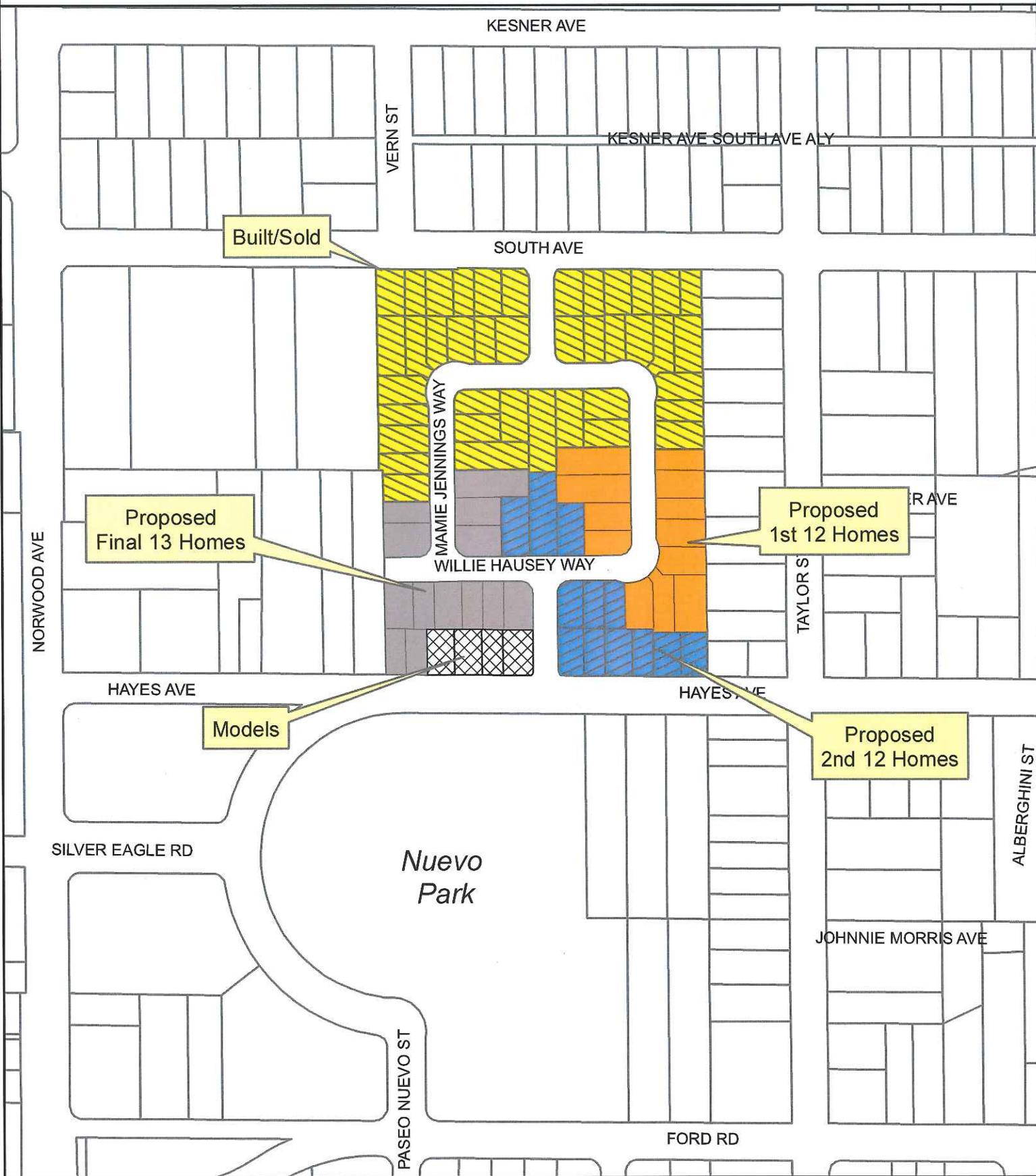


Del Paso Nuevo - Phases I through VI





Del Paso Nuevo Phase IV



-  Model
-  Proposed 2nd 12 Homes
-  Built/Sold
-  Proposed Final 13 Homes
-  Proposed 1st 12 Homes

N



0 100 200 Feet



Map Date: March 14, 2014

Del Paso Nuevo Phase IV

12 Homes

<u>Number of Homes</u>	12 (1st Set of 37 Total Homes)		
<u>Affordability</u>	5 units at or below 80% of Area Median Income		
<u>Project Mix</u>	<u>Square Feet</u>	<u># of Units</u>	<u>Est.Price</u>
Plan 1 - 2 Bedrooms	768	2	\$ 135,000
Plan 2 - 3 or 4 Bedrooms	1,253	3	159,000
Plan 3 - 4 Bedrooms	2,034	3	235,000
Plan 4 - 4 or 5 Bedrooms	<u>2,370</u>	<u>4</u>	<u>257,000</u>
Total	20,877	12	\$ 2,480,000
Average	1,740	1	\$ 206,667
<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>	
Existing SHRA Land Loan	\$ 120,000	\$ 10,000	
New SHRA Revolving Construction Loan	975,000	81,250	
New Bank Construction Loan	1,250,000	104,167	
Sales Proceeds for Closing Costs	<u>130,000</u>	<u>10,833</u>	
Total Sources	\$ 2,475,000	\$ 206,250	
<u>Uses</u>	<u>Total</u>	<u>Per Sq.Ft.</u>	<u>Per Unit</u>
Existing SHRA Land Loan	\$ 120,000	\$ 5.75	\$ 10,000
Construction Costs	1,626,000	77.88	135,500
Building, Planning, School Fees	252,000	12.07	21,000
Architecture	8,000	0.38	667
Construction Loan Interest	71,000	3.40	5,917
Insurance/Marketing/Property Taxes/Other	148,000	7.09	12,333
Closing Costs	130,000	6.23	10,833
Developer Fee	<u>120,000</u>	<u>5.75</u>	<u>10,000</u>
Total Uses	\$ 2,475,000	\$ 118.55	\$ 206,250
<u>Developer</u>	Del Paso Homes, Inc. John Griffin, President		

Del Paso Nuevo Phase IV

37 Homes

<u>Number of Homes</u>	37 (Built out in three sets: 12, 12, and 13 homes)		
<u>Affordability</u>	20 units at or below 80% of Area Median Income		
<u>Project Mix</u>	<u>Square Feet</u>	<u># of Units</u>	<u>Est. Avg. Price</u>
Plan 1 - 2 Bedrooms	768	8	\$ 145,000
Plan 2 - 3 or 4 Bedrooms	1,253	11	180,000
Plan 3 - 4 Bedrooms	2,034	9	262,000
Plan 4 - 4 or 5 Bedrooms	<u>2,370</u>	<u>9</u>	<u>279,000</u>
Total	59,563	37	\$ 8,009,000
Average	1,610	1	\$ 216,459
<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>	
Existing Land Development Loan	\$ 555,000	\$ 15,000	
Existing SHRA Land Loan	370,000	10,000	
New SHRA Revolving Construction Loan	2,925,000	79,054	
New Bank Construction Loan	3,750,000	101,351	
Sales Proceeds for Closing Costs	<u>400,000</u>	<u>10,811</u>	
Total Sources	\$ 8,000,000	\$ 216,216	
<u>Uses</u>	<u>Total</u>	<u>Per Sq.Ft.</u>	<u>Per Unit</u>
Existing Land Development Loan	\$ 555,000	\$ 9.32	\$ 15,000
Existing SHRA Land Loan	370,000	6.21	10,000
Construction Costs	4,830,000	81.09	130,541
Building, Planning, School Fees	775,000	13.01	20,946
Architecture	24,000	0.40	649
Construction Loan Interest	231,000	3.88	6,243
Insurance/Marketing/Property Taxes/Other	445,000	7.47	12,027
Closing Costs	400,000	6.72	10,811
Developer Fee	<u>370,000</u>	<u>6.21</u>	<u>10,000</u>
Total Uses	\$ 8,000,000	\$ 134.31	\$ 216,216
<u>Developer</u>	Del Paso Homes, Inc. John Griffin, President		

RESOLUTION NO. 2014 –

Adopted by the Housing Authority of the City of Sacramento

on the date of

DEL PASO NUEVO PHASE IV PROJECT: AUTHORIZING EXECUTION OF OWNER PARTICIPATION AGREEMENT AND RELATED DOCUMENTS WITH DEL PASO HOMES, INC.; AUTHORIZING THE ASSIGNMENT TO SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY OF THE \$370,000 BALANCE OF THE EXISTING LAND LOAN FROM THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Del Paso Homes, Inc. has applied to Sacramento Housing and Redevelopment Agency for a revolving construction loan of up to Nine Hundred Seventy Five Thousand Dollars (\$975,000) of City Housing Trust Funds (HTF) to assist in funding the phased construction of twenty (20) single-family homes in the Del Paso Nuevo Phase IV project that will be affordable to families earning 80% or less of area median income; and
- B. The Del Paso Nuevo Phase IV project qualifies for City HTF under both the Sacramento Housing and Redevelopment Agency guidelines and the City Housing Trust Fund ordinance and related program guidelines; and
- C. In conjunction with a Bank construction loan in the minimum amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) the Developer will complete the construction of all 37 total homes remaining to be built in the project in three phases of 12, 12, and 13 homes respectively.
- D. The Developer has requested that the Housing Authority of the City of Sacramento, along with the Sacramento Housing and Redevelopment Agency, enter into an Owner Participation Agreement to facilitate completion of the project and enter into a new Promissory Note secured by deed of trust in the amount \$370,000 which is the balance of the existing land loan now held by the Housing Authority of the City of Sacramento; and
- E. The impacts of the entire Del Paso Nuevo project were evaluated in accordance with CEQA and a Mitigated Negative Declaration was adopted for the project. This action does not constitute a new project or a change in the project under CEQA; therefore, no further environmental review is required per CEQA Guidelines Sections 15378 and 15162.; and

- F. A Finding of No Significant Impact was made pursuant to the National Environmental Policy Act (NEPA) for the Del Paso Nuevo Project and the data and conditions upon which it was based remain unchanged. There is no federal funding associated with this action and there has been no change in the scope of work and there are no new circumstances that would have any direct or indirect effect on the environment that was not previously considered. Therefore, no further action under National Environmental Policy Act (NEPA) is required.

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

- Section 1. The above recitals, including the environmental recitals, are found to be true and correct.
- Section 2. Subject to City Council approval, the Executive Director or her designee is authorized to amend the Agency budget to allocate an additional Nine Hundred Seventy Five Thousand Dollars (\$975,000) of City Housing Trust funds to the Del Paso Nuevo Phase IV project.
- Section 3. The Executive Director, or her designee, is authorized to terminate the existing Disposition and Development Agreement and to execute a new Owner Participation Agreement with Developer and to execute all related standard Agency loan documents in a form approved by Agency Counsel in accordance with the staff report accompanying this resolution, and in accordance with all applicable laws, regulations, and policies regarding the making of the Loan and the use of the allocated funds for the Project. The Loan may be subordinated if such subordination is required to obtain primary financing.
- Section 4. The Executive Director is authorized to assign the existing land loan promissory note and its deed of trust with a remaining amount of \$370,000 which is the balance of the existing land loan now held by the Housing Authority of the City of Sacramento to be included in the funding associated with the Owner Participation Agreement.
- Section 5. It is found that an economically feasible alternative to financing is not reasonably available on comparable terms and conditions without subordination of the existing loan. Authorization is therefore granted to subordinate the existing loan.

RESOLUTION NO. 2014 –

Adopted by the Sacramento City Council

on the date of

DEL PASO NUEVO PHASE IV PROJECT: AUTHORIZING \$975,000 CITY HOUSING TRUST FUNDS FOR A REVOLVING CONSTRUCTION LOAN; EXECUTION OF OWNER PARTICIPATION AGREEMENT AND RELATED DOCUMENTS WITH DEL PASO HOMES, INC.; RELATED BUDGET AMENDMENT, AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Del Paso Homes, Inc. has applied for a loan of up to \$975,000 of City Housing Trust Funds (HTF) to assist in funding the phased construction of 20 single-family homes in the Del Paso Nuevo Phase IV project that will be affordable to families earning 80 percent or less of area median income.
- B. The Del Paso Nuevo Phase IV project is consistent with the City HTF Ordinance and with the adopted Housing Trust Fund Program guidelines except as noted below. It is also consistent with Sacramento Housing and Redevelopment Agency financing and program guidelines.
- C. In conjunction with a private construction loan in the minimum amount of \$1,250,000 the Developer will complete the construction of 37 total homes remaining to be built in the project in three phases of 12, 12, and 13 homes respectively.
- D. To facilitate completion of the project, the Developer has requested it assume the \$370,000 balance of the existing land loan originally made by the former Redevelopment Agency of the City of Sacramento and now held by the Housing Authority of the City of Sacramento as its successor in interest.
- E. The impacts of the entire Del Paso Nuevo project were evaluated in accordance with the California Environmental Quality Act (CEQA) and a Mitigated Negative Declaration was adopted for the project. This action does not constitute a new project or a change in the project under CEQA; therefore, no further environmental review is required per CEQA Guidelines Sections 15378 and 15162.
- F. A Finding of No Significant Impact was made pursuant to the National Environmental Policy Act (NEPA) for the Del Paso Nuevo Project and the data and conditions upon which it was based remain unchanged. There is no federal funding associated with this action and there has been no change in the scope of

work and there are no new circumstances that would have any direct or indirect effect on the environment that was not previously considered. Therefore, no further action under National Environmental Policy Act (NEPA) is required.

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

- Section 1. All of the evidence having been duly considered, the facts as stated in the Background above are found to be true and correct.
- Section 2. The Sacramento Housing and Redevelopment Agency (Agency) is authorized to amend the Agency budget to allocate \$975,000 of City Housing Trust funds to the Del Paso Nuevo Phase IV project.
- Section 3. The Agency is authorized to enter in an Owner Participation Agreement with, and make a \$975,000 revolving construction loan to, Del Paso Homes, Inc. or related entity for the financing of the Del Paso Nuevo Phase IV ("Loan"), on standard Agency documents in forms as approved by Agency Counsel.
- Section 4. The Agency is authorized to make this Loan without a Notice of Funding Availability and with individual regulatory agreements on the regulated homes having terms of 15-years as permissible exceptions under the City Housing Trust Fund Program guidelines.
- Section 5. The Agency is authorized to accept the assignment of the existing land loan promissory note and its deed of trust with a remaining amount of \$370,000, which is the balance of the existing land loan, from the Housing Authority of the City or Sacramento to be included in the funding associated with the Owner Participation Agreement.
- Section 6. The Agency is authorized to enter into and execute all other documents, as approved to form by Agency Counsel, and perform other actions necessary to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.

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Exhibit A – Owner Participation Agreement

Exhibit B – Construction and Permanent Loan Agreement

OWNER PARTICIPATION AGREEMENT

Del Paso Nuevo IV

New Construction of 37 For-sale Single-family Homes
Del Paso Heights, Sacramento, California

**Sacramento Housing and Redevelopment Agency
Housing Authority of the City of Sacramento
and
Del Paso Homes, Inc.**

April 30, 2014

OWNER PARTICIPATION AGREEMENT
Del Paso Nuevo IV
New Construction of 37 For-sale Single-family Homes
Del Paso Heights, Sacramento, California

For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 14.

The Sacramento Housing and Redevelopment Agency along with the Housing Authority of the City of Sacramento (collectively "Agency"), and Del Paso Homes, Inc., a California corporation ("Developer"), enter into this Owner Participation Agreement ("OPA"), as of April 30, 2014.

RECITALS

Developer is the owner of real property located in the City of Sacramento, California, as more particularly described in the Legal Description. The Property is located in the former Del Paso Heights Redevelopment Project Area and is the fourth phase of the Del Paso Nuevo Project.

A. The Agency is participating in this OPA because this OPA is consistent with, and furthers, the policies of the Housing Trust Fund of the City of Sacramento and the Agency. Specifically and without limitation, the Agency has determined that the Project will increase and improve the supply of low- or moderate-income housing in the community by completing the Del Paso Nuevo IV phase of the Del Paso Nuevo Project.

B. On March 7, 2005, the Redevelopment Agency of the City of Sacramento entered into that certain Disposition and Development Agreement for Del Paso Nuevo IV ("DPN IV") with the Housing Authority of the City of Sacramento. On March 8, 2005, the Housing Authority entered into that certain Assignment and Assumption Agreement by and between the Housing Authority and the Griffin Homebuilding Group, LLC, a Delaware limited liability company, pursuant to which the Griffin Homebuilding Group assumed the rights and obligations of the Housing Authority under the DDA. On August 23, 2006, the Griffin Homebuilding Group, LLC entered into that certain Assignment and Assumption Agreement by and between the Griffin Homebuilding Group, LLC and Del Paso Nuevo, LLC, a California limited liability company, pursuant to which Del Paso Nuevo, LLC assumed the rights and obligations of the Griffin Homebuilding Group, LLC under the DDA. On May 1, 2007, the Agency and Del Paso Nuevo, LLC entered into that certain First Amendment to Disposition and Development Agreement, recorded in the Official Records on May 8, 2007 in Book 20070508 at Page 1305, further amended by mutual agreement on January 10, 2008 and May 21, 2010.

C. Among other things, the DDA required that Del Paso Nuevo, LLC create 81 finished lots and construct 81 new homes thereon, fifty-one percent (51%) of which must be sold to families of low or moderate income, as certified by the Agency, for prices that result in an annual housing cost that does not exceed thirty percent (30%) of eighty percent (80%) Area Median Income (AMI) of the Sacramento Metropolitan Statistical Area median income. The DDA also required

Del Paso Nuevo, LLC to be responsible for providing homebuyer education to prospective buyers.

D. In the DDA the Property was determined to have a fair market value of \$10,000 per lot. Five finished lots were conveyed to Del Paso Nuevo, LLC at no cost. The remaining 76 lots were conveyed at fair market value totaling \$760,000 using an Agency seller carry-back loan, to be repaid at \$10,000 per parcel upon the sale of each newly constructed home. Del Paso Nuevo, LLC obtained additional private financing for the Project, to be repaid upon the sale of each newly constructed home.

E. In 2011 the California Legislature enacted AB 1x 26, which when coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and pursuant to that legislation, the housing assets and functions of the former redevelopment agency were transferred to Housing Authority of the City of Sacramento, and such items included among other things, oversight responsibility for the Del Paso Nuevo Project and specifically, but not limited to, Del Paso Nuevo IV.

F. The DDA expired on June 30, 2013 and the funding associated with Del Paso Nuevo IV was terminated by the California Department of Finance because the revolving fund had been started with tax increment monies. Accordingly, the DDA has terminated and is no longer in effect with respect to the Property.

G. Consistent with and in furtherance of Agency goals and purpose, and of the Housing Trust Fund of the City of Sacramento, this OPA provides that Developer will develop the Property in the manner and for the uses described in this OPA. Therefore, Developer desires to develop the Property, and Agency desires to assist development of the Property, on the terms and conditions in this OPA.

H. Through its purchase of the Property, Developer is agreeing to repay certain existing financing, as described in Recital D and Sections 2.1 and 2.2, which equals or exceeds the fair market value of the Property. Agency's assistance of the Project is limited to certain market-rate financing as described in this OPA.

AGREEMENT

NOW THEREFORE, in consideration of the following mutual covenants, obligations and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. PROJECT DESCRIPTION. The Project is the new construction of 37 single-family homes in accordance with Exhibit 2 – Scope of Development with Twenty (20) Regulated Homes to be constructed with Agency funds and sold to and occupied by residents whose incomes do not exceed 80% of the Area Median Income. Agency funds will be limited to the construction of the 20 Regulated Homes. Construction of all 37 new homes on the 37 remaining finished lots of Del Paso Nuevo IV shall be subject to the Del Paso Nuevo Specific Plan Guidelines. Any change in

the project from that which is described in Exhibit 2 requires advance written approval of the Agency.

1.1. TERMINATION OF DDA. Agency agrees to execute a quitclaim deed or other similar document, which shall, to the reasonable satisfaction of the Escrow company and Developer, formally terminate the DDA and release the Property from the DDA in a form suitable for recording in the Official Records of Sacramento County.

1.2. RESCISSION OF REGULATORY AGREEMENT. Agency agrees to execute a quitclaim deed or other similar document, which shall, to the reasonable satisfaction of the Escrow company and Developer, formally terminate the Regulatory Agreement and release the Property from the Regulatory Agreement in a form suitable for recording in the Official Records of Sacramento County.

2. PROJECT FINANCING. Agency is providing funding to the Project in the form of market rate loans to be repaid in full on or before a date certain for development of the Project. As a condition of Agency's obligation to provide the Agency Funding and in consideration of the Agency Funding, Agency is accepting from Developer, and Developer is providing to Agency, an operating covenant to assure the operation of the Twenty (20) Regulated Homes as described in Section 1, as well as other obligations and restrictions, including without limitation, use restrictions and restrictions on amounts that can be charged on sale or rental of the Twenty (20) Regulated Homes, in substantially the same form as the Regulatory Agreement. All terms regarding Agency funding are in the Agency Funding Agreement, including without limitation, the source and use of funds. Among other things, the Agency Funding Agreement provides for market rate lending terms, including the payment of interest and repayment by Developer upon completion of homes in the Project. Nothing in the Agency Funding Agreement provides for any subsidy to Developer or other waiver, credit or release from Developer's obligation to pay the SHRA Land Loan or the SHRA Construction Loan in full.

2.1 AGENCY FUNDING FOR THE LAND. The Redevelopment Agency of the City of Sacramento and Developer's predecessor in interest entered into that certain DDA as described in Recital B. The disposition of the Property pursuant to that DDA required Developer's predecessor in interest to enter into certain regulatory agreements and to pay Agency \$10,000 as each finished home was sold. Developer's predecessor in interest executed a promissory note for \$760,000 secured by a deed of trust recorded against all of the Property. The Agency is relying on the Developer's acknowledgement and acceptance of a new Regulatory Agreement to encumber the Twenty (20) Regulated Homes. The Parties agree to terminate the existing promissory note and deed of trust and enter into a new note for the remaining balance of \$370,000 (the "SHRA Land Loan") which shall be secured by a deed of trust which shall be recorded against the Property at the close of Escrow.

2.2 PRIVATE FUNDING FOR THE LAND DEVELOPMENT. Del Paso Nuevo, LLC executed a promissory note to Pegasus NAC Investments, Inc., a California corporation ("Pegasus") for \$790,000 secured by a deed of trust recorded against all of the Property that was used for land development. Pegasus has agreed to terminate this existing loan and execute a new loan to finance Developer's purchase of the Property. Prior to the close of Escrow, Developer shall

execute a promissory note in the amount of five hundred and fifty five thousand dollars (\$555,000) (the "Senior Land Loan").

2.2.1 PRIORITY OF SENIOR LAND LOAN. The Senior Land Loan shall be secured by a deed of trust which shall be recorded against the Property at the close of Escrow. At the close of Escrow, the lien of the Senior Land Loan shall be subordinated to the lien of the SHRA Land Loan and the SHRA Construction Loan. However, this subordination of the Senior Land Loan shall only include the collateral within the first phase of development, or the first twelve (12) homes to be constructed by Developer. Prior to the close of Escrow, Lender will execute and deliver in a form suitable for filing in the Official Records, a subordination agreement which shall subordinate the SHRA Land Loan and the SHRA Construction Loan to the lien of the Senior Land Loan with respect to those lots on the Property described as lots 30 through 39, 44 through 52, and 72 through 77 as shown on that certain map entitled "Del Paso Nuevo Unit 4 Subdivision" filed on February 19, 2008 in Book 373 of Maps, Page 4 in the Official Records of Sacramento County.

2.3 AGENCY FUNDING FOR NEW CONSTRUCTION. The Agency shall provide funding for construction of the Twenty (20) Regulated Homes as provided in the Funding Agreement, which shall be evidenced by a promissory note in the amount of nine hundred and seventy-five thousand dollars (\$975,000) (the "SHRA Construction Loan") and secured by a deed of trust which shall be recorded against the Property at the close of Escrow.

2.4 PRIVATE CONSTRUCTION LOAN. Developer is constructing the Project using the proceeds of a private construction loan from a commercial lending institution ("Lender"). Agency acknowledges that Lender will not provide this private construction loan ("Bank Loan") unless Agency agrees to subordinate the priority of the SHRA Land Loan, the SHRA Construction Loan and this Agreement to the Bank Loan. Accordingly, Agency agrees that nothing in this Agreement or the Agency Financing Agreement is intended to or shall interfere with the security interest of Lender. Agency shall execute further subordination and related agreements, including an amendment of this Agreement, as necessary to effectuate the purposes of this Section 2.4.

2.5 REPAYMENT OF PROJECT FINANCING. Agency, Lender and Developer will each be repaid in certain amounts upon Developer's sale of each completed home on the Property to an eligible third party buyer. In relation to the Twenty (20) Regulated Homes, an eligible third-party buyer must be an owner occupant with a household income of not more than 80% of the Area Medium Income as adjusted for family size.

a) **CALCULATION OF REPAYMENT AMOUNTS.** The calculation of the repayment of the Bank Loan, SHRA Construction Loan, Senior Land Loan and SHRA Land Loan shall be made upon the sale of each newly constructed home to an eligible third party buyer as described in this Subsection. The repayments shall be made upon the sale of each completed home constructed on the Property and shall continue until each respective loan is repaid in full. The sales proceeds shall be distributed in the following order:

- 1) Repay 120% of the prorated share of Bank Loan until repaid in full.

- 2) Repay the prorated portion of Senior Land Loan (\$0 per home for the first 12 homes, then \$22,200 plus 4.0% simple interest for each home thereafter).
- 3) Repay prorated portion of SHRA Land Loan (\$10,000 plus 4% interest per home).
- 4) Pay Developer Fee of \$10,000 per home.
- 5) Pay Developer warranty reserve (\$0 per home for the first 12 homes, then \$4,200 per each home thereafter).
- 6) Balance of Sales Proceeds to repay SHRA Construction Loan until repaid in full.
- 7) In the event that repayment in full of the SHRA Construction Loan does not occur from the sale of the 20 Regulated Homes, excess sales proceeds remaining after repayment of all customary closing costs, existing land loans, Developer Fee, and Bank Loan from the sale of the 17 Non-regulated Homes shall be applied to the unpaid balance of the SHRA Construction Loan until repaid in full.

3. PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS. This OPA is a financing document of the Agency and not a land use or planning document. Approval of the Project under this OPA by the Agency is not and shall not be considered an approval of land use entitlements or structural design of the Project, or the aesthetic design of the Project except as an approval by the Agency of the Project design concept as presented in this OPA. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each governmental agency acting in proper exercise of their respective jurisdictions, including without limitation, departments, staff, boards and commissions of the City. The Agency shall have the right, but not the obligation, to review Plans to assure their conformity with the provisions of this OPA and approvals given under this OPA. Based upon such review, the Agency shall have the right to approve or reject the Plans for reasonable cause. Agency's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Agency's approval of Plans is not an assurance of their adequacy or correctness. Agency has reserved approval rights solely: (a) to assure that the Plans further the Redevelopment Plan; (b) to assure that the Final Plans conform to the Preliminary Plans; and (c) to assure that any Agency funds which may be obligated under this OPA are used as intended by the Agency.

4. DEVELOPMENT PROVISIONS. As stated in detail in this Section 4, Developer shall construct and manage the Project according to the requirements established in this OPA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this OPA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the Community Redevelopment Law shall control.

4.1. CONSTRUCTION CONTRACTS. Developer shall submit to Agency the construction contract for the Project. Agency's review of the construction contract shall be only for determining its compliance with this OPA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer's cost, the construction of the Project in accordance with this OPA.

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

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

4.4. LOCAL, STATE AND FEDERAL LAWS. The Developer shall assure that the construction of the Project is carried out in conformity with all applicable laws and regulations, including all applicable federal and state labor standards. Developer acknowledges and agrees that all wage and hour laws and other labor laws as applicable, including without limitation prevailing wage requirements, are the sole responsibility of Developer and Developer's contractors and subcontractors. Developer and its contractors and subcontractors have undertaken to ascertain the applicability of such laws prior to preparation of the final Project budget and have included the costs, if any, arising from such laws in the final Project budget. Developer shall keep, or cause to be kept, all records and make all payments, of any kind, that may be required for compliance with said laws and regulations. Before commencement of construction or development of any buildings, structures or other work of improvement upon the Property, Developer shall at its own expense secure any and all certifications and permits which may be required by any governmental agency having jurisdiction over such construction, development or work. Developer shall permit only persons or entities which are duly licensed in the State of California, County of Sacramento and City of Sacramento, as applicable, to perform work on or for the Project.

4.5. PREVAILING WAGES. This is a market rate loan. All principal and interest is to be repaid in full on or before the Maturity Date and therefore the Project is not subject to prevailing wages. If Developer obtains other non-qualifying public subsidy, Borrower shall pay prevailing wages for the Project. Therefore, Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs,

arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them.

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

4.7. NONDISCRIMINATION IN CONTRACTING AND EMPLOYMENT. Developer for itself, any project manager, the Contractor, and the property manager engaged in connection with the Project or Property, and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

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

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

4.8. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS. The contract requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project. The Developer will instruct its General Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible by using the First Source Program:

(1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of phase of the Project;

(2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;

(3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;

(4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and

(5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, first and foremost, through the First Source Program.

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

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

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

4.12. CERTIFICATE OF COMPLETION. After the Agency has determined that Developer has completed the construction of each home on the Property in accordance with the Final Plans and Developer's obligations under this OPA, the Agency will furnish the Developer with a "Certificate of Completion" certifying such completion. Such certification shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the OPA with respect to the obligations of the Developer to construct each home on the Property as of the Completion Date, subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute each Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

4.12.1. Upon the issuance of such certification, with respect to the parcel for which the certification is issued, Agency agrees to terminate this OPA in a form suitable for recording in the Official Records (if this OPA is recorded in the Official Records), execute and record a partial reconveyance of the deed of trust for the SHRA Land Loan, and execute and record a partial reconveyance of the deed of trust for the SHRA Construction Loan. Such certification and such determination shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. Such certification and such determination shall not

constitute evidence of compliance with or satisfaction of any provision of this OPA that is not related to construction of the Project.

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

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

4.14. NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS. Developer shall assure that the respective parties through the Project Documents have the responsibility of notifying the Project contractors, architects and engineers for the Project of the requirements of this OPA. Developer shall include, where applicable, the provisions of this OPA in construction contracts and subcontracts for the Project, and Developer shall undertake the enforcement of such provisions.

4.15. PROPERTY CONDITION. Except as provided in this OPA, if the condition of the Property is not in all respects entirely suitable for the use or uses to which the Property will be put, it is the sole responsibility and obligation of the Developer to take such reasonable actions as may be necessary to place the condition of the Property in a condition which is entirely suitable for its development in accordance with the construction plans and drawings approved by Agency.

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

4.17. NO WORK PRIOR TO CLOSE OF ESCROW. Prior to Close of Escrow, Developer shall not commence any work or take any action that might be construed as commencement of the work of the Project for establishment of mechanic's lien rights.

5. DEVELOPMENT FINANCING. Developer shall be responsible for and shall pay all costs of developing the Project except as otherwise provided in this OPA. As a condition precedent to Agency's obligation to provide the Agency Funding, Developer shall provide the Agency with a complete and firm Project budget including all proposed sources and uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this OPA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Agency, of the additional required construction and

permanent financing. Except as expressly provided in this OPA, no party shall have the right of reimbursement for any funds expended by them for the Project. Agency is not obligated by this OPA or otherwise to make any contribution beyond its obligations stated in this OPA.

5.1. EVIDENCE OF AVAILABLE FUNDS. Unless otherwise approved by the Agency, Developer's evidence of available funds must include only the following: (a) Developer equity (as provided in Section 5.3); (b) firm and binding loan commitments (as provided in Section 5.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this OPA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

5.2. COMMITMENT AND LOAN REQUIREMENTS. As a material obligation under this OPA, Developer shall assure that the loan documents for the Project are consistent with the Lender's commitment approved by the Agency and comply, in all respects, with this OPA. The Agency may reject a loan commitment unless such commitment: (a) is subject only to Lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have been previously provided to and approved by the Agency); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for an Agency Funding term not less than that specified in the Schedule of Performances for completion of construction and any additional time necessary to fulfill all conditions precedent to funding of permanent financing. The Agency may also reject any commitment if it is based upon sources and uses of Project funds that are different from those approved by Agency for the Project. The Agency may also reject any commitment that requires changes to the Project which conflict with this OPA, that requires amendment of this OPA or that requires the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party.

5.3. EVIDENCE OF DEVELOPER EQUITY. Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity by any one or more of the following actions: (a) a deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Developer's provision of financial statements prepared by a certified public accountant that show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity. Developer shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Developer profit or fees or Developer contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

6. USE COVENANTS. Developer shall own and manage the Property in accordance with the provisions of this OPA.

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

6.1. REGULATORY AGREEMENT. Developer covenants by and for itself, its heirs, executors, administrators, and all persons claiming under or through it, that the 20 Regulated Homes shall be used strictly in accordance with the provisions of the Regulatory Agreement.

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

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

This indemnification provision shall survive the termination of this agreement.

8. INDEMNIFICATION FOR HAZARDOUS SUBSTANCES. Developer shall indemnify, protect and defend Agency, its respective officers, directors, commission members, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees, penalties and claims related to: (a) the removal, discharge or release of Hazardous Substances on the Property after Developer has taken possession of the Property; or (b) the existence of Hazardous Substances on the Property, which were not on the Property prior to Developer's taking possession of the Property.

9. LIABILITY INSURANCE. With regard to this OPA, the Developer shall obtain and maintain, and require the contractor and subcontractors for the Project to obtain and maintain, such insurance as will protect them, respectively, from the following claims which may result from

the operations of the Developer, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person; claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations under this OPA.

9.1. LIABILITY INSURANCE POLICY LIMITS. Developer shall assure that the insurance required by this Section shall be written with a deductible of not more than TWENTY-FIVE THOUSAND DOLLARS (\$25,000).

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

9.3. COMPREHENSIVE GENERAL LIABILITY. Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as may be approved by Agency Counsel). Such insurance shall have limits of liability which are not less than \$2,000,000, each occurrence, for bodily injury coverage; \$2,000,000 aggregate, for products and completed operations coverage; \$1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

9.4. COMPREHENSIVE AUTOMOBILE LIABILITY. Comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having limits of liability which are not less than \$1,000,000.

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

9.6. INSURANCE PROVISIONS. Each policy of insurance required under this OPA shall be obtained from a provider licensed to do business in California and having a current Best's

Insurance Guide rating, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall contain the following provisions as applicable:

9.6.1. ADDITIONAL INSURED. During the term of construction, Agency shall be additional insured on all insurance policies, except the fire and hazard insurance and the worker's compensation policy, unless otherwise approved by Agency's legal counsel in writing.

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

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

9.6.4. FAILURE TO MAINTAIN. If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this OPA, the Agency shall have the right to purchase the insurance on Developer's behalf, and Developer shall promptly reimburse the full cost of such insurance to the Agency. If Developer fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

9.6.5. BLANKET COVERAGE. Developer's obligation to carry insurance as required under this Section 9 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Agency shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Agency will not be reduced or diminished thereby, and all of the other requirements of this Section 9 with respect to such insurance shall otherwise be satisfied by such blanket policy.

10. DEFAULTS AND REMEDIES. Except as otherwise provided in the OPA, if either party defaults in its obligations under this OPA, the defaulting party shall immediately commence and diligently proceed to cure the default within thirty (30) days after written notice of default from the other party or, if reasonable, such longer time as is reasonably necessary to remedy such default if such default cannot reasonably be cured within thirty (30) days for reasons beyond the control of the defaulting party, provided that the defaulting party shall promptly begin and diligently pursue such cure to completion. If the defaulting party does not promptly begin and diligently cure the default within a reasonable time, the other party may institute proceedings to cure the default, including without limitation, proceedings to compel specific performance by the defaulting party. Subject to any extension of time permitted by this OPA, a failure or delay by a party to perform any term or provision of this OPA constitutes a default of this OPA. As a

condition precedent to termination of the OPA under this Section, each party shall first tender the return of all property or funds received from or on behalf of the other party. After such return of property and funds and termination of the OPA, neither Agency nor Developer shall have any further rights against or liability to the other under the OPA except as expressly set forth in this OPA to the contrary.

10.1. OTHER RIGHTS AND REMEDIES. Upon the occurrence of any default, and the expiration of any applicable notice and cure period without a cure having occurred within the specified cure period, the non-defaulting party shall have the right to institute such actions as it may deem desirable to remedy a default of this OPA as allowed under this OPA, at law or in equity

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

10.3. ATTORNEY'S FEES AND RELATED COSTS. If an action is commenced between the parties, the prevailing party in that action shall be entitled to recover from the non-prevailing party all reasonable attorney fees and costs, witness fees, arbitrator's fees, and court and arbitration costs. The term "prevailing party" shall include without limitation, the party who receives performance from the other party for an alleged breach of contract or a desired remedy where the performance is substantially equal to the relief sought in an action; the party who receives any award for relief through arbitration; or the party determined to be the prevailing party by a court of law. In any event, the prevailing party shall mean the party receiving a judgment, ruling or award that is more favorable than the last firm offer of settlement made by such party. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

11. ENCUMBRANCE OF PROPERTY AND LENDER PROTECTIONS. Before issuance of a Certificate of Completion, the Developer may, upon written Agency approval, obtain a Loan and encumber the Property as security for the Loan, provided either that the proceeds of the Loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the Loan is permanent project financing made upon usual and customary and commercially reasonable terms. Agency approves the Project Financing as described in Section 2, including the Bank Loan and Senior Land Loan described in that Section. After issuance of a Certificate of Completion, the Agency shall have no rights of approval regarding financing secured by the Property. As a condition to Agency's approval of a Loan, Developer shall provide the Agency with a conformed copy of all documents related to the Loan. Agency acknowledges that a Lender will rely upon this OPA in making the Loan and that Agency's obligations under this OPA are inducements to Lender's making of the Loan.

11.1. NOTICES. If the Agency gives any notice of default to Developer under this OPA, the Agency shall contemporaneously give a copy of such notice to each Lender who has requested such notice in the following form of request for notice at the address stated in the request for

notice. Any such default notice that is not so delivered to Lender shall not be effective or binding with regard to Lender or otherwise affect Lender, but failure to deliver such default notice to Lender shall not affect its validity with respect to Developer. Lender shall use the following form for requesting notice:

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Owner Participation Agreement dated _____ between the Redevelopment Agency of the City of Sacramento and Del Paso Homes, Inc. ("OPA"). Lender requests, in accordance with Section 11.1 of the OPA, that if any default notice shall be given to Developer under the OPA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

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

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

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

11.5. DEFAULT BY DEVELOPER. In the event of a default by Developer, Agency shall not terminate this OPA unless and until the Agency has given notice to Lender of such default, as provided in this Section 11.5 and Lender has failed to cure such default as provided in Section 11.5 provided, however that if such default cannot practicably be cured by the Lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this OPA) shall be tolled if and so long as:

11.5.1. Lender has delivered to the Agency, prior to the date on which Agency is entitled to give notice of termination of this OPA, a written instrument satisfactory to Agency in which Lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon Lender or its designee taking possession of the Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the Lender nor its designee shall be obligated to pay damages to the Agency on account of such default, except to the extent of any monies due and unpaid from Developer.

11.5.2. Lender or its designee has rights to obtain possession of the Property (including possession by receiver) through foreclosure, deed in lieu of foreclosure or otherwise, and Lender or its designee promptly commences and diligently proceeds to obtain possession of the Property, and if Lender is prevented by court action or by any statutory stay from prosecuting foreclosure proceedings, that Lender is diligently seeking relief from such action or stay; and

11.5.3. Upon receiving possession of the Property, Lender or its designee promptly commences and diligently proceeds to cure such default.

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

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

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

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

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

11.10. PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER. Developer shall not, prior to issuance of a Certificate of Completion, assign Developer's interests or obligations under this OPA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by the OPA, from any of its obligations under the OPA. With respect to this provision, the Developer and the parties signing the OPA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

12. DOCUMENT INTERPRETATION. This OPA shall be interpreted in accordance with the following rules.

12.1. INTEGRATED DOCUMENTS; SEVERABILITY. This OPA and the documents incorporated in this OPA are to be considered as one document and default of any of them shall be considered a default of all of them. This OPA, including the incorporated documents, integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. If any term or provision of this OPA shall, to any extent, be held invalid or unenforceable, the remainder of this OPA shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

12.2. CONFLICTING PROVISIONS. If conflicts are discovered in provisions of this OPA and such incorporated documents, this OPA shall control with regard to plan review and construction terms, the Agency Funding Agreement shall control with regard to funding terms and the Regulatory Agreement shall control with regard to affordability restrictions. In any event, the conflicts shall be construed so as to meet the intent of this OPA.

12.3. WAIVERS AND AMENDMENTS. All waivers of the provisions of this OPA must be in writing and signed by Agency or Developer, as applicable, and all amendments to this OPA must be in writing and signed by Agency and Developer. Any delay by Agency in asserting any rights under this Section shall not operate as a waiver of such rights or to deprive Agency of or limit such rights in any way. Any waiver in fact made by Agency with respect to any specific default by Developer under this Section shall not be considered as a waiver of the rights of Agency with respect to any other defaults by Developer under this Section or with respect to the particular default except to the extent specifically waived in writing.

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

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

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

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

12.8. GOVERNING LAW. This OPA shall be governed and construed in accordance with California law.

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

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

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

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

12.13. SUCCESSORS. This OPA shall inure to the benefit of and shall be binding upon the parties to this OPA and their respective heirs, successors, and assigns.

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

13.1. Addresses for notices are as follows:

13.1.1. Agency: Sacramento Housing and Redevelopment Agency, 801 12th Street, Sacramento, California 95814, Attention: Bern Wikhammer.

13.1.2. Developer: Del Paso Homes, Inc., 4120 Douglas Blvd., #306-375, Roseville, CA 95746; Attention: John Griffin.

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

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

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

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

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

14. DEFINITIONS.

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

14.2. "Agency Funding" means the SHRA Land Loan and the SHRA Construction Loan as those terms are defined in Section 2.

14.3. "Agency Funding Agreement" means the Construction and Permanent Loan Agreement for the SHRA Construction Loan and the Loan Agreement for the SHRA Land Loan.

14.4. "Bank Loan" is that certain private construction loan being provided to Developer for development of the Project as described in Section 2.4.

14.5. "Certificate of Completion" is the certificate issued by the Agency certifying Developer's completion of the construction of each home on the Property.

14.6. "CEQA" is the California Environmental Quality Act (commencing at Public Resources Code Section 21000), together with all rules and regulations promulgated under the statutes.

14.7. "City" is the City of Sacramento, a political subdivision of the State of California.

14.8. "Community Redevelopment Law" is the law governing redevelopment in the State of California and is found commencing at Health and Safety Code Section 33000.

14.9. "Completion Date" is the date on or before which Developer must complete the construction of the Project. The Complete Date for the Project is April 30, 2017.

14.10. "Construction Extension Fee" is the fee payable by Developer for each day by which the completion of construction is delayed beyond the date for completion of construction.

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

14.12. "Developer" is Del Paso Homes, Inc., a California corporation. Notwithstanding any other provision of this OPA, Developer may assign this OPA to a single asset entity in which Developer has a substantial interest and is the managing member, the general partner or the controlling shareholder and chief operations officer; provided that (i) the entity form and organizational documents have been approved by Agency Counsel, (ii) the new entity has agreed

in writing to be bound by all the provisions of this OPA and all agreements related to this OPA, and (iii) the entity has been approved in writing, in advance, by the Agency's Executive Director. The principal office of the Developer is located at 4120 Douglas Blvd., #306-375, Roseville, CA 95746.

14.13. "Developer Fee" means a \$10,000 fee that is collected by Developer from the sale of each home constructed on the Property.

14.14. "DDA" means the Disposition and Development Agreement described in Recital B and recorded in the Official Records on May 8, 2007 in Book 070508 at Pages 1302 through 1305 of the Official Records of the County of Sacramento.

14.15. "Escrow" is the escrow for the transactions contemplated by this OPA, including but not limited to Developer's acquisition of the Property and the Project financing described in Section 2.

14.16. "Escrow Instructions" means the escrow instructions for the close of the Escrow.

14.17. "Final Plans" are the full and final plans, drawings and specifications for the Project, which have been approved by the City Building Department and include all construction plans, drawings, specifications and other documents required to obtain all required building permits for the construction of the Project. The Final Plans incorporate any related mitigation measures that are required for compliance with CEQA. The Final Plans include all landscaping, on- and off-site work and artwork related to the Project. Except as approved by the Agency, the Final Plans conform in all material respects to all provisions of this OPA, including without limitation, the Preliminary Plans and the Scope of Development.

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

14.19. "Legal Description" is lots 30 through 39, 44 through 60, 72 through 81 as shown on that certain map entitled "Del Paso Nuevo Unit 4 Subdivision" filed on February 19, 2008 in Book 373 of Maps, Page 4 in the Official Records of Sacramento County. The Legal Description is attached as **Exhibit 1 - Legal Description**.

14.20. "Lender" shall include all holders of any lien or encumbrance held as security for the Bank Loan. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this OPA.

14.21. "Loan" is the loan or loans obtained from third parties for the construction or permanent financing, or both, of the Project.

14.22. "OPA" is this Owner Participation Agreement between Agency and Developer, including all documents incorporated in this OPA by reference.

14.23. "Preliminary Plans" are the Project designs prepared by the Project architect, Jeff DeMure and Associates/JDA. Agency has approved the Preliminary Plans concurrently with the approval of this OPA.

14.24. "Plans" shall mean either or both Preliminary Plans and Final Plans as the context may indicate.

14.25. "Project" is the construction of 37 homes on the Property by Developer according to the terms of this OPA.

14.26. "Project Area" is the Del Paso Heights Redevelopment Project Area, as defined in the Redevelopment Plan.

14.27. "Property" is that real property to be developed under this OPA, as more particularly described in **Exhibit 1 - Legal Description**. The Property includes all improvements contained within the Property.

14.28. "Redevelopment Plan" is the redevelopment plan for the Project Area (as it may be amended from time to time) for the Del Paso Heights Redevelopment Project Area as duly adopted by the City Council and currently active in the City.

14.29. "Regulatory Agreement" means the agreement recorded in the Official Records on June 29, 2010 in Book 20100629 at Page 1221 together with the Notice of Affordability Restrictions recorded in the Official Records on June 29, 2010 in Book 20100629 at Page 1222. The Regulatory Agreement containing covenants, conditions and restrictions, including without limitation, use restrictions, that run with the Property as a condition of Agency Funding.

14.30. "Schedule of Performances" is the schedule that establishes the dates by which obligations of the parties under this OPA must be performed and conditions of the OPA must be satisfied. The Schedule of Performances is attached as **Exhibit 3: Schedule of Performances**.

14.31. "Scope of Development" is the detailed description of the work to be done under this OPA for the Project. The Scope of Development attached as **Exhibit 2: Scope of Development**.

14.32. "Seventeen (17) Non-regulated Homes" and "17 Non-regulated Homes" means those homes to be constructed by Developer on lots within the Property described as lots 31, 32, 46, 48, 53, 55, 57, 59, 72, 73, 74, 75, 76, 77, 79, 80 and 81 as shown on that certain map entitled "Del Paso Nuevo Unit 4 Subdivision" filed on February 19, 2008 in Book 373 of Maps, Page 4 in the Official Records of Sacramento County.

14.33. "Twenty (20) Regulated Homes" and "20 Regulated Homes" means those homes to be constructed by Developer on lots within the Property described as lots 30, 33, 34, 35, 36, 37, 38, 39, 44, 45, 47, 49, 50, 51, 52, 54, 56, 58, 60 and 78 as shown on that certain map entitled "Del Paso Nuevo Unit 4 Subdivision" filed on February 19, 2008 in Book 373 of Maps, Page 4 in the Official Records of Sacramento County.

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

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

DEVELOPER :
DEL PASO HOMES, INC.

**AGENCY: SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY and HOUSING
AUTHORITY OF THE CITY OF SACRAMENTO**

By: _____
John Griffin, President

By: _____
La Shelle Dozier, Executive Director

Approved as to form:

Approved as to form:

Developer Counsel

Agency Counsel

Exhibit 1: Legal Description

LEGAL DESCRIPTION

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

LOTS 30 THROUGH 39, INCLUSIVE, 44 THROUGH 60, INCLUSIVE, 72 THROUGH 81 AS SHOWN ON THAT CERTAIN MAP ENTITLED "DEL PASO NUEVO UNIT 4 SUBDIVISION" FILED ON FEBRUARY 19, 2008 IN BOOK 373 OF MAPS, PAGE 4, SACRAMENTO COUNTY RECORDS.

APN: 250-0500-002 through 250-0500-011 (Affects Lots 30 through 39);
250-0500-016 through 250-0500-031 (Affects Lots 44 through 59);
250-0490-029 (Affects Lot 60);
250-0500-032 through 250-0500-040 (Affects Lots 72 through 80) and
250-0490-041 (Affects Lot 81)

Exhibit 2: Scope of Development

Scope of Development

Developer has submitted and the City has approved plans for single family homes consistent with the Del Paso Nuevo Design Guidelines. Product mix will consist of 2, 3, 4 and 5 bedroom homes ranging in size from approximately 753 square feet to 2,300 square feet. Minimum of four floor plans, three elevations and three color schemes per model will be provided. All units to include minimum one-car garage and minimum one full bathroom, and other features and amenities as provided in Developer's proposal for the Project. The City has determined that the homes meet Special Planning District Development Guidelines for Del Paso Nuevo. Developer has constructed and shall maintain a model home complex with four models that represent one of each floor plans being constructed.

A minimum of 51% of all of the units shall be sold at affordable prices to families earning no more than 80% of the Sacramento Metropolitan Statistical Area median income (AMI), as determined annually by the federal Department of Housing and Urban Development. For purposes of this agreement, an affordable housing price shall be deemed to be a price for which the monthly payments for principal, interest, taxes, insurance do not exceed thirty percent (30%) of the income of a family earning not more than 80% of the AMI as previously defined, as adjusted for family size appropriate to the size and number of bedrooms in the unit.

Developer will construct 37 homes of which 20 will be sold at affordable prices. Homes will be constructed in three respective phases of 12, 12, and 13 homes each as follows:

1st Phase: Regulated – 250-04900-029, 250-0500-030, 250-0500-028, 250-0500-026, 250-0490-038.
Non-Regulated – 250-0500-031, 250-0500-029, 250-0500-027, 250-0500-025, 250-0490-039,
250-0490-040, 250-0490-041.

2nd Phase: Regulated – 250-0500-024, 250-0500-023, 250-0500-022, 250-0500-016, 250-0500-017,
250-0500-019, 250-0500-021.
Non-Regulated – 250-0500-037, 250-0500-036, 250-0500-035, 250-0500-018, 250-0500-020.

3rd Phase: Regulated – 250-0500-002, 250-0500-005, 250-0500-006, 250-0500-007, 250-0500-008,
250-0500-009, 250-0500-010, 250-0500-011.
Non-Regulated – 250-0500-032, 250-0500-033, 250-0500-034, 250-0500-003, 250-0500-004.

The next successive phase will not begin until all homes in the previous phase have been constructed and sold.

Exhibit 3: Schedule of Performances

Schedule of Performance

#	Task	Target Dates*	Milestone Date*
1.	Approval of Building Permits – 1 st set of 12 homes	05/15/14	05/31/14
2.	Construction Start – 1 st set of 12 homes	05/31/14	06/15/14
3.	Construction Completion – 1 st set of 12 homes	11/30/14	01/15/15
4.	Sale of Homes - 1 st set of 12 homes.	12/31/14	02/28/15
5.	Approval of Building Permits – 2 nd set of 12 homes	01/31/15	03/15/15
6.	Construction Start – 2 nd set of 12 homes	01/15/15	03/15/15
8.	Construction Completion – 2 nd set of 12 homes	06/30/15	10/30/15
7.	Sale of Homes - 2 nd set of 12 homes.	07/31/15	10/30/15
9.	Approval of Building Permits – 3 rd set of 13 homes	08/01/15	12/01/15
10.	Construction Start – 3 rd set of 13 homes	08/01/15	02/15/16
11.	Construction Completion – 3 rd set of 13 homes	02/01/16	08/15/16
12.	Sale of Homes - 3 rd set of 13 homes.	03/01/16	10/15/16

* Target Dates represent the dates by which each task is anticipated to be completed based on information known at this time and assumes prompt execution of loan documents and no unanticipated delays in the permit or construction processes. Milestone Dates represent the dates by which the task will be completed. Either or both dates may be extended at the discretion of the Agency subject to its review and consideration of the circumstances that resulted in the delay. Regardless of changes in dates during the process, all tasks must be completed by the end of the 36 month term of the loan.

**CONSTRUCTION AND PERMANENT LOAN AGREEMENT
DEL PASO NUEVO IV
NEW CONSTRUCTION AND SALE OF 37 SINGLE-FAMILY HOMES**

WHEREAS, Sacramento Housing and Redevelopment Agency and Developer desire to complete the construction of new homes pursuant to the Owner Participation Agreement (OPA) and Agency Policy and, therefore, agree as follows:

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

LOAN. The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.

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

A. "LOAN INFORMATION" The general loan provisions of the Loan:		
"EFFECTIVE DATE"	April 30, 2014	Being the date as of which this Loan Agreement shall be effective.
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A joint powers agency	
Principal Address	801 12 th Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Del Paso Homes, Inc.	
Legal Status	A California corporation	
Principal Address	4120 Douglas Blvd., #306-375, Granite Bay, CA 95746	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	City Housing Trust Fund
"LOAN AMOUNT"	Nine Hundred Seventy-Five Thousand Dollars and No Cents (\$975,000.00)	
"INTEREST RATE"	The interest rate shall be Four Percent (4.0%) simple interest.	
"PAYMENT START DATE"	Repayment shall begin upon the sale of the first newly constructed regulated home and continue upon the sale of each subsequently constructed new regulated home and continue until the 20 regulated homes are constructed and the loan principal and interest is repaid in full or until the Maturity Date upon which all the outstanding principal balance and remaining interest of any and all funds which have been drawn down shall be repaid in full. In the event that repayment in full does not occur from the sale of the 20 regulated homes, Net Proceeds remaining after repayment of all customary closing costs, existing land loans, and Bank construction loan from the sale of the 17 non-regulated homes shall be applied to the unpaid balance of this loan until repaid in full.	
"MATURITY DATE"	The first day of the 36th calendar month following the Effective Date.	
"PAYMENT SCHEDULE"	Principal and Interest payments are deferred until sale of each home at which time they are paid in accordance with the Payment Schedule of the Promissory Note.	
"BORROWER EQUITY"	Five Hundred Thousand Dollars (\$500,000)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower invested in the Project.
	Non-cash Equity	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).

<p>“SPECIAL TERMS”</p>	<p>This market rate loan is being made pursuant to an Owner Participation Agreement (OPA). This loan shall operate in a manner similar to a line of credit in that Borrower will draw down proceeds necessary to construct new homes in three successive phases as described in the Scope of Development, pursuant to the disbursement requirements below, and then repay the amount drawn down upon sale of each finished home in each phase until the Loan is repaid in full upon completion of all homes in the phase. Subject to the Borrower’s performance and continued compliance, Lender will provide such repaid funds to Borrower to fund the construction of additional homes in successive phases up to an inclusive total of 20 regulated homes.</p> <p>Upon completion of construction and sale of each regulated home, net sales proceeds shall be distributed in the following order:</p> <ol style="list-style-type: none"> 1. Repay 120% of the prorated share of Bank Loan until repaid in full. 2. Repay prorated portion Senior Land Loan as follows: \$0 per home for the first 12 homes, then \$22,200 plus 4.0% simple interest for each home thereafter. 3. Repay prorated portion of SHRA Land Loan (\$10,000 plus 4.0% interest per home). 4. Pay Developer Fee in the amount of \$10,000 per home. 5. Pay Developer warranty reserve (\$0 per home for the first 12 homes, then \$4,200 for each home thereafter). 6. Balance of Sales Proceeds to repay SHRA Construction Loan until repaid in full. 7. In the event that repayment in full does not occur from the sale of the 20 regulated homes, excess sales proceeds from the sale of the 17 non-regulated homes remaining after repayment of all customary closing costs, Bank Loan, Senior Land Loan, SHRA Land Loan, and Developer Fee shall be applied to the unpaid balance of the SHRA Construction Loan until repaid in full. 	
<p>“PROJECT”</p>	<p>Which is the Project to be developed on the Property with the Loan and Bank construction funds, described as:</p>	<p>New construction of 37 single-family homes with 20 single-family homes to be sold to and occupied by residents whose income does not exceed 80% of the Area Median Income. Construction of the new homes will be on the 37 remaining finished lots in Del Paso Nuevo IV and is subject to the Del Paso Nuevo Specific Plan Guidelines.</p>

<p>B. “COLLATERAL” The Collateral securing repayment of the Loan, which Collateral consists of the following:</p>		
<p>“PROPERTY”</p>	<p>The following described real property, which is security for the Loan and the site of the Project:</p>	
<p>Addresses</p>	<p>506 Willie Hausey Way, 512 Willie Hausey Way, 518 Willie Hausey Way, 524 Willie Hausey Way, 530 Willie Hausey Way, 542 Willie Hausey Way, 548 Willie Hausey Way, 554 Willie Hausey Way, 566 Willie Hausey Way, 578 Willie Hausey Way, 583 Willie Hausey Way, 590 Willie Hausey Way, 602 Willie Hausey Way, 503 Hayes Avenue, 509 Hayes Avenue, 545 Hayes Avenue, 551 Hayes Avenue, 563 Hayes Avenue, 575 Hayes Avenue, 3507 Mamie Jennings Way, all in Sacramento, California.</p>	
<p>Assessor’s Parcel Numbers</p>	<p>250-0490-029, 250-0490-038, 250-0500-002, 250-0500-005, 250-0500-006, 250-0500-007, 250-0500-008, 250-0500-009, 250-0500-010, 250-0500-011, 250-0500-016, 250-0500-017, 250-0500-019, 250-0500-021, 250-0500-022, 250-0500-023, 250-0500-024, 250-0500-026, 250-0500-028, and 250-0500-030</p>	
<p>“Legal Description”</p>	<p>The Property is situated in the State of California, County of Sacramento, and is more particularly described as lots 30, 33, 34, 35, 36, 37, 38, 39, 44, 45, 47, 49, 50, 51, 52, 54, 56, 58, 60 and 78 as shown on that certain map entitled “Del Paso Nuevo Unit 4 Subdivision” filed on February 19, 2008 in Book 373 of Maps, Page 4 in the Official Records of Sacramento County. (see Exhibit 1 – Legal Description).</p>	
<p>Borrower’s Title Interest</p>	<p>Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.</p>	
<p>“ADDITIONAL COLLATERAL”</p>	<p>The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any</p>	
<p>“PERSONAL PROPERTY”</p>	<p>Borrower’s interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:</p>	<p>Materials and supplies for the Project</p>

OTHER COLLATERAL	Borrower's interest in the following property:	The remaining 17 parcels to be used for new construction of the 17 non-regulated homes in DPN IV using Bank Construction Loan financing.
Addresses	601 Willie Hausey Way, 596 Willie Hausey Way, 595 Willie Hausey Way, 589 Willie Hausey Way, 584 Willie Hausey Way, 572 Willie Hausey Way, 560 Willie Hausey Way, 543 Willie Hausey Way, 537 Willie Hausey Way, 531 Willie Hausey Way, 500 Willie Hausey Way, 569 Hayes Avenue, 557 Hayes Avenue, 3500 Mamie Jennings Way, 3501 Mamie Jennings Way, 3508 Mamie Jennings Way, 3514 Mamie Jennings Way.	
Assessor's Parcel Numbers	250-0490-039, 250-0490-040, 250-0490-041, 250-0500-003, 250-0500-004, 250-0500-018, 250-0500-020, 250-0500-025, 250-0500-027, 250-0500-029, 250-0500-031, 250-0500-032, 250-0500-033, 250-0500-034, 250-0500-035, 250-0500-036, and 250-0500-037.	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1 – Legal Description attached and incorporated by reference.	

C. "ESCROW INFORMATION":

"Title Company" and "Escrow Agent"	First American Title Company – Barbara Clarke	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	April 30, 2014	Which is the date for close of the Escrow, as it may be extended.

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

EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3: Note Form</u>	"Note"
<u>Exhibit 4: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 5: Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"

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

Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
Budget for the Project
Evidence of financing as described in this Loan Agreement
Plans and Specifications as defined in this Loan Agreement

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

Construction Contract
Architectural Contract

G. "CONSTRUCTION INFORMATION":

"Completion Date"	April 30, 2017	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	New American Communities, Inc.	Which is the general contractor for construction of the Project.	
"Project Architect"	Jeff DeMure and Associates/JDA	Which is the architect for design of the Project	
"Retention"	The following percentage of each disbursement made for construction work, in aggregate not to exceed the following percentage of the Loan Amount, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of disbursement:	Ten Percent (10%)
		Percentage of Loan:	Ten Percent (10%)

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

This market rate loan is made pursuant to the Owner Participation Agreement (OPA) between the Parties, made concurrently with this Loan Agreement. This Loan Agreement is subject to the OPA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan proceeds.

Agency loan funds shall be used solely for Project construction of those homes against which a Housing Trust Fund Regulatory Agreement will be recorded imposing, among other things, certain affordability restrictions. No Loan funds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in the budget, predevelopment costs are not subject to withholding as Retention.

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

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

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

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

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

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

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

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

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

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

2.10. "General Contractor" means the general contractor named by Borrower in his application or supporting documents as the general contractor to do the Project, or any other general contractor so designated by Borrower and approved in writing in advance by Lender.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.24. "Senior Lender" means a third party that holds a security interest in the Property which has priority over the security interest of Lender as provided in the OPA. Senior Lender includes, but is not limited to, Five Star Bank.

2.25. "Senior Loan" means the Bank construction loan which is secured by a lien which has priority over the security interest of Lender as provided in the OPA. Senior Loan includes, but is not limited to, the Five Star Bank construction loan for the Property (the "Bank Loan").

2.26. "Senior Land Loan" means the loan to Borrower from Pegasus NAC Investments, Inc., a California corporation, for land development and infrastructure as described in the OPA.

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

2.28. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, a general moratorium on financing for projects of the same type, and unusually severe weather

(as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the Lender, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

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

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

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

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

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

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

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

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

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

3.9. TITLE OF PERSONALTY. All Personalty is vested solely in Borrower, and the security interest of Lender in the Personalty is subject only to the security interest of a Senior Lender.

3.10. USE OF PROCEEDS. All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project, which is limited to those newly constructed homes for which there is a recorded regulatory agreement insuring that these homes are affordable to buyers whose family income does not exceed Eighty percent (80%) of the Sacramento Area Median Income (AMI) in accordance with the Plans and Specifications and for other purposes specified in the Loan.

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

3.12. PLANS AND SPECIFICATIONS. The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other construction lenders. There are no structural defects in the

Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

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

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

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

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

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

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

4.5. REGULATORY AGREEMENT. The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation. Agency agrees that the Regulatory Agreement will only be recorded against the 20 lots described in the Legal Description.

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

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

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

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

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

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

6. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Relocation, where necessary, was performed and is not required or contemplated for the further implementation of this Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 6 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 6 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

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

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

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

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

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

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

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

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

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

7.5.1. Lender, at any time, may require Borrower to obtain a lien waiver with respect to each payment to the General Contractor and each payment by the General Contractor or Borrower to each of the various subcontractors and material suppliers. Lender, at any time, may require Borrower to make any payments for the Project by joint check made payable to the General Contractor and subcontractor for whose account the payment is to be made, as joint payees.

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

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

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

7.7.1. ACKNOWLEDGMENT OF RELIANCE. Borrower acknowledges that Lender is making Loan disbursements in advance of disbursements of other lenders in reliance upon Borrowers compliance with this provision.

7.7.2. LIQUIDATED DAMAGES. IF BORROWER FAILS TO PROVIDE TO LENDER ANY OTHER LENDER DRAW, AS AND WHEN REQUIRED UNDER THIS LOAN AGREEMENT, LENDER SHALL BE IRREPARABLY HARMED IN THAT BORROWER'S ABILITY TO REPAY THE LOAN AND LENDER'S SECURITY FOR THE LOAN SHALL BE IMPAIRED TO AN UNKNOWN EXTENT. BORROWER AND LENDER AGREE THAT IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL RESULTING DAMAGES IN SUCH EVENT. BORROWER AND LENDER, THEREFORE, AGREE THAT AN AMOUNT EQUAL TO TWO PERCENT (2%) OF THE LOAN AMOUNT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO LENDER ON ACCOUNT OF SUCH EVENT, RECEIPT OF WHICH SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF LENDER FOR SUCH EVENT, AND ONLY FOR SUCH EVENT. PAYMENT OF SAID AMOUNT TO LENDER AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO LENDER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE. SAID AMOUNT SHALL BE IMMEDIATELY DUE AND PAYABLE AS OF THE DATE ON WHICH BORROWER DELIVERED SUCH OTHER LENDER DRAW TO THE OTHER LENDER. LENDER SHALL HAVE THIRTY (30) DAYS AFTER RECEIVING ACTUAL NOTICE OF SUCH EVENT TO NOTIFY

BORROWER IN WRITING THAT LIQUIDATED DAMAGES UNDER THIS SECTION ARE DUE. BORROWER SHALL HAVE FIFTEEN (15) DAYS AFTER SUCH WRITTEN NOTIFICATION TO CURE THE DEFAULT BY WITHDRAWING THE OTHER LENDER DRAW AND RETURNING ANY DISBURSEMENT ON ACCOUNT OF SUCH OTHER LENDER DRAW. IF BORROWER FAILS TO PAY LIQUIDATED DAMAGES WHEN DUE UNDER THIS SECTION, THE LOAN SHALL BE ALL DUE AND PAYABLE AT THE ELECTION OF LENDER.

____ Lender's Initials ____ Borrower's Initials

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

8. PREVAILING WAGES. This is a market rate loan. All principal and interest is to be repaid in full on or before the Maturity Date and therefore the Project is not subject to prevailing wages. If Developer obtains other non-qualifying public subsidy, Borrower shall pay prevailing wages for the Project. Therefore, Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them.

9. LOAN DISBURSEMENT PROCEDURES.

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

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

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

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

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

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

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

9.2. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT. Borrower's request for the first Loan disbursement is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the first loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 9.1 have been met:

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

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

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

9.2.4. The Senior Lender's commitment to make a loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the Senior Loan

commitment, or submissions and approvals made under it, conflicts with this Loan Agreement. Borrower has done all things necessary to keep unimpaired its rights under the Senior Loan.

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

9.3. MAKING DISBURSEMENT. Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 9.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

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

10. DEFAULT.

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

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

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

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

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

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

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

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

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

11. REMEDIES.

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

11.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

11.4. GRANT OF POWER. Upon the occurrence of an Event of Default which remains uncured for a period of at least sixty (60) days (or such shorter time period for cure of an Event of Default as specified in Section 10, above), and subject to the rights of the Senior Lender, Borrower shall be deemed to have irrevocably appointed Lender as its attorney-in-fact, with full power and authority, including the power of substitution, to act for Borrower in its name, place, and stead as provided in this Loan Agreement, to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, to complete or attempt to complete the work of construction, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property or Personalty, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

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

of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Borrower's obligations under this Loan Agreement.

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

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

12.3. COMMERCIAL GENERAL LIABILITY. Borrower shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of liability, which are not less than \$1,000,000, per occurrence limit; \$2,000,000 general aggregate limit, and \$2,000,000 products and completed operations aggregate limit, all per location of the Project.

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

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

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

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

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

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

a) **CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date. In the alternative to such endorsement, Borrower will provide the Agency with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force.

It is the Borrower's responsibility to notify the Agency of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Borrower shall notify the Agency within forty eight (48) hours of such cancellation or non-renewal.

_____ Borrower's Initials

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

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

13. MISCELLANEOUS.

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

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

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

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

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

13.4. SUBORDINATION. Lender will subordinate this Loan to the Senior Loan and Senior Land Loan, provided that the senior loans for the Project indicated in the Budget meet all requirements of this Loan Agreement, and that the senior loans do not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender.

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

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

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

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

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

13.10. NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP. Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture or partnership between Agency and Developer. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Agency and Developer other than that of a lender and a borrower.

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

13.11.1. METHOD. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more of the following methods.

- a. Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;
- b. A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;
- c. Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or
- d. Telecopy, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Borrower or Lender may respectively designate by written notice to the other.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13.24. NO REPRESENTATIONS BY LENDER. By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or represented the sufficiency, legality,

effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

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

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

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

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

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

13.30. INDEMNITY. Subject to Section 13.1 above, Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, the Project, or any portion of them except to the extent caused by the negligence or misconduct of Lender. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

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

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

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

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

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

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

BORROWER :
DEL PASO HOMES, INC. a California corporation

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
John Griffin, President

By: _____
La Shelle Dozier, Executive Director

Date: _____

Date: _____

Approved as to form:

Approved as to form:

Borrower Counsel

Lender Counsel

Exhibit 1: Legal Description

LEGAL DESCRIPTION

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

LOTS 30 THROUGH 39, INCLUSIVE, 44 THROUGH 60, INCLUSIVE, 72 THROUGH 81 AS SHOWN ON THAT CERTAIN MAP ENTITLED "DEL PASO NUEVO UNIT 4 SUBDIVISION" FILED ON FEBRUARY 19, 2008 IN BOOK 373 OF MAPS, PAGE 4, SACRAMENTO COUNTY RECORDS.

APN: 250-0500-002 through 250-0500-011 (Affects Lots 30 through 39);
250-0500-016 through 250-0500-031 (Affects Lots 44 through 59);
250-0490-029 (Affects Lot 60);
250-0500-032 through 250-0500-040 (Affects Lots 72 through 80) and
250-0490-041 (Affects Lot 81)

Scope of Development

Developer has submitted and the City has approved plans for single family homes consistent with the Del Paso Nuevo Design Guidelines. Product mix will consist of 2, 3, 4 and 5 bedroom homes ranging in size from approximately 753 square feet to 2,300 square feet. Minimum of four floor plans, three elevations and three color schemes per model will be provided. All units to include minimum one-car garage and minimum one full bathroom, and other features and amenities as provided in Developer's proposal for the Project. The City has determined that the homes meet Special Planning District Development Guidelines for Del Paso Nuevo. Developer has constructed and shall maintain a model home complex with four models that represent one of each floor plans being constructed.

A minimum of 51% of all of the units shall be sold at affordable prices to families earning no more than 80% of the Sacramento Metropolitan Statistical Area median income (AMI), as determined annually by the federal Department of Housing and Urban Development. For purposes of this agreement, an affordable housing price shall be deemed to be a price for which the monthly payments for principal, interest, taxes, insurance do not exceed thirty percent (30%) of the income of a family earning not more than 80% of the AMI as previously defined, as adjusted for family size appropriate to the size and number of bedrooms in the unit.

Developer will construct 37 homes of which 20 will be sold at affordable prices. Homes will be constructed in three respective phases of 12, 12, and 13 homes each as follows:

1st Phase: Regulated – 250-04900-029, 250-0500-030, 250-0500-028, 250-0500-026, 250-0490-038.
Non-Regulated – 250-0500-031, 250-0500-029, 250-0500-027, 250-0500-025, 250-0490-039,
250-0490-040, 250-0490-041.

2nd Phase: Regulated – 250-0500-024, 250-0500-023, 250-0500-022, 250-0500-016, 250-0500-017,
250-0500-019, 250-0500-021.
Non-Regulated – 250-0500-037, 250-0500-036, 250-0500-035, 250-0500-018, 250-0500-020.

3rd Phase: Regulated – 250-0500-002, 250-0500-005, 250-0500-006, 250-0500-007, 250-0500-008,
250-0500-009, 250-0500-010, 250-0500-011.
Non-Regulated – 250-0500-032, 250-0500-033, 250-0500-034, 250-0500-003, 250-0500-004.

The next successive phase will not begin until all homes in the previous phase have been constructed and sold.

PROMISSORY NOTE

FOR DEL PASO NUEVO IV CONSTRUCTION AND PERMANENT LOAN AGREEMENT

HOUSING TRUST FUNDS

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

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

DEFINED TERM:	DEFINITION:	
“Effective Date”		
“Lender”	Sacramento Housing and Redevelopment Agency	
“Borrower”	Del Paso Homes, Inc.	
“Borrower Legal Status”	A California corporation	
“Loan Agreement”	The Construction and Permanent Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.	
“Principal Amount”	Nine Hundred Seventy-Five Thousand Dollars and No Cents (\$975,000.00)	
“Interest Rate”	Four Percent (4.0%) simple interest.	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	Date of first disbursement of loan proceeds.
“Special Terms”	This Loan shall operate in a manner similar to a line of credit in that Borrower will draw down proceeds necessary to construct new homes in accordance with the project scope of work and pursuant to the disbursement requirements of the budget, and then repay the amount drawn down upon the sale of each completed home. Subject to the borrower's performance and at the Agency's sole discretion, such repaid funds may be used to fund the construction of additional homes up to an inclusive total of 20 regulated homes.	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 36th calendar month following the Effective Date.	
“Payment Start Date”	The close of escrow date on the sale of the first Regulated Home sold and on the close date of each sale thereafter.	

<p>“Payment Amount(s)”</p>	<p>Upon completion of construction and sale of each Regulated Home, net sales proceeds shall be distributed in the following order:</p> <ol style="list-style-type: none"> 1. Repay 120% of the prorated share of Bank Loan until repaid in full. 2. Repay prorated portion of Senior Land Loan (\$0 per home for the first set of 12 homes, then \$22,200 plus interest for each home thereafter). 3. Repay prorated portion of SHRA Land Loan (\$10,000 plus interest per home). 4. Pay Developer Fee in the amount of \$10,000 per home. 5. Pay Developer warranty reserve (\$0 per home for the first 12 homes, then \$4,200 for each home thereafter). 6. Balance of Sales Proceeds to repay SHRA Construction Loan until repaid in full. 7. In the event that repayment in full of the SHRA Construction Loan does not occur from the sale of the 20 Regulated Homes, excess sales proceeds remaining after repayment of all customary closing costs, Bank Loan, Senior Land Loan, SHRA Land Loan, and Developer Fee from the sale of the 17 Non-regulated Homes shall be applied to the unpaid balance of the SHRA Construction Loan until repaid in full.
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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

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

All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

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

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

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

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

- a. Borrower defaults in the payment of any principal or interest when due.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note.

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

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

g. The occurrence of any of the following:

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

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

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

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

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

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

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

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

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

Borrower:

Del Paso Homes, Inc.
a California corporation

By: _____
John Griffin, President

Exhibit 4: Trust Deed Form

NO FEE DOCUMENT:

Entitled to free recording
per Government Code §§6103 and 27383.

When recorded, return to:
SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY
801 12th Street
Sacramento, CA 95814
Attention: Bern Wikhammer

DEED OF TRUST AND ASSIGNMENT OF RENTS
Del Paso Nuevo IV

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

TERM	DEFINITION		
“Effective Date”			
“Trustor” and “Borrower”	Del Paso Homes, Inc., a California corporation		
“Borrower Address”	4120 Douglas Blvd., #306-375, Granite Bay, CA 95746		
“Trustee”	First American Title Company		
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency, a joint powers agency		
“Lender Address”	801 12th Street, Sacramento, California 95814		
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in Exhibit 1- Legal Description. <table border="1" style="width: 100%;"><tr><td style="width: 30%;">Addresses</td><td>601 Willie Hausey Way, 596 Willie Hausey Way, 595 Willie Hausey Way, 589 Willie Hausey Way, 584 Willie Hausey Way, 572 Willie Hausey Way, 560 Willie Hausey Way, 543 Willie Hausey Way, 537 Willie Hausey Way, 531 Willie Hausey Way, 500 Willie Hausey Way, 569 Hayes Avenue, 557 Hayes Avenue, 3500 Mamie Jennings Way, 3501 Mamie Jennings Way, 3508 Mamie Jennings Way, 3514 Mamie Jennings Way, 506 Willie Hausey Way, 512 Willie Hausey Way, 518 Willie Hausey Way, 524 Willie Hausey Way, 530 Willie Hausey Way, 542 Willie Hausey Way, 548 Willie Hausey Way, 554 Willie Hausey Way, 566 Willie Hausey Way, 578 Willie Hausey Way, 583 Willie Hausey Way, 590 Willie Hausey Way, 602 Willie Hausey Way, 503 Hayes Avenue, 509 Hayes Avenue, 545 Hayes Avenue, 551 Hayes Avenue, 563 Hayes Avenue, 575 Hayes Avenue, 3507 Mamie Jennings Way, all in Sacramento, California.</td></tr></table>	Addresses	601 Willie Hausey Way, 596 Willie Hausey Way, 595 Willie Hausey Way, 589 Willie Hausey Way, 584 Willie Hausey Way, 572 Willie Hausey Way, 560 Willie Hausey Way, 543 Willie Hausey Way, 537 Willie Hausey Way, 531 Willie Hausey Way, 500 Willie Hausey Way, 569 Hayes Avenue, 557 Hayes Avenue, 3500 Mamie Jennings Way, 3501 Mamie Jennings Way, 3508 Mamie Jennings Way, 3514 Mamie Jennings Way, 506 Willie Hausey Way, 512 Willie Hausey Way, 518 Willie Hausey Way, 524 Willie Hausey Way, 530 Willie Hausey Way, 542 Willie Hausey Way, 548 Willie Hausey Way, 554 Willie Hausey Way, 566 Willie Hausey Way, 578 Willie Hausey Way, 583 Willie Hausey Way, 590 Willie Hausey Way, 602 Willie Hausey Way, 503 Hayes Avenue, 509 Hayes Avenue, 545 Hayes Avenue, 551 Hayes Avenue, 563 Hayes Avenue, 575 Hayes Avenue, 3507 Mamie Jennings Way, all in Sacramento, California.
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	Assessor's Parcel Numbers	250-0490-029, 250-0490-038, 250-0490-039, 250-0490-040, 250-0490-041, 250-0500-002, 250-0500-003, 250-0500-004, 250-0500-005, 250-0500-006, 250-0500-007, 250-0500-008, 250-0500-009, 250-0500-010, 250-0500-011, 250-0500-016, 250-0500-017, 250-0500-018, 250-0500-019, 250-0500-020, 250-0500-021, 250-0500-022, 250-0500-023, 250-0500-024, 250-0500-025, 250-0500-026, 250-0500-027, 250-0500-028, 250-0500-029, 250-0500-030, 250-0500-031, 250-0500-032, 250-0500-033, 250-0500-034, 250-0500-035, 250-0500-036, and 250-0500-037.
"Legal Description"	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 – Legal Description, which is incorporated in and an integral part of this Deed of Trust.	
"Loan"	Which is Lender's loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
"Loan Agreement"	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	April 30, 2014
"Additional Notices"	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	Five Star Bank 2400 Del Paso Road, Suite 100, Sacramento, CA 95834	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Nine Hundred Seventy-Five Thousand Dollars and No Cents (\$975,000.00)

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

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

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

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.
5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.
6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.
7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.
8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

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

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

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

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

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

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

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

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

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

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the

notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

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

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

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

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

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

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

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

BORROWER (Trustor):

DEL PASO HOMES, INC.
a California corporation

By: _____
John Griffin, President

Exhibit 5: Regulatory Agreement

NO FEE DOCUMENT:

Entitled to free recording
per Government Code 27383.

When recorded, return to:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
801 12th Street
Sacramento, CA 95814

**REGULATORY AGREEMENT FOR DEVELOPMENT OF HOMEOWNERSHIP PROPERTY
INCLUDING COVENANTS, CONDITIONS AND RESTRICTIONS RUNNING WITH THE LAND**

INCLUDING CONDITIONS PRECEDENT TO RESALE

PROJECT NAME:	Del Paso Nuevo IV
PROJECT ADDRESS:	Sacramento, CA
EFFECTIVE DATE:	April 30, 2014
APNs:	250-0490-029, 250-0490-038, 250-0500-002, 250-0500-005, 250-0500-006, 250-0500-007, 250-0500-008, 250-0500-009, 250-0500-010, 250-0500-011, 250-0500-016, 250-0500-017, 250-0500-019, 250-0500-021, 250-0500-022, 250-0500-023, 250-0500-024, 250-0500-026, 250-0500-028, 250-0500-030.

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

WARNING: A SALE IN VIOLATION OF THIS REGULATORY AGREEMENT IS VOID.

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

- GENERAL.** This Regulatory Agreement incorporates the Exhibits listed below I, which are attached to this Regulatory Agreement.
- DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following Definitions Table and as defined in the body of the Regulatory agreement, which terms being defined are indicated by quotation marks.

TERM	DEFINITION	
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:	April 30, 2014
“Agency”	Sacramento Housing and Redevelopment Agency A joint powers agency	
“Owner” and “Developer”	Del Paso Homes, Inc., a California corporation	
“Agency Address”	Agency’s business address is as follows:	801 12 th Street, Sacramento, California 95814
“Owner Address”	Owner’s business address is as follows:	4120 Douglas Blvd #306-375, Granite Bay, CA 95746
“Jurisdiction”	City of Sacramento	
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property .	
“Funding Agreement”	The Funding Agreement between Agency and Owner, named and dated as follows:	Owner Participation Agreement dated concurrently with this Regulatory Agreement

“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property	
“Agency Funding Amount”	The total amount of the Agency Funding, as follows:	\$1,345,000.00 (\$370,000 property acquisition from the Housing Authority and \$975,000.00 construction loan from Agency.
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements .	
“Project Development Funds”	The total of all funds expended to develop the Project (and for a mixed use project, for the residential portion of the Project only), including without limitation payments for land acquisition, costs of financing, costs of predevelopment, and, as applicable, the costs of development or rehabilitation.	\$3,150,000.00
“Unit Development Funds”	Project Development Funds expended for each unit as indicated in Section 3.b below. [Generally, for units which are substantially equivalent, the Unit Development Funds are equal to the Project Development Funds divided by the number of residential units in the Project. However, for Projects with significant variations in unit square footage, the number may be determined on a relative square footage basis)	
“Restricted Units”	The individual housing parcels within the Property that are to be subject, by this Regulatory Agreement to affordability restrictions that limit the price for which they may be sold and resold. The units shall be restricted for the period of years stated in the Funding Requirements.	
“Individual Regulatory Agreement”	The agreement containing conditions, covenants and restrictions running with the land and restricting the use and resale of the Restricted Units as provided in this Regulatory Agreement, the form of which is attached as Exhibit 3 – Individual Regulatory Agreement .	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for sale to the general public and containing not less than the following number of units:	20 single-family homes.

3. **RESTRICTED UNITS:** All 20 finished parcels shall be restricted by this regulatory agreement. Agency and Developer agree that as homes are constructed and sold this regulatory agreement will be partially released as to the sold home. All 20 of the newly constructed homes covered by this agreement on the remaining 37 lots will be sold to low income owner-occupants and the Individual Regulatory Agreement shall be recorded against the property.

a. If the applicable Sacramento Metropolitan Statistical Area median income is adjusted by the federal Department of Housing and Urban Development prior to the sale of a Restricted Unit or if other factors considered in making the determination of the following prices (in accordance with Agency policy and practice) change prior to the sale of a Restricted Unit, then the income and pricing restrictions shall be adjusted to assure compliance with the Funding Requirements as of the date when the Restricted Unit is sold.

b. For purposes of this Regulatory Agreement, the sales price is amount actually paid to Developer by the purchaser (“Buyer”), including all additions or reductions (for changes to the Restricted Unit or otherwise) made to the initial purchase price shown in the purchase and sale agreement between Developer and the Buyer.

4. **RESTRICTION ON SALES.** In order to assure that the proper number and types of units have been sold in accordance with this Regulatory Agreement, Developer is prohibited from selling any Restricted Unit within the Project unless and until (a) the Agency has reviewed and determined that the sale complies with the Funding Requirements, (b) that the sales price to be paid by the buyer on sale is an “Affordable Price” as required by the Funding Source and (c) that the Buyer has executed and the parties have recorded an Individual Regulatory Agreement with all terms applicable to such Restricted Unit. A purported sale to a third party in violation of this Regulatory Agreement is voidable by Agency at any time upon notice to Developer.

5. **NO RENTAL.** Developer shall not rent the Restricted Units without the prior written approval of the Agency. Agency may withhold such approval if the proposed rental would violate provisions of the Funding Restrictions.

6. **RECAPTURE.** If Developer rents a Restricted Unit without Agency authorization or sells a Restricted Unit at a price that exceeds the Affordable Price, Developer shall repay to Agency, as “Recapture”, all of the Agency Funding allocable to the

Restricted Unit, plus interest from the date of this Regulatory Agreement until paid, at then market rate for construction loans for projects similar to the Project, as reasonably determined by the Agency.

7. TERMINATION OF COVENANTS. If the Agency is paid the Recapture, the covenants, conditions and restrictions contained in this Regulatory Agreement shall terminate, except as to covenants which provide otherwise, including without limitation, the covenant against discrimination, all of which continue in effect. Representations. Agency has provided Agency Funding, subject to the terms of the Funding Agreement, in consideration of the property interests conveyed to Agency under this Regulatory Agreement. The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. This Regulatory Agreement represents a portion of this entire transaction. Therefore, Agency has made the Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

8. PROHIBITION ON SALE WITHOUT APPROVAL; CONDITION PRECEDENT. Owner is prohibited from selling the Property including the Restricted Unit unless and until (a) the Agency has reviewed and determined that the sales price complies with the Funding Requirements and (b) that the purchaser of the Property has acknowledge and accepted the Individual Regulatory Agreement. For purposes of determining such compliance, the sales price is amount actually paid to Owner by the purchaser, including all additions or reductions made to the initial purchase price shown in the purchase and sale agreement between Owner and the purchaser. Owner shall receive no consideration for additions or improvements made to the Property, except those improvements (such as the addition of bedrooms) that affect the affordability calculations of the Funding Requirements. Pursuant to Section 9.a below, the foregoing is a condition precedent to any resale of the Property.

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

a. Owner shall comply with the foregoing covenant prohibiting resale without Agency approval. Such compliance is a condition precedent to any such resale. If Owner fails to comply with said covenant, such resale shall be null and void, and the purported purchaser and anyone claiming any interest in the Property on account of such resale, including without limitation trustors and beneficiaries under deeds of trusts or others claiming lien or mortgage interests in the Properties, shall have no interests in or rights regarding the Property.

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

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

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

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

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

g. Owner shall not cause and shall not permit discrimination on the basis of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the

selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

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

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

11. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. In the absence of a term in the Funding Requirements, the term shall be fifteen (15) years from the Effective Date, or such longer term as determined by Agency and Owner prior to the sale of the Restricted Unit.

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

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

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

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

16. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. To the extent reasonable under the circumstance, in the event of any breach, the Agency and Owner shall reasonably endeavor to identify a remedy for such breach by conference and conciliation. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such

other relief as may be appropriate. The injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

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

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

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

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

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

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

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

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

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

OWNER : DEL PASO HOMES, INC.

AGENCY: SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

By: _____
John Griffin, President

By: _____
La Shelle Dozier, Executive Director

Date: _____

Date: _____

Approved as to form: _____
Developer Counsel

Approved as to form: _____
Agency Counsel

Exhibit 1
LEGAL DESCRIPTION

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

LOTS 30 THROUGH 39, INCLUSIVE, 44 THROUGH 60, INCLUSIVE, 72 THROUGH 81 AS SHOWN ON THAT CERTAIN MAP ENTITLED "DEL PASO NUEVO UNIT 4 SUBDIVISION" FILED ON FEBRUARY 19, 2008 IN BOOK 373 OF MAPS, PAGE 4, SACRAMENTO COUNTY RECORDS.

APN: 250-0500-002 through 250-0500-011 (Affects Lots 30 through 39);
250-0500-016 through 250-0500-031 (Affects Lots 44 through 59);
250-0490-029 (Affects Lot 60);
250-0500-032 through 250-0500-040 (Affects Lots 72 through 80) and
250-0490-041 (Affects Lot 81)

Exhibit 2

HTF FUNDING REQUIREMENTS CITY OF SACRAMENTO HOUSING TRUST FUND — HOMEOWNERSHIP PROJECT

These “HTF Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. [The capitalized terms used in these HTF Funding Requirements shall have the meanings below in the body of these HTF Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HTF Funding Requirements that are not defined below are defined in the Regulatory Agreement.]

1. **RECITALS.** The Loan is funded by the Agency with proceeds of the Housing Trust Fund (“HTF”) of the City of Sacramento, established by Sacramento City Ordinance Number 89-013. The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is developed as for-sale residential property (“Project”) with certain units regulated in accordance with the HTF (“HTF-Restricted Units”) by recordation of these HTF Funding Restrictions as covenants running with the land. The Project has been determined to be within a seven mile distance from the non-residential projects generating the funds or has access to existing or planned public transit such that it is reasonable that tenants of the Project could commute from the Project to the non-residential projects generating the funds. The Project conforms to any City “Fair Share” plan currently adopted and in effect. HTF-Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table above. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area. The Project is located within the City of Sacramento (“City”).
2. **AFFORDABILITY REQUIREMENTS.** Affordability requirements are established by the Rules and Regulations for the Administration of the Low-Income Housing Trust Fund of the City of Sacramento (adopted by Resolution 93-056 of the City Council of Sacramento, California, on February 9, 1993). Owner shall assure that the of the HTF Restricted Units shall be sold at or below the following rates (“Affordable Price”):
 - a. Low-Income Units shall be sold for amounts that do not exceed payments of thirty percent (30%) of eighty percent (80%) of the of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Restricted Unit.
 - b. Very Low-Income Units shall be sold for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Restricted Unit.
 - c. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HTF-Restricted Units by address as stated in the Regulatory Agreement.
 - d. Owner shall be responsible to determine the affordable amounts for the Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable amounts and will assist Owner in determining such affordable amounts.
3. **OCCUPANCY REQUIREMENTS.** Owner shall assure that all Restricted Units assisted with HTF funds shall be occupied by households earning less than eighty percent (80%) of Median Income (“Qualified Occupant”).
4. **UNIT QUALITY.** Owner shall assure that Restricted Units assisted with HTF funds must be comparable in size and amenities to other units in the Project.
5. **TERM.** These covenants shall burden and regulate the Restricted Units assisted with HTF funds for the longer of (a) a term of fifteen (15) years, (b) the term of the financial assistance made to the Project with HTF funds, or (c) such longer term agreed upon by the Project builder and the Agency.
6. **PROHIBITION ON NON-QUALIFYING SALE; AGENCY ACCEPTANCE OF QUALIFYING SALE.** For the term of this Regulatory Agreement, Owner is prohibited from selling the HTF-Restricted Unit to a buyer who is not purchasing as an owner-occupant or who is not a Qualified Occupant and from selling the HTF-Restricted Unit at a price that more than an

Affordable Price. *No sale of the HTF-Restricted Unit is valid unless and until the Agency has accepted the sale as conforming to this Section 6.* In any event, the resale restrictions shall continue in full force and effect for the term stated in Section 5.

Exhibit 3
INDIVIDUAL REGULATORY AGREEMENT FORM

NO FEE DOCUMENT:

Entitled to free recording
per Government Code 27383
When recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
801-12th Street
Sacramento, CA 95814
Attn: Portfolio Management

**INDIVIDUAL REGULATORY AGREEMENT FOR HOMEOWNERSHIP PROPERTY
INCLUDING COVENANTS, CONDITIONS AND RESTRICTIONS RUNNING WITH THE LAND**

PROJECT NAME:	Del Paso Nuevo IV
PROJECT ADDRESS:	Street Address, Sacramento, California

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

ARTICLE I TERMS AND DEFINITIONS.

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

1. **GENERAL.** This Individual Regulatory Agreement, in addition to Exhibits listed below includes Article II General Provisions, which is attached to and incorporated in this Individual Regulatory Agreement by this reference.

2. **DEFINITIONS.** The capitalized terms in this Individual Regulatory Agreement shall have the meanings assigned in Article I General Terms and as defined in Article II General Provisions. (Terms being defined are indicated by quotation marks. References in the attached Article II General Provisions to the Regulatory Agreement are to this Individual Regulatory Agreement.)

TERM	DEFINITION	
“Effective Date”	This Individual Regulatory Agreement shall be effective as of the following date (which is the date for recordation of the Developer Regulatory Agreement under which this is issued):	
“Agency”	Sacramento Housing and Redevelopment Agency a joint powers agency	
“Owner”		
“Agency Address”	801-12th Street, Sacramento, California 95814	
“Owner Address”		
“Jurisdiction”	City of Sacramento	
“Property”	That certain real property which is subject to this Individual Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description and incorporated in this Individual Regulatory Agreement by this reference	
“Owner Participation Agreement”	The Owner Participation Agreement (“OPA”) by and between Developer and Agency for the construction of 37 single-family homes in Phase IV of Del Paso Nuevo.	Developer: Del Paso Homes, Inc. assumed the \$370,000 balance of the existing Agency loan and is obligated by and agreed to perform pursuant to the OPA by and between Sacramento Housing and Redevelopment Agency, Housing Authority of the City of Sacramento and Del Paso Homes, Inc. dated April 30, 2014.

“Agency Funding”	(1) Land acquisition and (2) Construction financing.		
“Funding Amount”	The amount of the Agency Funding, as follows:	(1) \$10,000 per lot Agency carry-back financing to be repaid at time of home sale; (2) Prorated revolving construction loan repaid from net proceeds upon sale of each newly constructed home to new owner.	
“Funding Source”	The source of the funds that Agency has used to provide the financing, as follows:	(1) CDBG and other sources for land acquisition; and (2) City Housing Trust Funds for the revolving construction loan.	
“Funding Requirements”	The legal restrictions on the use of the funds used to make the loan, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – CDBG and Housing Trust Fund Funding Requirements .		
	“Affordability Level”	80% Area Median Income (AMI) or below.	
“Individual Regulatory Agreement”	This agreement containing conditions, covenants and restrictions running with the land and restricting the use and resale of the Restricted Unit as provided in this Individual Regulatory Agreement.		
“Original Purchase Price”	Purchase price paid by the first Owner under this Regulatory Agreement to buy the Property from the developer of the Property.	Amount:	
“Proportionate Agency Assistance”	The proportion that total Unit Assistance bears to the Original Purchase Price (Unit Assistance/Original Purchase Price)	% at time of sale (\$10,000).	
“Restricted Unit”	The Property.		
“Approved Use”	The only permitted use of the Property, which is as a single residential housing unit.		
“Unit Assistance”	Portion of Funding Source funds used in this Restricted Unit	Funding Source:	Amount:
		CDBG	\$10,000
			Percentage: ___%

3. **SALE RESTRICTED.** Owner is prohibited from selling the Property including the Restricted Unit unless and until (a) the Agency has reviewed and determined that the sales price complies with the Funding Requirements and (b) that the purchaser of the Property has acknowledge and accepted the Individual Regulatory Agreement. For purposes of determining such compliance, the sales price is the amount actually paid to Owner by the purchaser, including all additions or reductions made to the initial purchase price shown in the purchase and sale agreement between Owner and the purchaser. Owner shall receive no consideration for additions or improvements made to the Property, except those improvements (such as the addition of bedrooms) that affect the affordability calculations of the Funding Requirements.

4. **UNIT ASSISTANCE.** For all purposes of this Regulatory Agreement, the funding provided, if any, for this respective Restricted Housing Unit shall be as specified for “Unit Assistance”, above.

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

OWNER:

AGENCY: SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

By: _____

By: _____
La Shelle Dozier, Executive Director

By: _____

Date: _____

Date: _____

Approved as to form:

Approved as to form:

Owner Counsel

Agency Counsel

///

Regulatory Agreement - Article II General Provisions

1. **REPRESENTATIONS.** Agency has provided assistance to develop the Property, subject to the terms of the Disposition and Development Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for entering into that Agreement. The funds used by Agency to assemble and acquire the properties necessary for the development of Del Paso Nuevo IV are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has proceeded with Del Paso Nuevo IV in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has conveyed the property pursuant to the Disposition and Development Agreement conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the DDA. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

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

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

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

d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Del Paso Nuevo Specific Plan.

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

f. Owner shall not cause and shall not permit discrimination on the basis of race, color, ancestry, religion, creed, sex, marital status, or national origin in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

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

SUPERCEDING EXISTING COVENANTS, CONDITIONS, & RESTRICTIONS. This Regulatory Agreement shall supersede any covenants, conditions and restrictions that have been previously recorded by, or on behalf of, the Agency against the Property.

4. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated.

5. **TERMINATION IN EVENT OF FORECLOSURE OR INVOLUTARY SALE.** This Regulatory Agreement and all and several of the terms hereof, shall terminate and be of no further force and effect in the event of: (a) a foreclosure by the senior lender of the lien of a deed of trust on the Property or delivery of a deed in lieu of foreclosure pursuant to which the senior lender, trustee or a purchaser or transferee shall take possession of the Property, or (b) foreclosure or delivery of a deed in lieu of foreclosure whereby a third party (other than the Owner or any related person of the Owner) shall take possession of the Property, or (c) involuntary non-compliance with the provisions of this Regulatory Agreement caused by fire, condemnation, involuntary seizure of the Property by a local, state or federal agency, requisition, or a similar event. The term "senior lender" shall mean a lender with a lien of a deed of trust on the Property that is senior to the Agency's Regulatory Agreement deed of trust by the order of recording or by the terms of a subordination agreement. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

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

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

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

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

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

11. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under this Regulatory Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the DDA for a default under the DDA and (b) apply to any court for

specific performance of this Regulatory Agreement, for an injunction against any violation of this Regulatory Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

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

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

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

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

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

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement. The remedies of the Agency under this Regulatory Agreement are cumulative, and the exercise of one or more of such remedies, shall not be deemed an election of remedies and shall not preclude the exercise by the Agency of any one or more of its other remedies.

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

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

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**EXHIBIT 1
LEGAL DESCRIPTION**

EXHIBIT 2
CDBG AND HOUSING TRUST FUND FUNDING REQUIREMENTS

COMMUNITY DEVELOPMENT BLOCK GRANT

RESIDENTIAL PROJECT

These "CDBG Funding Requirements" are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the DDA ("DDA") that is described in the Regulatory Agreement. [The capitalized terms used in these CDBG Funding Requirements shall have the meanings below in the body of these CDBG Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these CDBG Funding Requirements that are not defined below are defined in the Regulatory Agreement.]

1. **RECITALS.** The Agency funding is from proceeds of the Community Development Block Grant ("CDBG"). The Agency has approved the Agency funding on condition that the property described in the DDA the Agency funding ("Property") is developed as residential property ("Project") with certain units regulated in accordance with laws, rules and regulations regarding the use of CDBG funds for the benefit low-income persons ("CDBG-Restricted Units") by recordation of these CDBG Funding Restrictions as covenants running with the land. CDBG-Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I.
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the of CDBG Restricted Units shall be sold at or below the following rates:
 - a. Moderate-Income Units shall be sold for amounts that do not exceed payments of thirty percent (30%) of eighty percent (80%) the of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective CDBG-Restricted Unit.
 - b. Low-Income Units shall be sold for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective CDBG-Restricted Unit.
 - c. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of CDBG-Restricted Units by address as stated in the Regulatory Agreement.
 - d. Owner shall be responsible to determine the affordable amounts for the Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable amounts and will assist Owner in determining such affordable amounts.
3. **OCCUPANCY REQUIREMENTS.** Owner shall assure that all Restricted Units assisted with CDBG funds shall be occupied by households earning less than eighty percent (80%) of Median Income.
4. **UNIT QUALITY.** Owner shall assure that Restricted Units assisted with CDBG funds must be comparable in size and amenities to other units in the Project.
5. **TERM.** These covenants shall burden and regulate the Restricted Units assisted with CDBG funds for a term of fifteen (15) years.

HOUSING TRUST FUND FUNDING REQUIREMENTS

CITY OF SACRAMENTO HOUSING TRUST FUND — HOMEOWNERSHIP PROJECT

These "HTF Funding Requirements" are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. [The capitalized terms used in these HTF Funding Requirements shall have the meanings below in the body of these HTF Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HTF Funding Requirements that are not defined below are defined in the Regulatory Agreement.]

1. **RECITALS.** The Loan is funded by the Agency with proceeds of the Housing Trust Fund (“HTF”) of the City of Sacramento, established by Sacramento City Ordinance Number 89-013. The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is developed as for-sale residential property (“Project”) with certain units regulated in accordance with the HTF (“HTF-Restricted Units”) by recordation of these HTF Funding Restrictions as covenants running with the land. The Project has been determined to be within a seven mile distance from the non-residential projects generating the funds or has access to existing or planned public transit such that it is reasonable that tenants of the Project could commute from the Project to the non-residential projects generating the funds. The Project conforms to any City “Fair Share” plan currently adopted and in effect. HTF-Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table above. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area. The Project is located within the City of Sacramento (“City”). Most Project Area workers live outside of the Project Area and come from throughout the City, including the vicinity of the Property.

2. **AFFORDABILITY REQUIREMENTS.** Affordability requirements are established by the Rules and Regulations for the Administration of the Low-Income Housing Trust Fund of the City of Sacramento (adopted by Resolution 93-056 of the City Council of Sacramento, California, on February 9, 1993). Owner shall assure that the of the HTF Restricted Units shall be sold at or below the following rates (“Affordable Price”):

a. Low-Income Units shall be sold for amounts that do not exceed payments of thirty percent (30%) of eighty percent (80%) of the of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Restricted Unit.

b. Very Low-Income Units shall be sold for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Restricted Unit.

c. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HTF-Restricted Units by address as stated in the Regulatory Agreement.

d. Owner shall be responsible to determine the affordable amounts for the Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable amounts and will assist Owner in determining such affordable amounts.

3. **OCCUPANCY REQUIREMENTS.** Owner shall assure that all Restricted Units assisted with HTF funds shall be occupied by households earning less than eighty percent (80%) of Median Income (“Qualified Occupant”).

4. **UNIT QUALITY.** Owner shall assure that Restricted Units assisted with HTF funds must be comparable in size and amenities to other units in the Project.

5. **TERM.** These covenants shall burden and regulate the Restricted Units assisted with HTF funds for a term of fifteen (15) years or the term of the financial assistance made to the Project with HTF funds.

6. **PROHIBITION ON NON-QUALIFYING SALE; AGENCY ACCEPTANCE OF QUALIFYING SALE.** For the term of this Regulatory Agreement, Owner is prohibited from selling the HTF-Restricted Unit to a buyer who is not purchasing as an owner-occupant or who is not a Qualified Occupant and from selling the HTF-Restricted Unit at a price that more than an Affordable Price. *No sale of the HTF-Restricted Unit is valid unless and until the Agency has accepted the sale as conforming to this Section 6.* In any event, the resale restrictions shall continue in full force and effect for the term stated in Section 5.

Exhibit 6: Escrow Instructions